



Questions and Answers for
Solicitation No: R-15-002-MF
Request for Proposal
Independent Audit Services
June 5, 2015

- **Why is San Antonio Water System issuing this RFP for Independent Audit Services?**
- **What prompted the SAWS to issue RFP for audit services this year?**
- **What do you like or not like about the current level of service?**
 - *The current Independent Audit Services contract has expired.*
 - *This RFP is not a reflection of any dissatisfaction with the level of service provided under the expired contract.*

- **Will the incumbent (Padgett Stratemann) provider be allowed to submit a proposal?**
- **Will the incumbent auditor be allowed to propose on this RFP, or has a decision been made for a change in auditors?**
 - *Yes, Padgett, Stratemann & Co. will be allowed to submit a bid.*

- **How long have your prior auditors been providing you with audit services?**
 - *Padgett, Stratemann & Co has performed the annual audit since 2005.*

- **Have they provided you with other services besides the audit? Describe those services.**
 - *Since 2005 Padgett, Stratemann & Co has provided services similar to those described in the RFP, Section I, paragraph C., Scope of Services.*

- **Approximate prior year audit fees?**
- **What were your fees for the 2014 audit of SAWS and the DSP? What were the fees for the retirement plan audits?**
- **What were the approximate audit fees in the prior 3 years?**
- **What were the 2014 audit fees?**
- **Approximate prior year audit fees?**
 - *2014 - \$203,500, 2013 - \$220,500, 2012 – \$226,000.*
 - *These fees cover both SAWS and SAWS DSP audits.*
 - *The retirement plans were not separately audited.*

- **For #6 on page 7/8 of the RFP, you have the proposed fee schedule for 2015 through 2017. Do you want the fees broken out into three categories for each year (SAWS annual audit, DSP annual audit, and single audit) or will total fees for each year suffice?**
 - *Total fees for each year will suffice.*

- **Related to additional services, are you looking for fee proposals on these items as well, or will those be negotiated as needed?**
 - *Additional fees will be negotiated as needed. Please refer to the RFP, Section IV, paragraph C, item 6 – Proposed Fee Schedule.*

- **Please provide a copy of the last agreed-upon procedures (as set forth in the Texas Administrative code title 30, part 1, chapter 37, subchapter c) required by the Texas Commission on Environmental Quality (TCEQ) related to SAWS desalination well injection permit.**
 - *The 2014 agreed upon procedures are attached as Supplemental Information.*

- **Please provide a summary of the audits conducted by the Internal Audit Department during 2014 and 2015. Provide copies of any reports issued by the internal audit department.**
 - *Copies of the SAWS internal audit plan for 2014 and 2015 are attached under Supplemental Information.*
 - *Due to confidentiality issues, copies of internal audit reports will be provided to the selected audit firm once under contract.*

- **What accounting system does SAWS use?**
- **Has SAWS installed any new IT systems during 2015?**
- **What software do you utilize for maintaining the general ledger?**
- **What accounting software do you utilize to maintain the general ledger?**
- **What software system does SAWS use for general ledger and utility billing? Have any major system changes been made in FY 2015, or are any expected in 2016?**
 - *SAWS uses LAWSON version 9.01 for the general ledger and other accounting functions.*
 - *The utility billing system is INFOR Public Sector CIS Billing.*
 - *There are no major changes scheduled for 2015 or 2016.*
 - *A new Contract and Project Management system was implemented on June 1, 2015.*

- **In 2015, what are the new accounting issues, capital projects and initiatives allocated resources by management?**
 - *The best source for this information is the 2015 budget book which is located on WWW.SAWS.ORG under the “Financial Transparency” section in the “Who We Are” page.*

- **What is the bond activity for 2015, issues and refunds?**
- **Any new bonds or refunding of bonds during the fiscal year?**
- **Any new federal programs in 2015?**
 - SAWS issued the following bonds in 2015:
 - \$75,920,000 City of San Antonio Water System Junior Lien Revenue Bonds, Series 2015A through the Texas Water Development Board's Drinking Water State Revolving Fund, which was a new money issue.
 - \$303,235,000 City of San Antonio Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund), which refunded the City of San Antonio Water System Junior Lien Revenue and Refunding Bonds, Series 2004, Junior Lien Revenue and Refunding Bonds, Series 2004-A, and Revenue Bonds, Series 2005, as well as providing new money.
 - No other bond issues are expected to be issued during the remainder of 2015.
- **Do you anticipate any changes to the number of programs or major programs? Have you evaluated the impact of OMB grant reform?**
- **Do you anticipate any significant increase or decrease in the level of federal and state grants in the upcoming fiscal year?**
- **Did SAWS receive the same federal grants and level of funding as the prior year or are there new grants?**
 - *We do not anticipate any significant increase/decrease in the level of federal/state grants.*
 - *SAWS is currently evaluating the impact of OMB grant reform.*
- **What has the general timeline of the audit been? When, and for how many weeks, were the previous auditors on-site?**
- **What was the audit schedule for 2014? Dates for interim and final field work.**
- **When does preliminary and final fieldwork normally occur?**
 - *Preliminary field work is generally in November and continues for 2 to 3 weeks.*
 - *Final field work begins in the last week in January or first week in February and continues for 6 to 7 weeks.*
- **How many auditors were onsite for final and preliminary fieldwork and for how long?**
- **What were the total hours to complete the 2014 financial audit?**
- **How many auditors were onsite in the past and for how many weeks? Please provide information separately for both interim and final phases of the audit.**
 - *The number of auditors onsite varies from week to week. SAWS did not request nor receive a detailed accounting of audit staff hours.*

