

March 7, 2019

TO ALL PROSPECTIVE RESPONDENTS:

Subject: Request for Proposals (RFP):
19-PR-OCEO-13

Addendum Number: 1
For: Internal Audit Services
Closing Date: March 20, 2019

The subject RFP 19-PR-OCEO-13, Internal Audit Services, was issued February 19, 2019 with a closing date of March 20, 2019. This addendum is being issued on March 7, 2019 to answer questions submitted by the deadline of March 1, 2019 as follows:

Question 1. Can you provide detail for the most recent year on the hours and cost of internal audit services provided?

Answer 1. DC Water does not provide detailed budget information on current vendor services.

Question 2. Who is currently providing these services? Will the current provider be allowed to bid?

Answer 2. The current provider is RSM.

Question 3. Why is a change being made from the current provider?

Answer 3. The five-year current contract is expiring.

Question 4. Can you provide a list of audits completed in the most recent year?

Answer 4. Audits completed in FY 2018 are listed below:

- Recruiting, Selection and On-boarding
- Automated Meter Replacement Implementation Progress Update
- Office of Emergency Management Review
- DB/OS Privileged User
- Network Penetration Testing
- Affordability Programs
- Contract Monitoring and Compliance
- Crisis Management/Business Continuity
- Integrated Work Order Management
- CIS Post-Implementation Review
- Payroll and Timekeeping
- IT Risk Management and Compliance
- Accounts Payable

Question 5. The RFP states that preference points are awarded for use of certified local business enterprises. Can you specify how many points?

Answer 5. Refer to Attachment G.

Question 6. Can you provide a listing of certified local business enterprises?

Answer 6. A list of certified firms may be found on the District of Columbia's website using the following link: <https://dslbd.secure.force.com/public/>.

Question 7. Are you open to a firm subcontracting with a certified local business enterprise? If so, will preference points be awarded?

Answer 7. Yes. Refer to Attachment G.

Question 8. How many hours of internal audit service do you anticipate contracting for annually?

Answer 8. We anticipate 5000 hours. Please see Attachment B.

Question 9. Are you looking for a fixed price contract or an hourly rate?

Answer 9. DC Water seeks a blended hourly rate.

Question 10. Will the selected service provider have access to prior years' risk assessments, audit plans, working paper and reports?

Answer 10. DC Water will work with the selected service provider to ensure a successful transition, particularly for recent audits where observations will remain open into FY 2020.

Question 11. Are there any specific audits DC Water would like to accomplish?

Answer 11. DC Water seeks the input of its internal auditor in building an appropriate risk assessment and work plan appropriate and specific to DC Water's business.

Question 12. Does DC Water or its current service provider use data analysis in its' audits?

Answer 12. Yes.

Question 13. How often will the winning service provided be expected to present to the audit committee?

Answer 13. Quarterly. The Committee regularly meets in January, April, July, and October.

Question 14. Does DC Water have space on site for auditors to work out of during audit projects?

Answer 14. Yes.

Question 15. Is the expectation that all work will be conducted on site or can some work be conducted remotely?

Answer 15. Remote work is acceptable.

Question 16. Is DC Water open to service providers located outside the DC area?

Answer 16. Yes.

Question 17. Who will be the main point of contact at DC Water for the service provider?

Answer 17. The current Contracting Officer's Technical Representative (COTR) is the Director, Performance Integration and Delivery, reporting to the Executive Vice President for Performance, a function of the CEO's office.

Question 18. Please provider detail on the current Fraud Hotline System. Is it available and manned on a 7 day/24-hour basis? Is phone based and/or email based?

Answer 18. The Fraud Hotline is available and manned on a 24/7 basis. It is primarily a phone based system. DC Water seeks the input of its internal auditor in best practices for managing the hotline.

Question 19. Is DC Water currently under any consent decree with the EPA?

Answer 19. Yes. DC Water is under a consent decree for combined sewer overflows.

Question 20. Is DC Water undergoing any major construction projects at this time or in the near future that could benefit from construction audit resources?

