



**COLORADO OFFICE
OF THE STATE
AUDITOR**

A REQUEST FOR PROPOSAL

FINANCIAL AND COMPLIANCE AUDIT

DIVISION OF GAMING, DEPARTMENT OF REVENUE

FISCAL YEAR ENDED JUNE 30, 2018

JANUARY 12, 2018

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SECTION I

ADMINISTRATIVE INFORMATION

A. ISSUING OFFICE

This request for proposal (RFP) is issued by the Office of the Colorado State Auditor. The terms State Auditor, State, and State of Colorado are used interchangeably. All proposals should be delivered to:

Office of the Colorado State Auditor
State Services Building
1525 Sherman St, 7th Floor
Denver, Colorado 80203
Attn: Henry Hung
henry.hung@state.co.us

As an agency within the Legislative Branch, the OSA and this solicitation are exempt from the State Procurement Code and State Procurement Rules. All communications regarding this RFP should take place directly with the OSA's assigned contact listed above.

B. BACKGROUND INFORMATION

The Office of the State Auditor (OSA) is soliciting proposals to conduct an audit of the Colorado Division of Gaming, Department of Revenue. Effective October 1, 1991, Article XVIII, Section 9 of the Colorado Constitution was amended to allow limited stakes gaming in three Colorado cities. The Amendment, along with the Limited Gaming Act of 1991 (the "Act"), established the framework for regulating limited gaming in Colorado. The Act created the Division of Gaming within the Department of Revenue, established the Limited Gaming Fund, and gave the Limited Gaming Control Commission (the "Commission") the authority and responsibility for regulating limited gaming in Colorado. The Division operates with a staff of about 91 full-time employees and a budget of approximately \$16.9 million.

The Commission is made up of a five-member board appointed by the Governor and approved by the Colorado Senate. Gaming revenues deposited in the Limited Gaming Fund are used to pay operating expenses for the Division and the Commission during the year.

In April 2009, House Bill 09-1272 was approved due to the passage of Amendment 50. In summation, this amendment allows Colorado casinos to offer \$100 maximum bets, offer the games of craps and roulette, and remain open for 24 hours, referred to as extended gaming. The extended gaming funds to be distributed are transferred to a separate fund every fiscal year-end beginning with fiscal year 2010; therefore, an Extended Limited Gaming Fund was created for this purpose.

After setting aside a reserve for two months' operating expenses at the end of each fiscal year, the remaining fund balances in the Limited Gaming Fund and Extended Limited Gaming Fund are distributed to state and local governments according to the provisions in the Colorado Constitution and the Act.

In addition to the two funds mentioned above the Division of Gaming, Department of Revenue utilizes a separate fund to account for their long term debt and capital asset transactions. This separate fund however, is not reported on the Division's basic financial statements but is reported on the Government-Wide statements prepared by the State.

C. SERVICES REQUIRED

The purpose of this RFP is to solicit proposals to perform a financial and compliance audit of the Division of Gaming, Department of Revenue for the fiscal year ending June 30, 2018. The financial and compliance audit is to be performed in accordance with accounting and auditing standards described in subsection P below.

Audit work to be performed for the fiscal year ending June 30, 2018 consists of the following:

1.
 - a) A financial and compliance audit of the Limited Gaming Fund for the year ended June 30, 2018, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This includes the identification and performance of appropriate information technology general control testing of the Division's key information technology systems, in accordance with auditing standards. Appropriate testing includes evaluating the design and operating effectiveness of the key information technology general controls within relevant systems, including any system interfaces, that are critical components of the financial reporting processes and which could significantly impact the financial statements.
 - b) A financial and compliance audit of the Extended Limited Gaming Fund for the year ended June 30, 2018, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This includes the identification and performance of appropriate information technology general control testing of the Division's key information technology systems, in accordance with auditing standards. Appropriate testing includes evaluating the design and operating effectiveness of the key information technology general controls within relevant systems, including any system interfaces, that are critical components of the financial reporting processes and which could significantly impact the financial statements.

