

## Addendum 1

**Request for Proposals (RFP) SHA Solicitation No. 3728  
Seattle Housing Authority's  
Audit Services for A-133 and Comprehensive Annual Financial Report (CAFR)**

**Addendum Issued June 8, 2007**

The following information is provided in response to questions submitted by the deadline for questions of 12:00 Noon on Tuesday, June 5, 2007, as stated in the above-referenced RFP.

**Question No. 1:** SHA has been using the same auditor for many years. What is triggering this request for proposals?

**SHA Response:** The contract with KPMG had reached the maximum term permitted for compliance with our Procurement Policies—five years.

**Question No. 2:** Please provide the following information regarding the FYE 9/30/2006 audit:

**Question 2a):** What were the total audit hours incurred by KPMG?

**SHA Response:** The payment required under our contract with KPMG was stated as a flat amount rather than as a rate based on hours worked. Therefore, we don't have information about the number of hours they spent on our audit.

**Question 2b):** What were the total audit fees paid for the audit?

**SHA Response:** We paid \$210,000 for the FY06 audit.

**Question 2c):** When was interim and year-end fieldwork performed?

**SHA Response:** The auditors began in late October and completed field work by the end of December, 2006. That was the schedule under the FY audit cycle, however. With the change to the calendar year-end, this schedule will be adjusted accordingly.

**Question 2d):** How many audit staff were used for interim and year-end fieldwork, and how many days were they on-site at SHA offices?

**SHA Response:** Staffing on our project ranged from one to three auditors on site during the late October to late December time period.

**Question 2e):** Is the accounting function centralized at one office, or did the audit team have to audit at multiple locations?

**SHA Response:** All the accounting staff for the primary government are located at the Central Office, and the audit team worked only at Central Office. Some staff who work on the limited partnership statements work at off-site locations.

**Question 2f):** Please make available the FYE 9/30/2006 Letter of Comments (SAS 60/112), if any, issued by KPMG.

**SHA Response:** The "Management Letter" is included as a pdf. file and may be downloaded by clicking on the hyperlink for Attachment D under Addenda 1, which you clicked to download this Addendum. Also, please see response to Question No. 14 b). It is our understanding that SAS 112 will not apply to SHA until next year.

**Question 2g):** Please make available the FYE 9/30/2006 and FYE 9/30/2005 Single Audit Reports.

**SHA Response:** These documents are included as pdf. files (please see response to Question 2 f) above for instructions on downloading). Attachment B is FYE 9/30/06. Attachment C is FYE 9/30/05.

**Question 2h):** Please make available the FYE 9/30/2006 financial statements and data electronically submitted to HUD

**SHA Response:** Please see the included pdf. file Attachment A for the requested CAFR (please see response 2 f) for instructions on downloading). Under our Move to Work agreement with HUD, we are not required to submit our statements electronically to HUD in the Financial Data Schedule (FDS) format.

**Question No. 3:** Does SHA have requirements or preferences as to when audit fieldwork will be performed for the FYE 12/31/2007 audit?

**SHA Response:** Since we are switching from a fiscal year ending 9/30 to a calendar year-end this year, it is our expectation that the audit firm selected would choose to begin some fieldwork after the 9/30/07 statements are completed and then also return after the 12/31/07 statements are completed to finish the audit.

**Question No. 4:** What are the target due dates for presenting the results of the audit to the Audit Committee and issuance of the FYE 12/31/2007 audit reports?

**SHA Response:** Target due date to finish field work would be March 31, 2008 with report issuance by April 30, 2008. At the present time, we do not have a separate Audit Committee. It is contemplated that one will be established, but if it is not, then the report will be presented directly to the Board of Commissioners.

**Question No. 5:** How often during the year will the Audit Committee want to meet with the auditors?

**SHA Response:** See our response to Question No. 4 regarding the Audit Committee. The auditors currently meet with the full Board of Commissioners once a year.

**Question No. 6:** Please provide the following information regarding the audits of the SHA-affiliated limited partnerships:

**Question 6a):** What audit firm(s) will be performing the audits of these limited partnerships?

**SHA Response:** Last year, two firms performed audits of the limited partnerships (component units), Finney, Neil & Company P.S. and Reznick Group. We anticipate continuing to contract for these audits separately from the contract to be issued under this Request for Proposals (RFP).

