



**BOONE COUNTY, MISSOURI**  
**Request for Proposal #: 49-27OCT08 – Financial and Compliance Auditing Services**

**ADDENDUM #3 - Issued October 1, 2008**

This addendum is issued in accordance with the Instructions and General Conditions of the Request for Proposal and is hereby incorporated into and made a part of the Request for Proposal Documents. Offerors are reminded that receipt of this addendum should be acknowledged and submitted with Offeror's *Response Form*.

Specifications for the above noted Request for Proposal and the work covered thereby are herein modified as follows, and except as set forth herein, otherwise remain unchanged and in full force and effect:

**1) The County received the following questions and has provided the following responses:**

**Question 1:** What additional debt does the County plan to issue in Fiscal Year 2008?

**Response:** The only debt to be issued in 2008 is the Chapter 100 bonds (conduit debt) in the amount of \$15,000,000. This bond issue will be completed by the end of October or early November 2008.

**Question 2:** Please provide the past three years of Management Recommendation Letters from prior audits.

**Response:** FY 2007 - No management recommendations identified; therefore no Management Letter received.  
FY 2006 -- Attached  
FY 2005 -- Attached

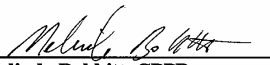
**Question 3:** How are the County's investments valued and what information is available to the external auditors?

**Response:** County investments are valued Market to Market once a month using a service company (Interactive Data). We use an investment tracking software (SymPro) that includes numerous reports for audit use. Some of these include: Securities Purchase listing, confirmation reports, GASB 40 disclosure reports (Credit Ratings report and Inventory by Maturity Report), Duration report, GASB 31 Compliance Detail report, Interest Reports, Limits report, etc. (Practically any information the successful contractor need/want will be available).

**Question 4:** Are the footnotes available in electronic format?

**Response:** Yes. An electronic (Word) copy of the footnotes is available.

- 2) *Accounting Policies and Significant and Unusual Transactions* from KPMG's 2006 & 2007 audits are attached for informational purpose.
- 3) REPLACE the *Response/Pricing Page* with the attached *Revised Response/Pricing Page*.
- 4) If any firm was unable to attend the pre-proposal conference on September 29, 2008, another optional conference-call pre-bid has been scheduled for **October 6, 2008, 9:00 a.m. central time**. If Offeror would like to attend, please contact the Purchasing Department, Melinda Bobbitt, by 5:00 p.m. October 3, 2008 by e-mailing: [mbobbitt@boonecountymo.org](mailto:mbobbitt@boonecountymo.org). Please insert "Auditing Services RFP" in subject line of e-mail and include in e-mail message your contact information. Your e-mail will be responded to with a confirmation e-mail.

By:   
**Melinda Bobbitt, CPPB**  
**Director of Purchasing**

OFFEROR has examined copy of Addendum #3 to 49-27OCT08 – Financial and Compliance Auditing Services receipt of which is hereby acknowledged:

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Phone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_

Authorized Representative Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Authorized Representative Printed Name: \_\_\_\_\_



**Revised Response/Pricing Page**

In compliance with this Request for Proposal and subject to all the conditions thereof, the Offeror agrees to furnish the services/equipment/supplies requested and proposed and certifies he/she has read, understands, and agrees to all terms, conditions, and requirements of this proposal and is authorized to contract on behalf of the Offeror named below. (Note: This form must be signed. All signatures must be original).

Company Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

Federal Tax ID (or Social Security #): \_\_\_\_\_

Print Name: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

**6.1. Cost – Please provide fee for one (1) audit that includes one (1) program.**

6.1.1. Fiscal Year 2008: Financial and Compliance Audit including all required reports for single year audit. \$ \_\_\_\_\_

6.1.2. 1<sup>st</sup> Renewal Period (2009): Financial and Compliance Audit including all required reports for single year audit. \$ \_\_\_\_\_

6.1.3. 2nd Renewal Period (2010): Financial and Compliance Audit including all required reports for single year audit. \$ \_\_\_\_\_

6.1.4. 3rd Renewal Period (2011): Financial and Compliance Audit including all required reports for single year audit. \$ \_\_\_\_\_

6.1.5. 4th Renewal Period (2012): Financial and Compliance Audit including all required reports for single year audit. \$ \_\_\_\_\_

6.1.6. 5th Renewal Period (2013): Financial and Compliance Audit including all required reports for single year audit. \$ \_\_\_\_\_

6.1.7. 6th Renewal Period (2014): Financial and Compliance Audit including all required reports for single year audit. \$ \_\_\_\_\_