- c) A financial and compliance audit of other funds utilized by the Division of Gaming, Department of Revenue not reported on the basic financial statement for the year ended June 30, 2018, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This includes the identification and performance of appropriate information technology general control testing of the Division's key information technology systems, in accordance with auditing standards. Appropriate testing includes evaluating the design and operating effectiveness of the key information technology general controls within relevant systems, including any system interfaces, that are critical components of the financial reporting processes and which could significantly impact the financial statements.
- d) Review of the Division's compliance with state and federal laws and regulations, State Fiscal Rules, and bond covenants that could have a material effect on the Division's financial statements.
- e) Performance of audit work to evaluate the Division's progress in implementing prior audit recommendations.
- f) Review of exhibits required by the State Controller to be submitted to the State Controller in support of the statewide financial statements. Also, review of all of the Division's adjusting entries, posted or not, after the Colorado Operations Resource Engine's (CORE's) final year-end closing.
- g) Submission of attestation memos to the Office of the State Auditor on the results of audit work performed. These memos will be used to support the audit of the statewide financial statements and statewide Single Audit. Attestation memo templates required for the Fiscal Year 2017 audit are included in Section IV, Supplemental Information, for reference purposes. The attestation memos for Fiscal Year 2018 will be provided at a later date.
- h) Preparation of report comments and/or a management letter, as appropriate based on assessed severity level, containing audit findings and recommendations for improvements in the operations, internal controls, and accounting procedures of the Division, along with any opportunities for cost savings determined through the audit. This will include obtaining and reviewing responses to the recommendations from the Division's management and ensuring they meet the State's established parameters for responses. In accordance with *Government Auditing Standards*, for any "Partially Agree" or "Disagree" response, the contractor shall prepare an Auditor's Addendum as a rebuttal to the Audited Agency's response. All report comments, management letters, responses, and Auditor's Addenda must be reviewed and approved by the OSA.

Such audit work will result in the issuance of the following:

- i) Independent auditors' report on the Limited Gaming Fund and Extended Limited Gaming Fund which collectively comprise the financial statements of the Division of Gaming, Department of Revenue as of and for the year ended June 30, 2018.
- j) 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 Division performed in accordance with *Government Auditing Standards* for the year ended June 30, 2018.

D. ORAL PRESENTATION

The contractor may be required to testify for about one hour before the Legislative Audit Committee and one other legislative committee. This testimony will be an oral summary of the written report with questions by Committee members and verbal responses from the contractor and from the Division of Gaming, Department of Revenue. In addition, the contractor is expected to provide oral presentations to the Division of Gaming, Department of Revenue at the commencement and conclusion of the audit, which are the entrance and exit conferences. Various other meetings with State Auditor and Division of Gaming, Department of Revenue personnel will be required to communicate requirements, expectations, issues, and results, to ensure a smooth and timely completion.

E. INQUIRIES SECTION

Prospective bidders may make written inquiries concerning this RFP to obtain clarification of requirements. Please address all inquiries to Henry Hung, Senior Legislative Auditor, henry.hung@state.com 303-869-3060 (fax). No inquiries will be accepted after **5:00 p.m. MT on January 24, 2018.**

F. SUBMISSION

All proposals become the property of the State Auditor upon receipt and will not be returned to the bidder. The State Auditor shall have the right to use all ideas, or adaptations of these ideas, contained in any proposal received in response to this RFP. Selection or rejection of the proposal will not affect this right.

All proposals are subject to the Colorado Open Records Act (Sections 24-72-200.1 through 206, C.R.S.). If any part of the proposal contains proprietary information, such information shall be clearly identified in the proposal.

G. ACCEPTANCE OF PROPOSAL

This RFP does not commit the State Auditor to award a contract, to pay any costs incurred in the preparation of a bid submitted in response to this request, or to procure or contract for services or supplies. The State Auditor reserves the right to accept or reject, in part or in its entirety, any or all bids received as a result of this RFP if, in the opinion of the State Auditor, it is in the best interest of the State to do so. The lowest cost proposal will not necessarily be selected. Final scope and price may be negotiated after selection of the contractor.

H. PROPOSALS - SCHEDULE

The following schedule will be followed:

- | | | |
|----|---|-----------------------------|
| 1. | RFP available to prospective bidders | Friday, January 12, 2018 |
| 2. | Prospective bidder's inquiry deadline | Wednesday, January 24, 2018 |
| 3. | OSA response to inquiry deadline | Monday, February 5, 2018 |
| 4. | Proposal submission deadline (5:00 PM MT) | Tuesday, February 20, 2018 |
| 5. | Approximate bid selection | Monday, March 5, 2018 |
| 6. | Approximate contract date | Monday, March 19, 2018 |

Any proposal received after the submission deadline will not be considered. The proposal is to be submitted to the State Auditor via email addressed to the Office of the State Auditor representative listed in Section I, Part E. The proposal must be sent by a person legally authorized to bind the bidder. Optionally, five (5) bound copies may be submitted, signed by a person legally authorized to bind the bidder.

