

Office of the State Auditor
Financial and Compliance Audit of the Department of Early Childhood
Fiscal Year 2024

Responses to Prospective Bidder 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 the Department?

The Department of Early Childhood (Department) was created pursuant to Section 26.5-1-104, C.R.S. at the end of Fiscal Year 2022. Fiscal Year 2023 was the first year that the Department was audited and the OSA performed the audit. The OSA determined we would contract out the audit for Fiscal Year 2024.

2. What were the fees charged for the 2023 and 2022 services listed in the RFP? 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?

Fiscal Year 2023 was the first year that the Department was audited and the OSA performed the audit. Therefore, there was not an RFP associated with this audit and there are no prior fees.

Based on additional work performed by our Office, when we perform the Department audit, in-house, our hours do not provide a good comparison for contract purposes. However, we think the audit is comparable to similar existing audits, which had Fiscal Year 2023 contract amounts ranging between approximately \$60,000 and \$70,000.

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

Based on additional work performed by our Office, when we perform the Department audit, in-house, our hours do not provide a good comparison for contract purposes.

4. We are currently not a firm licensed in Colorado, but Colorado does accept reciprocity. Will you consider a firm licensed in another state?

As noted in the RFP in Section I, Part L.1., in order to be considered an eligible bidder, bidders must be a properly licensed certified public accounting firm authorized to practice in the State of Colorado. Colorado Board of Accountancy Rules and Regulations Section 1.14 for Practice Privilege/Mobility, state that a license holder must be duly licensed in a state that the NASBA's national qualification appraisal service has verified to be substantially equivalent to the CPA licensure requirements of the AICPA/NASBA Uniform Accountancy Act. In accordance with Section 12-100-117, Colorado Revised Statutes, the bidder's practice must be in conformity with rules promulgated by the Colorado Board of Accountancy, and be subject to the jurisdiction and disciplinary authority of the board. If the bidder's firm is not licensed in the State of

Colorado, as part of the proposal, please provide how the firm is in compliance with these Colorado Board of Accountancy Rules and Regulations.

5. We are a new firm that has not been required to undergo a peer review. However, we were all formerly employed at the Office of the State Auditor in our state and participated and led three peer reviews there where we received a pass with no findings. I also have participated in other state's peer reviews, including Colorado. Will this experience qualify as a quality review?

As noted in the RFP in Section I, Part L.2. states to be considered an eligible bidder, bidders must have participated in a quality control review within the past 3 years. In accordance with Colorado Board of Accountancy Rules and Regulations, a certificate holder must enroll in an approved peer review program within 30 days of licensure, or immediately upon issuing the first attest or compilation report; and complete a peer review within 18 months following the report date of the initial engagement. As part of the proposal, please provide information on how the firm would be compliant with this rule.

6. How many auditors and how many days were the auditors in the field for interim and final fieldwork?

Based on additional work performed by our Office, when we perform the Department audit, in-house, our staffing does not provide a good comparison for contract purposes

7. Can you provide the trial balance for the fiscal year ended June 30, 2023?

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 upon award of the contract.

8. Were there any journal entries proposed by the auditors during the 2023 audit process?

The Department did not have any auditor proposed adjustments in Fiscal Year 2023., The posted and passed adjustments for Fiscal Year 2023 are contained within our Fiscal Year 2023 Statewide Single Audit Report (Report No. 2301F) in Appendix B, on our website:

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

9. Were there any audit adjustments or passed audit adjustments last year? If so, what were the nature of these adjustments?

The Department did not have any audit adjustments in Fiscal Year 2023. The posted and passed adjustments for Fiscal Year 2023 are contained within our Fiscal Year 2023 Statewide Single Audit Report (Report No. 2301F) in Appendix B , on our website:

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

10. What has the state-wide 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 upon award of the contract.

11. What have the significant audit areas, transactions streams and account balances been for the Department in prior audits?

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. Were there any significant deficiencies or material weaknesses identified during the 2023 audit?

The Department had two findings in Fiscal Year 2023, one significant deficiency and one material weakness. These findings are contained within our Fiscal Year 2023 Statewide Single Audit Report (Report No. 2301F) on our website:

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

13. Was the Department issued a management letter comments for the last two audit periods?

If the Department did have a management letter for Fiscal Year 2023, this information will be part of the 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.

14. Were there any major audit issues identified for 2023? Any anticipated ones for 2024?

See response to question #12 on the audit findings identified for the Department. Any major audit issues for Fiscal Year 2023 are contained within our Fiscal Year 2023 Statewide Single Audit Report (Report No. 2301F) on our website:

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

There are no anticipated issues for the Fiscal Year 2024 audit, however, any anticipated issues should be developed during the risk assessment and brain storming process, in which the OSA contract monitor will attend.

15. Are there any performance audits with responses not yet fully implemented as of June 30, 2023? If yes, what are the anticipated implementation dates?

There have not been any performance audits performed at the Department.

16. Approximately how many major programs are expected for the Department in Fiscal Year 2024?

As noted in the RFP, the major program anticipated for audit in Fiscal Year 2024 audit is the Child Care and Development Fund Cluster (ALN 93.575 Child Care and Development Block Grant, ALN 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund). The OSA will advise if any additional program(s) are required to be tested 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 liaison, as applicable.

