

NEW HANOVER COUNTY AIRPORT AUTHORITY
REQUEST FOR PROPOSAL
FOR AUDIT SERVICES

Addendum No. 2

The following questions were raised by a prospective Bidder. Responses are provided.

1. **Question:** *General (no section reference).* How long has the incumbent auditor served the Authority? Will the incumbent auditor be allowed to submit a proposal?
Answer: The name and ownership structure of the incumbent firm has changed over the years, but the initial relationship was established over fifteen years ago. The Request for Proposal is open to all qualified independent Firms, including the current auditor.
2. **Question:** *General.* Please provide audit fees for services provided for the past 3 years, including financial statement audit, PFC revenue audit, and Single Audit (per major program audited).
Answer: One fee was agreed upon for all services. Fiscal year 2018 that fee was \$44,100; 2017 was \$42,000; 2016 was \$40,000.
3. **Question:** *General.* Were additional billings required by the incumbent auditor in recent audits? If so, what were the billings related to?
Answer: During the audit of fiscal year 2016, an allegation was raised by an interested party. The auditors spent a considerable amount of time investigating the allegation and ultimately determined that it was completely false. As a result of the investigation, additional fees were paid to the auditors.
4. **Question:** *General.* How many days of audit fieldwork (year-end and interim) were required to complete the audits in 2017? How many audit team members were in the field during those days?
Answer: The audit team spent approximately two weeks in the field. The total hours spent on the engagement is not known to the Authority. The Authority estimates that there were four team members in the field for a majority of the time.
5. **Question:** *General.* Does the Authority maintain its own capital asset schedule internally or does the Authority require assistance maintaining the capital asset schedule from the auditor?
Answer: The Authority maintains its own capital asset schedule internally.
6. **Question:** *General.* Were there any audit adjustments discovered by the auditors during the most recent audit? If yes, please provide a description of the nature and amounts.
Answer: The airport received a 'unique' grant towards the end of fiscal year 2018. The staff was not confident they had correctly booked the \$950,000 grant and the related expenses. The staff worked with the audit team to resolve the issue during fieldwork.
7. **Question:** *General.* Were there any proposed adjustments that were not recorded related to the most recent audit? If yes, please provide a description of the nature and amounts.
Answer: No.

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8. **Question:** *General.* Was there an AU 260 or 265 letter issued for the most recent audit? If so, can we have copies of each?
Answer: All communications from the incumbent auditor are available on the Authority website at <https://www.flyilm.com/airport-documents>.
9. **Question:** *General.* Have there been any major events or transactions that have occurred or that are expected to occur (such as significant capital programs, debt issuances, significant new federal funding, etc.) that may have an impact on the audit?
Answer: In October 2018, the Authority began a terminal expansion project that is expected to last three to four years and cost an estimated \$60,000,000. There are several other major capital projects that will also be completed during this same time frame. The terminal expansion project will involve federal and state funding and may require the issuance of debt.
10. **Question:** *General.* Has the Authority experienced turnover in key roles within the organization?
Answer: No. The Airport Director has been with the Authority for 20 years; the Deputy Director 14 years; the Finance Director 3 years; the Operations Manager 19 years; and the Facilities Manager 14 years.
11. **Question:** *General.* Does the Authority use any service organizations to process transactions that are reported in its financial statements?
Answer: ADP handles the payroll for the Authority. Staff records payroll journal entries based on the reports provided by ADP.
12. **Question:** *General.* Outside of the audit process, how does the Authority utilize its auditors?
Answer: When necessary, the Authority will reach out to the auditors for advice on how to handle unusual situations. How to account for expenses and reimbursements (insurance and FEMA) related to a hurricane is an example of such a situation.
13. **Question:** *General.* Is there a particular reason that the Authority is requesting proposals (ie. disagreement with the current firm, costs, timing of deliverables)?
Answer: As a governmental entity, the Authority feels it has an obligation to periodically issue an RFP.
14. **Question:** *General.* What concerns do you have about changing firms, if any?
Answer: The main concerns relate to the efficiency and timing of the audit. As stated in section 1.4, the Authority financials are included in the New Hanover County comprehensive annual financial report and, therefore, should be finalized no later than October 15.

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15. **Question:** *General.* What do you enjoy about your current relationship and how has it been successful?

Answer: The fact that the incumbent auditor is a local firm has been extremely convenient. They are accessible and responsive.

16. **Question:** *General.* What are the biggest challenges for the Authority over the next 5 years?

Answer: The biggest challenge appears to be growth. The airlines have added flights and passenger figures continue to grow. At peak times, the gate area and parking facilities are at capacity and there are no quick fixes. Our expansion plans will ease some of these concerns, but it will be a few years before that project is completed.

17. **Question:** *General.* Anticipated federal expenditures for YE 6/19? Same or different than past grants?

Answer: Aside from the entitlement funds of approximately \$3,000,000 received each year, the Authority has little control over the level of funding. We have a strong list of capital improvement projects and are confident that funding will be made available, but there are no guarantees until the grants are finalized.

18. **Question:** *General.* Anticipated State grant expenditures for YE 6/19? Same or different than past grants?

Answer: As stated above, there are no guarantees with regards to the amount of state funding. The Authority is working closely with our State representatives to ensure aviation funding continues in the future.

19. **Question:** *General.* Preference on timing of work to be performed?

Answer: Interim work can be performed as early as May. The Authority would expect fieldwork to commence soon after the preliminary trial balance is available in early August.

20. **Question:** *General.* How far has the Authority gotten on an analysis and implementation of GASB 87?

Answer: The Authority is in the initial stages of analyzing the impact of GASB 87.