

Addendum 1 – RFP 19-038-Auditing Services

To: Vendors

From: Shawnee Mission School District

Date: January 6, 2020

Re: Addendum 1-RFP 19-038 Auditing Services-Questions and Responses

Shawnee Mission Public Schools
RFP for Auditing Services
RFP No. 19-038

Questions and Responses:

1. Does the District have a mandatory rotation policy for audit firms, or has the current audit firm been invited to bid?

Response: The District does not have a mandatory rotation policy. The intent with this RFP is to enter into a one year agreement renewable for five additional years for a total of 6 years. The current audit firm is no longer performing local governmental audits.

2. Has there been any significant turnover in the accounting staff over the past year or any changes you'd expect would impact fieldwork?

Response: No. Current payroll manager will be retiring June 30, 2020. Her replacement will start January 6, 2020 and have 6 months of training alongside the current payroll manager.

3. Have the auditors historically been on-site to perform interim fieldwork? If so, how many auditors have been on site and for how long? When has this typically occurred?

Response: No. Typically data collection and sending the data to the auditors begins June 1. Audit work is done remotely until the audit team is on-site for fieldwork.

4. How long and how many auditors have historically been on site during final fieldwork? When has final fieldwork usually started?

Response: An audit staff of four is on-site for five days usually the third week of August.

5. What, if anything, would the District like to see changed and/or improved about their current audit process?

Response: Nothing at this time.

6. Section II.E.1. Special Considerations of the RFP says the District uses the modified cash method of accounting, and the auditor will need to prepare memorandum adjustments to convert the modified cash basis statements to modified accrual. In consideration of the auditor maintaining independence during the external audit process, can you please provide clarification on what entries the auditor has historically proposed?

Response: The auditors would record reclassify journal entries for deferred revenue, claims payable, accrued payroll, reverse encumbrances for GAAP basis, inventory, construction retainage, interest receivable, taxes receivable, modified cash entries and other adjustments needed to convert to the modified accrual basis.

7. The RFP says the audit firm will prepare the CAFR for the District – can you please confirm who drafts each section of the CAFR (MD&A, financials, footnotes, statistical section)?

Response: MD&A - District; Financials – Audit firm from detailed trial balance provided by the District; Footnotes – Audit firm from various information provided by the District, state, KPERS, actuary, etc.; Statistical Section – Audit firm from various information provided by the District, state and county.

8. Were there any journal entries proposed by the audit firm during 2019 audit? Is there a list of these journal entries available?

Response: Yes and Yes. The District does not book these journal entries in their general ledger.

9. Was a management letter issued during the 2019 audit, if so, is this available for review?

Response: Yes, see attached Auditor's Communication with those Charged with Governance and Auditor's Comments to Management.

10. When is the District's schedule of expenditures of federal awards (SEFA) usually available to determine major programs – is it by the start of fieldwork?

Response: Preliminary federal schedule is available the first week of June and can be finalized by the second week of July.

11. Please provide fees for the financial statement audit and Single Audit (if separate fee) for the last 3 years.

Response: One fee. 2019 - \$33,730; 2018 - \$28,315; 2017 - \$27,785.

12. If the audit firm has any exceptions as it relates to the terms of the RFP or the contractual provisions attachment – should those be included with the proposal?

Response: Yes

13. Section VI.A.5. Proposal Requirements of the RFP states the auditing firm must provide a certificate of insurance showing the following specific coverages. Is this required with the proposal, or is it acceptable to provide this prior to a contract being negotiated?

Response: No, it's not required with the proposal. However, please indicate if you intend to provide a certificate of insurance for the requested coverage amounts if selected.



MIZE HOUSER
COMPANY, P.A.

AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
AT THE CONCLUSION OF THE AUDIT

Board of Education
Unified School District No. 512

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Shawnee Mission Unified School District No. 512 (the District), for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of accumulated depreciation is based on the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of incurred but not reported claims for workers' compensation are based on reports provided by a third-party administrator regarding outstanding open claims, and their estimates of reserves needed to cover those claims. We reviewed these reports and compared the estimated reserves to prior year data and the District's history of claims expenses.

The District operates a single employer defined benefit healthcare plan administered by the District to provide medical and pharmacy benefits to eligible retirees and their dependents. The District's estimates for the annual other postemployment benefit (OPEB) costs, deferred outflows and inflows of resources, and liabilities related to this plan are based on the reports issued by an external actuary hired by the District. See Note 4.F. We reviewed these reports and obtained an understanding of the methods and assumptions used by the actuary, as well as evaluating the model used by the actuary for appropriateness and compliance with generally accepted accounting principles.

The District participates in a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Kansas Public Employees Retirement System (KPERs). The District's estimates for the annual other postemployment benefit (OPEB) costs, deferred outflows and inflows of resources, and liabilities related to this plan are based on the reports issued by an external actuary hired by the State of Kansas. See Note 4.G. We reviewed these reports and obtained an understanding of the methods and assumptions used by the actuary, as well as evaluating the model used by the actuary for appropriateness and compliance with generally accepted accounting principles.

The District participates in a cost-sharing multiple-employer pension plan administered by the Kansas Public Employees Retirement System (KPERs). The District's estimates for costs, deferred outflows and inflows of resources, and liabilities related to this plan are based on reports issued by an external actuary hired by the State of Kansas. See Note 4.A. We reviewed these reports and obtained an understanding of the methods and assumptions used by the actuary, as well as evaluating the model used by the actuary for appropriateness and compliance with generally accepted accounting principles.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI), which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, including combining and individual fund statements and schedule and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles general accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction of Use

This information is intended solely for the use of the Board of Education and management of Shawnee Mission Unified School District No. 512, and is not intended to be, and should not be, used by anyone other than these specified parties.

Mike Houser : Company PA

Certified Public Accountants
Lawrence, Kansas

October 23, 2019



MIZE HOUSER
COMPANY P.A.

AUDITOR'S COMMENTS TO MANAGEMENT

Board of Education
Unified School District No. 512

In planning and performing our audit of the financial statements of Shawnee Mission Unified School District No. 512 (the District), as of and for the year ended June 30, 2019, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 23, 2019, on the financial statements of the District.

We will review the status of this comment during our next audit engagement. We have already discussed the comment with various District personnel, and we will be pleased to discuss the comment in further detail at your convenience, to perform an additional study of this matter, or to assist you in implementing the recommendation. Our comment is summarized as follows:

During our testing of a selection of credit card purchases, we noted one transaction did not have a receipt or other supporting documentation included. We recommend that the District follow its credit card policy and retain purchase receipts for credit card purchases.

This communication is intended solely for the information and use of the Board of Education and administration of the District and is not intended to be and should not be used by anyone other than these specified parties.

Mize Houser Company PA

Certified Public Accountants

Lawrence, Kansas
October 23, 2019