



**February 20, 2020**

**TO ALL PROSPECTIVE RESPONDENTS:**

**Subject:** Request for Proposals (RFP):  
20-PR-CFO-26

**Addendum Number:** 1  
**For:** External Audit Services  
**Closing Date:** February 27, 2020

The subject RFP 20-PR-CFO-26, External Audit Services, was issued January 27, 2020 with a closing date of February 27, 2020. The closing date and the time remain the same. This addendum is being issued on February 20, 2020 to answer questions submitted by the deadline as follows:

Question 1. Has DC Water contracted with vendors in the past for these audit services? Is there currently a vendor under contract? If so, could you provide the vendor name and contract number?

Answer 1. KPMG is the current vendor under contract 15-PR-CFO-01.

Question 2. If there is a contract in place, could you provide the total spend to date?

Answer 2. You may obtain this information by submitting a Freedom of Information Act (FOIA) request to [victoria.fleming@dcwater.com](mailto:victoria.fleming@dcwater.com).

Question 3. Is this a recurring need for DC Water? I see that this award will be a 3-year contract plus 2 renewals. Are these services a continual need, and therefore will be bid out again in the future?

Answer 3. There is a continual need for these services.

Question 4. At the top of Attachment B, Required Responses sheet, the header says: Request for Proposal 17-PR-CFO-XX Merchant Credit Card Services and item 9 on this sheet refers to Master Services Agreement(s) (MSA) for Banking Services. Is this the correct instruction sheet we should follow for this RFP? We would also like to confirm that the other sheets included in this excel document are appropriate to use for our response.

Answer 4. Please disregard this information. The RFP number should read 20-PR-CFO-26, External Audit Services. The information in the excel document is for your use in submitting your response.

Question 5. Are all the audits performed from one location or there are multiple locations.

Answer 5. One location.

Question 6. The RFP does not include the audit of Blue Drop LLC. Please clarify whether this is in the scope of services to be provided? Will a standalone audit report be required for Blue Drop LLC?

Answer 6. Blue Drop LLC is a separate entity and it has separate external auditors. Blue Drop audited financials are consolidated into DC Water's Financials with a footnote disclosure.

Question 7. How has the audit been scheduled in the past and how many auditors were on site for each phase?

- The Authority's CAFR:
- The Authority's single audit:
- Blue Drop LLC:

Answer 7. The Authority's: CAFR- January 15<sup>th</sup>.  
The Authority's single audit: February 1<sup>st</sup>.  
Blue Drop LLC: November 15<sup>th</sup> -Blue Drop LLC Audit is performed with separate external auditors.

Question 8. Please provide the number of hours the prior auditors incurred for the audit.

Answer 8. Approximately 2,700 hours.

Question 9. What was the prior year's audit fee, by service?

Answer 9. Please refer to the answer to question 2.

Question 10. In the previous three fiscal years, have there been any additional billings/change orders related to the audits in excess of the fixed base fees? If so, to what extent and for what reason(s)?

Answer 10. Yes. Additional services required by new business requirements involving Green Bond Attestation, AUP of month 6 statements, and Blue Drop Consolidation into DCW Financials.

Question 11. What was the percentage of LBEs/LSBEs utilization by the current auditors?

Answer 11. You may obtain this information by submitting a Freedom of Information Act (FOIA) request to victoria.fleming@dcwater.com.

Question 12. Why have you decided to go out for bid for all of these services?

Answer 12. The current contract expires June 14, 2020.

Question 13. Is the incumbent allowed to bid?

Answer 13. The incumbent firm will be allowed to propose.

Question 14. Are there any improvements you would like to see in the audit process?

Answer 14. DC Water's bond ratings have improved over the past 5 years and management expects to maintain and improve upon this trend.

Question 15. Which firms have been invited to bid?

Answer 15. You may obtain this information by submitting a Freedom of Information Act (FOIA) request to victoria.fleming@dcwater.com.

Question 16. Are there significant changes in operations in the current year vs the prior year including changes in policies and procedures, personnel, or the reporting entity?

Answer 16. There are no major changes in policies and procedures, personnel, or the reporting entity.

Question 17. Please provide an overview of any specialists used by the Authority and its related entities (actuaries, valuation firms, third party experts, SSAE No. 16 reports, etc.) in determining financial statement balances and disclosures.

Answer 17. DC Water uses a number of 3<sup>rd</sup> parties to conduct its business including actuary and service providers providing SSAE-16 reports for accounts receivable, HR/Payroll, Risk Management, E-Payables.

