



ADDENDUM NO. 1

REQUEST FOR PROPOSAL FOR FINANCIAL AUDITING SERVICES

RFP NO.: 2018-S-13

Date Issued: January 14, 2019

INSTRUCTIONS:

- (1) PROPOSER is required to comply with this Addendum No. 1.
- (2) This Addendum No. 1 becomes a part of this Request for Proposal.
- (3) **PROPOSER is required to acknowledge this Addendum No. 1 in the proper place on the Certification and Statement of Qualifications form.**
- (4) For additional information, please contact Annie Hinojosa, Director of Procurement, or Sherrié Clay, Procurement Administrator, at (361) 289-2712.

This Addendum No. 1 is issued to make the following changes and clarifications on RFP No. 2018-S-12:

1. The Corpus Christi Regional Transportation Authority's (CCRTA) response to Collier, Johnson & Woods P.C. RFI submission are as follows:

APPENDIX G

REQUEST FOR INFORMATION/EXCEPTIONS/APPROVED EQUALS REQUEST

(Please submit one form for each Request for Information/exception/approved equal)

Page: _____

VENDOR: Collier, Johnson & Woods P.C.

PROJECT: RFP No. 2018-S-13

PAGE: 9 PARAGRAPH: 10 3rd Par SUBJECT: Auditing services performing procedures to obtain audit evidence

Request:

Will you allow proposers, at their expense, to observe the inventories at or close to December 31, 2018. At December 31, 2017 there were \$550,134 of inventories. Observing the inventories, making test counts and getting curt-off at the end of the year has been part of all of our previous audits and is the best way of obtaining audit evidence. Attached are the related auditing standards.



Signature

FOR CCRTA USE

Approved: _____ Disapproved: _____ Clarification: ✓

Response: A CPA firm was engaged to observe the inventory which was conducted on December 28th.



Chief Executive Officer/Designee

AU Section 331

Inventories

.09 When **inventory** quantities are determined solely by means of a physical count, and all counts are made as of the balance-sheet date or as of a single date within a reasonable time before or after the balance-sheet date, it is ordinarily necessary for the independent auditor to be present at the time of count and, by suitable observation, tests, and inquiries, satisfy himself respecting the effectiveness of the methods of **inventory** -taking and the measure of reliance which may be placed upon the client's representations about the quantities and physical condition of the **inventories** .

.10 When the well-kept perpetual **inventory** records are checked by the client periodically by comparisons with physical counts, the auditor's observation procedures usually can be performed either during or after the end of the period under audit.

.11 In recent years, some companies have developed **inventory** controls or methods of determining **inventories** , including statistical sampling, which are highly effective in determining **inventory** quantities and which are sufficiently reliable to make unnecessary an annual physical count of each item of **inventory** . In such circumstances, the independent auditor must satisfy himself that the client's procedures or methods are sufficiently reliable to produce results substantially the same as those which would be obtained by a count of all items each year. The auditor must be present to observe such counts as he deems necessary and must satisfy himself as to the effectiveness of the counting procedures used. If statistical sampling methods are used by the client in the taking of the physical inventory, the auditor must be satisfied that the sampling plan is reasonable and statistically valid, that it has been properly applied, and that the results are reasonable in the circumstances.

[Revised, June 1981, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 39.]

.12 When the independent auditor has not satisfied himself as to inventories in the possession of the client through the procedures described in paragraphs .09 through .11, tests of the accounting records alone will not be sufficient for him to become satisfied as to quantities; it will always be necessary for the auditor to make, or observe, some physical counts of the **inventory** and apply appropriate tests of intervening transactions. This should be coupled with inspection of the records of any client's counts and procedures relating to the physical **inventory** on which the balance-sheet **inventory** is based.

.13 The independent auditor may be asked to audit financial statements covering the current period and one or more periods for which he had not observed or made some physical counts of prior **inventories** . He may, nevertheless, be able to become satisfied as to such prior **inventories** through appropriate procedures, such as tests of prior transactions, reviews of the records of prior counts, and the application of gross profit tests, provided that he has been able to become satisfied as to the current **inventory** .

