

**Office of the State Auditor
Financial and Compliance Audit of the University of Northern Colorado
Fiscal Year 2024**

Responses to Prospective Bidder Inquiries:

1. What is the reason for the RFP? How many years has the current provider been engaged and is the current provider able to bid on the engagement?

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 audit firm has performed the audit for Fiscal Years 2014 through 2023, which means an RFP is required for the Fiscal Year 2024 audit.

The current audit firm is not eligible to bid on the contract as it has performed audit services for the University for the past 10 years. See Section I, Part L, of the RFP for the criteria that must be met to be considered an eligible bidder.

2. 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 outline in Section III of the RFP.

3. 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.

4. What were the fees charged for the 2023, 2022, and 2021 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?

Contract fees paid for Fiscal Years 2023, 2022, and 2021 were \$104,700, \$104,100, and \$110,400, respectively.

The base contract fee for Fiscal Year 2023 was \$94,800. The total contract cost of \$104,700 included \$3,900 for testing performed on the State Funded Student Financial Aid program, and \$6,000 for work performed on the University’s NCAA audit.

The base contract fee for Fiscal Year 2022 was \$90,300. The total contract cost of \$104,100 included \$8,400 for major program testing performed on the Education Stabilization Fund, and \$5,400 for work performed on the University’s NCAA audit.

The base contract fee for Fiscal Year 2021 was \$85,800. The total contract cost of \$110,400 included \$16,000 for major program testing performed on the Coronavirus Relief Fund and Student Financial Aid Cluster, \$3,500 for testing performed on the State Funded Student Financial Aid program, and \$5,100 for work performed on the University's NCAA audit.

5. What are the communication/update meeting expectations during the course of the audit? Are there improvements that you would like to see made in the overall audit process, timing, communication, other areas? Did the incumbent auditors meet the pre-determined deadlines?

Overall, it is essential there is timely responsiveness and proactive, clear communication between the University 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). In addition, the auditor must complete the audit in accordance with all due dates noted in the contract.

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

6. With respect to Section II- A. 5. Qualifications of Assigned Personnel, it mentions the proposal must include a resume of all principal staff included in an appendix. To clarify, is this in addition to typical bios giving brief summaries of key team members that are generally included within proposals?

Brief summaries of key team members are sufficient as long as they provide all required information outlined in the RFP.

7. Generally, how many weeks and how many audit staff are in the field during final fieldwork?

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

8. What is the Departments' preferred timing for interim and final fieldwork? How many auditors were onsite for both interim and final fieldwork and for how long?

Interim fieldwork related to the financial audit and Single audit can begin as soon as the OSA has a completed contract with the awarded firm, a signed engagement letter has been obtained from University management, and an entrance conference has been held with management/contract auditor/OSA. The firm awarded the contract may contact the University 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. 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.

9. Does the University have a preference on conducting the audit fieldwork in person onsite, remotely, or hybrid (split between onsite and remote) approach to the audit fieldwork?

According to University staff, the University does not have a preference; however, the OSA does not believe a 100% remote audit is ideal for a new audit engagement and would prefer a hybrid approach to the audit.

10. Has there been any personnel changes or departures in key accounting positions, at all levels, in the past couple years that would affect the upcoming 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 University staff, the following key changes have been made since Fiscal Year 2022:

- June 2022 – the previous Chief Financial Officer left the University and a replacement was named
- March 2023 – a new Assistant Vice President of Financial Services was named
- June 2023 – the previous Controller left the University and a replacement was named
- March 2024 – the Assistant Controller left the University; no replacement has been named

11. Does the University prepare the financial statements or does management expect any assistance from the auditors in preparation of the financial statements? If prepared by management, on what date can those be expected?

According to University staff, management prepares the initial draft of the financial statements, footnotes, RSI, and MD&A. The draft is usually prepared in early August after year-end close. At an agreed-upon date, the draft is then turned over to the auditors for final review coordination and presentation.