Question 18. Has the 2019 audit been completed? If so, could you please share the report as its not available on your website.

Answer 18. The audit is complete and the report is available on the DC Water website.

Question 19. What was the nature and magnitude of audit adjustments for each of the FY 2019 and FY 2018 audits?

Answer 19. None.

Question 20. Have there been any new bond issuances during the current fiscal year?

Answer 20. Yes.

Question 21. Have your auditors provided a management letter within the past 3 years? If so, can that document be made available?

Answer 21. Yes. However, the Management letter is addressed to senior management and may be restricted for their use. You may obtain this information by submitting a Freedom of Information Act (FOIA) request to [victoria.fleming@dcwater.com](mailto:victoria.fleming@dcwater.com).

Question 22. Do the current external auditors utilize the Authority's internal auditors for testing? What, if any, work of the Internal Audit department has the external auditor used?

Answer 22.

Question 23. With respect to the Single Audit, do you expect the composition of major programs to change significantly from those reported in the prior year?

Answer 23. No.

Question 24. What are the key financial/relevant applications for the Authority and its related entities?

- Are they internally developed or off the shelf?
- Where are the personnel who support these applications located?
- Do these applications have systematic interfaces to other applications?
- Which systems automatically interface with the general ledger?
- Where are these applications hosted?

Answer 24.

- Are they internally developed or off the shelf? - Off the shelf.
- Where are the personnel who support these applications located? At the Authority premises in the District of Columbia.
- Do these applications have systematic interfaces to other applications? Legacy system interfaces to financials include HR/Payroll and Customer Service Accounts Receivable.
- Which systems automatically interface with the general ledger? The above subsystems are manually interfaced to legacy system.

- Where are these applications hosted? Both applications are cloud based. Legacy system is on-premises.

Question 25. Has the Authority and its related entities experienced any known cyber breaches and loss of data in the past 12 months?

Answer 25. No.

Question 26. Main and Instructions - Are additional attachments (e.g., overall firm information including overall audit approach) allowed to be submitted along with the required attachments provided in the RFP?

Answer 26. Yes.

Question 27. Main and Instructions - Are resumes (as part of the overall audit approach) allowed to be included in the proposal?

Answer 27. Yes. This is a requirement.

Question 28. Main and Instructions - Is there a page limit on the response?

Answer 28. There is no page limit, however DC Water expects a concise response.

Question 29. Attachment A - B.2.1 – “There are no limitations on the scope of the audit.” Please confirm that the auditor is able to report any scope limitations, if any develop that are required to be reported in order to comply with AICPA standards.

Answer 29. Yes.

Question 30. Attachment A - “The Auditor’s report may be included in DC Water’s Annual Report. In which case a “consent letter” would be required prior to inclusion.” Please confirm that a separate fee will be negotiated for this work, if requested.

Answer 30. We expect the financials to be “liftable”, including the auditor’s report. As such, DCW does not anticipate additional fees in this regard.

Question 31. Attachment A. - B.2.6 – “The Auditor may be requested to provide other accounting and financial services to DC Water.” Please confirm that such services will be restricted to the services that do not impair our independence as the auditors and thus are allowed under the AICPA standards.

Answer 31. Confirm.

Question 32. Attachment B - Since there is only one column for estimated annual hours, can the contractor modify the format to submit different estimated annual hours for each year, if necessary?

Answer 32. Modification to the estimated annual hours is permitted.

Question 33. Attachment D - 1. Type of Contract - Please confirm that the contract is a time and materials contract with a fixed annual rate per hour, and that there is no ceiling on the number of hours per year. If this is not correct, what type of contract is this?

Answer 33. The hourly rate shall be inclusive of all fees including materials and the number of hours shall not exceed the hours negotiated in the final contract.

Question 34. Attachment D - 14.2.1 – “DC Water and the Contractor represent and warrant to the other Party that it has complied and will continue to comply, with the Data Protection Laws in respect of Personal and DC Water Data, this Agreement, the Services and the appointment of the Contractor hereunder”. Please clarify the Data Protection Laws referenced in the RFP.

