



THE CITY OF KEY WEST

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ADDENDUM NO. 3

Independent Auditing Services

RFP 23-003

This addendum is issued as supplemental information for clarification. The referenced request for proposal is hereby addended in accordance with the following items:

The following questions have been received by the City and are answered below.

1. Section 2.1 of the RFP states that the General Employees' Pension Plan will be audited by other auditors and therefore does not fall under the scope of this proposal. I noticed that the City's ACFR for the fiscal year ended September 30, 2022 did not make a reference to a separate financial statement for this plan or other auditors for this plan, so I would like to confirm that the General Employees' Pension Plan does in fact not fall under the scope of this proposal.
Answer: The RFP states that the General Employee's Pension Plan does not fall under the scope of this proposal. The financial statements of the General Employee's Pension Plan will in fact need to be audited as well and will be an add on to the contract to the firm selected for the Independent Auditing Services award.
2. Why is the City going out for RFP for auditing services?
Answer: The term for the City's previous contract for Independent Auditing Services has lapsed.
3. Were there any journal entries discovered by the auditors during the 2022 audit process?
Answer: Yes.
4. How many auditors and how many days were the auditors in the field for interim and final fieldwork of the audit?
Answer: The City has previously experienced 3 auditors on site for a 2 week period as well as remote work.
5. Do you have a preference for in-person, remote, or hybrid fieldwork?
Answer: The City prefers a hybrid approach to the audit.
6. What is the City's historical experience in exchanging information for the audit? Do you utilize a secure website for document exchange, a software solution, shared City drives with the auditor, or another solution?
Answer: The City has previously shared system access and exchanged information via email.
7. Did the City use a software solution for the implementation of GASB 87? If not, what was the strategy to calculate the lease asset/liability?
Answer: The City has a subscription to the DebtBook application which was previously used to calculate the lease asset/liability.
8. What is the City's plan for the implementation of GASB 96? Specifically, is there a software solution that will be utilized?
Answer: The City has a subscription to the Debtbook application which will be utilized for the GASB 96 implementation.
9. Do you anticipate a significant impact on the City's financial statements with the upcoming implementation of GASB 94?
Answer: The City does not foresee a significant impact with the implementation of GASB 94.

10. Does the City expect the auditor to assist with the calculation and reporting of any full accrual liabilities such as pensions and OPEB?
Answer: The City expects the auditor to assist with the calculation and reporting of the General Employee's Pension Plan.
11. What is the City's primary accounting software?
Answer: The City utilizes the Central Square One Solution system.
12. What other software is utilized in the accounting and reporting function?
Answer: The City also uses MS Excel.
13. Does the City provide the auditor read-only access to the primary accounting software?
Answer: Yes.
14. Is there any anticipation of significant technological changes in the next few years?
Answer: The City may change financial software platforms over the term of the proposed contract.
15. Outside of the audit process, what does the City find/define value from its auditors?
Answer: The City finds great value in the availability of the auditing firm staff to answer questions from time to time regarding the best practices of a financial nature.
16. Were there any major audit or accounting issues identified for 2022? Any anticipated ones for 2023?
Answer: No, there were no major issues identified in 2022 and there are no issues anticipated for 2023.
17. What part of the audit process would the City like to improve over the past audits?
Answer: The City does not have any issues with the way the audit process has been completed in the past.
18. What transition issues would the City be concerned about if the audit is awarded to new auditors?
Answer: None. The City seeks a qualified and experienced independent Certified Public Accounting firm to express an opinion on the fair presentation of its financial statements in conformity with accounting principles generally accepted in the United States.
19. Have there been any significant changes in key staff in the past year that would affect the 2023 audit?
Answer: The City has had several changes within the Finance Department as the result of retirements.
20. Are there any significant changes in federal funding anticipated for 2023? How many major programs are anticipated for 2023?
Answer: The City did not have any significant changes in federal funding in 2023.
21. Who is responsible for the accounting and reporting for the discretely presented component unit (Community Redevelopment Authority)?
Answer: The City is responsible for accounting and reporting.
22. Is it the auditor's responsibility to prepare the City's ACFR in full, based on information provided by the City?
Answer: Yes, it is the City's expectation that part of the audit's deliverables is the City's ACFR.
23. Is it the auditor's responsibility to prepare the financial statements of the Community Redevelopment Authority in full, based on information provided by the City?
Answer: Yes, it is the auditor's responsibility to prepare the financial statements for the Community Redevelopment Authority based on information provided by the City.
24. Does the City contract with a third-party administrator to process claims for the self-insurance fund? If so, what entity do you work with?
Answer: Yes, the City utilizes Relation Insurance as our TPA.
25. Assuming each bidder's proposed fees are equal, what is the next most important thing to the City?
Answer: Section 2.6 of the Bid Document, Method of Award outlines Evaluation Criteria by level of importance details the decision making criteria.
26. What was the breakdown of total fees for 2020, 2021 and 2022? This would include audit, single audit, and any other charges.
Answer: Total fees for 2020, 2021, and 2022 were \$135,000, \$141,000, and \$142,000.
27. Will the City accept the proposal in email format only, or will it be required to mail in a copy?
Answer: The City will only accept sealed proposals addressed and delivered to the City Clerk at 1300 White Street, Key West, FL 33040.
28. What were the audit fees for the prior 3 years?
Answer: Total fees for 2020, 2021, and 2022 were \$135,000, \$141,000, and \$142,000.