Answer 20. DC Water is involved in many construction activities. DC Water seeks the input of its internal auditor in building an appropriate risk assessment and work plan.

Question 21. The Statement of Work makes reference to an already existing Audit Plan for FY2019. Would the Awardee for this RFP be responsible for executing any of this audit plan or work from one created for the new fiscal year?

Answer 21. The selected vendor would be responsible for building an appropriate risk assessment and work plan for FY 2020. They would be responsible for follow-up on audits issued under the FY 2019 work plan.

Question 22. Can we obtain a copy of the FY2019 Audit Plan?

Answer 22. Please see Attachment A.

Question 23. Is the Audit Plan typically adhered to or are modifications typically made? If so, what are the reasons for the modifications and what types of engagements are involved?

Answer 23. Modifications typically occur. If areas of potential risk are identified during the fiscal year, DC Water works with the internal auditor to shift schedules and plans as necessary.

Question 24. Can you provide samples of reports that have been issued under the Internal Audit Function?

Answer 24. Audit Committee materials including reports are available on our website.

Question 25. Have there been any significant changes in personnel, organization structure, policies and procedures, operations, etc. that could significantly impact the audit plan?

Answer 25. DC Water has recently undergone some organizational changes. The impact of these changes on a future audit plan for FY 2020 is likely minimal, but the selected internal auditor would be responsible for building an appropriate risk assessment and audit plan.

Question 26. Could you provide an estimate of the breakdown of time spent and/or reporting between the 6 areas identified (various environments, fraud hotline, etc.)?

Answer 26. DC Water seeks the input of vendors on an appropriate balance of these areas in its risk assessment process and annual work plan.

Question 27. Is there a budget for this work and if so, can you provide?

Answer 27. With our Board, DC Water is currently finalizing our proposed FY 2020 budget and anticipates adoption in April.

Question 28. Approximately how many hours annually are incurred by the contracted internal auditor?

Answer 28. DC Water does not provide detailed budget information on current vendor services.

Question 29. Is there anything in the functional or reporting process that management and/or the Audit Committee would like to see changed?

Answer 29. DC Water seeks the input of the selected vendor in identifying best practices that may modify current practices.

Question 30. The Scope of Work references external audits. Does the internal audit function assist in these audits such that this work is relied upon by the external auditors?

Answer 30. DC Water's internal and external auditors work independently, but the internal auditor is expected to meet periodically to discuss the work conducted through the fiscal year and provide all issued internal audit reports to external auditors at external interim audit (July/August) as well as the remainder of the fiscal year ending in September.

Question 31. A-1 Executive Summary - In order for use to propose the appropriate skills mix and resource allocation for the 5,000 hours allocated per year, could you breakdown by percentage of resource allocation for:

- Financial
- Operational/performance
- Internal controls (entity, transactional level)
- IT Controls
- IT Security
- Investigative/Forensics
- Compliance
- MISC Ad-hoc

Answer 31. DC Water seeks the input of its internal auditor in building an appropriate risk assessment and work plan, including allocation among various audit types.

Question 32. General - Does the internal audit play a role during the Annual Financial Audits?

Answer 32. The internal and external auditors work independently, but communicate periodically to inform the external auditors for their control risk assessment. This communication around conducted internal audits is the only role for the internal audit in the annual financial audit.

Question 33. Attachment B - You have requested 3-year financial data. We believe you want to ensure that awardee will have sustainable funds throughout the projects. Can this be waived or an alternate proof of financial strength be provided?

Answer 33. An updated Attachment B has been uploaded to the DC Water website which deletes the request for three (3) years of financial data.

Question 34. General - The risk landscape has evolved exponentially. Traditional audits may not be efficient and effective, are you will to entertain or adapt innovative techniques such as continuous auditing, data analytics and other state-of-the art tools.

Answer 34. DC Water seeks the input of its internal auditor in building an appropriate risk assessment and work plan, including tools, techniques, and best practices.

Question 35. General - Are there any systems being implemented now? Please list by type.

