

Auraria Higher Education Center
Fiscal Year 2024 RFP
OSA Responses to Bidders' Inquiries

1. What is the reason for the RFP? Is the current audit firm allowed to bid and how long have they been conducting the audit of AHEC?

As noted in the RFP in Section I, Part N, "The successful bidder will be awarded a one-year contract which may be renewed on an annual basis for up to four additional years subject to acceptable performance and costs." The current firm performed the audit from Fiscal Years 2019 through 2023, which means an RFP is required for the Fiscal Year 2024 audit. The current firm will be allowed to bid on the contract provided that it meets the eligibility requirements outlined in Section I, Part L, of the RFP.

2. Please provide the fees paid for audit services for each of the past three years.

Contract fees paid for Fiscal Years 2023, 2022 and 2021 were \$98,700, \$83,500, and \$79,400, respectively.

3. Were there any additional audit fees billed last year pertaining to services provided outside the scope of the services listed in the RFP? If so, can you provide a list of services and additional fees pertaining to those services?

The base contract fee for the Fiscal Year 2023 audit was \$87,700. The total contract cost of \$98,700 included \$11,000 for additional audit testing related to extended parking revenue testing.

4. Does your current audit firm perform any work other than the items detailed in the scope of this RFP?

No, the current firm does not perform any work other than the specific items noted in the RFP.

5. While audit partner rotation is required after the first 5-year contract, can the prior audit partner still participate in the engagement in a relationship role only, with a different partner signing the opinion?

As noted in the RFP in Section I, Part L, "Any firm providing financial and compliance audit services for the Center under contract with the OSA in previous years may bid on this contract provided that the lead partner under the proposal has not performed audit services beyond a total maximum of 5 years within a 10-year period." If a partner rotation is required, the previous audit partner can remain on the engagement in a relationship or Quality Assurance role, but the new primary partner is ultimately responsible for overseeing and managing the audit engagement as a whole.

Section II, Part A.5, notes “The proposal must identify the principal staff (i.e. principals, managers, and supervisors/in-charge) who will work on the audit, including any specialists or subcontractors to be used.” The proposal should indicate all individuals who are expected to work on the audit, including any partners who are serving in a relationship or Quality Assurance role on the engagement.

6. If our firm has agreed to contract modifications (to the standard OSA contract) in the past, can we simply reference that we would agree to similar modifications that are consistent with our firm’s current agreements, or do we need to restate all of the modifications again that have been previously agreed upon with OSA?

We ask that bidders include all proposed contract modifications in their proposal, including modifications that were agreed upon in previous years.

7. Would the OSA be open to considering multi-year contracts instead of a one-year contract, particularly given the additional investment of time the first year of an audit engagement can entail on behalf of both the auditee and auditor?

As noted in the response to #1 above, the OSA will only award a one-year contract and not a multi-year contract.

8. What is the approximate number of hours spent by auditor on the prior year’s audit?

The total hours spent on the prior year’s audit were not provided to us.

9. Does AHEC use CORE, and any other systems?

According to AHEC staff, AHEC uses both CORE and MIP Fund Accounting, a separate accounting system that feeds into CORE at least weekly. In addition, AHEC uses parking management software to manage parking revenue. AHEC moved from using T2 Systems parking software to IPS Group parking software at the beginning of Fiscal Year 2024.

10. Are there any expected changes in your IT systems?

See response to #9 above. There are no other expected changes to AHEC’s IT systems.

11. Have there been any changes or departures in key staff, at all levels, in the past year that would affect the upcoming audit?

According to AHEC staff, there have been no departures in key accounting staff during the past year, but there were numerous changes at the Director level positions agency-wide.

12. Are you aware of any upcoming departures of key financial reporting personnel due to retirements, etc. in the next year or two?

According to AHEC staff, there are no planned departures of key financial reporting personnel within the next few years. One of AHEC's managers in the accounting group is eligible for retirement in 3 years. AHEC management are currently working on a succession plan for when this individual retires.

