

2018 RIFLE RFP INQUIRIES

1. *Please provide a copy of the audit management representation letter dated December 11, 2014 for the year ended June 30, 2014.*

Response:

This information is part of the audit workpapers. The predecessor auditor's workpapers will be provided to the awarded contractor for review.

2. *Please provide journal entries proposed by the auditor for the year ended June 30, 2014, if not included in the management representation letter dated December 11, 2014.*

Response:

The Center is overseen by the Division of Veterans Community Living Centers within the Colorado Department of Human Services, Office of Community Access and Independence. The Center's posted and passed audit adjustments (if applicable) would be included within its separately-issued audit reports, or in years when the Center does not undergo a separate audit, in the Statewide Single Audit report within the Department of Human Services adjustments section.

The Center did not undergo a separate audit in Fiscal Years 2015, 2016, or 2017. The Center was last audited separately in Fiscal Year 2014 and the Auditors' Report is available at <http://leg.colorado.gov/audits/colorado-veterans-community-living-center-rifle-fiscal-year-ended-june-30-2014>. There was a proposed prior period adjustment totaling \$669,097 to recognize the federal revenue/capital contribution in Fiscal Year 2013 since that was the year in which the qualifying expenditures were incurred. The Center subsequently recorded the proposed adjustment and corrected the misstatement.

The Statewide Fiscal Year 2017 audit is still in progress. Our opinion has not been issued and the report has not yet been released. This information will be available after February 27th, 2018. The posted and passed adjustments for the prior two years are contained within our Fiscal Year 2015 and 2016 Statewide Single Audit Reports (Report Nos. 1501F and 1601F, respectively) in Appendix B, on our website: <http://leg.colorado.gov/audits/statewide-single-audit-fiscal-year-ended-june-30-2015> and <http://leg.colorado.gov/audits/statewide-single-audit-fiscal-year-ended-june-30-2016>.

3. *Please provide confirmation that the year ended June 30, 2014 audit was the last audit conducted for the entity.*

Response:

The State's individual Veteran Community Living Centers are audited and reported on separately on a 4-year rotation basis (every year a different Living Center is audited). The Center was last audited in Fiscal Year 2014 and the audit report can be located at <http://leg.colorado.gov/audits/colorado-veterans-community-living-center-rifle-fiscal-year-ended-june-30-2014>.

4. Please provide the cost of the June 30, 2014 financial audit conducted by MBDG, PC.

Response:

Individual Veteran Community Living Centers are audited and reported on separately on a 4-year rotation basis (every year a different Living Center). The contract fee for Fiscal Year 2014 was \$19,350.

5. What accounting system is used by the Center?

Response:

According to the Center/Department, Rifle's accounting systems are the State's accounting system, the Colorado Operations Resource Engine (CORE) and the Center's Electronic Health Records System with the Billing Software, Point Click Care (PCC).

6. Have there been any significant changes in operations or key personnel since the previous audit?

Response:

According to the Center/Department, the Center's Administrator resigned in 2015 and the position was refilled immediately. Director of Nurse resigned from the position to the nurse position in 2016. The center refilled the position Director of Nurse position.

7. Has the Center had any allegations, suspicions or instances of fraud since its last audit for FY 2014?

Response:

The OSA is unaware of any known instances of fraud or illegal acts for the Center since Fiscal Year 2014. According to the Center/Department, the Center has not had any allegations, suspicions or instances of fraud since its last audit for Fiscal Year 2014.

8. Has the Center had any reported compliance issues that affect its grant programs or financial statements by any State agency or other grantee since its last audit?

Response:

According to the Center/Department, the Center has not had any reported compliance issues that affect its grant programs or financial statements by any State agency or other grantee since its last audit.

9. Does the Center prepare its own financial statements?

Response:

The Center is overseen by the Division of Veterans Community Living Centers within the Colorado Department of Human Services, Office of Community Access and Independence. The Center's financial information flows into the State financial statements. Individual Veteran Community Living Centers are audited and reported on separately on a 4-year rotation basis (every year a different Living Center). During the year under audit, the Center's financial statement will be prepared by an external CPA firm under contract. According to the Center/Department, Fiscal Year 2018 financial statements will be

prepared by Comisky & Company, P.C.. They prepared the financial statements for the other homes in the past few years.

The completed financial statements are normally available to the external auditor in mid to late September. However, fiscal year-end information is available on the State's accounting system, CORE, in early August.

10. Does the Center use a third party for any financial accounting and reporting functions?

Response:

According to the Center/Department, the Center does not use a third party for any financial accounting and reporting functions.

11. Will all questions and answers generated from this RFP be included as an addendum and distributed?

Response:

All firms who provided questions will receive a list of all questions asked along with responses to these questions. In addition, the list of inquiries along with answers to those inquiries will be posted on the OSA website at <http://leg.colorado.gov/agencies/office-state-auditor/requests-proposals>.

12. Is there a process for posting follow-up questions after receipt and review of the Office of the State Auditor inquiry response document?

Response:

The OSA accepted all written inquiries concerning the RFPs that were submitted by 5pm MT January 24th, 2018. There is no process for follow-up questions to be submitted and addressed subsequent to that timeframe. Please refer to the Section I, Part H of the RFP, for the schedule for the proposal process.

13. For this RFP, who will comprise the selection committee (i.e., Office of the State Auditor personnel, Center personnel, etc.)?

Response:

The evaluation committee consists of OSA Personnel (Staff, Deputy State auditor, and State Auditor). The OSA offers to share all proposals with the applicable department/institution staff and considers any department/institution feedback. For more information about the proposal evaluation, please refer to the Section III, Proposal Evaluation Process of the RFP document.