Answer 35. Yes. DC Water is currently migrating a number of its applications to the cloud and is in the process of selecting a replacement for its Financial and Human Capital Management system as part of modernization efforts.

DC Water would work with the selected vendor to understand the landscape as it builds a risk assessment and audit plan based on IT roadmap.

Question 36. General - Are there any plans for new implementation or significantly modify existing system?

Answer 36. Yes. See response to Question 35.

Question 37. General - Are the SCADA, Programming Logic Controls (PLCs) and the Advance Control Systems (ACS) within the scope?

Answer 37. These may be included in the scope of a review as it related to Cyber Security assessments, access control and change management.

Question 38. Attachment B - Is the 5000 hours the historic number of hours based on previous budget? How many actual hours did the encumber spend in the 2 previous years?

Answer 38. DC Water does not provide detailed budget information on current vendor services.

Question 39. Will the Authority consider a Pricing Summary that distinguishes specialized subject matter professionals (such as Security / Privacy technicians, fraud and forensic investigation specialists, actuaries, water industry engineers or SCADA technical specialists) from the core Internal Audit Services professionals?

Answer 39. Yes. Within the estimated hours, a specialized subject matter pricing summary may be submitted.

Question 40. Can the Authority expand upon the role Internal Audit will have in hotline investigations, and how matters reported through the hotline are to be communicated to the executive team and Audit Committee with respect to legally confidential information?

Answer 40. DC Water currently adheres to defined procedures for how matters are reported and managed. DC Water seeks the input of its internal auditor in best practices for managing the hotline.

Question 41. Could you please define "Local Business" as it relates to the following statement in the RFP? "Preferences points for Local Business", i.e., to meet this preference does the business need to have a location in DC or just the surrounding region? Does the business need to be headquartered in DC or the surrounding region?

Answer 41. Refer to Attachment G.

Question 42. Is this incumbent outsourced provider prohibited from bidding on this RFP?

Answer 42. The incumbent provider is not prohibited from submitting a proposal.

Question 43. Can you please provide an estimated number of outsourced man hours per year over the previous 5-year contract?

Answer 43. DC Water does not provide detailed budget information on current vendor services.

Question 44. According to the example 2019 Audit Plan, provided the average duration of audit appears to be 3 – 4 months. Can you please provide estimated average of hours per audit and/or average number of internal audit personnel per audit?

Answer 44. DC Water does not provide detailed budget information on current vendor services and seeks the input of the selected vendor in identifying appropriate allocations based on their risk assessment and annual plan.

Question 45. Will the vendor utilize DC Water templates for risk assessment, workpapers, and all deliverables (reports, presentations, etc.) or will the vendor utilize their own?

Answer 45. The vendor will utilize their own.

Question 46. Does DC Water utilize a work paper management system (i.e. TeamMate) for internal audit?

Answer 46. The vendor will utilize their own techniques.

Question 47. Are there any DC Water internal audit employees that will be utilized during the course of this contract or is it 100% outsourced with the vendor reporting “directly to the Board of Directors through its Audit Committee, with ‘dotted line’ reporting to the Chief Executive Officer/General Manager.”?

Answer 47. DC Water has no dedicated internal audit employees, but a COTR and DC Water management will coordinate regularly with the selected vendor as audits are planned and executed.

Question 48. Can DC Water confirm the date and time the proposal response is due?

Answer 48. The deadline for submission of proposals is **March 20, 2019**.

Question 49. Can DC Water provide the required file type, email size limit, and any other requirements?

Answer 49. Required file types and requirement are listed in Attachment B. The current email size limit is 15mb.

Question 50. Will DC Water accept an email submittal that links to a secured file site where the proposal is located?

Answer 50. DC Water will accept this process but it is not preferred.

Question 51. Will DC Water accept all electronic documents in a ZIP file?

Answer 51. ZIP files are acceptable.

Question 52. Will DC Water accept an alternative method of receiving electronic files? Can the offeror hand deliver the proposal and required documents on a flash drive or CD?

Answer 52. Hand delivery and flash drives/CDs are not acceptable.

Question 53. Can DC Water provide the section or include the information describing the proposal’s format?