13. Are there any significant changes planned relative to the scope and breadth of your organization and its operations that need to be considered in developing the scope of effort required for this audit?

According to AHEC staff, there is a potential capital development project in the works that may have a partnership component. This project is not confirmed. See #15 for additional discussion.

14. Are there any additional outsourcing arrangements, similar to the Barnes & Noble contemplated during the term of this contract?

According to AHEC staff, there is potential for a similar arrangement with a campus-wide food vendor management company. This arrangement is not yet confirmed.

15. Any significant capital projects expected in the next 3 years?

According to AHEC staff, they are expected to develop up to two buildings, one of which will offer high rise living opportunities for staff, students and the community. The ground floor of that building is expected to house the Early Learning Center, which would move locations from its existing stand-alone building. The second building in the planned development is expected to house retail/food offerings and AHEC administrative personnel. The project developer is expected to take ownership of part of the building to use for either office space or leased space. This project is expected to begin in Fiscal Year 2025 and operate as a partnership.

In addition, AHEC is discussing building a campus safety building to move the existing police department into a single, more up-to-date space. No set plans have been made for this project yet.

At any given point, there are several campus upgrades or maintenance activities going on.

16. Are there any known significant transactions or activities planned for the future periods that should be considered in our proposed fee structure?

According to AHEC staff, there are no other significant transactions or activities planned outside of those listed in the questions on this document.

17. Are there any new bond issuances that have occurred or are anticipated?

According to AHEC staff, they anticipate using some form of bond financing for the real estate developments noted in #15 above, as well as potentially using bond financing for general campus improvements to AHEC auxiliaries. In addition, AHEC has two bond issuances that will sunset in the near future with no anticipated funding concerns for payoff. See #23 below for links to AHEC's financial statements for additional detail on outstanding bonds.

18. Does AHEC prepare the financial statements or does the auditing firm assist with this preparation?

According to AHEC staff, management prepares the initial draft of the basic financial statements, footnotes, RSI, and MD&A. At an agreed upon date, the draft is then turned over to the auditors for final review coordination and presentation.

19. When are the draft financial statements and Trial Balance expected to be available to the auditor?

According to AHEC staff, the preliminary draft financial statements are expected to be available to the external auditor in late July to early August. It is important to note that this version of the draft will not include AHEC's PERA and OPEB balances or footnotes. This activity is significant to AHEC's financial statements, and is not expected to be provided from the Office of the State Controller (OSC) until mid to late August.

20. Has there been a management letter issued in recent years? If so, can that be provided?

AHEC did not have a management letter for Fiscal Year 2023. AHEC had a management letter for Fiscal Year 2022. This information is part of the work papers. State statute [Section 2-3-103(3), C.R.S.] does not permit the OSA to publicly release this information. Access to prior year work papers will be granted to the awarded contractor upon signature of the contract.

21. Are significant accounts closed on a monthly or quarterly basis such that there are accounts that can be audited effectively as of an interim date (e.g. 10 months' worth of capital asset or debt activity)?

According to AHEC staff, significant accounts are generally reconciled on a monthly basis. Interim fieldwork has historically been done using either Period 10 or Period 11 balances. Period 10 is expected to close May 17, 2024 and Period 11 is expected to close June 21, 2024.

22. When are the books closed and available for audit? Can the auditor expect that there are only normal adjustments after the trial balance has been provided at the start of final audit fieldwork?

According to AHEC staff, AHEC is expected to have its books closed by the end of Period 13 (August 5, 2024). See #19 above for discussion on the PERA/OPEB information received by the OSC. AHEC is expected to receive and post the PERA/OPEB-related journal entries by the end of Period 15 (September 20, 2024). See #23 below for examples of adjustments made in prior years.

23. Do you typically have adjusting journal entries? If so, how many do you typically have?

AHEC's corrected and uncorrected misstatements for the prior years are contained within their prior year audit reports. The most recent audit reports for Fiscal Years 2023 and 2022 (Report Nos. 2307F and 2207F, respectively) are available on our website:

<https://leg.colorado.gov/audits/auraria-higher-education-center-fiscal-years-ended-june-30-2023-and-2022>

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24. In a typical year, how many auditors are on-site during audit fieldwork, or was the audit performed completely remote?

