



OFFICE OF COUNTY MAYOR GLENN JACOBS

Procurement Division, 1000 N. Central Street, Suite 100, Knoxville, TN 37917

ADDENDUM 1 TO RFQ 3614

AUDITING SERVICES FOR CAC

ADDENDUM DATE: November 26, 2024

BUYER: Robert Mackey

ORIGINAL OPENING DATE: December 11, 2024

Questions and Answers:

Question 1: The RFP Indicates that the first audit period is July 1, 2023 - June 30, 2024. Has your June 30, 2023 financial statement been released yet? If yes, can you please send me a copy of the report?

Answer 1: The audit report for July 1, 2022-June 30, 2023 has not been completed at this time.

Question 2: The RFP also indicates that the June 30, 2024 audit must be complete no later than November 30, 2025. Does CAC desire to have the work completed earlier and try to complete the June 30, 2025 audit before the December 31 state deadline?

Answer 2: CAC desires for the work to be completed as soon as possible for the June 30, 2024 fiscal year and desires for the June 30, 2025 to be completed and submitted, if possible, by the December 31, 2025 state deadline.

Question 3: Can you provide some context into the reasons the financial statement audit has occurred significantly after year end? I noted that the June 30, 2022 audit report date was September 30, 2024.

Answer 3: CAC has been a low-risk auditee and submitted audits on time for more than 50 years. The FY21 Audit was submitted late and CAC lost "low risk" designation. This required much more extensive work by CAC, Knox County Finance, and the Auditors. The delay of these reports is inter-related and specifically caused by the tracking and reporting required for an extensive amount of Covid-19 and subsequent American Rescue Act (ARPA) funds. In addition, much administrative time was required to redesign service delivery processes to ensure that a wide range of essential services could be safely provided. We were further impacted by staff illnesses and quarantines during this period. In addition, the due date for the prior year audit (2021) was extended by the Federal Audit Clearinghouse to September 30, 2022. The extension affected the pre-existing schedules of all concerned, including the Knox County Finance Department and our outside auditors. We also identified the need to increase fiscal staff capacity which are been addressed, in part, by hiring a part-time senior accountant and reassigning non-fiscal service functions to other positions. An additional senior accountant position has been established which will be filled as soon as an appropriate candidate can be found.

Question 4: What were the prior year audit fees?

Answer 4: The fee for CAC's auditing services has historically been around \$45,000.00. In 2021, the audit fee was \$60,250.00 and in 2022, the audit fee was \$95,000.00. The audit fees have been higher the last two years due to the increased reporting requirements.



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Question 5: 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 5: Yes. The increased costs are related to the preparation of the GASB-87 and the extra field work as CAC is no longer a low-risk auditee.

Question 6: Is the incumbent allowed to bid?

Answer 6: The RFQ is open to anyone registered as a vendor with Knox County Government.

Question 7: Are there any improvements you would like to see in the audit process?

Answer 7: No.

Question 8: 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 8: CAC's Management Services Director, who served as Chief Financial Officer, has recently retired. There has been a reassignment of duties formerly provided by Management Services Director.

Question 9: Please comment and/or provide journal entries proposed by the auditors in the prior year?

Answer 9: Please see the two (2) attachments at the end of this document.

Question 10: Please comment and/or provide a listing of findings or comments made by the auditor to the governing body. Are copies of all auditor submitted documents from the prior year available for review? (i.e. management letter, governance communication)

Answer 10: The findings and comments are available on the Federal Audit Clearinghouse. No management letter was issued with the FY21 report. We have not received a management letter for FY22 at this time.

Question 11: In an effort to understand the level of effort currently exerted by the current auditing firm, please provide (a) hours billed (b) prior year fees and (c) schedule of auditors in the field? For example, 2 people 2 weeks in November and 4 people 3 weeks in April. How did the fees charged compare to the fees quoted in the proposal?

Answer 11: This information can most accurately be answered by contacting CAC's 2022 auditor, PYA.