12. Can we have a copy of the fiscal year 2023 report for the Financial and compliance audit of the Statement of Appropriations, Expenditures, Transfers and Reversions of the Audited Agency's State-Funded Student Financial Assistance Programs?

The Fiscal Year 2023 report for the Financial and compliance audit of the Statement of Allocations, Expenditures and Reversions of the University's State-Funded Student Financial Assistance Programs are included as part of the University's Fiscal Year 2023 audit report.

Links to the University's report can be found in Section IV of the RFP. The Independent Auditors' Report on the Statement of Allocations, Expenditures and Reversions of the State-Funded Student Financial Assistance Programs can be found on PDF page 117 of the report.

13. Can we have a copy of the fiscal year 2023 NCAA AUP report?

The Fiscal Year 2023 NCAA report can be found at the following link:

<https://leg.colorado.gov/audits/university-northern-colorado-ncaa-agreed-upon-procedures-fiscal-year-ended-june-30-2023>

14. How many audit adjustments were there in the last audited fiscal year and what were the nature of these audit adjustments?

The University's corrected and uncorrected misstatements for the prior year are contained within their prior year audit reports. The most recent audit reports for Fiscal Years 2023 and 2022 (Report Nos. 2337F and 2237F, respectively) are available on our website:

<https://leg.colorado.gov/audits/university-northern-colorado-fiscal-years-ended-june-30-2023-and-2022>

<https://leg.colorado.gov/audits/university-northern-colorado-fiscal-years-ended-june-30-2022-and-2021>

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

The University did have a management letter for Fiscal Year 2022. State statute [Section 2-3-103(3), C.R.S.] does not permit the OSA to publically release this information. Access to prior year workpapers will be granted to the awarded contractor upon signature of the contract.

16. What information technology system(s), other than CORE, does the University utilize? Are there any automated controls within the system(s) that would impact the audit? Are there monthly reconciliations between these system(s) and CORE? Are there any expected changes in your IT systems?

According to University staff, in addition to CORE, the University uses the Ellucian Banner (Banner) system as their financial system of record. Financial transactions are fed to CORE at the end of each month and at fiscal year-end. The University reconciles Banner to CORE balances monthly. Banner has several automated controls, such as fund-account account combo, security access between and within modules, and several other factors to maintain strong internal controls. In addition, the University uses Opentext ApplicationXtender for document management and to track review/approval of internal documents.

According to University staff, the University has launched an upgrade to Banner which is expected to run through the next 18-24 months.

17. Have separate IT audits been done over any of these system(s)? Has your current auditor done any control testing relative to the IT environment?

The OSA is not performing a separate IT audit on these systems. The OSA has an IT Audit team that tests CORE and other relevant Statewide systems; however, the contract auditors are required to identify the University's key information technology systems and determine the extent of testing to be performed on those systems in accordance with auditing standards.

18. What software is used for the Student Billings and Financial Aid?

According to University staff, Banner is the software used for student billings and financial aid.

19. Have there been any cyber security incidents that impacted the University?

The Colorado Department of Higher Education (CDHE) reported a cybersecurity incident involving a ransomware incident. The University is still learning about the potential extent of the data that was compromised, and as such, it is difficult to assess the impact of this incident. See the link below for additional information on this cyberattack:

<https://www.unco.edu/news/newsroom/releases/cdhe-data-incident-2023.aspx>

In addition, University staff reported they are currently investigating two cybersecurity incidents that took place during Fiscal Year 2023. The first incident took place in late 2023. According to University staff, the incident was investigated and the University concluded no data was lost or compromised. The second incident took place in early 2024. According to University staff, the incident was investigated internally, and then the University engaged a private firm to bring a forensic analyst and security assessors to conduct an analysis. University staff reported that the private firm has concluded there is no attacker persistence and no data was taken.

20. 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.

21. 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.