Document Title:AU Section 331—Inventories
Checkpoint Source:Professional Standards (AICPA)

AU Section 508

Reports on Audited Financial Statements

Scope Limitations

.22 The auditor can determine that he or she is able to express an unqualified opinion only if the audit has been conducted in accordance with generally accepted auditing standards and if he or she has therefore been able to apply all the procedures he considers necessary in the circumstances. Restrictions on the scope of the audit, whether imposed by the client or by circumstances, such as the timing of his or her work, the inability to obtain sufficient appropriate audit evidence, or an inadequacy in the accounting records, may require the auditor to qualify his or her opinion or to disclaim an opinion. In such instances, the reasons for the auditor's qualification of opinion or disclaimer of opinion should be described in the report.

[Paragraph renumbered by the issuance of Statement on Auditing Standards No. 79, December 1995. Revised, March 2006, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 105.]

.23 The auditor's decision to qualify his or her opinion or disclaim an opinion because of a scope limitation depends on his or her assessment of the importance of the omitted procedure(s) to his or her ability to form an opinion on the financial statements being audited. This assessment will be affected by the nature and magnitude of the potential effects of the matters in question and by their significance to the financial statements. If the potential effects relate to many financial statement items, this significance is likely to be greater than if only a limited number of items is involved.

[Paragraph renumbered by the issuance of Statement on Auditing Standards No. 79, December 1995.]

.24 Common restrictions on the scope of the audit include those applying to the observation of physical inventories and the confirmation of accounts receivable by direct communication with debtors. ¹⁴Another common scope restriction involves accounting for long-term investments when the auditor has not been able to obtain audited financial statements of an investee. Restrictions on the application of these or other audit procedures to important elements of the financial statements require the auditor to decide whether he or she has examined sufficient appropriate audit evidence to permit him or her to express an unqualified or qualified opinion, or whether he or she should disclaim an opinion. When restrictions that significantly limit the scope of the audit are imposed by the client, ordinarily the auditor should disclaim an opinion on the financial statements.

[Paragraph renumbered by the issuance of Statement on Auditing Standards No. 79, December 1995. Revised, March 2006, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 105.]

2. The Corpus Christi Regional Transportation Authority's (CCRTA) response to RSM US LLP RFI submissions are as follows:

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REQUEST FOR INFORMATION/EXCEPTIONS/APPROVED EQUALS REQUEST

(Please submit one form for each Request for Information/exception/approved equal)

Page: 1

VENDOR: RSM US LLP

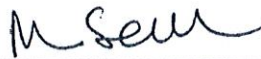
PROJECT: RFP No. 2018-S-13

PAGE: 12

PARAGRAPH: 3.5

SUBJECT: Prior auditors

Request: Will you provide audit fees and hours for the previous year?



Signature

FOR CCRTA USE

Approved: Disapproved: _____ Clarification: _____

Response:

See Attachment I. - Engagement Letter to the Incumbent.



Chief Executive Officer/Designee

Mr. Jorge Cruz-Aedo
December 4, 2017
Page -9-

grantor agencies, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Collier, Johnson & Woods P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide; to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the date the of the report release or for any additional period requested by the oversight agency. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

F. John Shepherd is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fees for these services, plus travel and other out-of-pocket costs such as report production, typing, postage, etc., will be billed as incurred. Our rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. We estimate that our fee for the engagement will be as follows:

Financial Audit of CAFR	36,000
Compliance Audit	6,000
NTD Procedures and Reports	<u>15,000</u>
	<u><u>57,000</u></u>

The fees for the above services will not exceed \$57,000, unless unforeseen circumstances arise in consideration of the turnover of personnel. Such circumstances will be discussed when, and if, encountered. Our invoices for these fees will be rendered as work progresses and are payable on presentation.

Our hourly billing rates are as follows:

F. John Shepherd, Shareholder	250.00
Audit Manager	160.00
Professional Staff	80.00

We appreciate the opportunity to be of service to the Corpus Christ Regional Transportation Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

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REQUEST FOR INFORMATION/EXCEPTIONS/APPROVED EQUALS REQUEST

(Please submit one form for each Request for Information/exception/approved equal)

Page: 2

VENDOR: RSM US LLP

PROJECT: RFP No. 2018-S-13

PAGE: 20 PARAGRAPH: 3.1

SUBJECT: Financial statements

Request: Will you provide copies of all prior year deliverables, except for the CAFR which was obtained from your website

- a. Separately issued pension financial statements
- b. Management letter
- c. Any other deliverables



Signature

FOR CCRTA USE

Approved: Disapproved: _____ Clarification: _____

Response:

- A. 2016 RTA Employee Defined Benefit Plan & Trust Financial Statements will be posted as Attachment II on CCRTA website.
- B. See Attachment III – Management Letter
- C. No other deliverables are attached.