I. ADDENDUM OR SUPPLEMENT TO REQUEST FOR PROPOSAL

The State Auditor reserves the right to issue amendments to this RFP prior to the closing date for submission of proposals. In the event that it becomes necessary to revise any part of this RFP, an addendum to this RFP will be provided to each prospective bidder.

J. AWARD WITHOUT DISCUSSION

The State Auditor reserves the right to make an award without further discussion of proposals received. Therefore, it is important that the proposal be submitted in the most complete terms possible from both the technical and cost standpoint.

K. AWARD INFORMATION TO UNSUCCESSFUL FIRMS

The State Auditor will notify all unsuccessful bidders after the award. No information will

be released after the proposal submission deadline until an award has been made.

L. JOINT VENTURES

No joint venture proposals will be accepted. However, this requirement does not preclude the use of outside special consultants if deemed necessary by the firm.

M. OTHER WORK PERFORMED FOR THE DIVISION OF GAMING, DEPARTMENT OF REVENUE

In its proposal, the firm should describe any work performed for the Division of Gaming, Department of Revenue within the past two years, and why this work would not impair the firm's independence in performing the Fiscal Year 2018 financial and compliance audit of the Division of Gaming, Department of Revenue.

N. ELIGIBLE FIRMS

Any firm providing financial and compliance audit services for Division of Gaming, Department of Revenue 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.

O. STATE AUDITOR LIAISON

The State Auditor will designate an individual from her office to be a liaison to the firm throughout the audit. This individual will attend entrance/exit conferences and assist the firm to understand State Auditor requirements and reporting guidelines.

P. GENERAL INFORMATION

1. Audit Standards

The audit shall be performed in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants in *Statements on Auditing Standards*, the standards for financial and compliance audits contained in *Government Auditing Standards – 2011 Revision* issued by the Comptroller General of the United States, the Single Audit Act as amended, the Provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (federal uniform grant guidance), the *AICPA Audits of State and Local Governmental Units* and *Government Auditing Standards and Single Audits* audit and accounting guides, and Fiscal Rules promulgated by the State Controller.

2. **Prior Audits**

The Division of Gaming, Department of Revenue's audit report for the fiscal year ended June 30, 2017 (Report No. 1719F) and audit reports for years prior to that are available at our web site at:

<http://leg.colorado.gov/audits/division-gaming-fiscal-years-ended-june-30-2017-and-2016>

3. **Timing Considerations**

The general control testing over the key information technology systems, and corresponding draft report findings and recommendations, must be completed by May 31, 2018.

All non-IT internal control and compliance audit work, and corresponding draft report findings and recommendations, must be completed by July 31, 2018.

The major programs for the Single Audit Act for the Division of Gaming, Department of Revenue are determined by the Office of the State Auditor at the statewide level. For Fiscal Year 2018, it is anticipated that the Division of Gaming, Department of Revenue will not have any major programs for audit.

The Division of Gaming, Department of Revenue's TABOR enterprise status and revenue testing must be completed by August 24, 2018. The Division of Gaming, Department of Revenue's prior year's audit recommendations must be tested and auditor's dispositions determined by September 4, 2018.

Proposed audit adjustments and their effect on the Division of Gaming, Department of Revenue's financial statements should be provided to the State Auditor by October 12, 2018. A draft report should be completed by about October 1, 2018. The final audit report must be delivered to the State Auditor by October 31, 2018.

4. **Audit Contract Period**

The firm selected 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.

Q. AWARD OF BID

The contract will be awarded to that bidder whose proposal will be most advantageous to the State of Colorado, price and other factors considered. *The successful bidder is expected to execute and adhere to the terms and conditions in the OSA's standard contract and its related exhibits. A copy of the OSA's standard contract and its related exhibits is included in Section IV - Supplemental Information of this RFP.*

R. SUBMISSION OF INVOICES

The contractor may submit monthly invoices for audit work completed. The State Auditor reserves the right to withhold 10 percent of the total contract amount pending satisfactory completion of the audit.