17. Does the engagement include the issuance of separately issued audited financial statements for the Department? Or does the OSA rely solely on the attest memos that are submitted throughout the process?

The Department does not prepare or issue any financial statements. The OSA relies on the attestation memos submitted by auditors throughout the audit process to obtain information related to the Statewide audit during the year.

18. How many leases did the Department identify as applicable for GASB No. 87 during the 2023 audit?

According to the Department, they did not identify any leases applicable for GASB No. 87.

19. How many Subscription Based Technology Arrangements did the Department identify as applicable for GASB No. 96 during the 2023 audit?

According to the Department, they did not identify any Subscription Based Technology Arrangements applicable for GASB No. 96.

20. Did the Department have any Private-Private or Public-Private Partnerships applicable to GASB No. 94? If so, how many were identified as applicable during the 2023 audit?

According to the Department, they did not have any Private-Private or Public-Private Partnerships applicable for GASB No. 94.

21. Any unique or unusual transactions during Fiscal Year 2024 that we should be aware of?

According to the Department, they do not have any unique or unusual transactions that auditors should be aware of.

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

According to the Department, they do not have any transactions or activities planned for future periods that auditors should be aware of.

23. Is the Department planning any major transactions (e.g., debt issuances, mergers, significant new types of operational activities, etc.) over the next few years that would significantly impact the audit?

According to the Department, they are not planning any major transactions that would significantly impact the audit over the next few years.

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

According to the Department, they do not anticipate any major changes in its federal or state funding over the next several years that would have a significant impact.

25. Are federal dollars expended in Fiscal Year 2024 expected to be consistent with prior years?

According to the Department, they anticipate Fiscal Year 2024 to be consistent with the prior year. However, because several stimulus grants will be ending September 30, 2024, the Department anticipates that Fiscal Year 2025 and forward will be less.

26. What other key IT systems in addition to CORE and CPPS does the Department utilize? Please provide a listing of the Department's IT systems and the purpose and use of the system?

According to the Department, they use the Child Care Automated Tracking System (CHATS) for the administration of the Child Care Assistance Program. The Department also uses the Sugar system which is used to track Quality Improvement activities for Early Childhood Councils (ECC). ECC's Memorandums of Understanding are tracked in the system and outline how much funding they get for various activities and supplies. They can also submit requests for supplies in the system.

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

According to the Department, they are transitioning from the Sugar System to Salesforce.

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

According to the Department, because the system is so complicated, they did not grant access to the auditors for the CHATS system. The Department will pull the necessary information as requested by the auditors for Fiscal Year 2024. The Department will work with the auditors for the Fiscal Year 2024 audit on read-only access for CORE and/or CPPS.

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

According to the Department, there will not be any significant changes to operations during Fiscal Year 2024. The Department took over its accounting function from the Department of Human Services (DHS) in January of 2024. Previously, the Department was a division within DHS, and in the beginning required assistance from DHS in accounting until they were able to hire and staff their own accounting

30. Have there been any changes or departures in key staff, at all levels, in the past year that would affect the Fiscal Year 2024 audit? Are you aware of any upcoming departures of key financial reporting personnel due to retirements, etc. in the next year or two?

According to the Department, Coleen Lynn (Business Information Technology Systems Management Director) left in February of 2024 and was in charge of the Business Information Technology Systems for the Department and has not been replaced. Tom Massey (Office of Administrative Solutions Director) left in October of 2023 and was the Chief Administrative Officer which over saw HR, Policy and Legislative Unit, Communications, and the Division of Finance, Budget, and procurement, and was recently replaced by Stephanie Beasley.

31. Has there been any turnover in the Department key financial reporting personnel over the past three years?

The Department of Early Childhood (Department) was created pursuant to Section 26.5-1-104, C.R.S. at the end of Fiscal Year 2022. Fiscal Year 2023 was the first full fiscal year for the Department. According to the Department, there has not been any turnover in key financial reporting personnel over the past year. However, the Department took over the accounting function from the Department of Human Services (DHS) in January of 2024. Previously, the Department was a division within DHS, and in the beginning required assistance from DHS in accounting until they were able to hire and staff their own accounting.

32. Outside of the audit process, what does the Department find/define value from its auditors?

The Department did not provide information regarding this question. This can be discussed during the entrance conference.

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

According to the Department, auditor's constant communication with the Department's audit liaison worked well in the prior year.

34. What are the areas of improvement that the Department or OSA would like to see made in the overall audit process, timing, communication, other areas?

The contract auditors should maintain communication on the audit status with the OSA's contract liaison.

According to the Department, they do not have any improvements.

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

The auditors should maintain communication on the audit status with the OSA's contract liaison.

According to the Department, auditor's constant communication with the Department's audit liaison worked well in the prior year.

36. How much of the audit work has been performed on site vs remotely? If on site, generally how long have the auditors been on site? Does the Department prefer onsite, remote or hybrid (split between onsite and remote) approach to the audit fieldwork?

The auditor's worked remotely for the entire Fiscal Year 2023 audit. According to the Department, it prefers its auditors to work remotely, and will meet with auditor's remotely, as needed.

37. What is the desired timeframe for preliminary and year-end audit fieldwork?

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. 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 financial internal control and compliance 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.

According to the Department, it prefers that financial fieldwork has a blackout during fiscal year end, which begins July 1, 2024 and goes through mid-August. This timing is normally discussed during the entrance conference.