

Audit Services RFP Questions

1. What are the reasons for going through the competitive bid process now? **The current contract and the optional extensions have expired.**
 - a. Is the current audit firm allowed to submit a proposal? **Yes**
 - b. How many years have the current audit firm provided audit services? **20 years**
 - c. Did your previous auditors have significant deficiencies? **No**
 - d. Which firms received your RFP? **The RFP was posted on the City's website, enabling any and all firms interested in providing a proposal, access to it.**
 - e. Was last year's scope the same as stated in the RFP (i.e., same reports)? **Yes, except that we are adding an audit of the newly created Costa Mesa Housing Authority and perhaps an audit of the newly created Successor Agency.**
2. Are there any special qualities you are looking for in the firm you select?
Experience, pricing and quality of service.
3. Is the final fieldwork expected to be started around September 1 each year at the latest? **Yes**
4. Approximately how long were the auditors in the field for interim and final?
6 weeks
How many staff did they have out in the field for interim and final?
Between 2 and 4
5. How many weeks are the auditors normally in the field for interim and final fieldwork and how many auditors were on-site for the fieldwork? **See the previous question.**
6. What is the timing for the interim and final fieldwork? **(around March, April or May)** When do you expect the year-end close to be complete? **Around the first week of September 1st.**
7. What was the breakdown of the audit fees for FY 2011?
\$50,000 for the entire audit
8. What is budgeted for this year's audit? **It has not been determined at this time. We are waiting for the results of the RPP process.** Can you provide a breakdown by deliverable? **It's included in the RFP.**

9. What were the prior year fees for all the services provided apportioned to the deliverables as outlined in the RFP, items 3A through 3C? **The fees totaled \$50,000.**
10. When would you prefer to have the year-end fieldwork occur? **No later than the second week of September**
- a. Are you flexible? **Somewhat**
11. May we receive a copy of each of the reports listed in your scope? **Yes**
12. Please provide copies of reports for: **(See attachments at the end)**
- a. the Redevelopment Agency
- b. Community Foundation,
- c. Financing Authority
- d. Housing Authority
- e. Airborne Law Enforcement Services
- f. Single Audit
- g. Management letter (if issued)
- h. the SAS 114 communication
13. Were there any management letter or compliance findings as a result of the prior audit? **Yes**
- a. If so, please provide general explanation and extent **See the management letter and the SAS114 letter attachment at the end.**
14. Was there any management letters issued? **Yes** if so, can you please provide a copy? **See question 13**
15. Will the City prepare the CAFR? Will the City prepare the financial statements for the Redevelopment Agency, Community Foundation, Housing Authority and Airborne Law Enforcement Services?
The City has been preparing the CAFR for the last 8 years. We are requesting the pricing for the City audit which includes the auditors preparing the CAFR and the other pricing which includes the City staff preparing the CAFR. The audit firm will be required to prepare the other required audit reports.
16. Item 3F, Fee Proposal, in the RFP contemplates the auditor to prepare the City's CAFR, yet no mention of preparation of the CAFR is in items 3A to 3C. Please clarify if the auditor is to prepare the City's CAFR. **In the RFP Section 4F, the City is requesting the separate pricing for the auditor's preparation of the CAFR. Currently, the City has been preparing the CAFR but may want to exercise the option of having the audit firm prepare the CAFR in the future.**

17. Does the City have a finance or audit committee? If so, did the auditors meet with this committee?
No
18. The number of audit adjustments proposed by the audit firm in FY 2011?
Two
19. How many journal entries did they propose for 10/11? **Two**
- a. How many journal entries were posted during the prior year's audit? **Approximately 80 month-end and year-end closing entries.** How many of the journal entries were proposed by the auditors? **No more than two.**
20. How many findings/observations did they have for 10/11? **See the attached Management Letter**
21. Are there any significant planned changes in operations over the next fiscal year? **No.**
22. What is typical level of federal award expenditure per year and number of major programs? **\$5 to \$6 Million** any significant changes expected? **No**
23. With regard to the portion of the engagement with the City of Costa Mesa Community Foundation, is the selected firm responsible for preparing the IRS Form 990 and the California Form 199? **No**
24. Can we get copies of prior year's financial statements for the Community Foundation, Public Financing Authority, and Housing Authority? **N/A**
25. How many major programs do you usually have on the single audit?
We've had anywhere from one to four major programs.
26. With regard to the Single Audit- is the City responsible for preparing the data collection form is the auditor? **The Auditors have always prepared the Data Collection Form.**
27. Were there any auditor adjustments? **Two.** If so, please provide general explanation and extent **(1) to correct the outstanding capital lease payable**

and for the fire truck lease (2) to correct the outstanding balance in the General Fund's temporary deposit account.

28. Where there any significant deficiencies or material weaknesses with regard to City operations in the past three years? **Yes. This is the first year we had a material weakness. It pertained to the City capitalizing infrastructure maintenance costs instead of expensing it.** What is the status of findings and questioned costs? **We are currently working on resolving our management letter comments and there were no questioned costs.**
29. Who prepares the basic financial statements and the A-133 Report? **The auditor firm prepares the basic financial statements for all audit reports issued by the City, except for, the CAFR.**
30. With regard to the Costa Mesa Redevelopment Authority – which entity has been named the Successor agency and is the City contemplating performing agreed upon procedures for the former Costa Mesa Redevelopment Authority and the Successor agency? **The City is has been named the Successor Agency and the City is requesting a final audit of the RDA and if there is an audit requirement for the Successor Agency, we will need pricing from the auditors for that audit as well.** If so, who is performing said procedures and on what timetable? **Unknown at this time.** Where is the City in setting up chart of account elements, transferring assets and preparing the required schedules? **We are currently working on it.**
31. Was a single audit performed for fiscal year 2011? **Yes.** If so, what are the estimated 2012 expenditures and programs? **Approximately, \$5 million and most of the funding sources and programs should be similar to FY 2011 with the exception that we won't have as many ARRA funded projects.**
- a. If applicable, may we receive a copy of last year's single audit report? **Yes. See the attached reports below.**
32. If applicable, do you anticipate significant changes in grantors or in federal expenditures? **No.** Any changes to the programs? **No.** Has the District expended ARRA funds? **Yes.** If so, what are the estimated 2012 expenditures and programs? **Approximately, \$400,000 in an ARRA Energy Grant.**
33. What are some of your main concerns regarding policies, operations issues, upcoming changes in accounting reporting requirements, etc? **No**

specific concerns at this time. However, on occasion we will direct questions to our auditors when we encounter new reporting issues or when implementing new accounting pronouncements.