14. Have there been any issues with the Center's current external auditors, and will they be invited to bid?

Response:

Per RFP, Section I, Part N, any firm providing financial and compliance audit services for the Center under contract with the State Auditor in previous years may bid on this contract providing that the lead partner, under the proposal, has not performed audit services beyond a total maximum of five years in a 10-year period. The firm who conducted the most recent financial audit of the (McPherson, Breyfogle, Daveline, & Goodrich, P.C.) for Fiscal Year 2017 is eligible to bid on the Fiscal Year 2018 audit.

15. Will the audit for the year ended June 30, 2018 need to include an audit of the balances as of the beginning of the fiscal year since the last stand-alone audit was performed for the year ended June 30, 2014?

Response:

The OSA expects the auditor to follow professional auditing standards related to auditing opening balances for Fiscal Year 2018.

16. From a timing perspective,

- a. What is the earliest preliminary fieldwork could commence?*
- b. When has fieldwork for the audit historically commenced?*

Response:

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 Department management, and an entrance conference has been held with the Department/Center/contract auditor/OSA. The firm awarded the contract may contact the Center to determine the best timing for performing fiscal year-end audit work. Fiscal year-end financial compliance work may begin at a time subsequent to the entrance conference as agreed upon by the contractor and the Center. 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.

The OSA is unaware of any preferred or unavailable dates by the Center. This can also be discussed during the entrance conference.

17. Historically, how many auditors does the Center have on-site during audit interim fieldwork and final fieldwork and how long have those auditors worked remotely for interim fieldwork and final fieldwork, if applicable?

Response:

The actual number of staff and hours for this audit were not provided to us.

18. Did the Center have any control deficiency communications from its auditors for the most recent audit period (other than those material weaknesses and significant deficiencies included in the audit report)? If yes, can you please provide?

Response:

The predecessor auditor identified a material weakness in internal controls but did not identify any internal control deficiencies as part of its Fiscal Year 2014 audit of the Living Center.

19. Has the Center repaid the loan due to the State Treasurer that had a balance of \$2,094,460 as of June 30, 2014?

Response:

According to the Center/Department, the Center has not yet repaid the loan due to the State Treasurer that had a balance of \$2,094,460 as of June 30, 2014. The Center currently has a negative cash balance but the State Nursing Homes Central Fund has a cash balance of about \$19 million. The Center also reported that when looking at the availability of cash, the State Treasurer considers all Centers together, not just one Center.

20. Does the Center anticipate any significant changes in its federal expenditures for the year ended June 30, 2018? In that regard, will a Single Audit be required?

Response:

According to the Center/Department, the Center does not anticipate any significant changes in its Federal expenditures for the year ended June 30, 2018. As noted in the RFP, Section I, Part P.3, it is anticipated that no major programs will be audited during Fiscal Year 2018 for Rifle Living Center.

21. The Findings and Recommendations section of the June 30, 2014 audit indicates the purpose of the audit was "to assess the adequacy of the Center's internal controls over financial reporting." This does not seem in line with the consideration of internal control under Government Auditing Standards, which is what is required under the RFP. Is an audit of internal controls over financial reporting required?

Response:

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements of the Center performed in accordance with *Government Auditing Standards* is required to be prepared as the result of audit work. Please refer to the Section I, Part C i. of the RFP document.

22. Section C.1.b. of the RFP requires review of the Center's compliance with bond covenants. When did the Center enter into the bond? If during the year under audit, does the Center anticipate needing assistance recording the bond in accordance with U.S. GAAP?

Response:

According to the Center/Department, the Center does not currently have any bond covenants.

23. Section C.1.d. of the RFP indicates review of exhibits required by the State Controller to be submitted to the State Controller in support of the statewide financial statements. Can you please explain what these exhibits entail?

Response:

According to Department/Center, the Center's significant exhibits include the Exhibit K and Exhibit J. The exhibit templates and instructions are on the Office of the State Controller's website at <https://www.colorado.gov/pacific/sites/default/files/FY2017%20Exhibit%20Instructions.pdf>.

24. With respect to the availability of audit documentation that may assist in reducing our first-year costs:

a. Does the Center have the ability to provide the majority of the requested audit work papers electronically to facilitate off-site audit work to minimize travel costs?

Response:

According to the Center/Department, the Center has the ability to provide the majority of the requested audit work papers electronically to facilitate off-site audit work to minimize travel costs.

b. Does the Center have documented internal control procedures/memos?

Response:

According to the Center/Department, the Center has documented policies and procedures.

- c. Does the Center have a working copy of the prior year PBC (prepared by client) audit lists and confirmations (if applicable)?

Response:

According to the Center/Department, this question is not applicable to the Center since there wasn't a prior year audit.

- 25. With respect to activity impacting the Center during the year ended June 30, 2018:** (OSA Note: Responses provided prior to the year ended June 30, 2018).

- a. Are all transactions with related parties supported by formal agreements?

Response:

According to the Center/Department, the Center does not have any transactions with related parties.

- b. Do you anticipate any audits or monitoring visits by regulatory agencies?

Response:

According to the Center/Department, the Center is monitored/questioned annually through Veterans Affairs Survey and State Survey.

- c. Are there any legal contingencies outstanding or expected?

Response:

According to the Center/Department, the Center does not have any outstanding or expected legal contingencies.

- d. Do you anticipate any unusual or significant events or transactions that would impact the financial statements or the audit engagement?

Response:

According to the Center/Department, the Center does not anticipate any unusual or significant events or transactions that would impact the financial statements or the audit engagement.