



DATE: July 27, 2020
SUBJECT: Letter of Clarification
RE: External Audit Services RFQ
TO: All Prospective Respondents

Houston First Corporation (“HFC”) issues this Letter of Clarification regarding the referenced External Audit Services RFQ to make certain clarifications to the RFQ and answer questions timely received in the manner set forth below:

CLARIFICATIONS

Item 1. If any further questions are received between the date of this Letter of Clarification and the due date/time for submission of questions (i.e., 10:00 a.m. on July 30th), then HFC will (a) promptly post notice on <https://www.houstonfirst.com/do-business/> that an additional letter of clarification is pending issuance and (b) use every effort to post answers to any such questions timely received on the website by noon on July 30th.

Item 2. The following provision is hereby added to the Material Contract Terms and Conditions provided as part of the External Audit Services Request for Qualifications:

Insurance Requirements. Firm shall provide and maintain, and shall require its contractors to maintain, from the Effective Date until final completion of all services related hereto, at least the following insurance and available limits of liability: (a) Commercial General Liability, including contractual liability, bodily injury/death, property damage, and personal and advertising injury with limits of at least \$1,000,000 each occurrence and \$2,000,000 aggregate; (b) Automobile Liability, with a combined single limit of \$1,000,000; (c) Workers’ Compensation with statutory limits; (d) Employer’s Liability, with limits of \$1,000,000 for each accident, disease limits of \$1,000,000 per policy and \$1,000,000 per employee; and (e) Professional Liability, with limits of at least \$1,000,000 each occurrence and \$2,000,000 aggregate.

QUESTIONS

Question 1: Are respondents required to acknowledge or include copies of Letter(s) of Clarification in their SOQ?

Answer: No.

Question 2: Is the incumbent auditor allowed to bid for these services again?

Answer: This RFQ is open to all.

Question 3: Why is this RFQ coming out so late in the process?

Answer: HFC determined that it was in its best interests to reissue a solicitation for external audit services issued earlier in the year.

Question 4: What were the total hours and number of personnel incurred on the audit in the prior year?

Answer: HFC estimates, in good faith, that the previous firm performed less than 1,300 hours of field work per year.

Question 5: When do the interim audit procedures and year-end audit procedures typically start for the fiscal year end December 31st audit?

Answer: The previous auditor did not perform interim procedures. The audit typically started first week of April.

Question 6: Will the predecessor's work papers and audit partner be available to help evaluate the opening balances for HFC?

Answer: Yes. Respondents should review the financial statements and other pertinent information <https://www.houstonfirst.com/information/financial-reports>.

Question 7: Will HFC staff assist with the preparing of financial statements, journal entries, audit confirmation requests, account reconciliation schedules, and documents/access to the information needed to perform the audits?

Answer: Yes. HFC prepares the financial statements and notes, prepares and records the year-end journal entries, prepares the audit confirmation request, prepares reconciliation schedules prior to the audit, and provides documents and access to information.

Question 8: Can we obtain management letters (including auditing findings/ recommendations affecting HFC's financial statements, internal controls, accounting and accounting systems) for the past three years, if applicable?

Answer: Detailed information will be provided at the proposal stage of the process, or with the Respondent selected.

Question 9: Does HFC process their own payroll or use a third-party service provider?

Answer: HFC uses a separate entity that provides all personnel.

Question 10: Does HFC use any external services providers?

Answer: No.

Question 11: During interim and year-end audit procedures, are the auditors expected to work in the HFC offices, or will information be available to be electronically transmitted?

Answer: Both are available depending on auditor preference and size of the requested documentation.

Question 12: Will the auditor access be available to the HFC financial reporting system?

Answer: HFC uses Excel and Word for financial reporting.

Question 13: Will HFC be willing to incorporate the selected firm's engagement letter into the resultant contract?

Answer: HFC intends to enter into a services agreement with the selected firm incorporating the Material Contract Terms and Conditions provided in the RFQ. An engagement letter may be issued thereunder to clarify the scope of the audit, estimated hours, procedures, and other terms not inconsistent with the resulting contract.

Question 14: Will HFC consider including a limitation of liability clause?

Answer: No.

Question 15: Will the selected firm have an opportunity to negotiate the terms and conditions of the resulting contract?

Answer: While time does not permit protracted negotiations, HFC will provide the selected firm with a reasonable opportunity to review and comment on the resulting contract, save and except the Material Contract Terms and Conditions provided in the RFQ.

Question 16: Will HFC modify the Material Contract Terms and Conditions to remove any representation and warranties from the standard of care?

Answer: No.

Question 17: Will HFC accept a mandatory arbitration clause in the resultant contract?

Answer: No.

Question 18: Will HFC agree to include a waiver of jury trial clause in the resultant contract?

Answer: No.