

Missouri
Department
of Transportation

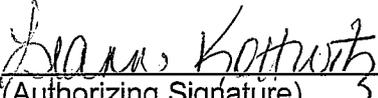


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**ADDENDUM 001
REQUEST FOR PROPOSALS
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT SERVICES
RFP NUMBER: 6-080115**

Offerors should acknowledge receipt of Addendum 001 (ONE) by signing and including it with the original proposal. The due date for receipt of proposals remains unchanged by this Addendum. Accordingly, the following clarifications, questions and answers are believed to be of general interest to all potential Offerors. All other terms and conditions remain unchanged and in full force.

Name and Title of Signer (Print or type)	Name and Title of Department Authority Leann Kottwitz, CPPB Senior General Services Specialist
Contractor/Offeror Signature	Department of Transportation 
(Signature of person authorized to sign)	(Authorizing Signature)
Date Signed:	Date Signed: 01/02/08

QUESTIONS/CLARIFICATIONS

- (1) Section (2)(B) Audit - The first sentence refers to "generally accepted government auditing standards". However, the auditors' opinion on the 2007 statements only refers to U.S. generally accepted auditing standards, not government auditing standards. In addition, Section (2)(B) Control and Compliance Reports refers to issuing reports on internal control over financial reporting and compliance with laws, regulations, contracts and grant agreements. The 2007 financial statements do not include this report nor refer to it in the auditors' opinion. Is the audit to be conducted in accordance with the Yellow Book, in addition to GAAS?

ANSWER: Yes, the reports are attached.

- (2) Section (2)(B) Audit Reports - The 2nd sentence refers to "comprehensive annual financial report" but the 2007 financial statements appear to be only GAAP financial statements, not a "comprehensive annual financial report" as contemplated by the Government Finance Officers Association in its annual award program. Does MoDOT prepare a GFOA CAFR?

ANSWER: MoDOT will prepare a comprehensive annual financial report as contemplated by the GFOA beginning with fiscal year 2008.

- (3) Has MoDOT considered how the new risk assessment auditing standards first effective this year will impact the conduct of the 2008 audit?

ANSWER: Yes, in our opinion the new standards do not significantly change how the audit is conducted.

- (4) The 2007 auditors' report is dated September 27, 2007. The RFP calls for a September 30 delivery date. Did the prior auditor meet the deadline date?

ANSWER: Yes, the prior auditor met the deadline date.

- (5) Did the previous auditor report any significant deficiencies, reportable conditions, or material weaknesses in internal control?

ANSWER: No, we had no significant deficiencies, reportable conditions, or material weaknesses in internal control.

- (6) Has the previous auditor performed any type of site visits?

ANSWER: No, the previous auditor did not perform any type of site visits.

- (7) When does MoDOT take its annual inventory count? Has the previous auditor observed inventory counting? What was the timing of the observations?

ANSWER: The annual inventory count is performed in March and April. The previous auditor did not observe the counts.

- (8) Has the previous auditor performed interim work? If so, what was the timing and staffing (number of people and approximate hours for each)? If not, are you agreeable to allowing interim work to be performed?

ANSWER: We cannot determine the actual time spent on the engagement by the previous firm. Not all hours were performed in our office. Interim work can be performed.

- (9) What was the timing and staffing (number of people and approximate hours for each) of final fieldwork?

ANSWER: We cannot determine the actual time spent on the engagement by the previous firm. Not all hours were performed in our office.

- (10) Who performs the Single Audit? For each fiscal year, when is the work typically performed and when are the reports available?

ANSWER: The State Auditor's Office performs the Single Audit yearly. The audit is conducted in the fall of the year.

- (11) What has historically been the involvement of the AI in the audit? Did the prior auditor utilize the AI unit staff and, if so, what types of procedures did they perform?

ANSWER: The internal auditors were utilized in the previous audit and performed the following:

- Other state agency use of the State Highway Fund (testing)
- Capital Assets (reconciling, testing, analytics)
- Infrastructure (reconciling, testing, analytics)
- Analytical review of revenues and expenditures

- (12) Are MoDOT's general ledger and other records available electronically?

ANSWER: Yes, the general ledger and other records are maintained electronically.

- (13) How soon are the combined financial statements and adjusted trial balance ready?

ANSWER: Components of the financial statements will be available as early as the second week of August. This includes, but is not limited to, the majority of the

accounts receivable, unearned revenue, capital assets, inventory, investments, etc. Accounts payable, claims and judgments, and deferred revenue are not available until the first part of September. The final combined financial statements will be available approximately the second week of September.

- (14) Does MoDOT's staff prepare auditor requested schedules and work papers?