22. What is the timeline for the Office of State Controller providing a draft of the GASB 68 and 75 calculations and sample disclosures for the University?

The Fiscal Year 2023 calculations and sample disclosures were distributed to the University in late August 2023, and we expect a similar timeline for Fiscal Year 2024.

23. 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?

The Office of the State Controller determines the timing of closing the periods during a fiscal year. The State plans to have the 2024 year-end close in early August 2024.

The University’s corrected and uncorrected misstatements for the prior years are contained within their prior years audit reports. See response to #14 above for links to the most recent audit reports available on the OSA’s website.

24. Please describe any outside service organizations (third party service providers) used by the University that have an impact on accounting or financial reports (such as ADP, investment management, etc.).

According to University staff, the following may have an impact on accounting or financial reports:

- The UNC Foundation, a discretely presented component unit with separate financial systems and audits, manages the University’s gifts. A cash transfer is generated at the end of each month to reimburse the University as donor funds are spent.
- The University uses Sprintax Calculus to determine the tax status of their international student and employee populations. Based on this information, we withhold accordingly from our non-resident alien population and adjust the payroll tax structure to accommodate these statuses.
- The University uses ECSI for the collection of student debt.

25. Does the University anticipate any significant changes in its federal or state funding in Fiscal Year 2024 that would have a significant impact on the financial statements or audit process?

According to University staff, most state funding will fall within the normal State of Colorado appropriations and capital request processes; however, if passed, House Bill 24-1231 would provide significant capital construction and escrow funding for the University to establish a College of Osteopathic Medicine.

No significant changes are expected for federal funding.

26. Is the University planning to early adopt any recent and new accounting pronouncements? If so, can you briefly summarize the planned early adoptions.

According to University staff, they are currently assessing GASB 101 to determine the impact on the University, if any. If the impact is minimal, management is open to early adoption but have not made a final decision. Management is not expecting early adoption of any other pronouncements.

The State is not planning to early adopt any GASB pronouncements.

27. Please provide us with any information that would be helpful in knowing:

- What is important to the University's management and Board of Trustees?

According to University staff, important points include the firm's reputation and higher education experience. In addition, management believes open communication between management and the new contractor is important, especially as the University engages in new activities (ex. new GASB statements, ramp up the College of Osteopathic Medicine, etc.). This will help ensure that the new auditors completely understand the University's operations, and could hopefully lead to future guidance and advice on industry best practices and alternatives.

- Potential improvements or challenges have existing in prior years' engagements?

There have been no major challenges in recent years' engagements.

- Any transition issues or concerns related to the audit being awarded to new auditors?

According to University staff, they understand the nature of a first-year audit with a new firm and are prepared for the additional inquiries/requests involved.

28. Please provide details of any third-party audits (i.e., Federal or state desk reviews) or fraud/irregularities identified during the past three years.

According to University staff, the following have occurred during the past three years:

- The University's internal audit function is outsourced to an outside firm. They recently completed a comprehensive risk assessment, and management is determining next steps based on that information. Highlights of the assessment were provided at the February 2024 Board of Trustees meeting.
- In July 2023, the same firm completed an audit of the University's grants compliance program. Several areas were identified for improvement, though no fraud or irregularities were discovered.
- A NCAA AUP audit is required annually (as the University is a Division I school). No issues have been discovered as a result of recent audits.
- In 2022, an outside firm performed a review and issued a monitoring report of a grant program received from the Governor's Emergency Education Relief Fund. Several recommendations were made relating to policies, procedures, and transactions, although no items of fraud or irregularities were identified.

29. Are there any significant capital campaigns planned or ongoing?

Per University staff, the "Rowing Not Drifting 2030" capital campaign is in progress, with approximately \$40 million raised toward the goal of raising \$150 million by 2030. Funds are deposited and managed through the UNC Foundation.

30. Are there any planned changes to the investment portfolio allocation?

According to University staff, the University does not manage an investment portfolio. University investments are managed by the UNC Foundation or the Colorado State Treasury (as pooled cash and investments).