According to AHEC staff, anywhere from 3-4 staff auditors (not including the audit manager/partner) have been assigned to the audit spanning different time periods. Prior to the COVID-19 (COVID) public health emergency, the auditors were on-site for approximately one week for interim fieldwork and two weeks for final fieldwork. For the Fiscal Year 2023 audit, the auditors performed interim fieldwork remotely and were on-site for one week of final fieldwork. The remaining fieldwork, reporting, and wrap were all performed remotely.

25. Did the incumbent auditors provide consistency of staff over the last few audits?

According to AHEC staff, there has been consistency of audit staff over the last few audits.

26. Were there any issues with the current auditor?

There have been no issues with the current auditor.

According to AHEC staff, the current firm has been very professional and a pleasure to work with.

27. Did the incumbent auditors meet the pre-determined deadlines?

The incumbent auditors met all agreed-upon OSA deadlines during the Fiscal Year 2023 audit.

28. Have there been any disagreements between management and your independent auditor during the prior three engagements?

There were no disagreements between management and the current auditor during the prior three engagements. See #23 above for links to AHEC's financial statements, including the full Letter to Governance.

29. How many auditors are assigned to the engagement each year, and for how long?

See the response to #24 above.

30. Were there any significant items that caused the 2023, 2022, and 2021 reports to be issued after the October deadline?

The Fiscal Year 2021, 2022, and 2023 reports were delayed for various unrelated reasons – both related to the AHEC audit itself, as well as delays with the overall Statewide audit. The COVID-19 public health emergency caused delays with financial reporting statewide, including standalone reports in Fiscal Year 2021. In Fiscal Year 2022, there was a significant item that was identified during the AHEC audit that required additional review from both management and the contract auditors. This issue ultimately resulted in the finding that was included in AHEC's financial statements (see #23 above for link). The additional review and finding caused the Fiscal Year 2022 report to be issued in May 2023, which then caused a delay in beginning the Fiscal Year 2023 audit.

In addition, the OSA has a rigorous findings development and report review process, which includes review and revisions at multiple levels of AHEC and the OSA. After the review is complete, the report is considered confidential until it is released by the Legislative Audit Committee (LAC). The dates of the LAC hearings vary each year, but there is generally only one LAC hearing per month. That said, any delays in the findings development or report review process could cause a delay in finalizing the financial statements which, for example, could cause us to have to wait an additional 3-4 weeks until the next LAC hearing.

As stated in the RFP, in Section I, Part C under "Deliverables and Timelines", the final audit report, including all findings and recommendations along with written responses must be delivered by the awarded bidder to the OSA by October 31, 2024 for our review and that the OSA expects the Contractor to satisfy the project deliverables and timelines outlined in the RFP to meet a December 2024 Legislative Audit Committee date, at which point the audit report will be publicly released.

31. Has your current auditor done any control testing relative to the IT environment?

As part of the Fiscal Year 2023 audit, the current auditors performed tests of design, implementation, and effectiveness on the key IT controls they identified for the MIP system.

32. Have there been any changes to the evaluation of GASB 87 or GASB 96 (no impact)?

According to AHEC staff, they have determined that AHEC didn't have any agreements that fell under the scope of GASB 87 or 96 for Fiscal Year 2023. According to AHEC staff, they do not expect to have any agreements that fall under GASB 87 or 96 for Fiscal Year 2024, but they are continuing to monitor their lease agreements and will implement in the future, if applicable.

33. Does management maintain an inventory and amortization/depreciation schedule for all leases, subscription-based IT arrangements (SBITA), and capital assets?

See response to #32 above. AHEC maintains inventory and amortization/depreciation schedules for all capital assets.

34. For leases and SBITAs, is annual consideration performed for new agreements and are material agreements posted by management?

