



**State of New Jersey**  
DEPARTMENT OF THE TREASURY  
DIVISION OF PURCHASE AND PROPERTY  
P. O. BOX 230  
TRENTON, NEW JERSEY 08625-0230

JAMES E. MCGREEVEY  
*Governor*

JOHN E. MCCORMAC, CPA  
*State Treasurer*

April 6, 2004

Addendum #1

Re: Audits of Pension Trust funds, Agency funds, and Health Benefit Program funds.  
04-X-36727

Bid Proposal Date: April 27, 2004, 2:00 p.m.

Dear Bidders Conference Attendees:

This letter and its attachments form Addendum #1 to the Audits of Pension Trust funds, Agency funds, and Health Benefit Program funds, 04-X-36727.

The addendum is composed of three parts:

- Part I - Attendees at the Bidder Conference
- Part II - Questions, Answers and Comments
- Part II - Changes to the RFP

The Stage 3 Bid Proposal due date remains scheduled for April 27, 2004 at 2:00 pm.

It is important for bidders to review and cross-reference this addendum to the RFP prior to preparing a bid. You should direct any additional questions or comments about the RFP to me at 609-984-6241.

Sincerely,

*Edward T. Cotterell*

Edward T. Cotterell  
Contract Procurement Specialist

Part I  
Attendees at the Bidders Conference

Randy Nelson/Lou Roberts  
Ernst and Young  
99 Wood Avenue South  
Iselin, NJ 08830

Stephen Langowski/Jane Letts-Parvesse  
KMPG LLP  
989 Lenox Drive  
Lawrenceville, NJ 08648

Eugene J. Elias  
Mercadien PC CPA's  
3625 Quakerbridge Road  
Hamilton, NJ 08619

Jim D'Amico  
Loeb and Troper  
655 third Ave.  
New York, NY

Grace Co Ortega/Nora Galleros  
Watson Rice, LLP  
301 Meadows Office Complex  
6th Floor,  
Route 17N  
Rutherford, NJ 07070

Part II

Questions (Q), Answers (A) and Comments (C) in Response to the Questions Submitted

<b>Page, Section</b>	<b>Question and Answer or Comment</b>
Page 1	<p>Q1. Will we be able to attend the bid opening?</p> <p>A. Yes. At 2:00 p.m. the bids are brought into the room where we are having this conference, the names of the bidders are announced and their bid prices are publicly read. You may call me after bids are opened and I will give you this information. Bids are public information. You may contact me and make an appointment to review a bid after bids are opened.</p>
Page 8/9, 1.1.1	<p>Q2. There are 5 CAFRs identified, however, it has been only roman numerals IV and V that have been the CAFRs prepared in the past. Roman numerals I, II and III appear to be new CAFRs. Is that a correct interpretation? Is there a plan to submit those CAFRs as well to the GFOA?</p> <p>A. The CAFRS I, II and III will not go the GFOA. These extra 3 are separate reports that consolidate those funds together, but they are not going to be submitted to GFOA.</p>
Page 9, 1.2	<p>Q3. The RFP requires the contractor to have an actuary on staff. Is that full time staff or is that an employee?</p> <p>A. An employee at the time of bid submission. This may not be subcontracted.</p>
Page 9, 1.2	<p>Q4. Now the actuarial calculations that are done internally, do you have consultants that actually do the calculations?</p> <p>A. Yes, private contractors perform the annual valuations. As part of the audit, you must have an actuary review the State's actuarial assumptions for the reports.</p>
Page 11, 1.3.2	<p>Q5. So far as questions, will all questions be answered today?</p> <p>A. We will attempt to answer questions now and will provide a written Q&amp;A in the addendum. We reserve the right to defer answering questions now and provide the answer in the addendum. The addendum will be posted on the Purchase Bureau web site. Bidders will not be mailed anything. It is the sole responsibility of the bidder to monitor the Purchase Bureau web site regularly to check for addenda, even up to the bid due date.</p>
Page 13, 1.4.8	<p>Q6. The way I read this is that joint ventures are permitted. Is that true?</p> <p>A. No. The opportunity to joint venture is deleted. See Part III of this addendum where Section 1.4.8 is deleted. Joint venture bids are not permitted.</p>
Page 16, 3.3.3	<p>Q7. In Section 3.3.3 for the crosswalks, could you clarify that?</p> <p>A. Crosswalks are part of the process for trial balances. It shows the groupings of the accounts and how they are represented on the financial statements. It's a guide to our statements.</p>
Page 17, 3.5	<p>Q8. I have a question on the due date. It says October 30th. In the past has it always been delivered on October 30th?</p> <p>A. Prior to GASB 34, audit reports were delivered by October 30. After GASB</p>