Answer 34. a) Client (DC Water and Sewer Authority) and Vendor represent and warrant to the other Party that it has complied and will continue to comply, with the Data Protection Laws in respect of Personal and Client Data, this Agreement, the Services and the appointment of Vendor hereunder.

b) Vendor shall, during the Term, comply with any data retention policies of Client in which Client has specified and supplied such data retention policies to Vendor before the Effective Date. The implementation of any subsequent changes to such data retention policies may be requested by Client and will be subject to agreement through the Change Management Process. Where Client fails to specify data retention policies, Vendor shall retain all Personal and Client Data for a period of 24 months from receipt of such Personal and Client Data unless Vendor is required to delete or destroy Personal and Client Data in order to comply with its own obligations under Applicable Law.

c) Vendor shall require any and all third parties, providing services for Vendor to perform the Services hereunder, to maintain the same or higher data protection obligations required by Client of Vendor under this Agreement. Vendor shall restrict the disclosure of the Personal and Client Data to those Vendor Personnel who may be required by Vendor to assist Vendor in meeting its obligations under this Agreement. Such Vendor Personnel used by Vendor to provide the Services as they relate to Personal and Client Data shall have undergone reasonable levels of training that is standard in the industry for the Data Protection Laws and in the care and handling of Personal and Client Data. Vendor may disclose Personal and Client Data to its employees, subcontractors or other third parties to the extent such disclosure is reasonably necessary for Vendor to perform its obligations under this Agreement, provided that such disclosure is limited to those parties who are bound in writing by obligations of data security, confidentiality, and non-disclosure that are at least as restrictive and extensive in scope as those set forth herein. Vendor agrees that any such disclosure shall be limited to only that Personal and Client Data which the third party requires to perform its obligations to Vendor. Vendor assumes full responsibility for the acts or omissions of the persons and entities to which Vendor makes disclosure of Personal and Client Data.

d) Vendor shall process, modify, amend, alter, disclose or permit the disclosure of Personal and Client Data only in accordance with Client’s reasonable and lawful instructions and this Agreement. Vendor shall employ requisite technical and organizational measures to keep Personal and Client Data safe from unauthorized or unlawful processing and against accidental loss, destruction, alteration or disclosure of, or damage to, the Personal and Client Data. Vendor shall maintain environmental, technical, organizational, safety and facility procedures, data security and backup procedures and other security measures, and shall provide appropriate equipment, software and other systems that comply with recognized industry standards, for the purpose of protecting against the destruction, loss, unauthorized access, disclosure or alteration of Personal and Client Data. Such procedures, measures, equipment and systems shall be:

- i) No less rigorous than those maintained by Vendor for its own information of a similar nature;
  - ii) Comply with Vendor's Client records retention policy;
  - iii) Meet any security policies, standards, requirements and specifications set forth herein;
  - iv) Comply with any applicable laws designed to ensure the security and confidentiality of Personal and Client Data;
  - v) Protect against any threats or hazards to the security or integrity of Personal and Client Data;
  - vi) Protect against unauthorized access to or use of Personal and Client Data; and
  - vii) Ensure that the confidentiality of Personal and Client Data is not compromised by the Services provided under the Agreement.
- e) Vendor agrees to assist Client, when reasonably requested by Client, in compliance with its obligations under the Data Protection Laws, including providing information in order for Client to be able to respond to requests for records and information under FOIA. However, as of the Effective Date, nothing in this Section (Data Protection) or this Agreement shall be understood as an obligation for Vendor to respond directly to any requests for such records and information, and Client is and shall remain responsible for the handling of any and all such requests. Should Client request Vendor to handle such requests directly, such request shall be subject to agreement through the Change Management Process.

Question 35. Attachment D - 10.14.2.2 - "The Contractor shall, during the Term, comply with any data retention policies of DC Water in which DC Water has specified and supplied such data retention policies to the Contractor before the Effective Date. Please provide the data retention policies referenced in the RFP.

Answer 35. The DC Water document retention plan (RM-POL-100) defines the data retention policy for the enterprise. The data retention time period varies depending up on the data. For example, 8100-4 Asset Management Files indicates a

- 3 years retention or;
- 1 year after the termination of the System.

With regards to email (section 5), the policy indicates that

- The email system should not be used for email retention (instead).
  - o A paper filing systems;
  - o or Document Management system should be used.
- Email Retention is based on the content of the email (this may require both technical and administrative controls)

Office of General Counsel indicated an ideal period between 7 – 10 years should be sufficient for any discovery purposes.

Question 36. Attachment D - 11.14.2.3 – “Such the Contractor Personnel used by the Contractor to provide the Services as they relate to Personal and DC Water Data shall have undergone reasonable levels of training that is standard in the industry for the Data Protection Laws and in the care and handling of Personal and DC Water Data.” Please clarify the level of training that is standard in the industry.