ANSWER: Yes, MoDOT's staff prepares several of the requested schedules and work papers.

- (15) Does MoDOT have a system in place for capitalizing, depreciating and maintaining detail records for its capital assets, including infrastructure? Are these reconciled to the financial statements?

ANSWER: Yes, a system is in place and the capital assets are reconciled to the financial statements on a monthly basis. Infrastructure capitalization is done yearly and is also reconciled to the financial statements.

- (16) Does MoDOT take a physical inventory of its movable capital assets?

ANSWER: Yes, yearly during March and April.

- (17) What types of hardware and software does MoDOT use for its financial accounting and reporting processes? Are all financial records on the same system? Is the software programmed specifically for MoDOT, and if so, who performs the software programming, testing and maintenance?

ANSWER: MoDOT uses Advantage Financial. This is the statewide accounting system. Financial information for the governmental funds is retained in this system, which is maintained by the Office of Administration. MYOB (a software package similar to QuickBooks) and Excel are used for other entries and for preparing the statements. QuickBooks is used for both proprietary funds and the Local fiduciary fund. ACCPAC is used for the MCS Agency fiduciary fund.

- (18) Are any significant changes in operations, revenue sources, or debt anticipated in the upcoming 3 years?

ANSWER: MoDOT currently anticipates issuing GARVEE Bonds for approximately \$150 million in fiscal year 2009. In 2010, we anticipate issuing variable rate debt for approximately \$350 million.

- (19) Who is the administrator for the various self-insured programs? If third party administrators are used, will a SAS 70 report be available for our use?

ANSWER: The MHTC Self-Insurance program is administered by MoDOT. The Medical and Life Insurance plan has third party administrators. Healthlink is

responsible for maintaining provider contracts and networks that allow the medical plan to benefit from discounted fees for services. Meritain is final adjudication and payment of medical service claims. Well Point Next RX, LLC is final adjudication and payment of prescription drugs. Meritain and Well Point Next RX, LLC provide SAS 70 reports.

- (20) The financial statements reflect pending self-insurance claims and incurred but not reported claims. Are these all for workers compensation, medical claims and general liability? Does MoDOT have a process for accumulating claims obligations?

ANSWER: Yes, the pending claims and incurred but not reported are for workers compensation, medical claims, general liability and also include fleet vehicle liability. MoDOT's Chief Counsel accumulates and documents all other claims and judgments.

- (21) It appears MoDOT provides post-employment medical or other benefits. Has MoDOT addressed GASB 45 yet? Does MoDOT have any actuarial evaluation and report?

ANSWER: Yes, MoDOT has addressed GASB 45, an actuarial evaluation has been completed and a report has been issued.

- (22) Are all bond accounts held in trust handled by the same trustee?

ANSWER: All bond proceeds are deposited in the governmental State Road fund. The Bank of New York acts as our trustee for debt service payments on all outstanding bonds.

- (23) Is the unearned revenue on the entity-wide statement of net assets related to federal government receivables? If not, what is the source of the unearned revenue?

ANSWER: The unearned revenue on the statement of net assets is not associated with federal government receivables. It is primarily associated with other political subdivisions' contributions for project cost.

- (24) What types of miscellaneous receivables does MoDOT have?

ANSWER: The miscellaneous receivables are primarily cost reimbursements to the department from other political subdivisions for their share of project cost or other state agencies for their use of MoDOT inventory.

- (25) Does MoDOT have written documentation covering the currently used accounting procedures and internal control over the procedures, such as in an accounting manual.

ANSWER: MoDOT has established accounting policies and procedures.

- (26) Has the previous auditor typically made or proposed any adjusting entries? If so, what was the nature and extent of the typical entries, particularly those for the June 30, 2007 audit.

ANSWER: Yes, the previous auditors proposed adjusting entries for items such as accounts payable and capital assets.

- (27) Have there been any issues or dissatisfaction with the previous auditor?

ANSWER: No

- (28) What have the audit fees been for each of the past two years? What, if any, portion of these fees were in excess of the amount originally proposed for each year, and what reasons were given for the additional fees?

ANSWER: The audit fees were \$265,000 for each of the past two years. There were no fees in excess of the original proposed amount.

- (29) A significant portion of MoDOT's investments are handled by the State Treasurer's Office. How does MoDOT assure itself that its investments are accounted for and reported properly?

ANSWER: Audits of the investments and other activities of the State Treasurer's Office are done yearly by the State Auditors Office.

- (30) The price page calls for a single hourly rate for "additional consultant work not related to audit". Our hourly rates vary based on the expertise of the professionals in our firm, and assignments to consulting work are based on the level of expertise needed for the particular project. Is it acceptable to list a rate for each of our various staff and partner levels?

