



Brazos River Authority

September 23, 2018

Addendum No. 1 AUDITING SERVICES RFP No. 18-09-1092

It is the responsibility of the Respondent to assure and guarantee by acknowledging the receipt of this Addendum in the Proposal that the Respondent has received the Addendum in its entirety, and that the Respondent accepts all conditions contained herein.

Question 1:

Is the Authority sharing the prior year audit fees, including the Pension Plan Audit?

Answer 1:

Information not available at this time.

Question 2:

Is it anticipated that the Authority will require a single audit for 2019? Is the entity expecting One for 2019 and if so how much federal funds are you expecting and from what granting agency?

Answer 2:

Not at this time.

Question 3:

Will the Authority print/bind the CAFR or does the audit firm assist with that?

Answer 3:

BRA will print and bind.

Question 4:

What software does the Authority use for its general ledger and billing?

Answer 4:

Infor/Lawson

Question 5:

Could we get a copy of the Pension Plan's audit and report?

Answer 5:

The requested information can be found on the BRA website.
<http://www.brazos.org/About-Us/About-the-BRA/Financial-Information>

Question 6:

The tentative schedule provided in Section 2.4 – does this mirror when work has been completed historically?

Answer 6:

Yes

Question 7:

What are the Authority's reasons for conducting and RFP (past practice, checking prices, etc...)?

Answer 7:

Five year policy requirement.

Question 8:

Tab A, item 8 on page 7 of 10 - There is a sentence in this section that states: To be fully responsive, provided the level of detail in the attached example, as well as a name and phone number to contact.....Question – The RFP I downloaded did not have an attached example. Was an example intended to be attached?

Answer 8:

EXAMPLE RESPONSE TO LITIGATION HISTORY QUESTION

Date Parties Nature/Description of Litigation Outcome

2010 XYZ, Inc. v. Owner Owner brought suit against XYZ, Inc. claiming flawed design of a concrete pad. XYZ, Inc. Nonsuited

2011 XYZ, Inc. v. Owner XYZ, Inc. retained to design bike path, the path collapsed in construction and owner sued XYZ, Inc. and contractor. Settled

2012 XYZ, Inc. v. Contractor Contractor claimed XYZ, Inc. negligent on a project where Contractor was constructing a tower and the tower allegedly incorporated incorrect materials. XYZ, Inc. disputes the allegations. Ongoing

Question 9:

Can you provide clarification or a definition of “business units in your company”? Would the BRA consider the partner and manager of proposed engagement team to be a “business unit”?

Answer 9:

Audit division, tax division, benefit plan division.

Question 10:

Item 11 on page 9 of 10 – The second sentence which says “Except as provided below, contract terms are not subject to modification and interested, Respondent will be expected to execute the contract in substantially the form provided”. There appears to be a word or phrase left of this sentence. Question – Is the sentence in question correct as written or does it need to be amended?

Answer 10:

The sentence is correct and does not require amendment.

Question 11:

Will the auditor for the 2018 financial statements also propose on the 2019 financial statements? Is the incumbent permitted to bid on the current year audit?

Answer 11:

The incumbent is not excluded from the solicitation.

Question 12:

Were there any disagreements or difficulties encountered with the current auditor?

Answer 12:

None.

Question 13:

Do you anticipate receiving federal or state financial assistance that would require a single audit in 2019? If so, how much, and from what federal or state programs?

Answer 13:

See answer to question 2.

Question 14:

Does BRA have a history of requiring single audits? How many single audits were required in the last five years?

Answer 14:

Last single audit was in 2010.

Question 15:

Were there any material weaknesses or significant deficiencies in the 2017 GAGAS report on internal controls? Any significant deficiencies noted in the past 2 years?

Answer 15:

None.

Question 16:

Were there any compliance or internal control findings in reports on federal or state programs?

Answer 16:

None.

Question 17:

Are there any significant unusual transactions expected in 2019?

Answer 17:

None.

Question 18:

Are there any significant system or personnel changes anticipated before or during 2019 FYE? Any significant change in management or the finance team that could have an impact on the Engagement?

Answer 18:

None.

Question 19:

Sample Professional Services Agreement. Section 8.1 Ownership of Documents states all documents prepared by the successful bidder will become the sole property of BRA. Auditing standards and Texas State law requires the auditor maintain ownership of audit documentation. Therefore, we believe Section 8.1 poses potential conflict with professional standards. Please confirm this section does not apply to auditor's work papers.

Answer 19:

Please refer to the RFP document, Section 11. Contract for the answer to this question. Include any concerns with your submittal.