Question 12: Has there been any disagreement with the current auditor firm? If yes, please provide some background on the issue.

Answer 12: No.



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Question 13: Has there been any untimely (not retirement related) resignations of management level employees?

Answer 13: No.

Question 14: Has the CAC investigated a fraud in the last two years?

Answer 14: Yes. CAC investigated suspected fraud in the Knox County Rental Assistance Program.

Question 15: What are the two most significant issues facing the CAC in the next two years?

Answer 15: CAC's re-establishment of timely submission of the Single Agency Audit Report, CAC's management of possible reductions in federal funding for program operations, and CAC's Executive Director has announced her future retirement and CAC has prepared and is implementing a transition plan.

Question 16: The RFQ reads that a firm cannot bid over \$60,000 per year for the Knox County CAC proposal, but last year's fees were \$95,000, according to the State.

Answer 16: The \$60,000.00 price was from a prior year and should be disregarded. Pricing will be negotiated with the awarded vendor after the award is made, per Section 4.2 of the RFQ Document.

Note: Please see the attachments (2 pages) following.

Note: Please acknowledge Addendum I in your RFQ response.

ATTACHMENTS

11/19/2024
4:04 PM

Client: 1400 - Knoxville-Knox County Community Action Committee
 Engagement: 2022 AUDIT - Community Action Committee 2022
 Period Ending: 6/30/2022
 Trial Balance: F- 1.1 - C & A T/B
 Workpaper: F-1.5 - RJE

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries				
Reclassifying Journal Entries JE # 2				
To reclassify trustee account to liability				
111400	CASH WITH TRUSTEE		1,136,117.00	
211000-PYA	OUTSTANDING CHECKS IN EXCESS OF CASH ON DEPOSIT			1,136,117.00
Total			<u>1,136,117.00</u>	<u>1,136,117.00</u>
Total Reclassifying Journal Entries			<u>1,136,117.00</u>	<u>1,136,117.00</u>
Total All Journal Entries			<u>1,136,117.00</u>	<u>1,136,117.00</u>

Client: 1400 - Knoxville-Knox County Community Action Committee
 Engagement: 2022 AUDIT - Community Action Committee 2022
 Period Ending: 6/30/2022
 Trial Balance: F- 1.1 - C & A T/B
 Workpaper: F-1.4 - AJE

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To adjust client year-end balances to record FY22 activity.				
111302	CHECKING - JOHN OCONNOR BOOK		18.00	
111304	OOA/MISC DONATIONS CHECKING		173,477.00	
111307	BRDSLY FARM MISC DONATIONS CKG		20,808.00	
111400	CASH WITH TRUSTEE		21,801.00	
113055	CERTIFICATE OF DEPOSIT		199,693.00	
42000-0000	Other Local			413,214.00
873801	INTEREST EARNED/CAC			2,583.00
Total			415,797.00	415,797.00
Adjusting Journal Entries JE # 3				
To correct year end AR balance for cash received and recorded to incorrect revenue account				
815010	DHHS TN HOUSING DEV AGENCY		793,540.00	
114100	REVENUE RECEIVABLE			793,540.00
Total			793,540.00	793,540.00
Adjusting Journal Entries JE # 4				
To record ROU: Assets, Liabilities, Amortization and interest:				
390000	UNDESIGNATED FUND BALANCE		26,407.00	
PYA1	ROU Asset		2,031,348.00	
PYA5	ROU Amortization Expense		333,368.00	
PYA6	ROU Interest Expense		90,695.00	
982600	OTHERSPEC1 RENT LEASE			424,083.00
PYA2	ROU Liability- LT			1,419,357.00
PYA3	ROU Liability- ST			305,010.00
PYA4	ROU Accumulated Amortization			333,368.00
Total			2,481,838.00	2,481,838.00
Total Adjusting Journal Entries			3,691,175.00	3,691,175.00
Total All Journal Entries			3,691,175.00	3,691,175.00



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END OF ADDENDUM

Robert Mackey

Robert Mackey, Buyer