

Office of the State Auditor
Financial Audit of the Colorado Department of Corrections
Fiscal Year 2024

Responses to Prospective Bidder Inquiries:

1. Can you provide a break out of the audit fees for the year ended June 30, 2023 and the prior two years?

The contract fee for the Fiscal Year 2023 audit was \$86,800. The contract fees for Fiscal Years 2022 and 2021 were \$95,900 and \$86,800, respectively. The Fiscal Year 2022 contract fees included \$8,400 in single audit fees.

- a. 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?

No additional audit fees were billed in the Fiscal Year 2023 audit for services provided outside the scope of the services described in the RFP.

- b. In addition, can you describe the number of audit staff and hours needed for this audit in the prior year(s)?

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

2. 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 the Department? Was this audit performed by the OSA or a contractor in the past 3 years?

As noted in the RFP in Section I, Part N. states “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.” Therefore, the audit goes up for RFP every five years.

The current audit firm has performed the audit for Fiscal Years 2015 through 2019 followed by Fiscal Years 2019 through 2023. Based on the eligibility requirements outlined in RFP Section I, Part L, the incumbent audit firm would not be allowed to propose a bid for the Fiscal Year 2024 contract.

3. How many and what was the nature of any audit adjustments proposed by your auditors over the past two years?

There were no auditor identified adjustments proposed over the past two years. The posted and passed adjustments for the prior two years are contained within our Fiscal Year 2022 and 2023 Statewide Single Audit Reports (Report Nos. 2201F and 2301F, respectively) in Appendix section, on our website: <https://leg.colorado.gov/audits/statewide-single-audit-fiscal-year->

[ended-june-30-2022](#) and <https://leg.colorado.gov/audits/statewide-single-audit-fiscal-year-ended-june-30-2023>.

4. Have there been any key changes in accounting personnel in the last year?

According to Department staff, there have not been changes in accounting personnel or key staff in recent years. The Department also indicated that it is not aware of any upcoming departures for key personnel in the near future.

5. What is the preferred timing of interim and year-end fieldwork? How long did fieldwork take place on site at the Department/University in the prior year?

Interim fieldwork related to the Single audit and the financial audit (feeder) 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/contract auditor/OSA. The firm awarded the contract may contact the Department to determine the best timing for performing fiscal year-end audit work. In general, single audit work may be performed at interim, with testwork related to coverage through the end of the year performed at a later time. Fiscal year-end internal control audit work may begin at a time subsequent to the entrance conference as agreed upon by the contractor and Department. 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 attestation 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 Department. This can also be discussed during the entrance conference.

6. What aspects of the audit process have worked well in prior years?

According to Department staff, they indicated that audit teams with staff already experienced in governmental accounting and/or auditing have been valuable assets for the audit in prior years. The Department also noted the value of well-maintained PBC listings for interim and final fieldwork.

- a. What are areas of improvement that the Department or the OSA would like to see as a part of the audit process?

Both the OSA and the Department emphasize timely communication of audit requests and their applicable deadlines. The OSA would like to remain informed about delayed requests that could impact the audit team's ability to provide attestation memos by the required deadlines. According to Department staff, they would like to avoid last minute requests with close deadlines.

- b. Are there any significant changes planned relative to the scope and breadth of the Department and its operations?

The Department did not indicate any planned or anticipated significant changes to its operations.

7. What has the statewide materiality level (or an estimated range) been in past years?

This information is part of the audit workpapers. 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.

8. What are the applicable exhibits that are prepared and submitted by the Department to the State Controller?

The applicable exhibits for the Department are subject to change based on the circumstances that exist within the fiscal year under audit. In Fiscal Year 2023, the applicable exhibits included the Exhibits C1, C2, D1, F1, F2, F3, F4, I, K1, M, R, U1, U2, W1, W2, W3, and W4. The exhibit templates and instructions are on the Office of the State Controller's website at <https://www.colorado.gov/pacific/osc/fiscalprocedures>.

9. In the past few years how many of the Department's accounts have been selected by the OSA for testing?

This information is part of the audit workpapers. 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.

10. How much of the audit work has been performed on site?

According to Department staff, they indicated that the audit has been completed entirely remotely in recent years due to the COVID-19 pandemic.

- a. If on-site work was performed, how many auditors performed on-site work and how long did they perform the on-site work?

According to Department staff, prior to the changes caused by COVID-19, a team of three auditors would work on site for three days during the interim testing period and around a week for final fieldwork. The Department noted that in-person work would be performed in the accounting offices at the Colorado Territorial Correctional Facility (CTCF) in Cañon City, CO. Due to the fact that these offices are within a correctional facility, certain restrictions would be present for the auditors. Internet access would not be available, cell phones would not be permitted, and all staff would have to clear background check procedures prior to being allowed access to the facility. The audit staff would have to provide names, driver's license numbers, and dates of birth to the Department weeks in advance of an on-site visit.

- b. Does the auditee prefer onsite, remote or hybrid approach to the audit fieldwork?

According to Department staff, they acknowledged that the audit can be performed without on-site fieldwork but stated that they prefer that new auditors visit the site for a day or two to gain a better understanding of the operations.

11. Does the Department have any unusual or complex accounting issues?

According to Department staff, they indicated that they do not have any unusual or complex accounting issues that they believe would impact the audit.

