



**Independent Audit Services RFP  
Solicitation Number: R-22-001-LE**

**ADDENDUM 1  
April 22, 2022**

To Respondent of Record:

<b>RESPONSES TO QUESTIONS</b>
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**1. Question: Section I.C.1.b references a federal single audit under 2 CFR Part 200. Does SAWS anticipate a state single audit? If so, how many major programs are anticipated?**

*Response: No, SAWS does not anticipate a state single audit.*

**2. Question: Section I.C.1.g references client training webinars qualifying for CPE. Will webinars offered by the firm on relevant topics suffice to fulfill this requirement or is the expectation that trainings will be developed specifically for SAWS? Also, is there a minimum number of CPE SAWS would like?**

*Response: Webinars offered by the firm on relevant topics would suffice.*

**3. Question: What were the fees for the services outlined in the RFP in the prior year?**

*Response: The fees related to the annual audit Services for FY21 were \$214,000.00. The fees related to the Texas Commission of Environmental Quality (TCEQ) services for FY21 were \$2,500.00.*

**4. Question: What were the estimated hours incurred for the services outlined in the RFP in the prior year?**

*Response: SAWS does not have this information.*

**5. Question: Has SAWS begun its implementation of GASB 87? If so, does management have an estimated number of leases that will be reported under GASB 87?**

*Response: SAWS plans to implement GASB 87 in 2022. The inventory of leases includes approximately 40 agreements where SAWS is the lessee and 40 agreements where SAWS is the lessor. Of these lessee agreements, approximately 20 are reflected in the 2021 financials.*

**6. Question: What was the percentage of the contract that was subcontracted to SWMBE(s) in the prior year?**

*Response: 25%*

7. **Question:** Can you provide the names of the SWMBE(s) that provided services as part of the current contract with SAWS?
- Response:* The participating sub-consultant for the current auditor is Michael Garza and Company, LLC.
8. **Question:** Section V.A.1 requires the Respondent to submit a copy of a Certificate(s) of Insurance giving evidence of the various lines of Respondent's commercial insurance coverage currently in force. As a national firm that serves thousands of governmental entities, we carry insurance to provide services to large entities, such as SAWS. Could we provide an attestation for purposes of the proposal and provide the necessary insurance documents upon award?
- Response:* Yes, this is what SAWS is seeking. SAWS will obtain the final Certificate of Insurance verifying required coverage from the selected Auditor.
9. **Question:** Please confirm that SAWS does not want a fee estimate for the SAWS Retirement Plan financial statement audit at this time.
- Response:* No fee estimate is requested at this time for the SAWS Retirement Plan financial statement.
10. **Question:** Has the SAWS Retirement Plan been previously audited?
- Response:* No, they have not been previously audited.
11. **Question:** If the SAWS Retirement Plan has been previously audited, were there any identified control deficiencies, significant deficiencies, or material weaknesses?
- Response:* N/A
12. **Question:** Do you anticipate any significant IT events (conversions, upgrades, implementations, etc.) in the near term (3-5 years)?
- Response:* SAWS is in the process of a financial system upgrade, which encompasses our financials, supply chain management, HR and payroll processes.
13. **Question:** Have there been any changes in key personnel contacts for the audit from the prior year?
- Response:* No.
14. **Question:** May we request SAWS' most recent management letter?
- Response:* Yes, please see the attachment attached to this addendum.
15. **Question:** Please confirm that the fee estimate for the Uniform Guidance audit related to federal awards is under the assumption there will be one major federal program? Does SAWS anticipate any additional major programs during FY22? Did you receive and expend federal funds related to COVID-19 i.e. ARPA?

*Response: For FY21, SAWS had one major federal program. For FY22, SAWS will be a sub-recipient of the City of San Antonio's ARPA funding. Any potential funding from the Infrastructure Investment and Jobs Act is not known at this time.*

**16. Question: In your most recent financial statement audit, were there any identified control deficiencies, significant deficiencies, or material weaknesses?**

*Response: No.*

**17. Question: What was the cost of the latest financial audits, including Agreed-upon procedures required by TCEQ? Any additional amounts billed for out-of-scope work?**

*Response: Refer to the response for question #3 in this addendum.*

**18. Question: Were there any proposed adjusting journal entries recorded in the past two years' audits?**

*Response: No.*

**19. Question: What is the reason for the RFP? Will the current firm be able to propose again?**

*Response: The current audit services contract will expire this year. The current firm will be able to propose again.*

**20. Question: How detailed should the itemized task listing be as required in the "Engagement Approach", is this a factor in the calculation of 30-page limitation to the proposal length?**

*Response: Please be as detailed as possible within the 30-page proposal length limitation.*

**21. Question: Approximately how many leases does SAWS have? Does management believe GASB 87 will have a material impact on the financial statements and will accounting personnel be implementing that standard or prefer assistance from their accounting firm on implementation? Do you anticipate adopting GASB 96 early in relation to the implementation of GASB 87?**

*Response: Refer to the response to question #5 in this addendum. SAWS does not anticipate any material impact from adopting GASB 87. SAWS will implement with guidance from the selected audit firm. SAWS is currently evaluating GASB 96 and does anticipate implementing in 2022. SAWS currently has approximately 45 agreements that may be covered by GASB 96. SAWS does not anticipate any material impact from adopting GASB 96.*