Question 20:

General Instructions Section 12. Indemnification and Sample Professional Services Agreement. Section 13. Indemnification. The American Institute of Certified Public Accountants (AICPA) specifies that the indemnification of a client, where any fault may be attributable to client's own actions, would impair the auditor's independence under ET Section 1.228.020, Indemnification of an Attest Client. This interpretation applies to all CPA firms. We believe the indemnification requirements stated in these sections of the RFP poses a potential conflict with professional standards. Therefore, if engaged, we propose to limit indemnification only to the

extent the claims, damage, liability, loss, etc., result from the services performed and caused by our own negligence or intentional misconduct, so as to not indemnify and hold harmless the BRA for its own negligence and actions. Would BRA be willing to discuss such revisions with the successful bidder?

Answer 20:

Please refer to the RFP document, Section 11. Contract for the answer to this question.

Question 21:

The RFP does not ask for fees. Where should fees be included in our response?

Answer 21:

Do not include fees in submittals. The solicitation is qualification based.

Question 22:

What were the prior audit fees billed to BRA for the past five years for the CAFR, single audit and the audit of the retirement plan?

Answer 22:

Information not available at this time.

Question 23:

What is the reason for going out for RFP? Will the current firm be able to propose?

Answer 23:

See answers to question number 7 and question number 11.

Question 24:

How many auditors were onsite during preliminary and final fieldwork for the financial audit and for how long? In an effort to get an understanding of your expectations how many staff were used in the engagement and how long were they in the field.

Answer 24:

Estimated one to three auditors at any given time for approximately one to five weeks during the interim and final.

Question 25:

How many auditors were onsite during the retirement audit and for how long?

Answer 25:

None.

Question 26:

What were the total hours to complete the latest financial audit?

Answer 26:

Contract negotiated with a not exceed amount each year.

Question 27:

What IT system(s) do you utilize for the general ledger, work order system, etc.?

Answer 27:

Infor/Lawson.

Question 28:

Were there any adjusting journal entries or waived entries during the last financial audit? If so can you please provide the details?

Answer 28:

None.

Question 29:

Has BRA undergone any significant changes since the last audit such as a change in accounting / operation software or turnover in key finance / accounting personnel?

Answer 29:

None.

Question 30:

Was a management letter issued as a result of the last annual financial audit or retirement plan audit? If so, can you please provide a copy of the management letter(s) including the significant deficiencies and material weaknesses noted, if any? Any significant deficiencies noted in the past 2 years?

Answer 30:

Letter of conduct with no deficiencies or material weaknesses noted. No findings of any kind.

Question 31:

Was there a required single audit for FY18? If so, can you provide the latest SEFA or details about the programs?

Answer 31:

See answer to question number 14.

Question 32:

Is management aware of any Federal or State funding that would require a Single Audit for FY19? If so what grants are you aware of?

Answer 32:

See answer to question number 14.

Question 33:

Does management prepare their own financial statements?

Answer 33:

Yes, everything except the opinion letter.

Question 34:

Does the internal audit provide direct assistance? If so how many hours of assistance do they provide and what areas in the audit have they provided testing?

Answer 34:

Bra does not have an internal audit department.

Question 35:

What third party service providers does management rely on?

Answer 35:

None.

Question 36:

Are the current auditors eligible to submit a proposal?

Answer 36:

See answer to question number 11.

Question 37:

In what areas can your auditor create added value?

Answer 37:

Unable to answer at this time.

Question 38:

Do the current auditors rely on the Internal Audit department?

Answer 38:

See answer to question number 34.

Question 39:

Are there any areas within the audit or the BRA's operations that impact the audit that is of special concern to management?

Answer 39:

None noted.

Question 40:

May we obtain a copy of the 2018 internal control letter (management letter), if available, or most recent if 2018 is not available yet?

Answer 40:

The requested information is attached as part of the addendum.

Question 41:

If an internal control letter is not available, were there any material weaknesses or significant deficiencies identified outside of the Single Audit in the most recent audit? If so, in what areas?

Answer 41:

See answer to question number 40.

Question 42:

Does BRA anticipate receiving State funding that would require it to have a State single audit in accordance with the Uniform Grant Management Standards?

Answer 42:

No.

Question 43:

Do you anticipate the level of federal funding for BRA to be different for FY19 as compared to FY17 and FY18?

Answer 43:

No.

Question 44:

What was the nature and magnitude of any audit adjustments for the FY18 audit, or most recent if 2018 is not available yet?

Answer 44:

None.

Question 45:

What are the most significant challenges faced during the FY18 audit, if any?

Answer 45:

None.

Question 46:

Have there been any overrun or extra billings associated with the audits in the past two years? If so, what was the cause of the extra billings?

Answer 46:

None.

Question 47:

What were the prior year fees and hours?

Answer 47:

See answer to question number 1.

Question 48:

Approximately how many auditors were in the field during interim and final?

Answer 48:

See answer to question number 24.

Question 49:

Does BRA want fee/ pricing information in the proposal?

Answer 49:

Do not include fees in submittals. The solicitation is qualification based.

Question 50:

Does BRA anticipate any significant IT implementations over the next 5 years?