SECTION II

INFORMATION TO BE INCLUDED IN PROPOSAL

All proposals *must* include the information requested in this section and be organized in the same manner as this section.

All proposals submitted to the OSA in response to this RFP are subject to the Colorado Open Records Act (CORA). *Any proprietary information your firm includes in the proposal should be clearly and specifically designated in the proposal.* Such information will be redacted from the proposal pursuant to 24-72-204(3)(a)(IV), C.R.S., allowing for the denial of inspection of records including trade secrets, before providing the proposal in response to a CORA request.

A. TITLE PAGE

The proposal will identify the RFP subject, firm name, local address, telephone number, name of contact person, and the date.

B. TABLE OF CONTENTS

The proposal will include a clear identification of the material included in the bid proposal by section and by page number.

C. TRANSMITTAL LETTER

Please limit the transmittal letter to two or three pages. Provide the names of individuals authorized to make representations for the firm and their titles, addresses and telephone numbers.

D. PROFILE OF THE FIRM

The proposal must:

1. State whether the firm is local, national, or international.
2. Give the location of the office from which the work is to be done and number of partners, shareholders, and managers and other professional staff employed at that office.
3. Describe the range of activities performed by the local office.

4. Describe the local office's capability, including the numbers and classifications of personnel who will work on the audit.
5. Affirm that the firm is a properly licensed certified public accounting firm authorized to practice in the State of Colorado.
6. Affirm that the firm has participated in a quality control review within the past three years. A copy of the review must be included in the proposal.
7. Affirm that the firm does not have any past history of substandard work.
8. Affirm that the firm is independent for this audit engagement. Describe any work performed by the firm for the Division of Gaming, Department of Revenue within the past two years and explain the firm's independence.
9. Provide information on any past, current or anticipated claims (i.e., knowledge of pending claims) on respondent contracts; explain the litigation, the issue, and its outcome or anticipated outcome.

E. QUALIFICATIONS OF ASSIGNED PERSONNEL

The proposal must identify the principal staff (i.e., partners/principals, managers, and supervisors/in-charges) who will work on the audit, including personnel not from the local office and any specialists or subcontractors to be used. The proposal must include a resume of all principal staff highlighting their professional qualifications and similar audit work that they have performed (resumes should be included in an appendix).

F. FIRM'S APPROACH TO THE AUDIT

The proposal must include a general description of the methodology, approach, tools, and resources to be used to conduct the audit.

G. COMPENSATION

1. The proposal must state the number of professional staff hours estimated to complete the audit work by staff level, the hourly rate, and the resulting total cost. The bidder is advised that travel costs incurred in the performance of audits are reimbursable only as a part of the hourly rate and must be covered under said rate and will not be separately reimbursed.
2. The proposal must state the total inclusive maximum fee for which the work requested will be done, excluding audit work for any federal major programs. The

fees for this audit work will be added to the base price. The anticipated fee for the audit of a federal major program for Fiscal Year 2018 is \$7,650.

3. The proposal should affirm that all prices, terms, and conditions will be held firm for at least 90 days after the bid opening.

H. DELIVERY SCHEDULE

The proposal must include a schedule of the audit work to be performed and delivery date of the required reports.

I. ADDITIONAL DATA

Since the preceding sections are to contain information that is specifically requested, the firm may include any additional information considered essential to the proposal in this section. The firm should not include general information publications, such as directories or client lists.

SECTION III

PROPOSAL EVALUATION PROCESS

A. GENERAL

An evaluation team will judge the merits of proposals received in accordance with the general criteria defined below. The bidder is responsible for providing all information requested in this RFP, and failure to do so may result in disqualification of the proposal.

The evaluation committee will select the bidder whose proposal is most responsive to the State Auditor's needs while being within available resources. The specifications within this RFP represent the minimum performance necessary for response.

During the evaluation process, the evaluation committee may, at its discretion, request any one or all firms to make oral presentations or answer questions about their proposals. Not all firms may be asked to make such oral presentations.

B. MANDATORY CRITERIA

1. The firm must be licensed to practice as a certified public accounting firm in the State of Colorado.
2. The firm must have had a quality control review completed within the past three years. A copy of the review must be included in the proposal.
3. The firm is independent for the audit engagement.

