

Addendum No. 1 to RFQ 16-01

General Questions		
#	Question	Answer
1.	Why is the Commission considering changing auditors?	<p>It is the Commission's practice to go through the procurement process on a triennial basis. This ensures that First 5 San Bernardino is receiving the most competitive price and that the services received are reevaluated.</p> <p>Due to the implementation of GASB Statement Nos. 68 and 71, the Commission extended the contract to the previous auditors for an additional year. Because the previous auditors were also the County of San Bernardino's auditor's, duplication of effort was avoided. Having the same firm audit the County and F5SB's financial statements allowed the testing of the allocations to be conducted at the same time. This avoided additional time which would have been required had another auditor been procured. As time was critical, due to the time requirement to audit the additional items, and given that the deadline to submit the Commission's report to the State was November 1st, it was Commission's best interest and financially prudent to extend the contract.</p>
2.	How long have your current auditors audited the Commission?	Our most recent auditors have issued the Commission's last four audit reports, dated June 30, 2011 through June 30, 2015.
3.	Are your prior auditors allowed to participate in the bid?	Yes, they are eligible to respond to the RFQ.
4.	Is there anything specific, outside of what is noted in the current RFQ, that you are looking for from the successor auditors?	No, all the specific requirements are included in the RFQ.
5.	Was the scope of the prior auditor's service different from the services requested in the current RFQ? If so, please explain the differences?	No, there was no difference in the services requested.
6.	How many staff members did the audit team consist of during the interim and year-end phases of the last audit, and how many days were the staff members on-site?	There were two staff auditors, one senior auditor, a manager and the audit partner during the interim phase. These auditors were on site for one week. During the final phase there was two staff auditors, a senior, an off-site manager and the audit partner. These auditors were on site for three days.
7.	Have there been any significant changes in your accounting system or software since the last audit? Do you anticipate any changes in the near future?	There have not been any changes to our accounting system or our software. We do not anticipate any changes in the accounting system or the software.

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8.	Has there been any turnover in financial management or staff since the last audit? Do you anticipate the retirement or replacement of key employees in the near future?	The financial management staff has not changed and we do not anticipate any changes, retirements or replacements during the term of the contract.
9.	Were there any journal entries provided to the auditors by Commission staff in the prior year after the yearend trial balances were provided to the auditors? If so, how many?	No journal entries were proposed after the year end trial balances were provided to the auditors.
10.	Were there any adjusting journal entries from the auditor in the prior year? If so, how many?	Yes, there was one adjustment and it was related to implementation of GASB No. 68.
11.	Were there any disagreements with the prior auditor for matters related to financial reporting?	No, there were no disagreements.
12.	What were the prior year audit fees? Did these fees include any additional services rendered to the Commission that were not included in the scope of services listed in the RFQ? If so, please explain.	The annual fee was \$20,900. No additional services were provided that were not included in the scope of the RFQ.
13.	If available, can you please provide a copy of the most recent: a. Management letter b. Communication letter to those charged with governance	There was no Management letter issued. Please see the attached Communication Letter to those charged with governance, dated October 30, 2015.



To the Board of Commissioners
First 5 San Bernardino Children and Families Commission
San Bernardino, California

We have audited the financial statements of the governmental activities and the general fund of First 5 San Bernardino Children and Families Commission (Commission) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 10, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions —an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, as of July 1, 2014. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities.

We noted no transactions entered into by the Commission 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 Commission's financial statements were:

Management's estimate related to amounts related to the net pension liability, related deferred inflows of resources and deferred outflows of resources, and disclosures are based on actuarial valuations and a proportionate share of the County of San Bernardino's collective net pension liability.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the Commission's defined benefit pension plan, net pension liability and related deferred inflows of resources and deferred outflows of resources in Note 15 to the financial statements required by the Commission's implementation of GASB 68 and GASB 71. The valuation of the net pension liability and related deferred outflows (inflows) of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate, and the Commission's proportionate share of the County of San Bernardino's collective net pension liability. The disclosure on the restatement of beginning net position in Note 14 describes the impact to beginning balances of the implementation of GASB 68 and GASB 71.

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.

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 auditors' 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 30, 2015.

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 Commission'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 Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis, the Schedule of the Commission's Proportionate Share of the County's Net Pension Liability, Schedule of the Commission's Contributions, and the budgetary comparison schedule which are required supplementary information (RSI) that 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.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of First 5 San Bernardino and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California

October 30, 2015