

CERTIFICATE OF ACKNOWLEDGMENT OF RECEIPT OF ADDENDUM

THE CITY OF READING

ADDENDUM NO. 1

RFP: Audit Services

DUE DATE: 3:00 P.M. Prevailing Time,  
November 19, 2014

NOTICE

This addendum must be signed, attached to, and returned with your proposal to the City of Reading by the time and date indicated ABOVE:

**Q1. IS HERBEIN CPA'S AND CONSULTANTS STILL YOUR CURRENT AUDITOR?**

**A1. YES**

**Q2. ARE THEY ELIGIBLE TO PROPOSE ON THIS RFP?**

**A2. YES**

**Q3. ARE THERE ANY CLIENT SERVICE ISSUES OR OTHER COMPELLING REASON TO CHANGE AUDITORS AT THIS TIME?**

**A3. NO**

**Q4. CAN YOU SEND US A COPY OF THE 990 FOR THE FISCAL YEAR ENDING JUNE 30, 2013?**

**A4. NOT APPLICABLE-GOVERNMENT**

**Q5. HAVE THERE BEEN ANY COVENANT VIOLATIONS ON THE OUTSTANDING DEBT?**

**A5. NO**

**Q6. DOES THE ORGANIZATION HAVE ANY OUTSTANDING LITIGATION?**

**A6. YES**

**Q7. WHAT IS THE EXPECTED TIMING FOR FIELD WORK?**

- A7. PRELIMINARY (LATE DEC-LATE JAN) REGULAR FIELDWORK (APRIL-MAY)**
- Q8. WHAT IS THE SOURCE OF THE GOVERNMENTAL GRANTS – FEDERAL, STATE OR LOCAL?**
- A8. FEDERAL & STATE**
- Q9. WERE THERE ANY MATERIAL AUDIT ADJUSTMENTS DURING THE LAST THREE YEARS?**
- A9. YES**
- Q10. WAS A MANAGEMENT LETTER ISSUED? IF SO, CAN YOU PLEASE PROVIDE A COPY OF THE MANAGEMENT LETTER FOR 2013?**
- A10. YES & YES**
- Q11. DOES THE CITY USE SERVICE PROVIDERS? IF SO, PLEASE BRIEFLY DESCRIBE ARRANGEMENTS. DOES THE CITY RECEIVE SSAE 16/SOC 1 REPORTS FROM THE SERVICE PROVIDERS?**
- A11. YES, RAWA FOR SEWER BILLINGS/DALLAS DATA SYSTEMS**
- Q12. WHAT GENERAL LEDGER SYSTEM IS USED?**
- A12. USL FINANCIALS -ACCOUNTING SOFTWARE**
- Q13. APPROXIMATELY HOW MANY HOURS/WEEKS DID THE PRIOR YEAR AUDIT FIELD WORK REQUIRE?**
- A13. APPROX 650 HOURS**
- Q14. WHAT WERE THE FEES FOR THE 2013 AUDIT DESCRIBED IN THE RFP?**
- A14. \$72,000**
- Q15. ANY SIGNIFICANT OR UNUSUAL ACTIVITIES IN FISCAL YEAR 2014 THAT WOULD SIGNIFICANTLY IMPACT THE CITY'S FINANCIAL RESULTS?**
- A15. NO**

**Q16. HAS THERE BEEN SIGNIFICANT TURNOVER IN KEY POSITIONS WITHIN YOUR ACCOUNTING OR INFORMATION TECHNOLOGY FUNCTIONS OVER THE PAST 2 YEARS?**