C. GENERAL CRITERIA

1. Adequacy and completeness of the proposal with regard to the information specified in the RFP.
2. Breadth and depth of applicable experience.
3. Sufficient size organization to adequately staff audit.
4. Proposed costs (fees and hours).
5. Comprehensiveness and appropriateness of work plan.

D. TOTAL SCORE

The evaluation team will assign scores to the proposals based on the established criteria. The State Auditor will make the final decision on the contract award.

SECTION IV

SUPPLEMENTAL INFORMATION

Enclosed with this RFP are the following:

1. Standard OSA contract and related exhibits. *The successful bidder is expected to execute and adhere to the terms and conditions in the OSA's standard contract and its related exhibits.*
2. Statewide Attestation memos to be submitted to the Office of the State Auditor statewide audit team applicable for the prior fiscal year audit.

STATE OF COLORADO
State Auditor and
Legislative Audit Committee
Financial Audit Contract for the
Audit of the INSERT NAME OF ENTITY
With
INSERT NAME OF CONTRACTOR

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1. PARTIES

This Contract is entered into by and between [redacted] (“Contractor”), and the STATE OF COLORADO (the "State") acting by and through and for the use and benefit of the State Auditor and the Legislative Audit Committee . Contractor and the State agree to the terms and conditions specified in this contract.

2. EFFECTIVE DATE AND NOTICE OF NONLIABILITY

The Effective Date of this Contract is the date on which this Contract has been approved and signed by all of the Parties, including on behalf of the State the State Auditor or the State Auditor's designee and the Chair of the Legislative Audit Committee, and, after legal review, by the Director of the Office of Legislative Legal Services or the Director's designee. This Contract is not effective or enforceable before the Effective Date, and the State is not liable to pay or reimburse Contractor for any Work performed or costs or expenses incurred by the Contractor before the Effective Date or after the expiration or other termination of this Contract.

3. RECITALS

A. Authority, Appropriation, And Approval

Authority to enter into this Contract exists in CRS §2-3-103(1), funds have been budgeted, appropriated and otherwise made available pursuant to Fund 1000, Appropriation Code MGFCC4010, Contract Encumbrance Number 2018-XX, and a sufficient unencumbered balance of the funds remains available for payment. Required approvals, clearance, and coordination have been accomplished from and with appropriate agencies.

B. Consideration

The Parties acknowledge that the mutual promises and covenants contained in this Contract, including the Exhibits attached to and incorporated by reference in this Contract, are sufficient and adequate to support this Contract.

C. Purpose

The State is engaging Contractor to render professional auditing services as specified in this Contract, including the Exhibits attached to and incorporated by reference into this Contract.

D. References

All references in this Contract to sections (whether spelled out or using the § symbol), subsections, exhibits or other attachments, are references to sections, subsections, exhibits, or other attachments contained in this Contract or incorporated by reference into this Contract unless otherwise noted.

4. DEFINITIONS

The following terms shall be construed and interpreted as follows:

A. Audit Report

“Audit Report” means the standard report on the audit of the Audited Agency’s financial statements and the related report on internal control over financial reporting and compliance.

B. Audited Agency

“Audited Agency” means the [redacted].

C. Business Day

"Business Day" means any day on which the State is open and conducting business, but does not include Saturday, Sunday, or any day on which the State observes a legal holiday listed in section 24-11-101 (1), C.R.S.

D. CJI

"CJI" means criminal justice information collected by criminal justice agencies needed for the performance of their authorized functions, including, without limitation, all information defined as criminal justice information by the U.S. Department of Justice, Federal Bureau of

Investigation, Criminal Justice Information Services Security Policy and all criminal justice records, as defined in §24-72-302, C.R.S.

E. Contract

“Contract” means this Contract, including the Exhibits attached to and incorporated by reference into this Contract, any other documents incorporated by reference into this Contract, and any amendments to this Contract or additional Exhibits, or other documents incorporated into this Contract after the Effective Date.

F. Contract Funds

“Contract Funds” means the maximum amount of funds available for payment by the State to Contractor pursuant to section 7.A. of this Contract.

G. CORA

"CORA" means the "Colorado Open Records Act", §§ 24-72-200.1, *et. seq.*, C.R.S.

H. Effective Date

"Effective Date" means the date on which this Contract has been approved and signed by all of the Parties and, after legal review, by the Director of the Office of Legislative Legal Services or the Director's designee.