See response to #32 above. AHEC staff are continuing to monitor their lease agreements and will implement GASB 87 and/or 97 in the future, if applicable.

35. Can the preparation efforts for implementation of the GASB standard on compensated absences be described?

According to AHEC staff, the OSC is not expected to implement GASB Statement No. 101, *Compensated Absences*, until Fiscal Year 2025 and as such, AHEC has not started preparation efforts for implementation.

36. What is the status of the material weaknesses reported for the period ended June 30, 2023?

According to AHEC staff, AHEC expects to fully implement all prior year audit recommendations by their reported implementation dates (March and June 2024).

37. How are we, as the auditor, required to report on any tested federal programs? Will it be in a separate report for the Center or rolled up and incorporated into the State's UG report?

AHEC does not have a separate Schedule of Expenditures of Federal Awards (SEFA), but it provides that information to the Office of the State Controller (OSC) for preparation of the State of Colorado's SEFA through the Exhibit K1, which is audited by the auditor for AHEC.

As noted in the RFP, AHEC is not anticipated to have any major federal programs for Fiscal Year 2024. If AHEC did have a major federal program selected by the OSA for testing, the single audit testing would be performed by the auditor, as directed by the OSA.

The results of any federal programs tested would be reported by the contract auditor for AHEC on the Attest E and the Attest F1. The information provided on these attestation memos would be included in the State's Single Audit Report. Any material weaknesses and/or significant deficiencies identified during the audit will be included as part of the Statewide Single Audit report, as well as included in AHEC's audit report. The Fiscal Year 2023 Statewide Single Audit Report can be found at the following link:

https://leg.colorado.gov/sites/default/files/documents/audits/2301f_statewide_single_audit_fy23.pdf

38. It appears that the OSA determines which major federal programs are to be tested but no programs are expected to be tested in FY24. When is the last time (if ever) that the Center's programs were subject to Uniform Guidance testing?

Once the OSA's preliminary major program determination is complete, the OSA will communicate which program(s), if any, have been identified as major programs for testing (both Type A and B). It is the contractor's responsibility to review AHEC's federal grant activity and Exhibit K1 to confirm they agree with the OSA's preliminary determination, and to confirm all federal programs were correctly included in the OSA's preliminary major program determination.

As noted in the RFP, it is anticipated that no major programs will be audited at AHEC for the Fiscal Year 2024 audit. AHEC has not historically received federal funds, and as such, they have never had a major program selected for testing.

39. When will the State planning be performed to provide the Type B programs to be audited?

Identification of any Type B programs is part of the OSA's preliminary major program determination, which is expected to be distributed to contractors in April 2024 or once the contracts are signed.

40. If any Center programs were tested, were findings identified?

See response to #38 above.

41. What are the most important factors that you will be considering when making your decision related to the RFP?

Potential bidders will be evaluated based on the criteria outlined in Section III of the RFP.

42. What are the expectations for the performance of the fieldwork? Any preferences to perform the work remotely, on-site, or a hybrid model?

The OSA and AHEC staff do not believe a 100% remote audit is ideal for a new audit engagement, and would prefer a hybrid approach to the audit. According to AHEC staff, they feel it is important for the auditors to see AHEC's campus operations in person since there really is no model similar in the country to AHEC's activities as a State agency. See additional information on fieldwork in #43 and #44 below.

43. What is the preferred timing for each phase of the audit (interim and year end fieldwork)?

Interim fieldwork related to the financial audit can begin as soon as the OSA has a completed contract with the awarded firm, a signed engagement letter has been obtained from AHEC management, and an entrance conference has been held with management/contract auditor/OSA. The firm awarded the contract may contact AHEC to determine the best timing for performing fiscal year-end audit work.

In general, financial and single audit work, if applicable, may be performed at interim, with testwork related to coverage through the end of the year performed at a later time. Internal control testing and interim financial work may begin at a time subsequent to the entrance conference as agreed upon by the contractor and management. Remaining fiscal year-end financial work may begin after fiscal year end close, which is approximately the beginning of August. All testing generally needs to be done based on the associated attest due dates as noted in the RFP documents. This timing is normally discussed during the entrance conference.