Chief Executive Officer/Designee

August 16, 2018

Board of Directors and Chief Executive
Officer of the Corpus Christi
Regional Transportation Authority

In planning and performing our audit of the basic financial statements of the Corpus Christi Regional Transportation Authority (Authority), and the RTA Employees Defined Benefit Plan and Trust (Plan) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's and the Plan's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's and the Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the following deficiency in the Authority's internal control to be a material weakness.

MATERIAL WEAKNESS

Correction of Depreciation Expense

The Authority computerized its depreciation system from spreadsheets to the FleetNet System. During the conversion, errors in the previous calculations of \$778,279 were discovered. Of these errors \$1,005,310 related to an overstatement of depreciation for the year ended December 31, 2016 and a \$1,783,589 cumulative understatement in prior years. The financial statements were restated to correct these errors.

Spreadsheet

The Authority uses several similar complex spreadsheets to create the annual financial statements and reporting to the National Transportation Database (NTD). These spreadsheets, like the prior depreciation worksheets, were created by people no longer with the Authority and have no documentation of how they work or the underlying formulas. This resulted in several errors occurring that were not detected in the normal course of preparing and reviewing the reports. Additionally, the resulting reports should be reviewed by someone other than the preparer and the preparer and reviewer should be documented by their responsibilities by initialing the document

Recommendation

The Authority corrected the depreciation issue by converting to a computer system. The financial statement and NTD worksheets need to be reviewed and documented. Documentation should include step-by-step instructions and an explanation of formulas and rationale of all allocations.

We consider the following deficiency in the Authority's internal control to be a significant deficiency

SIGNIFICANT DEFICIENCY

Actuarial Data

To ensure the Net Pension Obligation is correctly calculated, the Authority sends the previous year's payroll data to the actuary. During our audit we found that several employees' wage information was omitted from the report sent to the actuary.

Recommendation: The Authority should review and compare the information being sent to the actuary to the complete payroll report generated by FleetNet prior to being sent. The review should be documented.

In addition, during our audit, we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions regarding those matters are summarized below

Small Purchases

The Authority's policy on small purchases is not being followed. We found that a purchase made by check did not include a small purchase order as required by policy.

Recommendation: The Authority should ensure that policies are updated and implemented. Employees should receive the most current policies annually.

New Hire Paperwork

While ensuring that newly hired employees' files contained policy acknowledgements and I-9 forms, we found missing and incomplete documents.

Recommendation: The Authority has many new hires every year with just one employee ensuring personnel files are complete and accurate. We recommend that a second review of new hire personnel files is conducted before being deemed complete.

Chart of Accounts

During our agreed upon procedures related to the NTA annual reports and as pointed out in the FTA Financial Management Oversight Review the current general ledger chart of accounts was not organized in a way that would facilitate NTD reporting without numerous adjustments.

Recommendation: The Authority should consider changing their chart of accounts with an emphasis on generating information necessary for reporting to the NTD. The chart of accounts should conform with guidance in the Uniform System of Accounts from the National Transit Database which contains the accounting structure required by Federal Transit Law.

We have already discussed these comments and recommendations with various members of management, and we will be pleased to discuss them in further detail at your convenience.

This letter does not affect our report dated August 16, 2018 on the basic financial statements of the Corpus Christi Regional Transportation Authority.

This letter is intended solely for the information and use of the Directors of the Authority, management, federal and state agencies and pass-through entities, and not intended to be, and should not be used by anyone other than these specified parties.

Collier, Johnson & Woods

APPENDIX G

REQUEST FOR INFORMATION/EXCEPTIONS/APPROVED EQUALS REQUEST

(Please submit one form for each Request for Information/exception/approved equal)

Page: 3

VENDOR: RSM US LLP

PROJECT: RFP No. 2018-S-13

PAGE: 20-24

PARAGRAPH: 3.1-4.8

SUBJECT: Timeline

Request: Will you provide estimated timeline for audit fieldwork and presentation to the Board of Directors and management?

