

Norfolk Airport Authority
Independent Auditing Services
Addendum No. 1
April 18, 2019

The following are questions submitted by potential offerors and associated answers provided by the Norfolk Airport Authority.

1. Preferred issuance date of report.

Norfolk Airport Authority response:

The Norfolk Airport Authority's debt covenants require issuance of an auditor's report within 150 days of year end. The Authority prefers to have all audit work completed and a final draft of the financial statements one week prior to the presentation to the Board of Directors at their October meeting (the fourth Thursday of October). The final issuance would then occur in the days after the board accepted the draft report.

2. Re onsite fieldwork -
 - Preferred timing of year-end fieldwork.

Norfolk Airport Authority response:

Year-end fieldwork has typically occurred in September/October

- Is interim fieldwork something NAA would consider (e.g. in May)?

Norfolk Airport Authority response:

Interim fieldwork would be allowed

3. Re GASB 87 / Leases - Can you advise of NAA's overall plan for implementation of this standard and the expected level of assistance from the CPA firm.

Norfolk Airport Authority response:

The Authority has performed an initial analysis of GASB 87 requirements and expects that NAA's internal staff will be sufficient for all GASB 87 adoption requirements. The Authority expects to adopt GASB 87 in fiscal year 2021.

4. Does NAA anticipate issuing a CAFR in 2019-2023?

Norfolk Airport Authority response:

The Authority has historically issued basic financial statements, but has considered that future financial statements may be released in a CAFR. Currently no decision has been made that future financial statements will be issued in a CAFR format.

5. Number of persons in accounting/finance department.

Norfolk Airport Authority response:

The NAA finance department consists of five positions.

6. Number of funds in the general ledger.

Norfolk Airport Authority response:

The Authority is operated as a single fund.

7. Does NAA anticipate issuing debt in FY 2019 or FY 2020?

Norfolk Airport Authority response:

The Authority anticipates issuing approximately \$70M in GARB issuances in June 2019.

8. Any significant audit adjustments in FY 2018.

Norfolk Airport Authority response:

The only audit adjustment in FY18 related to recording OPEB liabilities for previously undiscovered VRS OPEB plans.

9. Any specific accounting services or adjustments that are generally expected of the CPA firm?

Norfolk Airport Authority response:

The NAA Finance department handles all accounting and adjustments to the general ledger. No specific services are generally expected of the CPA firm aside from those requested in the RFP.

10. Are the financial statements, notes, and supplementary information developed in-house or by the CPA firm?

Norfolk Airport Authority response:

All aspects of the financial statements are developed by the NAA Finance Department

11. Is the depreciation schedule maintained by NAA or the CPA firm?

Norfolk Airport Authority response:

NAA

12. Any significant changes in the accounting system anticipated for FY 2019? E.g. - any changes in software or GL structure.

Norfolk Airport Authority response:

No significant changes are anticipated. During FY 20, the Authority anticipates upgrading from Great Plains 2015 to Great Plains 2018.

13. Does the airport anticipate any significant changes in operations or major projects in FY 2019 or FY 2020.

Norfolk Airport Authority response:

No significant changes in operations are expected. Major projects include construction of parking garage D over the next three fiscal years at a cost of \$80M and several projects on the main runway/taxiway over the next four years at an estimated aggregate cost of \$120M. Parking garage D will be GARB financed while the runway/taxiway projects will be PFC/AIP funded with debt issuances possible as a backup funding source.

14. What are the biggest concerns of NAA? How might you look at your audit firm to help you address those concerns?

Norfolk Airport Authority response:

From a financial perspective, NAA's biggest concerns would be staying in compliance with ever changing federal and state requirements for funding. The Authority would look to our audit firm to help us identify key changes in compliance requirements and share industry best practices.

15. Is the audit being put out to bid on a normal cycle? How long have your current auditors been servicing NAA? Can the current firm propose?

Norfolk Airport Authority response:

The current audit firm has been providing services to NAA since at least 1986. As a part of Authority efforts to move more services to RFP based contracts, this service is being requested through the RFP process. The current firm can propose.

