



U.S. Department of Justice

Executive Office for United States Trustees

901 E Street, N.W., Suite 710
Washington, D.C. 20530

June 24, 2002

BY FACSIMILE

Re: Request for Proposal
Bankruptcy Audit Services

Dear Sir or Madam:

As part of the United States Trustee Program's function in the selection of audit firms, we are acting as a clearinghouse for information distributed to potential bidders. We enclose a list of questions raised to date by audit firms and our responses. These questions will be discussed on today's conference call. This list will also be posted on the United States Trustee Program website at www.usdoj.gov/ust. See tab on Private Trustee Listings & Library; Chapter 13 Handbooks & Reference Materials; Audit Process - Financial and Computer. Please note that questions and answers from prior audit bid cycles are also available at that location.

As a reminder, no later than July 8, 2002, your bid proposal should be received at the following address:

Assistant Director for Review and Oversight
Executive Office for U.S. Trustees
901 E Street, N.W., Suite 710
Washington, D.C. 20530

Thank you for your interest in this proposal.

Sincerely,

Sandra J. Forbes
Assistant Director



QUESTIONS AND ANSWERS CONCERNING

2002 CHAPTER 13 AUDIT BIDS

June 24, 2002

- Q1: Are copies of the 2001 audit bids and/or last submissions of proposals available to the audit firms?
- A1: No, access to earlier proposals is restricted. Most proposals submitted include the same language on disclosure restrictions as contained in Bid Proposal Attachment B, Evaluation Criteria at page 1.
- Q2: Who are the prior year auditors for each of the states in the solicitation?
- A2: The prior audit firms are as follows:
Illinois - Kerber, Eck & Braeckel (217) 789-0960
Indiana - Kerber, Eck & Braeckel (217) 789-0960
Kentucky - Hayes & Associates (402) 390-2480
Michigan - Hayes & Associates (402) 390-2480
Ohio - Hayes & Associates (402) 390-2480
Tennessee - Hayes & Associates (402) 390-2480
- Q3: How long has the prior audit firm been auditing Michigan and Ohio?
- A3: The firm audited the trustees in Michigan and Ohio for five years.
- Q4: How is the successful bidder selected?
- A4: The evaluation of the technical proposals is performed by United States Trustee Program bankruptcy analysts. The evaluation will be based on the factors discussed in the Evaluation Criteria (Attachment B), especially sections XII and XIII. Final selection is made by United States Trustees and the Assistant Director for Review and Oversight based on factors including technical evaluation, cost, and prior work performed for or with the Program, including a satisfactory record of integrity and business ethic.

- Q5: What is the report format for the prescribed procedures? Do you have samples for prospective bidders?
- A5: While there is no required format, we suggest that you prepare the report as if it were an Agreed-Upon Procedures Engagement.
- Q6: Have the forty trustees previously been audited under the Statement of Work (SOW) included in the bid package?
- A6: Yes, the FY 2001 annual reports of all forty trustees were audited pursuant to the SOW.
- Q7: Will the audits for each state, and the individual trustees listed in those states, be awarded to a single firm on a state-by-state basis?
- A7: The successful audit firm will audit all the individual trustees listed in Attachment D for the particular state.
- Q8: Will the new auditors be permitted to have communication with prior auditors and will the prior auditors' reports and work papers be made available if necessary?
- A8: The successful bidders will be permitted to communicate with prior year auditors. The United States Trustee or standing trustee may provide you with a copy of the prior year's audit to enable you to plan your audit work. Concerning the work papers, the prior audit firm is under no contractual obligation to provide the successor audit firm with access to their work papers but may choose to.
- Q9: How should out of pocket costs for travel, copies, facsimiles, postage, etc. be reflected in the fee portion of the proposal?
- A9: All costs are to be included in the cost sheets.
- Q10: Are the software packages of all standing chapter 13 trustees uniform? Do the software packages produce reports that provide the same information?
- A10: The forty chapter 13 trustees use software created and maintained by the five major third-party chapter 13 software vendors. All of the software packages produce similar reports.
- Q11: The supporting data schedules provided reflect "operating expenses." In which category on the standing trustee's annual report do these expenses belong?
- A11: Operating expenses are listed in Section X of the FY 2001 annual report form.

- Q12: Are the previous audit reports and reports on prescribed procedures available pursuant to the Freedom of Information Act (FOIA)?
- A12: Determinations whether a particular document may be released pursuant to FOIA are made by the Executive Office's Office of General Counsel upon receipt of a written request. It would be logistically impractical, in any event, to make available copies of the audit reports and reports on prescribed procedures to all firms receiving the bid proposal. Annual report data by trustee is available, however, through the United States Trustee Program website at www.usdoj.gov/ust. See tab on Private Trustee Listings & Library; Chapter 13 Handbooks & Reference Materials; Chapter 13 Statistics. The most frequent findings among the forty trustees in FY 2000 involved computer security, bank reconciliation, initial control over receipts, and segregation of duties. Prior year audits for all forty trustees were unqualified.
- Q13: Has the EOUST compiled statistics relating to the transactions of chapter 13 trustees on a by-trustee and by-case basis? If so, will this information be available for use in preparing the proposal? Will it be available for use in performing the audits?
- A13: Audit firms may access individual trustee statistics through the United States Trustee Program webpage at www.usdoj.gov/ust. See tab on Private Trustee Listings & Library; Chapter 13 Handbooks & Reference Materials; Chapter 13 Statistics. We do not maintain per case statistics.
- Q14: What is the definition of an active case? Are inactive cases included or excluded from the population subject to audit tests?
- A14: For purposes of the chapter 13 audit, cases are considered active once filed by the debtor. They remain active until closed by the trustee by means of a Final Report and Account. Audit tests may include closed cases.
- Q15: How many hours did the prior audit firms spend in the performance of these audits?
- A15: The Program does not have that information for any regions.
- Q16: What audit fees were paid to the auditor for the prior year services?
- A16: For the forty trustees in the six states, audit fees ranged from \$4,900 to \$18,050. The median fee was \$9,500; the average was \$9,541.

Q17: May the bidders use subcontractors as part of the audit team?

A17: Yes, subcontractors may be used if supervised by the bidder, but they must be disclosed. Information on subcontractor personnel must be disclosed consistent with Technical Proposal requirements of the Evaluation Criteria. (Bid Proposal Attachment B, Sections VIII through X). The business relationship between the bidder and subcontractor must also be described. (See Business Management Proposal requirements for the Evaluation Criteria, Section VII.)