29. What is the level of effort/hours that the incumbent has provided for the previous years audits? If total hours are unknown, how many auditors worked on the engagement at the various phases of the work?
Answer: Total hours are unknown, however, the City had at least 3 auditors dedicated to completing our annual audits.
30. Are there any significant changes in operations in the current year vs. the prior year including changes in policies and procedures, personnel, or the reporting entity?
Answer: There have been no significant changes in policies and procedures or the reporting entity, however, as a result of retirements, there are several changes in the Finance Department personnel.
31. Please comment on extent of decentralized operations within the City? Describe any decentralized accounting functions that may require site visits during the audit?
Answer: The City has 18 different departments. The departments that are decentralized that perform accounting functions include two marinas, transportation, and the transfer station. It is not anticipated that any of these decentralized locations will require audit site visits.
32. What computer systems are used for general ledger operations? Which systems manually interface with the general ledger? Which systems automatically interface with the general ledger?
Answer: The City utilizes the Central Square One Solution system.
33. Please comment on the City's quality of the documentation of the accounting systems, policies, and procedures.
Answer: The City of Key West's documentation of accounting systems, processes, and procedures resulted in a favorable audit and the GFOA Certificate of Achievement for Excellence in Financial Reporting for fiscal year 2022.
34. Has there been any disagreement with the current auditor firm? If yes, please provide some background on the issue.
Answer: No, there has not been any disagreement with the current auditing firm.
35. Has there been any untimely (not retirement related) resignations of management level employees?
Answer: There have been many changes to management over the last year, but mostly as a result of retirements.
36. Has the City investigated a fraud in the last two years?
Answer: No, the City has not investigated any fraud in the last 2 years.
37. What are the two most significant issues facing the City in the next two years?
Answer: As the cost of personnel, goods and services continues to rise, the City will be addressing funding for its strategic goals and priorities by identifying enhancements to existing revenues as well as exploring new revenues. In addition, the City will be discussing and planning how to effectively address affordable housing and sea level rise while maintaining a financial balance between public safety, infrastructure needs, and general governmental services.
38. Describe any relationships with third party service providers used by the entity that may have an impact on the accounting or financial reporting of the entity (i.e., ADP, Paychex, etc).
Answer: The City has good relationships with the few third party service providers we use. The City does not currently use ADP or Paychex.
39. In the previous three fiscal years, have there been any additional billings/change orders related to the audits in excess of the fixed base fees? If so, to what extent and for what reason(s)?
Answer: Yes. The addition of the requirement to have a separate CRA audited financial statements in 2020 resulted in an additional fee.