According to AHEC staff, the preferred timing for interim fieldwork is late May to early June, and late August to early September for year-end fieldwork. AHEC has a tight year-end close calendar, with a lot of activity and deadlines in a short period of time (from June 30 to Period 13 close, in early August). It is important AHEC have all of July and early August to work on year-end close, so AHEC staff would appreciate minimal audit questions and/or requests during that time. That said, AHEC staff understand that TABOR enterprise status and revenue testing must be complete by August 22, 2024 and are willing to respond to any related requests to ensure the audit timing requirements are met. Additional discussion on AHEC's closing calendar and internal deadlines can also be discussed during the entrance conference.

44. Does your current auditor perform interim work and if so when is it performed and for how long? How many staff?

The current auditors performed Fiscal Year 2023 interim fieldwork in late May, 2023. According to AHEC staff, between 2 and 4 auditors have historically performed interim testing over a one-week period.

45. What transition issues would the Center be concerned about if the audit is awarded to new auditors?

According to AHEC staff, AHEC's primary concerns with changing auditors is making sure there is clear communication for navigating the normal challenges that occur with a change in audit firms/partners. In addition, it is important the new auditors understand that the OSA has a rigorous findings development and report review process, which includes review and revisions at multiple levels of AHEC and the OSA. It is imperative the new auditors understand the process, and ensure there is regular communication between the new auditor/AHEC/OSA in order to meet all contract deadlines.

46. What are the communication/update meeting expectations during the course of the audit?

Overall, it is essential there is timely responsiveness and proactive, clear communication between AHEC and the contract auditor. In addition, the auditors should maintain regular communication with the OSA's contract monitor on the overall audit status. See additional information on the role of the OSA contract monitor in the example contract, Exhibit A, Section 3.A (included as part of Section IV in the RFP). The auditor must complete the audit in accordance with all due dates noted in the contract.

According to AHEC staff, AHEC would like all audit requests to be made either via email or through a secure portal. During interim and final fieldwork, AHEC staff would like to meet on a daily basis to discuss any open items, timelines for request submittal, and any clarifying questions.

47. What are the three biggest challenges affecting AHEC?

According to AHEC staff, the three biggest challenges affecting AHEC are:

1. General funding to provide the best service possible;
2. Maintenance and general updates to AHEC's existing aging infrastructure; and
3. Declining enrollment leading to a reduction in auxiliary revenues (which have traditionally helped support AHEC's general fund).

48. Are there improvements that you would like to see made in the overall audit process, timing, communication, other areas?

According to AHEC staff, the current model for the audit is sufficient, although they are always looking for ways to improve. Staff feel it is important to have the daily updates discussed in #46 so that they can discuss the overall audit status and any immediate needs from either party. Any potential issues or exceptions identified during testing should also be discussed at that time, allowing for AHEC staff to address them immediately and hopefully avoid potential findings.

49. For the general control testing over the key information technology systems that is due on June 30, 2024, is the deliverable for this aspect of the scope the “IT Attest Memo – Results of IT Audit Work” or is a formal report also required?

As noted in Section I, Part C, of the “Deliverables and Timelines” section of the RFP, the internal control testing over the key IT systems, and any corresponding draft report findings and recommendations related to that work, are due with the IT Attest Memo on June 30, 2024. If there are no findings related to the IT testing, the only deliverable due at that time is the IT Attest Memo. No formal report is required.

50. For compliance testing due 6/30/24, we wanted to confirm if the only deliverable due at that time is “Attest A2”?

As noted in Section I, Part C, of the “Deliverables and Timelines” section of the RFP, the non-IT internal control testing, and any corresponding draft report findings and recommendations related to that work, are due with the Attest A2 on June 30, 2024. If there are no findings related to that testing, the only deliverable due at that time is the Attest A2.