Page, Section	Question and Answer or Comment
	34, audit reports were not because of extenuating circumstances. Now that GASB 34 is final the State expects delivery by October 30th. However, all the audit work was done by the middle of September even with GASB 34.
Page 17, 3.3.9	Q9. It says the comfort letter is provided by September 15.  A. That is because by August 30 we must prepare CAFR statements for the State CAFR and the final audit is not complete. Therefore, the comfort letter is a letter from the contractor to OMB certifying that the CAFR statements are usable.
Page 17, 3.3.10	Q10. Documentation of a concurring partner?  A. That has been requested by the State Auditor to show that the audit papers have been reviewed in accordance with the normal auditing process.
Page 18, 3.5.1	Q11. For third quarter postings, are there financial statements and trial balances prepared at the end of the quarter?  A. There are trial balances. The State is making bidders aware of this so that bidders properly address this requirement in their bid proposals. The contractor will need to send out confirmation notices because the fourth quarter will not be ready until August 15 and there is no way the confirmations can be ready if the contractor starts then.
Page 18, 3.6	Q12. Who actually prepares the trial balances and financial statements and when are they ready?  A. All financial statements are done August 30th and are prepared by Pensions and Benefits.
Page 18, 3.7	Q 13. Here is says that the contractor must bring the managing partner to the initial kickoff meeting, is that the engagement partner, not necessarily the managing partner?  A. It's the partner that is managing the audit.
Page 19, 3.11	Q 13. On Task 2, the SAS 70 report, there are two types, Type 2 that requires an extensive amount of work and Type 1 that requires a lesser amount of work. Have you received this in the past?  A. This RFP and contract require the performance of a Type 2 SAS 70. The Type 2 SAS 70 includes a review of record keeping and maintenance of member's accounts. See Part III of this Addendum where a specification for the Type 2 version of the SAS 70 is added wherever there is a reference to the SAS 70 in the RFP.
Page 19, 3.11	Q 14. What is the purpose of the SAS 70?  A. Manager for the Funds has requested it and would feel more comfortable with the quality of the audits with a SAS 70 provided with the audit.
Page 19, 3.11	Q 15 What type of technology, systems, and computers are being used?  A. See the list provided in Appendix 3
Page 26, 4.4.4	Q18. How much was paid to the current contractor over the term of the contract and to the extent that you know, the number of hours the contractor took to perform the work.

Page, Section	Question and Answer or Comment												
	<p>A. The prior audit RFP covered only the audit of the Pension Trust Funds, Pension Adjustment Fund and the Deferred Compensation Fund. There were 5 Tasks to perform audits for 1998 through 2002. The total bid price for each year was:</p> <p>1998 \$ 95,000  1999 \$101,258  2000 \$107,516  2001 \$113,672  2002 \$120,258</p> <p>For hours, the prior bid included:</p> <table data-bbox="467 751 1047 972"> <tr> <td>Partner</td> <td>66 hours</td> </tr> <tr> <td>Concurring Review Partner</td> <td>36 hours</td> </tr> <tr> <td>Senior Manager</td> <td>140 hours</td> </tr> <tr> <td>Actuary/Senior Manager</td> <td>50 hours</td> </tr> <tr> <td>Senior Accountants</td> <td>240 hours</td> </tr> <tr> <td>Staff Accountants</td> <td>336 hours</td> </tr> </table> <p>Additional audits were added to the contract after contract award at a cost of \$46,450.00. Hours are not available in relation to the additional work.</p>	Partner	66 hours	Concurring Review Partner	36 hours	Senior Manager	140 hours	Actuary/Senior Manager	50 hours	Senior Accountants	240 hours	Staff Accountants	336 hours
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Page 27, 5.4	<p>Q16. How long did the prior auditor have this contract?</p> <p>A. The contract was for 5 years and it was extended for one additional year.</p>												
General	<p>Q17. Is the prior contractor eligible to bid?</p> <p>A. Yes.</p>												
Page 30, 5.18	<p>Q 18. For the liquidated damages, is October 30th the deliver date?</p> <p>A. Liquidated damages will not be assessed until after October 30th. The State Contract Manager shall have some flexibility to adjust delivery times, particularly for the first year where it is possible that a late start or other extenuating circumstances could disrupt the process.</p>												
Page 33, 5.26.2	<p>Q19. As far as the terms and conditions, will bidders be able to make any changes, for example our attorney's may object to the 400% indemnification. Do we have any flexibility to bid a lesser amount?</p> <p>A. No. An exception to any term or condition disrupts the equal footing among bidders and could result in a determination that the bid is non-responsive and ineligible for contract award.</p>												
Page 35, 6.6	<p>Q20 So the same firm has to do both Task 1 and Task 2?</p>												

<b>Page, Section</b>	<b>Question and Answer or Comment</b>
	A. Yes. We will award Task 1 competitively among all bidders. Task 2 will only be awarded to the Task 1 awardee.
Page 35, 6.6	Q21 What if we chose not to bid on Task 2?  A. Failure to bid on both tasks will render the bid non-responsive.

Part III

Changes to the RFP

Bidders are advised to mark these changes in their copy of their RFP before preparing a bid.

Page/Section	Change
Page 13, 1.4.8	<u>Delete</u> Section 1.4.8. Joint Ventures will not be allowed for this contract.
Page 19, 3.11	In Section 3.11 <u>add</u> the following sentence that describes the type of SAS 70 report we request.  "The SAS 70 requested for Task 2 is the Type 2 version of the SAS 70. The Type 2 SAS 70 includes a review of record keeping and maintaining members accounts. All references to the SAS 70 in this contract are for the Type 2 version of a SAS 70.
Page 32, 5.25.1	In the second sentence, after SAS 70 <u>add</u> "Type 2"
Pages 50 to 55 Attachment 4	On Attachment 4, the Price Schedule pages for Task 2, <u>replace</u> all references to "(SAS No. 70)" with "(Type 2 SAS 70)".