**Question 6b):** Will the audit firm(s) be performing the audits of these limited partnerships in accordance with Government Auditing Standards?

**SHA Response:** Yes.

**Question 6c):** Will the audits of these limited partnerships be completed and reports issued prior to the commencement of SHA's year-end audit fieldwork?

**SHA Response:** Year-end for the partnerships is also 12/31, so the reports will likely be issued around the same time as the CAFR for the primary government. We will communicate our new deadlines to the auditors of our component units.

**Question No. 7:** Please provide the following information regarding SHA's accounting and finance systems:

**Question 7a):** What key accounting, finance, and property management systems are used?

**SHA Response:** We use JD Edwards (JDE) OneWorld for all of our financial accounting, including accounts payable, purchasing, general ledger, and fixed assets. We use MLS (Memory Lane Systems, through the Emphasis company) for work orders, tenant accounting and miscellaneous receivables. And, we use Elite (also from Emphasis) for our Section 8 accounting and tenant tracking. Elite and MLS are interfaced monthly to the JDE financial system.

**Question 7b):** Have there been any significant changes to these systems during FYE 12/31/2007, or are there any planned significant changes?

**SHA Response:** We are currently planning to upgrade to the web-based version of JD Edwards OneWorld called E-one, version 8.12, in October, 2007. At this time, we also plan to move work orders on to the E-one from MLS.

**Question 7c):** Is the accounting for all of the different SHA funds consolidated in one system; or are there multiple systems and accounting teams involved?

**SHA Response:** Financial reporting for all funds is handled on our JD Edwards financial system. Some of the component units use another system called E-site that is interfaced to JD Edwards on a monthly basis.

**Question No. 8:** What technical and/or clerical assistance does SHA expect from the auditor in the preparation of the financial statements, footnotes, and supplemental schedules?

**SHA Response:** SHA staff will prepare financial statements, footnotes and all related schedules. We would request that our auditors do the final compilation, editing, word processing (table of contents, formatting, etc.) and publishing. We request a small number of printed reports, one unbound version and a pdf. copy of the document. In addition, we also request that the audit firm provide us with a proforma to use for the next year's audit work.

**Question No. 9:** Have there been any additional component units added in fiscal 2007?

**SHA Response:** As of June 5, 2007, SHA has not formed any component units since October 1, 2006. We expect to form one more component unit prior to 12/31/07 to undertake phase three of the public housing high-rise rehabilitation project.

**Question No. 10:** What accounting software does SHA use?

**SHA Response:** Please see response to Question No. 7 a).

**Question No. 11:** Is there an internal audit function, and, if so, can you give us an overview of its focus within the agency?

**SHA Response:** At this time, SHA does not have an internal audit function.

**Question No. 12:** What is your deadline for issuance of the auditor's report?

**SHA Response:** Please see response to Question No. 4.

**Question No. 13:** How many audit adjustments were passed and proposed by the auditors in the 2006 audit?

**SHA Response:** For the FY2006 Audit, auditors proposed 30 adjustments and 4 were passed. See response to Question No. 32 for more information about the nature of the audit adjustments.

**Question No. 14:** Was there a report on internal control issued in 2006 and, if so, were any material weaknesses identified?

**SHA Response:** Yes, the A-133 Audit includes the Independent Auditor's report on Internal Controls. Please see the included pdf. file Attachment B. No material weaknesses were noted.

**Question 14a):** If not, was there a management letter of recommendations issued?

**SHA Response:** No.

**Question 14b):** Please provide us with copies of the report on internal control and the letter of recommendation.

**SHA Response:** Please see the A-133 Audit (referenced in Question No. 2g).

**Question No. 15:** Are there any disagreements with the current auditor?

**SHA Response:** There were no disagreements with auditors of our FY2006 report.

**Question No. 16:** What is the proposed timing of final audit fieldwork?

**SHA Response:** Please see response to Question No. 3.

**Question No. 17:** How many hours were incurred by the prior auditors?

**SHA Response:** Please see response to Question No. 2 a).

**Question No. 18:** What was the prior year audit fee?

**SHA Response:** Please see Response to Question No. 2.

**Question No. 19:** What are your fee expectations for future audits?

**SHA Response:** We are hoping to reduce our audit costs in the future by achieving efficiencies.

**Question No. 20:** How many years will be covered by the audit contract to be awarded to the successful proposer?

**SHA Response:** Per SHA's Procurement Policies, SHA may award a contract for one year and, at SHA's option, extend it for up to four additional one-year terms.