I. Exhibits.

"Exhibits" means the following Exhibits that are attached to and incorporated by reference into this Contract: **Exhibit A** (Statement of Work), **Exhibit B** (Request for Proposal), **Exhibit C** (Modifications to Contractor’s Proposal), **Exhibit D** (Contractor’s Proposal), **Exhibit E** (Information Security Policy for Contractors), **Exhibit F** (Compensation and Procedures for Billing), **Exhibit G** (Developing and Presenting Audit Findings), **Exhibit H** (Reporting Requirements and Format for Separately Issued Report), and **Exhibit I** (Reporting for Statewide Financial Statements and Single Audit).

J. Incident

"Incident" means any accidental or deliberate event that results in or constitutes an imminent threat of the unauthorized access, loss, disclosure, modification, disruption, or destruction of any communications or information resources of the State, which are included as part of the Work, as described in §§24-37.5-401, *et. seq.*, C.R.S. Incidents include, without limitation, (i) successful attempts to gain unauthorized access to a State system or State Confidential Information regardless of where such information is located; (ii) unwanted disruption or denial of service; (iii) the unauthorized use of a State system for the processing or storage of data; or (iv) changes to State system hardware, firmware, or software characteristics without the State’s knowledge, instruction, or consent.

K. Modifications to Proposal

“Modifications to Proposal” means the modifications to Contractor’s Proposal, dated **Insert Date if Applicable** or **Not Applicable**.

L. OSA

"OSA" means the Office of the State Auditor.

M. Party or Parties

“Party” means the State or Contractor and “Parties” means both the State and Contractor.

N. PCI

"PCI" means payment card information including any data related to credit card holders’ names, credit card numbers, or the other credit card information as may be protected by state or federal law.

O. PHI

"PHI" means any protected health information, including, without limitation, any information, whether oral or recorded in any form or medium that: (i) relates to the past, present or future physical or mental condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual; and (ii) either identifies the individual or provides a reasonable basis to believe

that it can be used to identify the individual. PHI includes, but is not limited to, any information defined as Individually Identifiable Health Information by the federal Health Insurance Portability and Accountability Act.

P. PII

"PII" means personally identifiable information including, without limitation: (i) any information maintained by the State about an individual that can be used to distinguish or trace the individual's identity, such as name, social security number, date and place of birth, mother's maiden name, or biometric records; and (ii) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information. PII includes, but is not limited to, all information defined as personally identifiable information in §24-72-501, C.R.S.

Q. Proposal

"Proposal" means Contractor's Proposal dated **Insert Date**.

R. Request for Proposal or RFP

"Request for Proposal" or "RFP" means the State's Request for Proposal, issued **Insert Date**, including the supplement to the RFP, dated **Insert Date**.

S. Services

"Services" means the required financial and compliance audit services to be performed by Contractor pursuant to this Contract.

T. State Auditor

"State Auditor" means the Colorado State Auditor.

U. State Confidential Information

"State Confidential Information" means any and all State Records not subject to disclosure under CORA. State Confidential Information includes, but is not limited to, PII, PHI, PCI, Tax Information, CJI, and State personnel records not subject to disclosure under CORA.

V. State Fiscal Rules

"State fiscal rules" means the fiscal rules promulgated by the Colorado State Controller pursuant to §24-30-202(13)(a), C.R.S.

W. State Fiscal Year

"State fiscal year" means a 12-month period beginning on July 1 of each calendar year and ending on June 30 of the following calendar year. If a single calendar year follows the term, then it means the State Fiscal Year ending in that calendar year.

X. State Records

"State Records" means any and all State data, information, and records, regardless of physical form, including, but not limited to, information subject to disclosure under CORA.

Y. Subcontractor

"Subcontractor" means a third-party, if any, engaged by Contractor to aid in performance of its obligations under this Contract.

Z. Statewide Single Audit Report

"Statewide Single Audit Report" is the report issued by the OSA and released by the Legislative Audit Committee that, in accordance with the federal Single Audit Act, includes any findings and recommendations resulting from this audit related to federal awards.

AA. Tax Information

"Tax information" means federal and State tax information including, without limitation, federal and State tax returns, return information, and such other tax-related information as may be protected by federal and State law and regulation. Tax Information includes, but is not limited to, all information defined as federal tax information in Internal Revenue Service Publication 1075.

BB. Work

“Work” means the tasks and activities that Contractor must perform to fulfill its obligations under this Contract, including the performance of the Services and delivery of the Work Product.