Answer 53. Refer to Attachment B.

Question 54. Attachment B, Pricing indicates that only hourly rates in digits are necessary. Can DC Water confirm we can express the rates in numeric digits and meet this requirement?

Answer 54. Rates expressed in numeric digits are acceptable.

Question 55. Can the offeror also provide the information outside of the Excel file, in a separate document, if it is too much to fit into each cell? Can this additional information be provided via Word or PDF?

Answer 55. Separate documents referencing the excel file are acceptable.

Question 56. Can the offeror provide additional, relevant information that is not defined in the requirement, including information within the SOW (attachment A)?

Answer 56. Additional, relevant information may be submitted.

Question 57. Can DC Water please clarify the difference in contents that should be included in each section?

Answer 57. Refer to Attachment B.

Question 58. Can DC Water clarify what it expects the offeror to provide?

Answer 58. Refer to Attachment B.

Question 59. Can DC Water confirm there is no item #9 that needs to be completed, or provide item #9 if it needs to be completed?

Answer 59. There is no item 9.

Question 60. How many sample reports does DC Water require?

Answer 60. There is no specific requirement.

Question 61. Can DC Water confirm this is due within 30 days of award and not with the proposal (Water Works)?

Answer 61. Confirmed as stated in Attachment I.

Question 62. Can DC Water please clarify how vendors should complete this Attachment L for inclusion in our proposal?

Answer 62. Offeror shall check the applicable entities and sign anywhere on the bottom of the form.

Question 63. DC Water indicates an audit plan per year of 5000 hours. What has been the actual number of audit plan hours incurred over the past five years?

Answer 63. DC Water does not provide detailed budget information on current vendor services.

Question 64. As the needs arises for ad hoc reviews will the hours incurred be included in the budgeted 5000 hours or in addition?

Answer 64. Modifications to the plan typically occur. If areas of potential risk are identified during the fiscal year, DC Water works with the internal auditor to shift schedules and plans as necessary.

Question 65. Are we able to obtain a summary of the average number hours incurred administrating the DC Water Fraud Hotline System?

Answer 65. DC Water does not provide detailed budget information on current vendor services.

Question 66. Are you able to provide the average internal audit spend per year over the last 3 years?

Answer 66. DC Water does not provide detailed budget information on current vendor services.

Question 67. Please describe the current enterprise wide risk assessment methodology utilized (i.e., surveys, interviews, workshops, etc.)?

Answer 67. DC Water seeks the input of vendors in recommending best practices to conduct the risk assessment.

Question 68. Does a risk and audit universe currently exist, if so please provide?

Answer 68. DC Water seeks the input of its internal auditor in building an appropriate risk assessment and work plan, including identifying areas of risk.

Question 69. Is there an expectation that each auditable area is covered over a three-year period or is a risk based approach acceptable?

Answer 69. The selected vendor's annual work plan should be built from its assessment of risk.

Question 70. Will all prior year(s) audit workpapers and risk assessment results be made available to the selected vendor?

Answer 70. DC Water will work with the selected service provider to ensure a successful transition, particularly for recent audits where observations will remain open into FY 2020

Question 71. Does DC Water have any other risk management (ERM) or compliance functions?

Answer 71. DC Water assesses risk through the Internal Audit function, External Audit function and other departments such as Risk Management, Security, Occupational Safety and Health, and Emergency Management. DC Water seeks the input of vendors in recommending best practices as it relates to its ERM and other compliance functions.

Question 72. Do you currently have an automated workpaper tool that includes a mechanism to record, monitor and report on audit findings?

Answer 72. DC Water would utilize the selected vendor's recommended tools to manage and report on audits.

Question 73. Have these services been performed previously? If so, what was the total fees paid and hours worked for the previous year?

Answer 73. Yes. DC Water does not provide detailed budget information on current vendor services.

Question 74. Does DC Water have a budget for these services? If so, what is the dollar and/or hour budget for the services?

Answer 74. With our Board, DC Water is currently finalizing our proposed FY 2020 budget and anticipates adoption in April.