- a. Inerim fieldwork
- b. Year-end fieldwork
- c. Draft of CAFR available to review
- d. Draft of Pension report available to review
- e. Date of anticipated presentation to the Board of Directors and management.



Signature

FOR CCRTA USE

Approved: Disapproved: _____ Clarification: _____

Response:

Attachment IV – Estimated Timeline has been provided.



Chief Executive Officer/Designee

Attachement IV

TIMELINE

Date

Staff will be working concurrently on NTD reporting which is due April 30th.

2/27/2019	Recommendation will be made to CCRTA's Board of Director's Committee Meeting
3/6/2019	Recommendation will be made to CCRTA's Board of Director's for Contract Award
3/13/2019	Contract Award Executed/Engagements
3/18/2019	Initial Auditor Meeting (kick off meeting) with DOF and MDOA To set objectives, deadlines & digital placement of documents establish an agreement on conflicts or questions, milestone meetings, and key staff roles and responsibilities, review audit request list
3/18/2019	Annual Trust Statements Available
4/15/2019	Trial Balance available/items on audit request list
4/30/2019	CAFR Available

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Page: 4

VENDOR: RSM US LLP

PROJECT: RFP No. 2018-S-13

PAGE: 10-12

PARAGRAPH: 2.1-3.4.2

SUBJECT: Predicted changes in systems, staffing, or types of transactions expected from the previous year.

Request: Are any major changes in systems, staffing, or types of transactions expected from the previous year?



Signature

FOR CCRTA USE

Approved:

Disapproved:

Clarification:

Response: No



Chief Executive Officer/Designee

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Page: 5

VENDOR: RSM US LLP

PROJECT: RFP No. 2018-S-13

PAGE: 31-33

PARAGRAPH: N/A

SUBJECT: Price Schedule

Request: On the proposed fee / price schedule, do you want each year broken out for the three-year base and two-year option or just totals for each?



Signature

FOR CCRTA USE

Approved:

Disapproved:

Clarification: ✓

Response: Year by year



Chief Executive Officer/Designee

APPENDIX G

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Page: 6

VENDOR: RSM US LLP

PROJECT: RFP No. 2018-S-13

PAGE: 13 PARAGRAPH: 4.0

SUBJECT: Proposal Requirements

Request: Page 13, Paragraph 4.0, Proposal Requirements states "Proposal Submission Checklist" is "Appendix I"; however, it is "Appendix H". Please clarify.



Signature

FOR CCRTA USE

Approved: _____

Disapproved: _____

Clarification:

Response:

Proposal Submission Checklist is Appendix H. 4.0 has been revised with the correct information.



Chief Executive Officer/Designee

APPENDIX G

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Page: 7

VENDOR: RSM US LLP

PROJECT: RFP No. 2018-S-13

PAGE: 13
and Appendix H

PARAGRAPH:

SUBJECT: Fee/Price Schedule

Request: Checklist/Appendix H states 1 original Price Schedule and No Other Copies.
Should a USB of the Fee/Price Schedule be included with the response?
Should the Schedule of cost be titled as Fee Schedule or Price Schedule?



Signature

FOR CCRTA USE

Approved: _____

Disapproved: _____

Clarification:

Response:

Fee Schedule shall be in a separately sealed envelope, not included in the proposal. The proposal must have one original proposal, Five hard copies of the proposal and one electronic copy on a USB flash drive. **Do not include the fee schedule** in the original, hard copies and USB flash drive.



Chief Executive Officer/Designee

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Page: 8

VENDOR: RSM US LLP

PROJECT: RFP No. 2018-S-13

PAGE: 13 Bullet list PARAGRAPH: Bullet list SUBJECT: Order of response
13-14 (4.1 through 4.1.7) 4.1 thru 4.1.7
42 Appendix H Checklist Appendix H Checklist

Request:

Should the response flow in the order of page 13 bullet list, pages 13-14 4.1 through 4.1.7 or page 42 Appendix H?



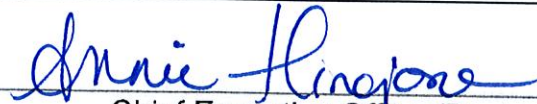
Signature

FOR CCRTA USE

Approved: _____ Disapproved: _____ Clarification:

Response:

Refer to page 13 section 4.0 Proposal Requirements for instructions on the Proposal Contents and Format.



Chief Executive Officer/Designee