**22. Question: Does management believe GASB 91 or GASB 92 will have a material impact on the financial statements and will accounting personnel be implementing that standard or prefer assistance from their accounting firm on implementation?**

*Response: SAWS does not have any agreements covered by GASB 91. The SAWS finance department has evaluated GASB 92 and does not anticipate any material impact and will be implemented in 2022 by the SAWS Finance department with guidance from the guidance firm.*

**23. Question: When are the financial statements and AUP reports presented to the Board for approval?**

*Response: The financial statements and AUP reports are presented to the Audit Committee in late-March and then presented to the Board of Trustees in April.*

**24. Question: What level of assistance does SAWS provide to the current audit firm (financial statement preparation, use of internal audit, etc)?**

*Response: SAWS prepares its own financial statements. SAWS Internal Audit group provides their completed internal audit reports to the current audit firm.*

**25. Question: Is the transition to a new auditor a concern? If so, why? What would lessen your concern?**

*Response: SAWS understands first-year audits require a significant effort to explain our processes.*

**26. Question: Are there any disagreements with the current auditor?**

*Response: No.*

<b>END OF ADDENDUM 1</b>
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This Addendum including these four (4) pages, is eleven (11) pages with attachments in its entirety.

Attachments:

- SAWS Management Letter (7 pages total)



March 30, 2022

Baker Tilly US, LLP  
901 S Mopac Expressway  
Bldg. IV, Ste. 100  
Austin, TX 78746

We are providing this letter in connection with your audits of the basic financial statements of the San Antonio Water System, a component unit of the City of San Antonio, Texas ("SAWS"), including SAWS Fiduciary Funds as of December 31, 2021 and 2020 and for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position of SAWS and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all funds required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
8. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
10. Guarantees, whether written or oral, under which SAWS is contingently liable, if any, have been properly recorded or disclosed.

*Information Provided*

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
15. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements other than those disclosed to you.
16. We have disclosed to you the names of our related parties and all the related party relationships and transactions, including any side agreements.
17. We have provided all water supply agreements, have analyzed such agreements and concluded that reporting as commitments under U.S. GAAP is appropriate.

*Other*

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have taken timely and appropriate steps to remedy any fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our (your) report.
23. SAWS has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
24. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
25. There are no:
  - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - d. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
26. SAWS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. SAWS has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
28. The financial statements properly classify all funds and activities.
29. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

30. We believe that we have properly identified all derivative instruments and any embedded derivative instruments that require bifurcation. SAWS' hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies. SAWS follows the valuation, accounting, reporting and disclosure requirements outlined in GASB Statement No. 53. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives and hedged items have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at year end.
31. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
32. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
33. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
34. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
35. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
36. Tax-exempt bonds issued have retained their tax-exempt status.
37. We have appropriately disclosed SAWS' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
38. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
39. With respect to the supplementary information, (SI):
  - a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
40. We assume responsibility for, and agree with, the findings of specialists in evaluating the pension plans and other postemployment net liabilities, self-insurance program and arbitrage rebate liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.



41. We have implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and believe that all liabilities, deferred outflows and deferred inflows have been identified and properly classified in the financial statements and any other required classifications and RSI have been computed in compliance with the Standard.
42. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB Statement No. 72 – *Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.
43. We have evaluated and identified any legally enforceable asset retirement obligations. We assume responsibility for measuring the asset retirement obligations. We have adequately determined the amounts and disclosures used in the financial statements and underlying accounting records.
44. All activities that meet the criteria in GASB Statement No. 84 for presentation as fiduciary activities have been identified and presented as such.
45. Any direct borrowings, direct placements, lines of credit or debt default clauses have been identified and properly disclosed.
46. The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditor's report thereon. Our annual report is comprised of the following documents Financial Section, Required Supplemental Information, Basic Financial Statements, Notes to Financial Statements, Supplemental Information, and Bonded Debt Schedules and Analyses. We have provided you with the final version of such documents. There are no material inconsistencies between the financial statements and any other information contained within the documents that comprise the annual report.
47. With respect to federal award programs:
  - a. We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
  - b. We acknowledge our responsibility for presenting the SEFA in accordance with the requirements of the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
  - c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.

- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are administering our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to the programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Compliance Supplement relating to federal.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- l. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- n. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o. We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- p. No changes have been made in internal control over compliance or other factors that might significantly affect internal control subsequent to the date as of which compliance was audited.
- q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

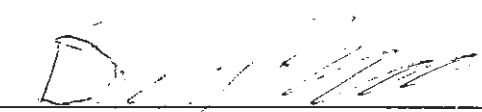
- r. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s. We have charged costs to federal awards in accordance with applicable cost principles.
- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- v. We are responsible for preparing and implementing a corrective action plan for each audit finding.

Sincerely,

San Antonio Water System

Signed:  \_\_\_\_\_

Robert R. Puente, President/Chief Executive Officer

Signed:  \_\_\_\_\_

Doug Evanson, Senior Vice President/Chief Financial Officer

Signed:  \_\_\_\_\_

Cecilia Velasquez, Senior Director of Accounting/Controller