6.2. If an additional program is added during any audit year, state an estimated fee to add an additional program. The County will notify the applicable contractor when an additional program is required. The County will schedule a meeting with the contractor and the proper County representatives to discuss the program required. Based upon those discussions, the contractor shall submit to the County a lump sum cost proposal to perform the work based upon the fee stated below. The pricing will be subject to final negotiation and acceptance by the County. \$ \_\_\_\_\_



KPMG LLP  
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June 14, 2006

**CONFIDENTIAL**

The County Commissioners of  
Boone County, Missouri  
801 East Walnut  
Columbia, MO 65201-4890

Dear County Commissioners:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Missouri (the County) as of and for the year ended December 31, 2005, which collectively comprise Boone County, Missouri's basic financial statements, and we have issued our report thereon dated June 14, 2006. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted a matter involving internal control and other operational matters that are presented for your consideration in the attached exhibit. This comment and recommendation, which has been discussed with the appropriate members of management, is intended to improve internal control or result in other operating efficiencies.

Our audit procedures are designed primarily to enable us to form opinions on the basic financial statements, and therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss this comment and recommendation with you at any time.

This letter is intended solely for the information and use of the County Commissioners and County management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**

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Exhibit

**BOONE COUNTY, MISSOURI**

Comment and Recommendation  
Regarding Internal Control

Year ended December 31, 2005

**INTERNAL CONTROLS AT THIRD-PARTY ADMINISTRATORS**

**Comment and Recommendation:**

The County contracts with third-party administrators to provide processing of transactions for its health benefit plan, prescription drug benefit plan, and workers' compensation plan under the County's self-insurance program. The County relies on the effective design and operation of the third-party administrators' internal control structure for claim processing. We recommend the County request the third-party administrators to provide, in a timely manner, a report on internal controls as specified by the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 70, *Reports on the Processing of Transactions by Service Organizations* (SAS 70 report). This report, prepared by the third-party administrators' auditors, would help to assure the County that internal controls at the third-party administrators are suitably designed and functioning effectively on a day-to-day basis. The Boone County Health Trust Committee should perform a detailed review of the third-party administrators' SAS 70 reports as part of their responsibility in overseeing the County's self-insurance program.

**Management's Response:**

The County recognizes the importance of this report and has made repeated attempts to obtain the required information from the County's third-party administrators. The County, working through the Boone County Health Trust Committee, will continue these efforts.



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Telephone 314 444 1400  
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June 26, 2007

**CONFIDENTIAL**

The County Commissioners of  
Boone County, Missouri  
801 East Walnut  
Columbia, MO 65201-4890

Dear County Commissioners:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Missouri as of and for the year ended December 31, 2006, which collectively comprise Boone County, Missouri's basic financial statements, and have issued our report thereon dated June 26, 2007. In planning and performing our audit of the basic financial statements of Boone County, Missouri, in accordance with auditing standards generally accepted in the United States of America, we considered Boone County, Missouri's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Boone County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of Boone County, Missouri's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. However, as discussed in Exhibit I, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A material weakness is a significant deficiency, or 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 entity's internal control. The significant deficiency described above is not believed to be a material weakness.

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Although not considered to be reportable conditions, we also noted another item during our audit that is presented in Exhibit II, which we would like to bring to your attention.

The maintenance of adequate internal control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

This letter is intended solely for the information and use of the County Commissioners and County management and is not intended to be, and should not be, used by anyone other than these specified parties.

Boone County, Missouri's written responses to our comments and recommendations have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Very truly yours,

KPMG LLP



**BOONE COUNTY, MISSOURI**

**Comments and Recommendations Regarding  
Internal Control over Financial Reporting**

Year ended December 31, 2006

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**IDENTIFICATION AND RECORDING OF BANK ACCOUNTS HELD IN A FIDUCIARY CAPACITY**

**Comment and Recommendation:**

U.S. Generally Accepted Accounting Principles requires assets held in a trustee or agency capacity for others, and which therefore cannot be used to support the government's own programs, to be recorded within a fiduciary fund. We identified one bank account containing assets being held in an agent capacity, which was not originally identified and recorded within a fiduciary fund in the County's basic financial statements. While total assets within this specific bank account were immaterial to the basic financial statements as of December 31, 2006, the absence of a process to identify and record such bank accounts creates the risk that material assets for which the County is responsible will not be identified and recorded within its financial records.

Custodial credit risk represents the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty. Boone County, Missouri policy requires that all deposits be covered by adequate pledge collateral to mitigate custodial credit risk. To facilitate compliance with this policy, the County maintains processes to ensure that all deposits are properly collateralized. If bank accounts for which the County is responsible are not identified and recorded within its financial records, the effectiveness of such processes is limited.

We recommend the County establish processes to ensure that all bank accounts are identified and recorded within its financial records.

**View of Responsible Official:**

The County concurs with the above finding, and will review and establish procedures as necessary.