CC. Work Product

“Work Product” means the tangible and intangible results of the Work, whether finished or unfinished, including drafts. Work Product includes, but is not limited to, documents, text, software (including source code), research, reports, proposals, specifications, plans, notes, studies, data, images, photographs, negatives, pictures, drawings, designs, models, surveys, maps, materials, ideas, concepts, know-how, and any other results of the Work. This also includes the Audit Report, audit work papers subject to section 18 of this Contract, and any separate report issued as specified in Exhibit H.

DD. Terms Defined in Exhibits

Any term used in this Contract that is defined in an Exhibit shall be construed and interpreted as defined in the Exhibit.

5. TERM and EARLY TERMINATION

A. Term-Work Commencement

The Parties’ respective performances under this Contract commences on the Effective Date. This Contract terminates on the earlier of thirty (30) days after the Audit Report has been released by the Legislative Audit Committee or **March 31, 2019**, unless sooner terminated as specified in this Contract. The State may terminate this Contract for its convenience for any reason, without penalty to the State, upon thirty (30) days prior written notice to Contractor.

B. Early Termination

Upon early termination, Contractor shall not incur further obligations or render further performance under this contract past the effective date of the notice of termination and shall terminate any outstanding subcontracts with Subcontractors. Contractor shall deliver to the State all Work, Services, and Work Product to the extent completed as of the termination date. Contractor shall take timely, reasonable, and necessary action to protect and preserve property in the possession of Contractor. Contractor shall immediately return to the State all materials owned by the State in the possession of Contractor in which the State has an interest. The State shall reimburse Contractor for accepted performance up to the termination date.

6. STATEMENT OF WORK

A. Completion

Contractor shall complete the Work on or before **October 31, 2018**.

B. Services and Work Product

Contractor shall provide the Services and deliver the Work Product necessary to complete the Work. Contractor shall accomplish the provision of Services and delivery of Work Product using the Contract Funds only.

C. Employees

All persons employed by Contractor or Subcontractors to perform Work under this Contract Contractor’s or Subcontractors’ personnel for all purposes of this Contract and are not employees of the State for any purpose as a result of this Contract.

7. PAYMENTS TO CONTRACTOR

The State, in accordance with the provisions of this §7, shall pay Contractor in the amounts and using the methods set forth below:

A. Maximum Amount

The maximum amount payable under this Contract to Contractor by the State is \$XXX,XXX, as determined by the State from available funds. Payments to Contractor are limited to the unpaid obligated balance of the Contract and shall be made as set forth in **Exhibit F** (Compensation and Procedures for Billing). The estimated amount payable by the State to Contractor during State Fiscal Year 2017-2018 is \$XXX,XXX and the estimated amount payable by the State to Contractor during State Fiscal Year 2018-2019 is \$XXX,XXX. The exact funding split between the State Fiscal Years, if applicable, will be determined by the State based on amounts that have been budgeted, appropriated, or otherwise made available for this Contract.

B. Payment

i. Interim and Final Payments

Contractor shall initiate any payment requests by submitting invoices to the State in a form approved by the State and in the manner specified in Exhibit F.

ii. Interest

The State shall fully pay each invoice within 45 days of its receipt if the amount invoiced represents performance by Contractor previously accepted by the State. Uncontested amounts not paid by the State within 45 days bear interest on the unpaid balance beginning on the 46th day at the rate of one percent per month until paid in full. Interest does not accrue on unpaid amounts that are subject to a good faith dispute between Contractor and the State. Contractor shall invoice the State separately for accrued interest on delinquent amounts, and any such separate billing shall reference the delinquent payment, the number of days' interest to be paid, and the one percent interest rate.

iii. Recovery of Erroneous Payments and Unexpended or Excess Funds

At the State's sole discretion, any payments made to Contractor in error for any reason, including any overpayments or improper payments, and any unexpended or excess funds received by Contractor, may be collected as a debt due to the State and may be recovered from Contractor by deduction from subsequent payments under this Contract or payments to be made under other contracts, grants, or agreements between the State and Contractor or by other appropriate methods. Contractor shall pay and such overpayments, improper payments, or funds directly to the State.

C. Use of Funds

Contract Funds shall be used only for costs identified in this Contract.

8. REPORTING - NOTIFICATION

Reports required under this §8 shall be made in the form and subject to the procedures prescribed by the State.