ANSWER: Yes, it is acceptable to list a rate for each of your various staff and partner levels.

- (31) Have there been any significant changes during the prior two years and the current fiscal year in the accounting software and systems used by MoDOT? If so, have there been any difficulties in implementing these changes? Are any significant changes planned for the final two years of the three-year period covered by this proposal?

ANSWER: The accounting software has not had any significant changes and none are anticipated.

- (32) Were the books and records and all supporting documentation requested by the auditors for the year ended June 30, 2007 ready at the pre-arranged starting dates for final fieldwork? If not, please describe the reasons.

ANSWER: Prior to fiscal year end, the auditors and MoDOT review the Prepared By Client list. At this time, specific dates are assigned each item. MoDOT provided all requested items by the pre-established dates.

- (33) Has the prior audit firm indicated whether or not it intends to propose on the current three-year engagement?

ANSWER: Yes, they have indicated they will submit a proposal on the current three-year engagement.

- (34) The RFP indicates that all **written** questions must be addressed to Leann Kottwitz no later than 10:00 a.m., CST, December 27, 2007. Section (1), paragraph (F) indicates questions can be submitted in a number of ways, including phone. Will there be opportunity to ask additional questions **verbally** (by phone) after 12/27 and before the proposal is due? If so, to whom should these questions be directed and what is that person's phone number?

ANSWER: No

- (35) Who is the current provider?

ANSWER: BKD, LLP

- (36) How long have they been providing audit services to MoDOT?

ANSWER: Three years

- (37) May we see a copy of the previous report?

ANSWER: Link provided in RFP Section (1) (b)

- (38) Were there any past service issues?

ANSWER: No

- (39) What is the reason for this RFP?

ANSWER: Previous contract for services has expired

- (40) What were the total fees for this work last year?

ANSWER: \$265,000

(41) What were the total number of hours for this work last year?

ANSWER: We cannot determine the actual time spent on the engagement by the previous firm. Not all hours were performed in out office.

(42) When is the work on this audit performed?

ANSWER: The audit report must be issued by September 30. The audit work is performed to meet this time period.

(43) Can the accounting firm control the timing of the audit?

ANSWER: Timing has to be coordinated with MoDOT's Controller.

(44) Can you share the names of the other firms that have been invited to respond to this RFP?

ANSWER: The following is a list, which a notification was mailed along with advertising in the newspaper and posting the solicitation to the Internet.

Deloitte & Touche
100 South 4th St., Suite 300
St. Louis, MO 63102
(314) 342-4900

Evers & Company
520 Dix Road
Jefferson City, MO 65109
(573) 635-0227

Ernst & Young
1200 Main Street
Kansas City, MO 64105
(816) 474-5200

Williams-Keepers
3220 W. Edgewood Dr
Jefferson City, MO 65109
(573) 635-6196

KPMG
1000 Walnut St., Suite 1600
Kansas City, MO 64106
(816) 802-5200

Daniel Jones & Associates
998 E. Gannon, Suite 220
Festus, MO 63028
(636) 937-9752

Price Waterhouse Coopers
P. O. Box 1097
St. Louis, MO 63188
(314) 206-8500

Graves & Associates
3702 W. Truman Blvd.
Jefferson City, MO 65109
(573) 893-7700

McGladrey & Pullen
4801 Main St., Suite 400
Kansas City, MO 64112

Baird, Kurtz & Dobson
901 E. St. Louis St., Suite 1000
P. O. Box 1190
Springfield, MO 65801-1190

Rubin Brown Gornstein & Co. LLP
1 N. Brentwood Blvd.
St. Louis, MO 63105

Grant Thornton
1201 Walnut St., Suite 1000
Kansas City, MO 64106



Independent Accountants' Report on Financial Statements and Supplementary Information

Missouri Highway and Transportation Commission
Missouri Department of Transportation
Jefferson City, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Missouri Department of Transportation (Department) as of and for the years ended June 30, 2007 and 2006, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in *Note 1*, the financial statements of the Missouri Department of Transportation are intended to present the financial position, the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2007 and 2006, and the changes in its financial position and cash flows, where applicable for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Missouri Department of Transportation as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2007, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

September 27, 2007



Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Missouri Highway and Transportation Commission
Missouri Department of Transportation
Jefferson City, Missouri.

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Missouri Department of Transportation as of and for the year ended June 30, 2007 which collectively comprise its basic financial statements, and have issued our report thereon dated September 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing body, management and others within the Department and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

September 27, 2007