Answer 50:

Not at this time.

Question 51:

Can BRA provide an editable copy of Professional Services Contract so that we may provide redlines for requested modifications to the contract?

Answer 51:

Please refer to the RFP document, Section 11. Contract for the answer to this question.

Question 52:

As an organization what is your position on remote auditing where a lot of your support is submitted through an electronic portal.

Answer 52

For the past two years, the BRA has allowed the current auditing firm to apply remote auditing when practical.

Question 53:

There is a statement that the ERISA audit is to be completed on a Yellow book basis is that correct or was that meant only for the City audit.

Answer 53:

Yellow book audit would only apply to the CAFR.

Sincerely,

Clarissa Cabrera, CTPM, CTCM

Clarissa Cabrera, CTPM, CTCM
Purchasing Manager, Administrative Services

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Brazos River Authority

Report to the Board of Directors
January 11, 2018





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January 11, 2018

To the Board of Directors
Brazos River Authority
Waco, Texas

Dear Members of the Board of Directors:

We are pleased to present this report related to our audit of the basic financial statements of Brazos River Authority (the BRA) as of and for the year ended August 31, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the BRA's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management of the BRA and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Brazos River Authority.

RSM US LLP

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the comptroller General of the United States have been described to you in our arrangement letter dated June 14, 2017. Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated June 14, 2017, regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
Accounting Policies and Practices	<p>Preferability of Accounting Policies and Practices Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p>Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the BRA. The BRA did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Area	Comments
Other Information in Documents Containing Audited Financial Statements	Our responsibility for other information in documents containing the BRA's audited basic financial statements is to read the information and consider whether its content or manner of its presentation is materially inconsistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact. We read the BRA's Comprehensive Annual Financial Report. We did not identify material inconsistencies with the audited basic financial statements.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communication Between Management and Our Firm	A copy of a material written communication between our firm and the management of the BRA, the representation letter provided to us by management, is attached as Exhibit A.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events, and certain assumptions about future events. Management may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the BRA's August 31, 2017, basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Pension Expense and Net Pension Liability	The BRA participates in the Retirement Plan for Employees of Brazos River Authority (BRA Plan), a single employer defined benefit plan, and the Texas County and District Retirement System (TCDRS Plan), a cost-sharing multiple-employer plan. The BRA records the pension expense and net pension liability in its financial statements and discloses the pension expense and net pension liability in Note 8 to the financial statements.	The pension expense and net pension liability for the BRA Plan were measured as of March 1, 2017, and for the TCDRS Plan as of December 31, 2016. These calculations are prepared by independent actuarial companies, Arthur J. Gallagher & Co. (BRA Plan) and Milliman (TCDRS Plan), and the BRA management reviews the actuarial results and considers the appropriateness of the assumptions.	We obtained the actuarial valuation reports and we confirmed the BRA's reported balances agreed with the actuarial valuations. We had RSM US LLP's Risk & Regulatory Consulting team review the significant assumptions and conclusions for reasonableness and tested the underlying data. We concluded the estimates used by management are reasonable.
Depreciable Useful Lives of Capital Assets	The depreciable useful lives of capital assets are set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions based on prior experience.	We tested the estimated useful lives to the BRA's policy. We concluded the estimates used by management of the BRA are reasonable.

Exhibit A—Significant Written Communication Between Management and Our Firm



Brazos River Authority

January 11, 2018

RSM US LLP
811 Barton Springs Road, Suite 500
Austin, Texas 78704

This representation letter is provided in connection with your audit of the basic financial statements of Brazos River Authority (BRA), as of and for the year ended August 31, 2017, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of January 11, 2018:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 14, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with other organizations for which the nature and significance of their relationship with BRA are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. There are no events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statements.
9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the

Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

10. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

11. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, or others.
16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
17. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
19. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the BRA's ability to record, process, summarize and report financial data.

20. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

22. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
23. With respect to Management's Discussion and Required Supplementary Information as listed in the table of contents presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. The following are underlying significant assumptions or interpretations regarding the measurement or presentation of such information:

The pension expense and net pension liability for the BRA Plan were measured as of March 1, 2017, and for the TCDRS Plan as of December 31, 2016. These calculations are prepared by independent actuarial companies, Arthur J. Gallagher & Co. (BRA Plan) and Milliman (TCDRS Plan), and the BRA management reviews the actuarial results and considers the appropriateness of the assumptions.

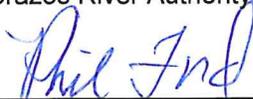
Compliance Considerations

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm that management:

24. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
25. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
26. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
27. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
28. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
29. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
30. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
31. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
32. Has a process to track the status of audit findings and recommendations.
33. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

Very truly yours,

Brazos River Authority



Phillip J. Ford - General Manager/CEO



David Thompson - Chief Financial Officer



Matt Wheelis - Accounting Manager