Answer 36. General Data Management process:

DC Water is expecting the vendor to have a proven data management (and supporting training to the employees participating in the execution of contract) policy in the following lines:

a. If Vendor manages the data, database(s) or system(s), data or system backups for the client, Vendor should have trained personnel and shall develop and maintain procedures for the backup of Personal and Client Data and reconstruction of lost, destroyed, or altered Personal and Client Data (including back-up of Personal and Client Data) which are in accordance with recognized industry standards and no less rigorous than those maintained by Vendor for its own information of a similar nature.

b. Except with respect to media utilized for backup, retention, or other maintenance in accordance with Vendor’s policies, Vendor shall remove all Personal and Client Data from any media taken out of service and shall destroy or securely erase such media in accordance with Vendor’s internal destruction and retention policies. No media on which Personal or Client Data is stored may be used or re-used to store data of any other client of Vendor or to deliver data to a third party unless securely erased in accordance with industry practice.

c. Vendor shall maintain in escrow copies of all platforms, software and any other material or data necessary for Client to continue use of the Services provided herein.

Cyber Security:

DC Water expect vendor having robust Cyber security practice and team in place. In the event Vendor discovers or is notified of a suspected or actual Security Breach of Client, or other clients of Vendor, due to acts or omissions of Vendor, Vendor shall, at its own expense

a) Immediately notify Client of such Security Breach;

b) Perform a root cause analysis (including, as appropriate, a forensic investigation to determine what Systems, data and information have been affected by such event) and report its findings to Client;

c) Provide Client with a remediation plan, acceptable to Client, to address the Security Breach and prevent any further incidents; and cooperate with Client and any third party(ies) investigating such Security Breach.

d) Client shall make the final decision on notifying Client’s customers, employees, service providers and/or the general public of such Security Breach, and the implementation of the remediation plan.

e) Vendor shall reimburse Client for all reasonable notification related costs incurred by Client arising out of or in connection with any such Security Breach. In the event that Vendor becomes aware of any Security Breach which is not due to Vendor acts or omissions, Vendor shall immediately notify Client and the Parties shall reasonably cooperate regarding which of the foregoing or other activities may be appropriate under the circumstances, including any applicable charges for the same. Vendor shall notify Client within five (5) business days of the commencement of any investigation of its use of Personal or Client Data or security practices by any governmental authority or organization, any material change in such investigation and the results of such investigation. Reconstruction of Personal and Client Data.

## SAS/SSAE 16 Audit reporting

Vendor shall deliver to Client a report from Vendor's independent auditors of examinations in accordance with Service Organization Controls ("SOC") 2, Trust Services Principles report on the design (Type I) and operating (Type II) effectiveness of a service organization's controls for all entities providing services under this Agreement, which will include the following general areas of control objectives: security, availability, processing integrity, confidentiality, and privacy of a system; and will include a representative sample of the computer environments used to process applications supporting the Services (collectively "Control Objective Processes"). In addition, Vendor shall, during the period between issuance of each of its SOC 2 Reports, maintain the internal controls and control environment(s) described in the then-most-current/updated SOC 2 Report. In addition to any other audit rights hereunder, Client may audit or examine any Vendor internal controls related to the Services locations or systems that are unique to Client and that are not otherwise the subject of a SOC 2 audit report.

Question 37. Attachment D - 12.14.2.4 – "Unless otherwise required by law or regulatory authorities, the Contractor shall process, modify, amend, alter, disclose or permit the disclosure of Personal and DC Water Data only in accordance with DC Water's reasonable and lawful instructions and this Agreement." Please clarify the DC Water's reasonable and lawful instructions.

Answer 37. c) Vendor shall require any and all third parties, providing services for Vendor to perform the Services hereunder, to maintain the same or higher data protection obligations required by Client of Vendor under this Agreement. Vendor shall restrict the disclosure of the Personal and Client Data to those Vendor Personnel who may be required by Vendor to assist Vendor in meeting its obligations under this Agreement. Such Vendor Personnel used by Vendor to provide the Services as they relate to Personal and Client Data shall have undergone reasonable levels of training that is standard in the industry for the Data Protection Laws and in the care and handling of Personal and Client Data. Vendor may disclose Personal and Client Data to its employees, subcontractors or other third parties to the extent such disclosure is reasonably necessary for Vendor to perform its obligations under this Agreement, provided that such disclosure is limited to those parties who are bound in writing by obligations of data security, confidentiality, and non-disclosure that are at least as restrictive and extensive in scope as those set forth herein. Vendor agrees that any such disclosure shall be limited to only that Personal and Client Data which the third party requires to perform its obligations to Vendor. Vendor assumes full responsibility for the acts or omissions of the persons and entities to which Vendor makes disclosure of Personal and Client Data.

