

RFP Addendum # 1

Request for Proposals for

Seattle Housing Authority's Audit Services for A-133 and Comprehensive Annual Financial Report

(Solicitation # 5101)

Date of Addendum # 1: July 3, 2018

The Request for Proposals (RFP) for the above named project is amended as noted in this Addendum. This Addendum consists of six pages.

This Addendum lists questions received and SHA's responses (see below).

The following is a list of questions received and SHA's responses to those questions.

Question 1. Have there been any significant changes in your operations, programs or personnel recently or contemplated for the future that would impact the scope of services as compared to prior contracts for the same work? (Ex: changes in the audit process or those involved with the process, current year budget vs. prior year budget?)

Response: *No – we have not had any changes that would impact the scope of services for the 2018 audit.*

Question 2. What are the most challenging aspects of the audit process for SHA and specifically the accounting and finance team?

Response: *The most challenging part of the audit process is the timing – to make sure that we are responding to audit requests, the auditor is timely in their requests and confirmations, the separate auditors for the component units (limited partnerships) are also on track to get the LP audits completed so we have final numbers to fold into the DAFR report and the SHA auditor has a timely opportunity to review our reconciliation.*

Question 3. Are any of the accounting functions outsourced to another accounting firm? If so, which functions?

Response: *Other than the tax returns and audits of the component units and our 501c(3) (Campus of Learners which is part of SHA) we have not outsourced any other auditing or accounting functions.*

Question 4. Is there any specific expertise and advice the organization looking for that it may not be receiving from its current provider?

Response: *No, however, note that we do currently rely on knowledge of HUD and government regulations from our current auditors and would be looking for that from any future audit firm, and that SHA consults the external auditor on accounting treatment of*

new GASB standards and on exits from Low-Income Housing Tax Credit (LIHTC) component units.

Question 5. In an effort to understand the level of effort currently exerted by the incumbent auditing firm, please provide:

- a. Prior year audit fees
- b. Schedule of auditors in the field (ex: 2 people for 2 weeks in November)

Response: *The 2017 audit fee was \$290,000. We expect that actual audit hours will be less than originally estimated; accordingly the 2017 actual expenses for the SHA audit will be less than this amount.*

The schedule for the 2017 audit was as follows:

- *For preliminary single audit fieldwork in November or December – three staff for two weeks*
- *Final Single Audit work and Financial Statement Fieldwork including tying out of the CAFR begins in mid-March – 5 weeks with 5 staff on site, and another 4 weeks with 2 auditors on site.*

Question 6. Does SHA currently, or plan to participate in HUD's RAD program and if so, what is the status of any conversions (all projects complete, some settled and some in process, none yet settled, etc.)

Response: *No, SHA does not have any plans to participate in the RAD program at this time, although SHA regularly reviews whether the terms for RAD versus our existing MTW revenue streams for potentially eligible properties creates an opportunity for RAD to be cost effective for SHA..*

Question 7. After the auditors started their field work for the 2017 audit, did the SHA give the auditors additional entries (initiated by the SHA)? If so, how many?

Response: *SHA staff initiated 6 adjusting journal entries after the auditors started field work.*

Question 8. How many Asset Management Projects (AMPs) in the Low Rent Program?

Response: *SHA has 49 AMPS in the Low Rent Program.*

Question 9. Are there any RAD conversions expected in the next couple of years?

Response: *No – see response to question 6 above.*

Question 10. Are the Section 8 Housing Choice Voucher tenant files centrally located? Are the Low Rent Program tenant files centrally located?

Response: *HCV files are centrally located – Project based program participant files are electronic and Tenant based Voucher program participant files are paper. We are nearly finished converting our low rent tenant files to electronic storage and will be complete by the time the audit work for 2018 is started.*

Question 11. What were the 2016 and 2017 audit fees?

Response: *The 2016 actual audit fee was \$282,252 and the 2017 contract audit fee was not-to-exceed \$290,000.*

Question 12. Is the scope of the work in the proposal the same as was performed by last year's audit firm?

Response: *Yes, the scope is the same as prior years, noting that advisement services may include HUD regulatory actions, implementation of new GASB statements and treatment of unique transactions such as those related to our tax credit limited partnerships.*

Question 13. Do you have any planned computer conversions on the horizon?

Response: *SHA completed a conversion of our Yardi program to from self-hosted to Yardi-hosting this year and we will upgrade Yardi to release 7.2 beginning in 2019. During 2019, we will begin planning for the conversion of Section 8 from Elite to Yardi, but conversion is not expected in 2020. No other major conversions are planned, although we do perform regular upgrades as needed to our systems.*

Question 14. To clarify, is it the responsibility of the SHA to word process and prepare the financial statement section for the CAFR?

Response: *SHA staff expect to prepare the CAFR including the word processing up until the final stages. When the report is substantially complete, the audit firm will take control of the document and have their word processing team compile the document (adding pdf's, excel pages, cover pages, page numbering, etc.). They will make any last minute changes required and produce the final document and send us a pdf version as well as eight hard copies of the report. At the end of the audit process, the audit firm will also have their word processing staff roll forward numbers and dates and provide a pro forma version that SHA staff use to start the report for the following year.*

Question 15. Were there any journal entries discovered by the auditors during the 2017 audit process?

Response: *For the 2017 report, all the adjusting entries were initiated by SHA – the auditors did not find any additional items to adjust.*

Question 16. How many auditors and how many days were the auditors in the field for interim and final fieldwork?

Response: *See response to question 5 above.*

Question 17. What is the Authority's preferred timing for audit fieldwork?