BOONE COUNTY, MISSOURI

Comments and Recommendations Regarding  
Internal Control over Financial Reporting

Year ended December 31, 2006

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**TIMELY NOTIFICATION OF BENEFITS TERMINATION DATE TO THIRD-PARTY ADMINISTRATORS**

**Comment and Recommendation:**

County employees in positions budgeted for more than 1,000 hours annually are eligible to participate in the County's health benefit plan and dental benefit plan. When an employee terminates employment with the County, coverage under the health and dental benefit plans expire effective the last date of the month in which the employee terminated employment (benefits termination date). Because the County contracts with third-party administrators to provide processing of transactions for its medical and dental benefit plans under the County's self-insurance program, the County is required to notify its third-party administrators of changes in eligibility of individuals who terminate employment with the County in order to stop employee coverage under the plans. Such notification should occur prior to the benefits termination date in order to stop the incurrence of expenses related to the employee's coverage, and in order to mitigate the risk of additional claims being filed during the interim period occurring between the employee's benefits termination date and the date in which the County notified the third-party administrator of the employee's benefits termination date. To the extent that such notification is not made prior to the benefits termination date, both the health and dental benefit plan third-party administrators maintain a grace notification period, whereby the third-party administrators will retroactively apply the benefits termination date and refund any expenses related to the employee's coverage under the health and dental benefit plans up to a maximum of sixty days.

The County does not have an effective system of internal control in place to ensure that changes in eligibility of individuals who terminate employment with the County are processed in a timely manner. Fifty-eight benefited employees terminated employment with the County during fiscal year 2006, of which, twenty-eight benefited employees were selected for test work. Of the twenty-eight benefited employees selected for test work, we identified that in all instances, notification to the County's third-party administrators occurred subsequent to benefits termination date. Furthermore, in twenty-five instances, notification to the County's third-party administrators occurred subsequent to the sixty day grace notification period.

In the identified instances above, upon notification of an employee's benefits termination date to the County's third-party administrators, the third-party administrators retroactively applied the benefits termination date up to the maximum of sixty days allowable under the health and dental benefit plans. However, to the extent the County does not notify its third-party administrators of terminations in a timely manner, the County incurs expenses related to the employee's participation in the plan, and additionally may be required to pay claims during the interim period occurring between the employee's benefits termination date and the date in which the County notified the third-party administrator of the employee's benefits termination date. We recommend the County enhance its system of internal control to ensure that changes in eligibility of individuals who terminate employment with the County are processed in a timely manner.

Exhibit II, continued

**BOONE COUNTY, MISSOURI**

Comments and Recommendations Regarding  
Internal Control over Financial Reporting

Year ended December 31, 2006

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**View of Responsible Official:**

The County concurs with the above finding and also identified this issue. The County Clerk's office is working to implement adequate controls to ensure the identified issue does not recur. Planned control processes include revisions to the payroll system and staff assignments, and utilizing enhanced reporting procedures offered through the County's new third-party administrators.

## Accounting Policies and Significant and Unusual Transactions

- The significant accounting policies used by the County are described in Note 1 to the financial statements. The application of significant accounting policies remained unchanged during fiscal year 2006.
- We noted no transactions entered into by the County during 2006 that were both significant and unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.
- In connection with our audit of the County's financial statements, we have not identified any significant financial statement misstatements that have not been corrected in the County's books and records as of and for the year ended December 31, 2006.



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## Accounting Policies and Significant and Unusual Transactions

- The significant accounting policies used by the County are described in Note 1 to the financial statements.
- As discussed in note 1(g) to the basic financial statements, Boone County, Missouri retroactively reported infrastructure assets acquired prior to January 1, 2003 in accordance with the transition provisions of GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments*, as of January 1, 2007.
- The application of other significant accounting policies of the County remained unchanged during fiscal year 2007.
- We noted no transactions entered into by the County during 2007 that were both significant and unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.
- In connection with our audit of the County's basic financial statements, we have discussed with management certain financial statement adjustments that have not been corrected within the County's books and records as of and for the year ended December 31, 2007. We have reported these adjustments to management on a Summary of Uncorrected Adjustments (Summary) and have received a written representation from management that management believes the effects of the uncorrected financial statement adjustments are immaterial, both individually and in the aggregate, to the basic financial statements. Attached to the Management Representation Letter is a copy of the Summary that has been provided to, and discussed with, management.
- Also, during the course of our audit, we identified a misstatement that in our judgment could have a significant impact on the County's financial reporting process. Specifically, the effect of this adjustment, which was recorded by management, increased accounts payable and supplies, services, and other charges within the internal service funds and governmental activities. This correction was not considered material in relation to the basic financial statements.

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