



**ADDENDUM NO. 1**  
**Issued January 8, 2015**

**TO**

**REQUEST FOR PROPOSALS**  
**FOR**  
**INDEPENDENT AUDITING SERVICES**  
**(RFP Number 15-FA-002)**

**Note:** Entities submitting a Proposal are required to acknowledge this and all Addenda in Section 5 of the Proposal Form.

## 1. RESPONSES TO QUESTIONS

This Addendum consists of the Material Innovation and Recycling Authority’s (MIRA’s) responses to written questions received as of January 6, 2015. Note: Any additional questions received between January 6, 2015 and the January 15, 2015 deadline outlined in the Instructions to Proposers (Section 2 of the RFP Package Documents) will be answered in a subsequent addendum.

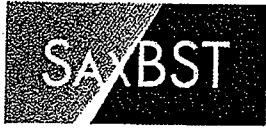
1.	Question	<ul style="list-style-type: none"> <li>Page 85 (of the PDF), Section “Scope of Services”, under the General subcategory it states, “Auditor must be licensed and registered in accordance with requirements of the State of Connecticut.” – Can you clarify those requirements, are you looking for a firm that holds their CPA firm license in the state of Connecticut or is it open to firms recognized by the AICPA and NASBA?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>The scope of work contemplates that the Services will be performed by a firm that is a Connecticut CPA License holder. More information about the Connecticut CPA license can be found at the Connecticut Secretary of State’s State Board Of Accountancy website at <a href="http://www.ct.gov/sots/cwp/view.asp?a=4158&amp;q=525840">http://www.ct.gov/sots/cwp/view.asp?a=4158&amp;q=525840</a></li> </ul>
2.	Question	<ul style="list-style-type: none"> <li>What were the fees paid for the prior year services (6/30/2014)?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>The scope of services reflected in this RFP are different than the scope of the prior year’s services due to the evolution of the Authority. Given that the scopes of work are not sufficiently comparable, the prior year fees are not applicable.</li> </ul>
3.	Question	<ul style="list-style-type: none"> <li>Reason for going out for bid for the 2015 - 2017 audits – problems with service, fee disputes, issues with applying accounting principles, etc.?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>MIRA’s Procurement Policy specifies that MIRA will solicit proposals at least once every three years for such professional accounting services.</li> </ul>
4.	Question	<ul style="list-style-type: none"> <li>Will your 2014 auditors be allowed to bid on this RFP?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>In accordance with Section 1-127 of the Connecticut General Statutes, MIRA’s current Auditor would be prohibited from providing the fixed fee Independent Auditing Services as detailed in Item 1 of the Scope of Services (Section 7A of the RFP Package Documents). However, as detailed in Section 1 of the Instructions for Proposers (Section 2 of the RFP Package Documents), MIRA reserves the right to enter into an on-call agreement with other firms - including its current Auditor - to provide project, division, or contract-specific AUP reports or reviews.</li> </ul>
5.	Question	<ul style="list-style-type: none"> <li>Approximately how much on-site time did your auditors spend at your offices? Approximately how many auditors were there?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>In FY2014, our auditor’s team spent approximately 3 days on-site in July to complete interim audit work and approximately 10 days on-site to complete the annual independent audit. This team included approximately 3 auditors plus a senior partner.</li> </ul>
6.	Question	<ul style="list-style-type: none"> <li>Does the MIRA financial staff prepare the financial statements and notes?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>Yes with assistance provided by the auditor for cash flow statements.</li> </ul>
7.	Question	<ul style="list-style-type: none"> <li>What accounting software does MIRA use?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>EPICOR Financial Suite</li> </ul>

8.	Question	<ul style="list-style-type: none"> <li>Is it possible to perform audit procedures prior to June 30<sup>th</sup>? If so, an approximate date they could begin</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>Certain sampling and inventory could be conducted prior to June 30. Financial statements through the 3<sup>rd</sup> quarter are available in early May. However 4<sup>th</sup> quarter financial statements would not be available until mid-August.</li> </ul>
9.	Question	<ul style="list-style-type: none"> <li>Approximately when are the books closed and ready for final audit work?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>Based on prior year (FY2014), the interim audit was done on 7/14 and 7/15. The final audit was completed in two parts the first round 8/11-8/15 and the second 9/8-9/12. Financial statements and notes to financial statements are ready for the second round of the final audit.</li> </ul>
10.	Question	<ul style="list-style-type: none"> <li>How many adjustments were made by the auditors for 6/30/2014, and what was the nature of them?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>None.</li> </ul>
11.	Question	<ul style="list-style-type: none"> <li>In the 6/30/14 <i>Government Auditing Standards</i> report it mentions a separate letter being issued. May we please get a copy?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>See attached.</li> </ul>
12.	Question	<ul style="list-style-type: none"> <li>The 6/30/14 auditor's report was dated Sept. 24, 2014; Can we assume a reporting deadline of on or before September 30<sup>th</sup>?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>Yes.</li> </ul>
13.	Question	<ul style="list-style-type: none"> <li>How many agreed-upon procedure (AUP) tasks were performed by your audit firm for 6/30/14? Would you give us an example or two of areas covered?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>An example of a AUP performed in FY2014 was for auditing services related to the transfer of landfill obligations from MIRA to the State of Connecticut.</li> </ul>
14.	Question	<ul style="list-style-type: none"> <li>What was paid for 6/30/14 for AUP work?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>The fee for the AUP references in #13 above was \$4,500</li> </ul>
15.	Question	<ul style="list-style-type: none"> <li>Was any work, other than the type specified in the RFP, performed by the auditors for 2014? What was the fee?</li> </ul>
	Answer	<ul style="list-style-type: none"> <li>Yes. For example, the prior scope of services included a review of each quarter's financial statements. In addition, certain other tasks are expected to take less time going forward (e.g. the prior scope of services required significantly more work related to GASB 18 post-landfill closure liabilities).</li> </ul>