- **How much effort (in hours) was provided by internal audit personnel to the external auditors? What is the expected level for FY 2015 and beyond?**
 - *SAWS Internal Audit Department conducts financial, operational and compliance audits throughout the year. While the selected firm chosen may utilize this work as they deem fit, all audit testing will be the responsibility of the selected firm.*

- **Does SAWS have an Audit or Finance Committee?**
- **When does the audit committee meet?**
- **How many meetings is the auditor expected to have with the audit committee and the board in each year? In the RFP it was noted there was one meeting in April to present the final report; will there be other meetings required?**
 - *The audit committee regularly meets in January, April, July and October.*
 - *There is one (1) additional special meeting in late March to discuss the results of the external audit.*
 - *The external auditor should plan on providing a briefing to the Audit Committee at either the October or January meeting and presenting final audit results at the special meeting in March. Additionally, the external auditor should be present at the April Board of Trustees meeting when the audit report is formally approved by the Board.*

- **Has SAWS experienced any personnel turn-over in key financial positions?**
- **Has SAWS undergone any significant changes since the last audit such as a change in accounting or operation software or turnover in key finance/accounting personnel?**
- **Has the SAWS undergone any significant changes or activities since the last audit (such as a change in operations, issuance of bonds, and turnover in key finance or accounting personnel or new financial transactions)?**
 - *SAWS has not had any turnover in key finance/accounting personnel or changes in operation software with the exception of the new Contract and Project Management System software mentioned earlier.*
 - *SAWS has issued bonds as discussed above.*

- **Related to SAWS DSP do you anticipate a separate CAFR will be issued for 2015, 2016 & 2017? If not please explain when it will be fully integrated with SAWS.**
 - *SAWS DSP does not issue a CAFR. An annual financial report is prepared by SAWS staff and will be needed for as long as SAWS DSP exists as a separate entity. Please refer to the RFP, Section IV, paragraph C, item 6 – Proposed Fee Schedule.*

- **Will there be a requirement for the TCEQ agreed-upon procedures each year of the contract related to SAWS desalination well injection?**
 - *Yes.*

- **Does SAWS outsource any financial functions to a third party provider? If so, is a SSAE 16 report available and does SAWS routinely evaluate the controls?**
 - *No.*

- **Has the San Antonio Water System Retirement Plan (SAWSRP) ever had separately issued financial statements. If so, can you provide a copy of the most recently issued FS?**
- **Does SAWS Retirement plan issue a separate financial statement and independent audit opinion?**
 - *The SAWS Retirement Plan does not issue separate financial statements.*

- **Has SAWS evaluated the GASB 68 implementation issues for the Texas Municipal Retirement system (TMRS), an agent multiple-employer public employee retirement system. Will the plan prepare a schedule of changes in fiduciary net position by employer and related notes to the schedule? Has the plan engaged its auditors to opine on the schedule of fiduciary net position by employer either through an opinion on the schedule as a whole combined with a SOC 1 Type 2 Report on the controls over the calculation and allocation of additions and deductions to employer accounts or an opinion on each employer column in the schedule.**
 - *Yes, SAWS has evaluated the GASB 68 implementation issues for TMRS.*
 - *The following information related to the GASB 68 requirements is on the TMRS website:*
 - *The actuarial valuation report and certification letter specific to each employer will be contained in the GASB 68 Employer Reporting Package, available on the TMRS website in late July 2015.*
 - *The plan actuary (for TMRS, this is GRS) issues a separate actuarial valuation report specific to each employer, which includes an actuarial certification letter addressed to employer/city management; and*
 - *The plan (TMRS) engages its auditor (KPMG) to issue a service organization controls 1 (SOC 1) Type 2 report on controls over census data maintained by the plan.*
 - *TMRS will provide SAWS a full GASB reporting package in July 2015.*

- **Over the past 2 years, were any management letters issued, or significant deficiencies or material weaknesses in internal control reported?**
- **Were there any significant deficiencies or material weaknesses in the prior year audit? If so, have you implemented any new policies or procedures to address them?**
- **Were there any adjusting journal entries made as a part of the 2014 audit? If so, can you please attach?**
- **Number and nature of prior year audit adjustments?**
- **How many audit adjustments were made in the previous fiscal year that was proposed by external auditors?**
- **Can you please provide a copy the 2014 single audit report, management letter, and recommendations letter?**

- **Was a management letter issued for the previous year? If yes, then please provide a copy.**
- **Please provide copies of SAWS's single audit reports for fiscal years 2013 and 2014.**
- **Can we get a copy of the prior year management letter?**
 - *During the last two years, the external auditors have not noted any significant deficiencies or material weaknesses in internal control nor identified any audit adjustments.*
 - *Management letters for the last two years are provided under separate letter.*
 - *The single audit reports are included in the CAFRs which are available on WWW.SAWS.ORG.*
- **Can you provide the GFOA comments for the 2014 CAFR, if received? If 2014 has not been received, can you provide the comments for 2013 CAFR?**
 - *The GFOA comments for the 2014 CAFR have not been received. The 2013 comments are provided under separate letter.*
- **When is the CAFR usually prepared and ready for the auditor to review?**
 - *A draft of the basic financial statements will be submitted to the auditors the first week of March. A draft of the complete CAFR is submitted to the auditors by the 3rd week of March and finalized by mid-April.*
- **In the RFP SAWS states that they will prepare the CAFR – will SAWS also print and bind the document?**
 - *Yes.*
- **Does the 50 page limit include resumes?**
 - *Yes.*
- **How much of the current contract is subcontracted to SMWBs?**
 - *25% of the contract was subcontracted to a SMWBE.*
- **Do subcontractors need to complete the Conflict of Interest Questionnaire?**
 - *No.*