31. 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 University staff, significant accounts are reconciled on a regular basis and have been used for interim fieldwork in the past.

32. Can you provide an overview of how management assesses valuation relative to alternative investments?

According to University staff, alternative investments and investments using NAV are Foundation assets and included in the Foundation financial statements. See the link below for a copy of the Foundation's Fiscal Year 2023 audit, including information on the Foundation's investments and fair value measurements:

<https://www.unco.edu/foundation/pdf/audit-990t/fy23audit.pdf>

33. It appears that you have real estate funds classified as using NAV as a practical expedient. Are these funds reporting the underlying real estate assets at fair value or cost, both of which would be considered appropriate under GAAP? If any are reporting at cost, are you provided with an audited statement of fair value?

See the response to #32 above.

34. Can you briefly summary due diligence procedures for new as well as ongoing investments?

As noted in the response to #30 above, the University does not manage an investment portfolio. According to University staff, the University receives regular investment reports from the Foundation and Colorado State Treasury, and will reach out to either party with any questions that come up.

35. Do you utilize the services of an investment advisor?

According to University staff, the University does not have an investment advisor. The University has engaged North Slope Capital Advisors and Kutak Rock LLP for advice and certifications as needed (mostly for bond issuances).

36. How does the University track and manage its leases and SBITA's? Do you use systems that track and manage this data?

For leases and SBITAs, is annual consideration performed for new agreements and are material agreements posted by management? Is lease and SBITA activity expected to remain stable during 2024, or were any large new leases/SBITAs entered into during 2024?

According to University staff, copies of contracts/agreements are stored in OnBase. Any applicable leases and SBITAs are tracked in spreadsheet templates that include calculations and information required for entries and disclosures. Annual consideration is performed and any new material agreements are added. While the University expects new agreements will be added in Fiscal Year 2024, lease and SBITA activity is expected to remain stable.

37. It does not appear that there has been recent debt activity. Any plans for additional debt/refundings to be issued by the University in 2024?

According to University staff, the University is entering into a \$5.3 million tax-exempt lease purchase agreement to finance the roof replacement on several University-owned apartment buildings. Management expects the agreement to be signed in Fiscal Year 2024. Outside of any leases that fall under GASB 87 and 96, no other debt/refundings are expected for the University during Fiscal Year 2024.

38. Were there any significant changes in operations in the past fiscal year? Are there any significant transactions, activities, or changes in UNC's operations (or pending changes) that will have an impact on the audit process moving forward?

According to University staff, there have been no significant changes in operations over the past fiscal year. Any pending changes in operations should have little to no impact on the audit process.

39. Are there any significant regulatory or compliance issues that you are aware of that could impact the FY 2024 financial and compliance audit?

According to University staff, there are no regulatory or compliance issues that could impact the Fiscal Year 2024 audit.

40. 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 response to #14 above for links to the University's financial statements, including the full Letter to Governance.

41. 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 University's programs were subject to Uniform Guidance testing? If any University programs were tested, were findings identified? When will the State planning be performed to provide the Type B programs to be audited?

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. It is the contractor's responsibility to review the University's federal grant activity and the Exhibit K1 to confirm the contractor agrees 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 the University for the Fiscal Year 2024 audit. The University's last major program tested by the auditor was during the Fiscal Year 2022 audit; the Education Stabilization Fund (ALN 84.425) was tested. There were no findings identified related to the program.

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.

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

The University 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 the University.

As noted in the RFP, the University is not anticipated to have any major federal programs for Fiscal Year 2024. If the University 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 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 the University'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

43. The 2023 financial and compliance audit was dated 1/12/2024. Were there any issues that caused this to not be issued in December and are such issues expected for the 2024 audit?

The delay in release of the University's financial statements was related to overall delays with the Statewide financials, but was not specific to any delays at the University or related to the University's audit process.