**Question No. 21:** What new Government Accounting Standards Board (GASB) statements will SHA be implementing during the 15-month period ended 12/31/07, and what assistance do you anticipate requiring from your external auditor?

**SHA Response:** We will implement any required GASB statements. We don't anticipate requiring any additional assistance from the auditors at this time.

**Question No. 22:** Are any of the affiliated limited partnerships that are audited by other independent auditors included in the reporting entity of SHA?

**SHA Response:** The component units of the Authority (SHA) are reported in the CAFR as a separate column within the basic financial statements.

**Question No. 23:** At what point during the audit will a complete copy of the CAFR be available to the auditor in draft form for review?

**SHA Response:** Our target for providing a draft of the financial statements and footnotes would be March 1, 2008, and we would expect to be able to have the other sections of the CAFR ready for review by March 15, 2008.

**Question No. 24:** Do you request your auditor to type/process the financial statements?

If so, how many manual copies of the audit reports will you request?

**SHA Response:** Please see response to Question No. 8. We will request 10 bound and one unbound hard copies of the final reports.

**Question No. 25:** Is there an audit committee of the Board of Directors, and, if not, will the auditor have access to the full Board at least twice per year?

**SHA Response:** Please see response to Question No. 5.

**Question No. 26:** What is the reason for requesting new auditors?

**SHA Response:** Please see response to Question No. 1.

**Question No. 27:** Were there any disagreements with your prior auditors?

**SHA Response:** Please see response to Question No. 15.

**Question No. 28:** Is there a finance or audit committee that coordinates the audit? How many members and what is their level of experience?

**SHA Response:** At the present time, we do not have a finance or audit committee. The auditors will report to the full Board of Commissioners.

**Question No. 29:** When will the accounting records be ready for audit, both for interim and for final audit work?

**SHA Response:** We expect that accounting records and audit schedules for 9/30/07 would be ready by the second week in November and that the 12/31/07 schedules would be ready by the second week in February.

**Question No. 30:** How long and how many auditors were in the field during interim and final audit work? How many hours?

**SHA Response:** Please see responses to Questions No. 2 a) and 2 d).

**Question No. 31:** What were the prior audit fees?

**SHA Response:** Please see response to Question No. 2 b).

**Question No. 32:** Were there any significant audit adjustments made in the prior year?

**SHA Response:** Several audit adjustments were noted in the report to the Board of Commissioners. Audit Adjustments were recorded for the recording of leases, accrual of interest expense, classification of restricted assets, classification of current/long-term receivables, and transfers to report-related transactions in the same fund.

**Question No. 33:** What is the size and experience of the accounting staff that will be involved with the audits?

**SHA Response:** We have eight fund accountants. Only one has been at SHA less than one year. The other accountants have several years of experience.

**Question No. 34:** Please provide your definition of what “assistance in preparing the report” would involve.

**SHA Response:** Please see response to Question No. 8.

**Question No. 35:** How many limited partnerships is the Housing Authority involved with?

**SHA Response:** For fiscal year 2006, we reported limited partnerships which are reported as component units of the Authority (SHA). We expect to form one more limited partnership prior to 12/31/07.

**Question No. 36:** Are there other complex accounting issues outside what we might expect of a housing authority?

**SHA Response:** The complex issues that the Authority has encountered arise primarily around the transactions with the component units.

**Question No. 37:** At what point in the process of implementing GASB Statement 45 is the Housing Authority?

**SHA Response:** The Authority does not provide any post employment benefits that require disclosure under this new rule.

As stated in the RFP, any addenda issued for this RFP will be published on SHA’s website [www.seattlehousing.org/Business/bus00.htm](http://www.seattlehousing.org/Business/bus00.htm).

**Proposers are responsible for checking the website for addenda prior to submission of proposals.** If you are unable to download addenda, you may call Pam Montgomery, Senior Contract Administrator, at (206) 615-3378.

**All other terms and conditions of the RFP remain as stated.**

**End of Addendum 1**