d) Vendor shall process, modify, amend, alter, disclose or permit the disclosure of Personal and Client Data only in accordance with Client's reasonable and lawful instructions and this Agreement. Vendor shall employ requisite technical and organizational measures to keep Personal and Client Data safe from unauthorized or unlawful processing and against accidental loss, destruction, alteration or disclosure of, or damage to, the Personal and Client Data. Vendor shall maintain environmental, technical, organizational, safety and facility procedures, data security and backup procedures and other security measures, and shall provide appropriate equipment, software and other systems that comply with recognized



industry standards, for the purpose of protecting against the destruction, loss, unauthorized access, disclosure or alteration of Personal and Client Data.

Question 38. What is the status of migration to Oracle and upcoming plans for new systems/upgrades over the contract period?

Answer 38. Sprint 1 is in process, "Oracle Financial" is going live October 1, 2020. DCW will be closing FY2020 with the legacy system.

Question 39. What is the timing of current audit- i.e., number of personnel and weeks spent on site?

Answer 39. Please refer to the total hours provided in the question 8 above. DCW anticipates evaluating proposals as to number, level and credentials of audit team proposed.

Question 40. What changes would you like to make to audit timing?

Answer 40. None at this time.

Question 41. Are there any major capital projects planned for the next three years not yet started? If so, what are they?

Answer 41. DCW central focus is infrastructure construction and maintenance. Please refer to capital budget document on DCW public website.

Question 42. Attachment I – DC Water Works Program, referenced on page 4 of the RFP, as well as in Attachment B. - Page 4 of the RFP indicates we are required to sign and return this form with our proposal. There was no Attachment I included within the solicitation documents on the procurement web site.

Answer 42. Please delete all references to Attachment I as it is not applicable to this solicitation.

Question 43. Attachment B, Excel file workbook, 1<sup>st</sup> tab, Required Responses, Item 9, Master Services Agreement(s) (MSA) for Banking Services. The Comments column section indicates to "Provide MSA and all documentation required for service delivery with the proposal." The MSA was not provided as an attachment included within the solicitation documents. Also, it references an MSA for Banking Services. This procurement is for external audit services.

Answer 43. Please refer to the answer to question 4.

Question 44. Attachment B, Excel file workbook, 2nd tab, Requirements, the instructions indicate to "...provide your responses in Yellow Highlighted Columns. For Requirements Scope of Services Sections B.1 through B.2, select your answers from the dropdown menu." The worksheet does not have a section B.1. Please clarify if there is a section B.1. that bidders need to respond to. If B.1. is a requirement, would DC Water please provide a revised Attachment B Excel file with B.1. information included.

Answer 44. The attachment should read A.1 through B.2.

Question 45. What were the audit fees for the FY19 audit?

Answer 45. You may obtain this information by submitting a Freedom of Information Act (FOIA) request to victoria.fleming@dcwater.com.

Question 46. Would the Authority accept Capital Region Minority Supplier Development Council certificate in lieu LBE or LSBE certification?

Answer 46. For firms to be recognized as LBE/LSBE they must have a current certification by one of the following jurisdictions:

1. District of Columbia's "CBE Certification Program";
2. Montgomery County's "Minority, Female and Disabled Business Enterprise" Certification Program;
3. Prince George's County Based Business Certification Program;
4. Virginia Department of Small Business and Supplier Diversity Program;
5. Maryland Department of Transportation Certification for firms principally located in Montgomery and Prince George's Counties;
6. Other certification programs recognized by the District of Columbia or a DC Water user jurisdiction and meet the District of Columbia's or user jurisdiction's criteria for local and local and small business enterprise.

Question 47. Would the Authority accept LBE or LBSE certification or registration that is in process?

Answer 47. No. The LBE/LSBE should be certified prior to submission of the RFP.

**ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.**

All offerors responding to RFP 20-PR-CFO-26, External 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 20-PR-CFO-26, External Audit Services.

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name of Firm

\_\_\_\_\_  
Date