Response: *The current schedule works well for us with interim fieldwork in November or December and final fieldwork beginning in late-February - mid-March, with the report completed and published by mid-late May and meeting with the Audit Committee in mid-May to mid-June.*

Question 18. Outside of the audit process, what does the Authority find/define value from its auditors?

Response: *We will expect the audit firm to be/become fully familiar with the business of SHA as the client. While we will necessarily be a large part of this knowledge base, we expect all applicants to review all resources on www.seattlehousing.org thoroughly. This includes familiarity with SHA's financial position and trends as reflected in CAFR's and Budgets for the past several years.*

We expect the audit firm to have a working knowledge of the Moving to Work (MTW) demonstration of which SHA is a part, and the key authorities and federal objectives of MTW agencies. The firm should be familiar with SHA's annual MTW Plans and Reports and SHA Local Asset Management Plan (LAMP), which are available on the website. Your work and familiarity with other MTW public housing authorities is an advantage.

We expect that the audit firm is familiar with component units and their accounting treatment with the primary government. Knowledge of and experience with the federal Low Income Housing Tax Credit program is an advantage.

During the year the auditors will help us to prepare for new accounting standards (such as GASB 87) and keep us informed of any accounting regulatory trends they are aware of. 2018 and 2019 will also be the first years of implementation of the Tax Cuts and Jobs Act of 2017, which will impact SHA's general partnerships with component units and SHA's financial position in relation to component units. The audit firm needs to be familiar with terms of the tax reform act and impacts on Low Income Housing Tax Credit (LIHTC) partnerships.

Question 19. What part of the audit process would the Authority like to improve over the past audits?

Response: *We would like to continue front-end planning and scheduling improvements between SHA and the auditor to maximize the efficiency of completion of audit tasks and ensure optimal coordination with completion of component unit audit.*

Question 20. What transition issues would the Authority be concerned about if the audit is awarded to new auditors?

Response: *Our first concern would be the knowledge base about SHA and experience with -- the MTW demonstration program; -- housing development activities of a PHA; -- partnerships with LIHTC investors; knowledge of governmental operations and federal HUD regulations in particular.*

We would be concerned about the additional time required to transitioning to a new audit firm; accordingly, we would expect all applicants to gain all the base knowledge on their own, as reflected in our response to question 18 above. Please note that SHA's current schedule does not have much extra time built in. In addition, we would propose that the audit firm would use our current formats for audit schedules rather than changing to a new format.

Question 21. Have there been any significant changes in key staff in the past year that would affect the 2018 audit?

Response: Yes, but.... There is a new Director of Finance and Asset Management, who was the previous Deputy and well versed in SHA, HUD, and financing and development options.

Question 22. Are there any significant changes in federal funding anticipated for 2018?

Response: YES, we expect increases in federal funding of SHA's MTW Block Grant funds – Public Housing Operating and Capital fund and Housing Choice Voucher funds – which comprise 70-75 percent of our operating funds. This results from Congressional action to raise federal spending levels for 2018 and 2019 Discretionary Non-Defense spending ceilings by about 12 percent.

Question 23. Assuming each bidders proposed fees are equal, what is the next most important thing to the Authority?

Response: Please see the Evaluation Criteria in the Request for Proposals. Each criterion is weighted in accordance to importance to SHA. Proposed fees are just one of the five criteria.

Question 24. What were the fees for the prior year audits for the Authority?

Response: The 2017 audit fee was not-to-exceed \$290,000. We expect based on final work hours, the 2017 audit will be less costly than the maximum.

Question 25. To better understand the scope of this engagement, what were the prior year fees for the audit?

Response: See response to question 24 above.

Question 26. What was the time-frame of audit field work in the prior year? How many staff members were onsite and for how long?

Response: See response to question 5 above.

Question 27. Could we please receive a copy of your Audited REAC submission for 12/31/2017?

Response: The Audited REAC submission has not been completed for 2017; however, we are providing the audited submission for 2016. Please see the link to that submission on the following SHA website:

<https://www.seattlehousing.org/solicitations/seattle-housing-authority%E2%80%99s-audit-services-for-a-133-and-comprehensive-annual>

Question 28. RFP pg.3: Please clarify what is included and excluded in the 10 page limit. (i.e., resumes, table of contents, approaches, etc.)

Response: Your cover letter, table of contents, resumes and any required forms are not included in the 10 page limit.

Question 29. Women and Minority Business Enterprise (WMBE) Inclusion: Who is the current auditor using as a WMBE subcontractor?

Response: SHA's current Auditor is KPMG. Their WMBE sub-consultant is Francis & Company, PLLC; however, to find WMBE firms, please go to SHA's webpage <https://www.seattlehousing.org/do-business-with-us/disadvantaged-business-enterprise>. That webpage includes links that will help you identify disadvantaged businesses.

Question 30. Women and Minority Business Enterprise (WMBE) Inclusion: Please clarify the participation goals. Is there a specific percentage of the contract that must be subcontracted to a WMBE firm? Will points be taken if we are not able to secure a WMBE subcontractor prior to the proposal due date?

Response: SHA's 14% WMBE goal is what we try to achieve over the course of the year. It is only a goal. We cannot require you to subcontract any of the work to any firm. The firms that indicate a percentage of their contracted efforts will be subcontracted to a named WMBE firm will receive points for this criterion.

Question 31. Women and Minority Business Enterprise (WMBE) Inclusion: Could we still receive full or partial points if we utilize a 50% owned minority or women business as a subcontractor?

Response: The WMBE sub-contractor must qualify for the requirement as established in the Washington Administrative Code (WAC) Chapter 326-02 and 326-20. If the contractor is sub-contracting work to qualified WMBE firms, then points will be allocated in the evaluation of this criterion.

END OF RFP ADDENDUM # 1