Question 75. Does DC Water have a specific number of audits that would be performed each year by the Vendor?

Answer 75. DC Water seeks the input of vendors in recommending best practices to conduct the risk assessment.

Question 76. Attachment B, Financial Data – We are a privately held partnership, and our firm policy is not to provide firm financial information without having a signed Non-Disclosure Agreement (NDA). Our financial information is deemed proprietary and confidential. Would DC Water be

willing to sign an NDA prior to proposal submission? Or would DC Water accept financial information upon award? If, in the RFP process, our proposal would be deemed unresponsive, would DC Water accept this information if submitted under separate cover, marked as confidential, and kept confidential from public records requests?

Answer 76. An updated Attachment B has been uploaded to the DC Water website which deletes the request for three (3) years of financial data.

Question 77. Please clarify what action is to be taken for Attachment L, Mid-Atlantic Purchasing Team Rider Clause. There does not appear to be any fields to complete nor signature required; however, in Section 3, Contents of RFP Document, of the RFP, Attachment L includes the asterisk indicating Vendors are required to sign and return it with the proposal.

Answer 77. Offeror shall check the applicable entities and sign anywhere on the bottom of the form.

Question 78. The RFP calls for the development of a 3-year internal audit plan. Does a multi-year plan currently exist? If so, are we able to review it? We do understand that the plan may change, but we would like to demonstrate our proficiency in planned audits.

Answer 78. The FY 2019 Audit Plan is provided in Attachment A. DC Water seeks the input of its internal auditor in building an appropriate risk assessment and work plan.

Question 79. The RFP asks for the vendor to identify core staffing that will be 80% engaged in conducting audits and their individual experiences. Please clarify what is meant by this requirement. We look to staff each project with the most qualified personnel in the subject matter area, so we want to understand the expectation in terms of staff continuity.

Answer 79. DC Water understands technical expertise will likely vary from audit to audit. However, we are interested in understanding the skills and experience of the primary, lead staff members with which we will most often communicate and coordinate.

Question 80. Does DC Water have an estimate of the budgeted hours or dollars of service on an annual basis? Alternatively, does DC Water expect the vendor to denote expected hours based on the example workplan and scope provided.

Answer 80. With our Board, DC Water is currently finalizing our proposed FY 2020 budget and anticipates adoption in April. DC Water seeks the input of its internal auditor in building an appropriate risk assessment and work plan, including allocation of hours.

Question 81. Were there any control deficiencies during the last three years? If so, please describe or provide the related reports.

Answer 81. Audit Committee materials including reports are available on our website.

Question 82. Please briefly describe arrangements with DC Water's service providers and whether DC Water receives SOC 1 reports from the service providers?

Answer 82. Yes. DC Water ensures vendor IT systems meets our technical requirements.

Question 83. What were the fiscal year 2018 internal audit fees?

Answer 83. DC Water does not provide detailed budget information on current vendor services.

Question 84. What were the budgeted hours for the internal auditors in fiscal year 2018?

Answer 84. DC Water does not provide detailed budget information on current vendor services.

Question 85. How many hours were spent by the current firm in fiscal year 2018?

Answer 85. DC Water does not provide detailed budget information on current vendor services.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

All offerors responding to RFP 19-PR-OCEO-13, Internal Audit Services, must sign and complete the last page, attach copies to the electronic submission to the DC Water POC and return all documents to the email address listed in the RFP for submission of proposals. In the event your proposal had been previously emailed, submit this addendum under a separate email by the deadline. This addendum, together with your proposal and any revisions or changes occasioned by this addendum, must be received prior to the deadline set for submission of proposals.


Hildred Pepper
Senior Sourcing Specialist

FAILURE TO ACKNOWLEDGE RECEIPT OF THIS ADDENDUM MAY BE CAUSE FOR REJECTION OF YOUR PROPOSAL.

This addendum is acknowledged and is considered a part of RFP Number 19-PR-OCEO-13, Internal Audit Services.

Signature of Authorized Representative

Title

Name of Firm

Date