- a. Are there any known significant transactions or activities planned for future periods?
According to Department staff, they did not identify any known significant transactions or activities currently planned for future periods.
- b. Is the Department planning any major transactions over the next few years that would significantly impact the audit?
According to Department staff, they indicated that they do not currently have plans for major transactions in the upcoming fiscal years that could impact the audit.
- c. What have the significant audit areas, transactions streams and account balances been for the Department in prior fiscal years?
This information is part of the audit workpapers. 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.

12. Was the Department issued any findings or a management letter comments for the last two audit periods?

The Department was not issued any findings or management letter comments in the two prior fiscal years.

13. Does the Department anticipate any major changes in its federal or state funding over the next several years that would have a significant impact on the audit?

According to Department staff, they do not anticipate any major state funding in upcoming fiscal years that would have a significant impact on the audit. The Department staff does anticipate slight increases in Fiscal Year 2024 federal grant funding. Part of these increases included \$13.9 million in ARPA funding received by the Department since Fiscal Year 2022.

14. Does the Department prepare any monthly or quarterly internal financial statements that could be made available during the RFP process?

The Department staff stated that no monthly or quarterly internal financial statements are prepared for the Department.

15. Does the engagement include the issuance of separately issued audited financial statements for the Department?

The Department of Corrections is part of the State of Colorado's audit and does not include the issuance of separately issued audited financial statements. The Department's exhibit submissions and responses to various Office of the State Controller (OSC) inquiries provide data that is eventually included in the State of Colorado's Annual Comprehensive Financial Report (ACFR).

16. What are the OSA's expectations for communications and update meeting during the course of the audit?

The audit team's attest memo submissions serve as the primary source of information required for the statewide audit. Additional update meetings and communications may be required at various points in the audit based on circumstances, such as exceptions or delays in attest memo submissions. The contract monitor for the Fiscal Year 2024 audit will also communicate with the audit team about setting up a method to access workpapers for an interim and final workpaper review.

17. Are you currently aware of any areas for which OSA would like additional audit procedures performed beyond the standard audit plan or mentioned in the RFP?

We are not currently aware of any areas where we would like additional audit procedures performed beyond the standard audit plan or mentioned in the RFP for the Department of Corrections. Additional procedures may be required due to changes in circumstances or information discovered during the audit. A common example of additional audit procedures is the addition of a major program selected for single audit testing. These changes, if applicable, would be included in contract amendments which include updates to the total fees.

18. For IT systems testing:

- a. Are the auditors granted access to the IT system in a read-only manner?

According to Department staff, they indicated that the auditors can be granted read-only access to IT systems selected for testing.

- b. Will the OSA continue to test CORE and CPPS centrally?

The Colorado Operations Resource Engine (CORE) and the Colorado Personnel Payroll System (CPPS) will be tested centrally by the OSA IT Audit Team.

- c. What other significant IT systems in addition to CORE and CPPS does the Department utilize?

Based on inquiry with the Department and the Fiscal Year 2023 IT Attest Memo submission, the Department does not have any additional significant IT systems outside of CORE and CPPS. According to Department staff, they disclosed that its Division of Correctional Industries utilizes Global Shop enterprise resource planning (ERP) software. However, the Department does not classify this system as financially

significant and noted that SOC 1 reports are not required. The system was not identified as significant for the Fiscal Year 2023 audit.

- d. Does the OSA expect an IT auditor to be used on these engagements?
The auditors will need to evaluate whether any significant systems besides CORE and CPPS are present in Fiscal Year 2024 and confirm those systems with the OSA IT Audit Team.
- e. Will the OSA provide a specific IT program to contractors for use at the individual departments?
If the audit team identifies significant information systems are present for Fiscal Year 2024, the auditors must prepare a risk-based IT audit program and complete the applicable level of testing.
- f. Have there been any changes in the IT systems in the last year?
According to Department staff, they did not note any significant changes to its IT systems from the previous fiscal year.
- g. Are there any expected changes in key accounting or information systems in the near future other than CORE and CPPS?
According to Department staff, they do not anticipate any significant changes to its IT systems in the near future.

19. For the single audit:

- a. What were the single audit fees for the Fiscal Year 2023 engagement?
The single audit fee for Fiscal Year 2023 was \$8,000. However, the single audit fee was not included for the Fiscal Year 2023 audit since no major programs were selected for single audit testing at the Department of Corrections.
- b. How many major programs does the Department/University estimate will be major for Fiscal Year 2024? How many were for Fiscal Years 2023 and 2022?

As noted in the RFP, no major programs are currently anticipated for audit in the Fiscal Year 2024 audit. The OSA will advise which program(s) to test based on our preliminary major program determination that will be completed in April. In addition, it is the contractor's responsibility to review the listing of major programs to confirm the OSA's preliminary determination through its own review. During the audit, the contractor should also use the Department's Fiscal Year 2024 information in conjunction with the statewide major program threshold information to identify any other programs that may not have been identified during preliminary determination, and contact the OSA contract monitor, as applicable.

The Department did not have any major programs tested in Fiscal Year 2023, but the Fiscal Year 2022 audit did include the State and Local Fiscal Recovery Funds (SLFRF) (ALN 21.027) as a major program.