**A16. NO**

**Q17. DO YOU ANTICIPATE ANY SIGNIFICANT SYSTEM CHANGES IN THE NEAR FUTURE?**

**A17. NO**

**Q18. HAVE THERE BEEN ANY SIGNIFICANT CHANGES IN MANAGEMENT PERSONNEL OR THE BOARD OF DIRECTORS?**

**A18. NO**

**Q19. WHY IS THE CITY REQUESTING BIDS?**

**A19. PREVIOUS CONTRACT EXPIRED, & LEGALLY REQUIRED TO RFP FOR AUDIT SERVICES PER CITY CHARTER.**

**Q20. HOW LONG HAS HERBEIN & COMPANY BEEN THE CITY'S AUDITOR?**

**A20. SINCE 2000.**

**Q21. HAVE THE PREVIOUS REPORTS BEEN TIMELY FILED?**

**A21. NEED MORE SPECIFICS. WHAT REPORTS/AUDITS & TO WHOM?**

**Q23. WHAT IS THE QUALIFICATIONS AND NUMBER OF STAFF COMPRISING THE ACCOUNTING FUNCTION?**

**A23. 4 MEMBERS OF ADMIN. SERVICES (DIRECTOR, SECRETARY, GRANT WRITER, CONTROLLER). ALSO, 9 MEMBERS OF ACCTG. (MANAGER, ACCOUNTANTS (3), PENSION ADMIN., PART-TIME ADMIN., A/P CLERK AND PAYROLL CLERKS (2). QUALIFICATIONS VARY FROM YEARS OF ON THE JOB TRAINING/HIGH SCHOOL GRADUATES/BACHELOR'S DEGREES IN FINANCE/MASTERS DEGREES/ & 1 CPA.**

**Q24. HOW SOON AFTER THE CLOSE OF THE YEAR IS THE TRIAL BALANCE AVAILABLE?**

**A24. EARLY TO MID-MARCH.**

- Q25. WHAT WAS THE LENGTH OF TIME AND NUMBER OF AUDIT STAFF IN THE CITY FINANCE OFFICES FOR FIELDWORK?**
- A25. TIME: PRE-LIM FIELDWORK SEVERAL WEEKS AND 2.5 MONTHS REGULAR FIELDWORK WITH 3-4 EXTERNAL AUDITOR'S STAFF.**
- Q26. WHAT WERE THE ESTIMATED HOURS AND FEES CHARGED BY THE CURRENT AUDITOR?**
- A27. APPROXIMATELY 650 HOURS & \$72,000 BASE FEES.**
- Q28. WHO PREPARES THE FINANCIAL STATEMENTS?**
- A28. THE EXTERNAL AUDITORS.**
- Q29. HOW MANY AUDIT ADJUSTMENTS WERE MADE IN THE PRIOR YEAR?**
- A29. IN 2013, THERE WERE 30 AUDIT ADJUSTMENTS.**
- Q30. CAN THE CURRENT FIRM BID ON THE AUDIT?**
- A30. YES.**
- Q31. WHO PREPARES THE SCHEDULE OF AWARDS?**
- A31. THE CITY OF READING PREPARES THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA).**
- Q32. WHEN IS THE CITY READY FOR THE AUDIT?**
- A32. NORMALLY, MARCH 1<sup>ST</sup> AFTER 60 DAY ACCRUALS ARE POSTED.**
- Q33. CAN INTERIM WORK BE PERFORMED?**
- A33. YES.**
- Q34. IS THE AUDIT FEE TO INCLUDE THE ISSUANCE OF CONSENT LETTERS FOR BOND ISSUES OR WILL THAT BE DECIDED AT THE TIME OF THE BOND ISSUE?**
- A34. YES, THE AUDIT FEE INCLUDES CONSENT LETTERS.**
- Q35. WHAT ASSISTANCE IS PROVIDED TO THE AUDITOR BY CITY STAFF?**

- A36. CITY STAFF WILL ASSIST WITH CONFIRMATION PREPARATION/MAILINGS AND INVOICE GATHERING FOR TESTING.**
- Q37. WHO AUDITS THE COMPONENT UNITS?**
- A37. READING AREA WATER AUTHORITY (RAWA) –REINSEL, KUNTZ, LESHER, LLP., READING REDEVELOPMENT AUTHORITY (RRA) – BLOSKY & ASSOCIATES, READING PARKING AUTHORITY (RPA)- HERBEIN & CO.**
- Q38. ARE THE COMPONENT UNIT REPORTS RECEIVED TIMELY?**
- A38. MOSTLY ON TIME.**
- Q39. WHO TAKES THE LEAD IN THE IMPLEMENTATION OF NEW GASB’S?**
- A39. THE EXTERNAL AUDITORS.**
- Q40. ARE ALL FUNDS OF THE CITY ON THE ACCOUNTING SYSTEM?**
- A40. YES.**
- Q41. WAS THERE ANY NEW DEBT ISSUED?**
- A41. YES.**
- Q42. WHO IS THE ACTUARY FOR THE PENSION PLANS?**
- A42. MOCKENHAUPT BENEFITS GROUP.**
- Q44. DOES THE CITY MAINTAIN DETAILED FIXED ASSET RECORDS?**
- A44. YES.**
- Q45. WHO IS THE CITY’S FINANCIAL ADVISOR?**
- A45. STEVENS & LEE.**
- Q46. WHO IS THE ACTUARY FOR THE POSTEMPLOYMENT BENEFITS?**
- A46. MILLIMAN.**
- Q47. CAN WE MAKE A VISIT TO THE CITY TO REVIEW ACCOUNTING INFORMATION?**

