



NEW HANOVER COUNTY FINANCE DEPARTMENT

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ADDENDA # 2

New Hanover County is providing answers to questions received by various audit firms in response to the Audit Service RFP issued on October 17, 2014.

New Hanover County Questions and Answers for Audit Services RFP

1. Why is the County going out for bid?
New Hanover County has reached the end of the current 5 year contract term for audit services.
2. Have there been any problems, disagreements or issues with the predecessor auditor?
There have not been any problems, disagreements or issues with the predecessor auditor.
3. How long were you with your prior auditors?
The County has had the prior auditors for the past 5 years.
4. Did you have any Adjusted Journal Entries (AJE) in prior year? If yes, how many audit adjustments were proposed?
There were no Adjusted Journal Entries (AJE) for FY 2014 nor were any proposed.
5. Have you had any significant problems with the implementation of NC FAST? Did any problems if any get reported in the June 30, 2014 audit?
The County experienced problems with the software and experienced timing issues in assisting customers with eligibility determination. No problems are being reported in the June 30, 2014 audit.
6. Regarding the Law Enforcement Officers' Special Separation Allowance – Are the plan assets in an irrevocable trust?
The Law Enforcement Officers' Special Separation allowance plan assets are not in an irrevocable trust.
7. Who currently audits the following entities:
 - a. The New Hanover County Airport Authority,
 - b. New Hanover Regional Medical Center,
 - c. New Hanover County ABC Board,

- d. New Hanover County Tourism Development Authority.

The Auditors for component units of the County for the fiscal year ended June 30, 2014 were as follows:

Discretely Presented Component Units:

<u>Component Unit</u>	<u>Firm's Name</u>
New Hanover Regional Medical Center	McGladrey & Pullen, CPAs, LLP
ABC Board	Koonce, Wooten & Haywood, LLP
NHC Airport Authority	McGladrey & Pullen, CPAs, LLP
NHC TDA	Martin Starnes & Associates

Blended Component Units:

Parks Conservatory of NHC	(No Audit Performed)
Airlie Gardens Foundation	Earney & Company
Public Health Foundation	(No Audit Performed)

8. To whom does the Internal Audit Department directly report?
The County does not have an Internal Audit Department.
9. How many full-time Internal Audit staff does the County employ?
The County does not have full-time internal audit staff. The Accounting Manager is the lead staff person responsible for coordinating the financial audit with County staff and external auditors. Several Finance staff members assist in preparing work-papers and providing documentation as needed.
10. Does the Internal Audit Dept. perform an annual Risk Assessment of the entire County?
The County does not have an Internal Audit Department. Risk assessment is informal and performed at the management level.
11. Approximately how many hours of audit assistance did the internal audit department provide in the prior year audit to the predecessor firm?
The assistance provided is not tracked on an hourly basis. The assistance with the prior year audit included 5 days for interim fieldwork, 5 days for final fieldwork and correspondence via email and phone before, after and during visits. County staff prepares the audit work-papers as requested.
12. How does the County determine what your landfill closure and post-closure care costs accrual will be on an annual basis? Is this calculation done by a third party?
The County has a third party engineer firm provide costs. Each year aerial photos are taken to measure the remaining space available. The calculation is based on remaining space available as a percentage of engineer costs.
13. The County's June 30, 2014 CAFR has not been posted yet – Are there findings that will be reported on that we should be aware of?
There are no findings being reported in the June 30, 2014 CAFR.