16. Have there been any disagreements with the current auditors regarding accounting treatment, journal entries, findings or other matters?

Norfolk Airport Authority response:

There have been no disagreements with the current auditors in relation to the matters noted above.

17. What are the current audit fees for the scope of services? What have they been the past three years?

Norfolk Airport Authority response:

The Audit fees for the past three years were \$108,350 (FY18, inclusive of GASB 75 work) \$95,000 (FY17), (\$92,000 FY16)

18. Has the current auditor ever billed over their fixed fee and if so what was the reason?

Norfolk Airport Authority response:

The current auditor billed over their fixed fee in FY18 related to VRS GASB 75 liabilities which were not previously identified, along with consultations related to various changes to the financial statements initiated by management.

19. Has the current auditor provided any additional services outside the original audit contract?

Norfolk Airport Authority response:

The current auditor has only provided services within the scope of this contract.

20. What are the desired audit fieldwork schedule for interim and final fieldwork?

Norfolk Airport Authority response:

See #1 above

21. For the interim and final fieldwork phase how many audit managers, seniors, and staff are typically in the field and for how long?

Norfolk Airport Authority response:

Typically, at final one senior is in the field for September and early October and a staff is in the field for 2-3 weeks. An additional few days are typically used at interim as well.

22. Are your rates and charges based on a residual or compensatory model?

Norfolk Airport Authority response:

Hybrid compensatory, with rates and charges throughout the year being set on a compensatory basis and a surplus sharing calculation at year end.

23. Have there been many passed or posted adjustments resulting from the audit process in recent years? Is it possible to obtain the required communication correspondences?

Norfolk Airport Authority response:

The only passed adjustments in the past several years have related to a long-standing non-GAAP parking revenue policy on validated tickets. This policy was revised during FY17 to comply with GAAP. There was a posted adjustment in FY18 related to GASB 75 accruals not previously identified. The required communications from FY17 and FY18 are attached to these responses.

24. Who takes the lead in the implementation of new GASBs?

Norfolk Airport Authority response:

The Norfolk Airport Authority finance department will implement new GASBs as they become effective.

25. Have you experienced turnover in key roles within the organization?

Norfolk Airport Authority response:

The management of the Norfolk Airport Authority has been consistent for several years aside from the retirement of the Director of Finance in early 2018.

26. Has your auditors provided a management letter in the past 3 years? If so, can that document be made available?

Norfolk Airport Authority response:

A management letter was provided in FY18, this letter is included as a part of the required communications attachment.

27. Are there any matters that require consideration in assessing the scope of this project over the proposed term?

Norfolk Airport Authority response:

Not that the Authority is aware of.

28. Do you have any major IT upgrades planned?

Norfolk Airport Authority response:

No major IT upgrades are planned.

29. What are the accounting application packages(s) that the Authority uses in its financial reporting process?

Norfolk Airport Authority response:

The Authority currently utilizes the Microsoft Great Plains ERP system along with Sage Depreciation software.

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

Norfolk Airport Authority response:

The only specialists utilized are related to our pension and OPEB liabilities. These specialists are engaged by VRS for statewide reporting.

31. For the pension balances that are allocated to the Authority, do you receive an audited schedule of allocations? If so, from whom?

Norfolk Airport Authority response:

Yes, VRS provides the authority with various reports including an audited schedule.

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

Norfolk Airport Authority response:

See response #7 above.

33. If applicable, please provide an overview of the internal audit function.

Norfolk Airport Authority response:

Internal audit functions are provided by staff within the Department of Finance and generally cover parking revenue audits, payroll audits and others as needed.

- a. What, if any, work of the Internal Audit department has the external auditor used previously?

Norfolk Airport Authority response:

No direct reliance on internal audit work has been utilized in the past.

34. What assistance have the external auditors provided when adopting new standards?

Norfolk Airport Authority response:

The Norfolk Airport Authority finance department will implement new GASBs as they become effective. External auditor assistance is only expected to comprise of providing guidance on industry lessons learned or other best practices when the Authority implements new standards.

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

- a. Alternatively, how many auditors were on-site during the peak of the audit?

Norfolk Airport Authority response:

See #1 and #21 above.