## 2. ATTACHMENTS

- Letter from Auditor to MIRA BOD dated September 24, 2014

- END OF ADDENDUM 1 -



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September 24, 2014

Board of Directors  
Materials Innovation and Recycling Authority  
100 Constitution Plaza, 6<sup>th</sup> Floor  
Hartford, Connecticut 06103-1722

Dear Members of the Board:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of Materials Innovation and Recycling Authority (Authority) for the year ended June 30, 2014. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

#### Current Year Comment

##### Journal Entries

*Observation:* During the current fiscal year, there were a series of fairly complex journal entries prepared by the Authority to reflect the landfill transfers. The entries were prepared by the Director of Accounting at the direction of, reviewed with, and received verbal approval of the Chief Financial Officer subject to further review and confirmation by the independent auditors. The posting of these entries was undertaken as an interim measure to assess their affect upon the financial statements. The intent of management was to subsequently remove these entries from the accounting system pending completion of the review by the independent auditors and sign off by management. However, the interim entries were not removed as intended. Management otherwise confirms the current practice of journal entry review and sign off prior to posting within the accounting system.

*Suggestion:* While we recognize that the Authority's accounting and financial reporting department has experienced recent changes in personnel, we recommend that all journal entries be reviewed and signed off by management before they are posted within the accounting system in accordance with established policies and procedures. In addition, we recommend that the Authority refrain from posting entries without finalizing them. This practice could lead to differing version of the general ledger with limited audit trail evidence.

#### Prior Year Comment

##### Spare Parts Inventories

*Observation:* The Authority maintains spare parts inventories for its Power Block, Waste Processing, and Jet Turbine facilities. The aggregate cost of these inventories has remained fairly consistent over the past several years and approximates \$5.3M at June 30, 2013. During our observation of the physical inventories, we noted that many of the items maintained in the spare parts inventories were very old, include several duplicate items, and include certain items that date back to 2000, when the Authority took possession of the facilities.

28 West 48th Street, 20th Floor, New York, NY 10036 / Phone: (212) 661-8600 / Fax: (212) 312-7495 / SaxBST.com

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Board of Directors  
Materials Innovation and Recycling Authority  
September 24, 2014  
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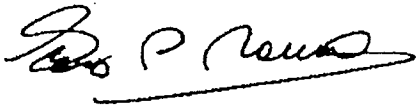
*Suggestion:* While we recognize that there ultimately may be a need for these spare parts, we recommend that the Authority take a critical look at the spare parts inventory to obtain an estimate of what is of continuing value. The Authority should understand how much of the inventory is being used in the course of generating revenue at each of its facilities. The understanding should support the necessity of maintaining the material amount of inventory on the books and will identify potentially obsolete items. If items are found to be obsolete, the Authority should record a reserve against the inventoried parts. Potentially obsolete items should also be evaluated for possible disposal.

*Client Response:* In response to our comment, the Authority wrote off approximately \$230,000 in obsolete inventory from the Waste Processing Facility spare parts inventory and approximately \$195,000 in obsolete inventory from the Power Block Facility spare parts inventory during the fiscal year ended June 30, 2014. The Authority has worked with the Plant's contract operator to identify the obsolete inventory and plans to continue this practice in the future. In addition, the Authority has physically removed the obsolete inventory to a separate secure location for assessment of potential scrap value.

This letter is solely for the information and use of the Board of Directors, management, and others within the Authority and is not intended to be and should not be used by anyone other than the specified parties. We appreciate serving Materials Innovation and Recycling Authority and would be happy to assist you in addressing and implementing any of the comments and suggestions in this letter.

Very truly yours,

SaxBST LLP



Jeffrey P. Roude, Partner

JPR/emt