14. There were compliance findings identified in the June 30, 2013 Audit, along with a corrective action plan – were those findings addressed in the 2014 Audit?
The compliance findings identified in the June 30, 2013 Audit were corrected in 2014 and no further action was needed.
15. When will Firms have access to the June 30, 2014 CAFR?
The County is still waiting for the State confirmations on Medicaid to be released. Once this is done and our auditors complete their review, our report will be submitted to LGC. When approval is received by LGC, our 2014 CAFR will be available for Firms to view.
16. In what timeframe does the County prefer the Single Audit testing be done?
The preference is for the Single Audit testing to be done at the same time that Audit fieldwork is performed.
17. In what timeframe does the County prefer the Financial Statement Audit fieldwork be done?
The preference for interim fieldwork is April/May timeframe and final fieldwork in mid-September.
18. Did your prior auditors issue a management letter? If so may we obtain a copy?
The County has not received a management letter for the June 30, 2014 Audit.
19. Approximately how much time did the predecessor auditor spend on-site?
The predecessor auditor spent approximately 5 days on-site for interim and 5 days on-site for final fieldwork.
20. Are there any issues related to the audit that you would like to see changed (timing, additional communication, etc.)?
There were not any issues experienced with the audit that we are looking at changing. The timing of the audit is acceptable and ongoing communication with lead staff and Finance Director is important.
21. Do you anticipate any significant changes in the federal and state expenditures for the fiscal year ending June 30, 2015?
At this time, no significant changes in federal and state expenditures are expected. The County did receive approval for an SRF loan that will have expenditures and reimbursements made during the FY 2015.
22. Has the County had any litigation issues within the last five years?
The County has in-house legal staff that handles all litigation issues. The County has not had any litigation issues of a financial/accounting nature within the last five years.
23. Has the County had any fraud issues/concerns within the last five years?
The County has not had any fraud issues/concerns within the last five years.
24. Is your IT System a “generic out-of-the-box” system or was it specifically created/modified for the County?
The County uses MUNIS for the IT system.
25. Is the County planning to replace the IT system in the near future? If so, what is the timeline for the project?
The County does not currently have plans to replace the IT system in the near future.
26. What specifically are your key areas that are important to you in a relationship with your independent auditor?
Key areas of importance in our relationship with our independent auditor are good communication, clear explanation and understanding of requests, patience and professionalism with staff, knowledgeable and experienced audit staff present during fieldwork.
27. Would it be possible to obtain a copy of the 2014 journal entries proposed by the Auditor?
The auditors did not propose journal entries for 2014.
28. What period of time were the auditors in the field working on the audit and approximate dates?

The auditors were in the field working approximately 5 days for interim late April and 5 days for final in mid-September.

29. How many audit staff actually worked on the audit?
The Audit firm had 4 audit staff working on the County's audit.
30. How long have you been with your existing auditor?
The County has been with our existing auditor for 5 years.
31. Why are you going out for bid for audit services – is this a normal routine process for the County?
A management decision was made 5 years ago to request audit service proposals on a 5 year basis or sooner at the discretion of current management.
32. When will the 2014 CAFR be available and posted to your website?
The 2014 CAFR will be available and posted to the County website after we receive approval from LGC. The 2014 audit is still waiting for the State Medicaid confirmation to be released.
33. Do you expect any major changes in the finances of the County or in federal or State expenditures that would affect Single Audit for the year ending June 30, 2015?
No major changes in the finances of the County or in federal or State expenditures are expected in FY 2015 at this time. The County did receive approval for an SRF loan that will have expenditures and reimbursements made during the FY 2015.
34. When is the County usually ready for the audit to begin?
The County is usually ready by mid-September for final fieldwork to begin.
35. Can you please disclose the 2013 and 2014 audit fees?
FY 2013 Audit fee \$76,720 plus printing expense
FY 2014 Audit fee \$79,870 plus printing expense
36. Have there been any significant disagreements or difficulties with the external auditors in the last several years?
The County has not had any significant disagreements or difficulties with external auditors in the last several years.
37. Are any of the County's discretely presented component units or blended component units to be included with the audit of the primary government? If so, which ones?
The County audit is separate from the component units. An addendum was added to this RFP to request separate proposals for the Tourism Development Authority audit.
38. To what extent do the auditors typically assist with the preparation of the basic fund financial statements?
The basic fund financial statements are prepared by County staff. The auditors provide assistance through discussion of new GASB pronouncements that affect the presentation of the statements or data therein.
39. To what extent do the auditors typically assist with the preparation of the government-wide financial statements?
The government-wide financial statements are prepared by County staff. The auditors provide assistance through discussion of new GASB pronouncements that affect the presentation of the statements or data therein.
40. To what extent do the auditors typically assist with the preparation of the notes to the financial statements?
The notes to the financial statements are prepared by County staff. The auditors provide assistance through discussion of new GASB pronouncements that affect the notes to the statements as well as provide examples of notes that need to be added for any new or changing items that the County experiences.
41. To what extent do the auditors typically assist with the preparation of the introductory section, the MD&A, the supplementary schedules, and the statistical section of the financial statements?

These sections are all prepared by County staff. The auditors provide assistance through discussion of new GASB pronouncements that affect the data therein.