- A47. NO**
- Q48. WHO IS THE ACTUARY FOR THE SELF INSURANCE ?**
- A48. THE CITY UTILIZES PMA MANAGEMENT CORP. (THIRD PARTY ADMINISTRATOR).**
- Q49. FOR DECEMBER 31, 2013 YEAR END, APPROXIMATELY HOW MANY HOURS DID THE CITY'S FISCAL PERSONNEL SPEND ASSISTING THE INDEPENDENT AUDITOR?**
- A49. 30 HOURS**
- Q50. WHAT ADDITIONAL AMOUNTS DID THE AUDITOR BILL ABOVE THE CONTRACTED AUDIT FEE AND FOR WHAT REASON?**
- A50. ADDITIONAL \$32,750-VARIOUS ITEMS INCLUDING: GDA CHECK RECONCILIATION ASSISTANCE, SECTION 108 LOAN REVIEW, RAWA LEASE INFO, FIXED ASSET INFO, SINGLE AUDIT/GRANTS-SAFER & H2O GRANTS.**
- Q51. WHAT HAS THE CITY DONE TO PREPARE FOR THE ADOPTION ON THE NEW PENSION STANDARD, GASB 48?**
- A51. THE CITY IS WORKING WITH MOCKENHAUPT ACTUARIAL FIRM."**
- Q52. HOW LONG DOES THE INDEPENDENT AUDITOR SPEND IN THE FIELD AND IN GENERAL, HOW MANY AUDITORS ARE PRESENT?**
- A52. FIELDWORK APPROX. 2 AND 1/2 MONTHS.  
# OF AUDITORS 3-4.**
- Q53. WHEN IS AUDIT FIELDWORK GENERALLY PERFORMED BY THE INDEPENDENT AUDITOR?**
- A53. MID MARCH TO LATE MAY.**
- Q54. HAS THERE BEEN ANY TURNOVER IN KEY FISCAL DEPARTMENT PERSONNEL WITHIN THE PREVIOUS MONTH OR ANY KNOWN OR EXPECTED TURNOVER IN THE NEXT 12 MONTHS?**
- A54. NO, NONE EXPECTED**
- Q55. APPROXIMATELY, HOW MANY YEARS HAS THE CURRENT AUDIT FIRM BEEN PERFORMING THE CITY'S AUDIT?**

**A55. SINCE 2000**

**Q56. WHO MAINTAINS CAPITAL ASSETS AND DEPRECIATION RECORDS?**

**A56. THE CITY OF READING MAINTAINS CAPITAL ASSETS AND DEPRECIATION RECORDS.**

**Q57. ARE THE ACCOUNTING RECORDS AVAILABLE IN ELECTRONIC FORMAT?**

**A57. YES, RECORDS ARE AVAILABLE IN ELECTRONIC FORMAT.**

**Q58. IS THE LEVEL OF FEDERAL AWARDS IN 2014 SIMILAR TO PRIOR YEARS?**

**A58. YES, THE LEVEL OF FEDERAL AWARDS IN 2014 IS SIMILAR TO PRIOR YEARS.**

I, HEREBY CERTIFY THAT THE CHANGES COVERED BY THIS ADDENDUM HAVE BEEN TAKEN INTO ACCOUNT.

Firm Name (Type or Print) \_\_\_\_\_

Authorized Signature \_\_\_\_\_

Title \_\_\_\_\_

Name (Type or Print) \_\_\_\_\_

Date \_\_\_\_\_