36. Are prior year hours and fees available?

Norfolk Airport Authority response:

Prior year hours are not available, see #17 above for prior year fees.

37. Were there any prior year journal entries / adjustments proposed by the auditors? What was the nature of the adjustments?

Norfolk Airport Authority response:

See #8 above.

38. Were subcontractors utilized under the prior audit contract?

Norfolk Airport Authority response:

No subcontractors were utilized under the prior audit contract.

39. Does the Board of Commissioners have an auditor rotation policy?

Norfolk Airport Authority response:

No auditor rotation policy is currently in place.

40. Are appendices to the Proposal restricted to only engagement team resumes?

Norfolk Airport Authority response:

Appendices are reserved only for engagement team resumes.

41. Please confirm that a Proposal requirement is not missing in Section 3.6, Part A-4.

Norfolk Airport Authority response:

No requirement is missing.

42. What ERP package does the Authority use? Are you expecting any significant changes in the near future?

Norfolk Airport Authority response:

See #12 and #29 above

43. What are the biggest challenges for the Authority over the next few years?

Norfolk Airport Authority response:

See #13 and #14 above

44. Can you describe the level of assistance the auditors provide in preparing the financial statements and footnotes?

Norfolk Airport Authority response:

See #10 above

45. Do you have plans to issue a comprehensive annual financial report for submission to the GFOA in the near future?

Norfolk Airport Authority response:

See #4 above

46. Management's Discussion and Analysis for FY2018 discussed an increase in capital expenditures and grants for FY2019. Were there any other significant events or transactions in the current year or expected in the near term that could impact the audit scope?

Norfolk Airport Authority response:

No significant changes are expected other than the Authority's use of bond issuances on an as needed basis. The vast majority of federal grants fall within one program and this is expected to continue.

47. Approximately how many audit entries were required in the prior audit?

Norfolk Airport Authority response:

One audit entry was required in the prior year audit, see #8 above for discussion.

48. What was the previous timeline of audit procedures?

Norfolk Airport Authority response:

See #2 above.

49. When will the year-end closing be completed?

Norfolk Airport Authority response:

Year-end closing is expected to be completed by early September.

50. Please provide audit fees for services provided for the past 3 years, including financial statement audit, PFC revenue audit, and Single Audit (per major program audited).

Norfolk Airport Authority response:

See #17 above.

51. Were additional billings required by the incumbent auditor in recent audits? If so, what were the billings related to?

Norfolk Airport Authority response:

See #18 above.

52. How many days of audit fieldwork (year-end and interim) were required to complete the audits in 2018? How many audit team members were in the field during those days?

Norfolk Airport Authority response:

The Authority does not track individual days of audit fieldwork. See #21 above for the prior audit timelines.

53. What is the Authority's anticipated timing of audit fieldwork and report issuance date?

Norfolk Airport Authority response:

See #1 and #2 above.

54. Will the Authority be responsible for preparing the financial statements, or will these be the responsibility of the external auditor? If the Authority will be responsible for preparing the

financial statements, what is the anticipated timing of when the first draft would be available for the auditors?

Norfolk Airport Authority response:

The Authority will be responsible for preparing the financial statements. The first draft of the financial statements would be anticipated in mid-September.

55. Is there a particular reason that the Authority is requesting proposals (ie. disagreement with the current firm, costs, timing of deliverables)?

Norfolk Airport Authority response:

See #15 above.

56. Can you provide a prior year copy of the census data examination report and the negative assurance certificate. If copies cannot be provided, can you provide clarification on how the negative assurance certificate is to be presented?

Norfolk Airport Authority response:

See attachment.

57. Will you provide a copy of the following letters from the June 30, 2018 audit:

- Required Communications with Those Charged with Governance
- Management Letter, if applicable
- Negative Assurance Certificate

Norfolk Airport Authority response:

See attachment.

58. What were audit fees per the June 30, 2018 audit engagement letter? Were additional fees paid? If so, how much and for what?

Norfolk Airport Authority response:

Engagement letter audit fees were \$95,000 for June 30, 2018. Additional fees were paid, see #18 above for detailed explanation.