42. What is the current status of the audit findings reported in the 2013 compliance reports?
The compliance findings identified in the June 30, 2013 Audit were corrected in 2014 and no further action was needed.
43. Have the auditors proposed adjusting journal entries in recent years? If so, what is the nature of these adjustments?
The auditors have not proposed adjusting journal entries in recent years.
44. Did the auditors issue a management letter in 2013 or 2014? If so, can copies please be provided?
The auditors did not issue a management letter in 2013 or 2014.
45. Are the amounts of both state and federal awards expected to change significantly in 2015 as compared with prior years?
No major changes in the finances of the County or in federal or State expenditures are expected in FY 2015 at this time. The County did receive approval for an SRF loan that will have expenditures and reimbursements made during the FY 2015.
46. Has there been any fraud or material noncompliance at the County in recent years? If so, can you please discuss the nature of any such instances?
The County has not had any fraud or material noncompliance in recent years.
47. Do you expect the Industrial Authority to have any activity for the fiscal year ended June 30, 2015? If so, what type and magnitude?
The County does not expect the Industrial Authority to have any new activity for the fiscal year ended June 30, 2015.
48. Is the financial accounting and subsidiary ledger maintenance for the Airlie Gardens Foundation, Inc. and the Public Health Foundation of New Hanover County, Inc. performed by the County's Finance department or are they maintained externally?
The financial accounting and subsidiary ledger maintenance for the Airlie Gardens Foundation, Inc. and the Public Health Foundation of New Hanover County, Inc. are not maintained by the County's Finance department.
49. When is the fieldwork for the primary government and its blended component units typically performed?
The preference for interim fieldwork is April/May timeframe and final fieldwork in mid-September.
50. Are there any anticipated prior period adjustments?
There are no anticipated prior period adjustments.
51. How many audit entries does the County typically receive?
The County does not typically receive audit entries.
52. Will the County's financial reports, compliance reports, and any management letters be available from the fiscal year ended June 30, 2014 audit?
The County is still waiting for the State confirmations on Medicaid to be released. Once this is done and our auditors complete their review, our report will be submitted to LGC. When approval is received by LGC, our 2014 CAFR will be available for Firms to view.
53. To what extent do the auditors typically assist with the preparation of the County's SEFA?
County staff prepares the SEFA and reconciliation work papers. The auditors review for correct presentation of clusters and confirm amounts presented.

54. Will the County finance office continue to draft the financial statement and footnotes in their entirety, as well as the Schedule of Expenditures of Federal and State Awards?
The County finance office will continue to draft the financial statement and footnotes in their entirety, as well as the Schedule of Expenditures of Federal and State Awards.
55. Will the County finance office continue to prepare the AFIR and LGC required data input sheet that is submitted to the LGC with the financial statements?
The County finance office will continue to prepare the AFIR and LGC required data input sheet that is submitted to the LGC with the financial statements.
56. With respect to the TDA, does the County write the TDA's financial statements?
The Audit firm writes the TDA financial statements.
57. Are there any adjusting journal entries for TDA?
The auditors prepare the TDA financial statement and make all necessary adjusting entries for the final financial statements. County staff prepares the work-papers and calculations for the adjusting entries. The adjusting entries are for Capital Assets/Depreciation, Prepaid/Inventory, Accrued Vacation/Wages.
58. Are there any management letter comments for TDA?
There are no management letter comments for TDA.
59. Were the audit costs for the TDA included in the audit costs for New Hanover County in any prior year? If so, what year and what percentage of the total audit costs were allocated to TDA?
The audit costs for the TDA were not included in the audit costs for New Hanover County in any prior year. However, the TDA did have a financial benefit having the same auditor for both the County and TDA as they were performed at the same time, saving travel costs.
60. How many external audit members were on the 2013 audit team?
The external audit firm had 4 members on the 2013 audit team for the County and 2 of these members worked on the TDA audit as well as the County.
61. Can you please disclose the 2014 audit fee for the TDA audit?
The TDA audit fee for 2014 was \$4,000.00.
62. It appears that the 2014 TDA audit was not conducted in accordance with Government Auditing Standards; however, the RFP states that starting in 2015 the audit must be conducted in accordance with Government Auditing Standards. Can you confirm this is correct?
During the 2014 fiscal year, TDA did not reach the threshold for federal and state grant dollars to require an audit in accordance with government standards. If this changes in the future, an audit in accordance with government standards must be conducted.