A. Performance, Progress, Personnel, and Funds

Contractor shall comply with all reporting requirements set forth in the Exhibits.

B. Litigation Reporting

After being served in an action before a court or an administrative decision making body with any pleading that is related to this Contract or that may affect Contractor's ability to perform its obligations under this Contract, Contractor, within ten (10) days after being served, shall notify the State of the action and deliver copies of the pleadings to the State's principal representative identified in §17 of this Contract. If the State's principal representative is not then serving, Contractor shall deliver notice and copies to the State Auditor.

C. Noncompliance

Contractor's failure to provide reports, notification of a legal action, or copies of pleadings to the State in a timely manner in accordance with this §8 may result in the delay of payment of funds, termination, or both, as provided under this Contract.

D. Subcontracts

Contractor shall submit copies of any and all subcontracts entered into by Contractor to perform its obligations under this Contract to the State or its principal representative upon request by the State.

9. CONTRACTOR RECORDS

A. Maintenance

Contractor shall maintain a complete file of all documents, records, communications, notes, and other materials, including but not limited to all Work Product, pertaining in any manner to the Work or the delivery of Services, including Work performed and Services delivered by Subcontractors. Unless Contractor receives written notice of an extension from the State, the federal government, or another duly authorized agent of a governmental agency, Contractor shall maintain the records until the last to occur of: (i) the date five (5) years after the date on which the State accepts the Audit Report or, in the case of early termination, terminates this Contract; (ii) the date on which any pending disputes relating to this Contract are resolved; or (iii) if the performance of this contract is being audited or Contractor receives notice that an audit is pending, the date on which the audit is completed and its findings have been resolved (the "Record Retention Period").

B. Inspection

Contractor, at no additional charge, shall permit the State, any successor auditor, the federal government and any other duly authorized agent of a governmental agency to access and inspect, excerpt, and copy Contractor's work papers and reports related to this Contract during the Record Retention Period to assure compliance with the terms of this Contract, to evaluate performance under this Contract, or for any other purpose required by the State. The State reserves the right to inspect the Work at all reasonable times and places during the term of this Contract, including any extensions or renewals.

C. Monitoring

The State, in its discretion, may monitor Contractor's performance of its obligations under this Contract using procedures determined by the State that do not unduly interfere with Contractor's performance of the Work.

10. WORK PRODUCT-CONFIDENTIAL INFORMATION-STATE RECORDS

A. Confidentiality

Contractor shall keep confidential, and cause all Subcontractors to keep confidential, all State Records, unless those State Records are publicly available. Contractor shall not, without prior written approval of the State, use, publish, copy, disclose to any third party, or permit the use by any third party of any State Records, except as otherwise stated in this Contract, permitted by law, approved by the State in accordance with section 2-3-103 (3), C.R.S., or otherwise approved in writing by the State. Contractor shall provide for the security of all State Confidential Information in accordance with all applicable laws, rules, policies, publications, and guidelines including, without limitation: (i) the most recently promulgated IRS Publication 1075 for all Federal Tax Information, (ii) the most recently updated PCI Data Security Standard from the PCI Security Standards Council for all PCI, (iii) the most recently issued version of the U.S. Department of Justice, Federal Bureau of Investigation, Criminal Justice Information Services Security Policy for all CJI, and (iv) the federal Health Insurance Portability and Accountability Act for all PHI and the HIPAA Business Associate Addendum attached to this Contract. Contractor shall immediately forward any request or demand for State Records to the State's principal representative.

B. Other Entity Access and Nondisclosure Agreements

Contractor may provide State Records to its agents, employees, assigns, and Subcontractors as necessary to perform the Work, but shall restrict access to State Confidential Information

to those agents, employees, assigns, and Subcontractors who require access to perform their obligations under this Contract. Contractor shall ensure that all such agents, employees, assigns, and Subcontractors sign agreements containing nondisclosure provisions that are at least as protective as those in this Contract, and that the nondisclosure provisions are in force at all times at which the agent, employee, assign, or Subcontractor has access to any State Confidential Information. Contractor shall provide copies of the signed nondisclosure provisions to the State upon execution of the nondisclosure provisions.

C. Use, Security, and Retention

Contractor shall use, hold and maintain State Confidential Information in compliance with any and all applicable laws and regulations in facilities located within the United States, and shall maintain a secure environment that ensures confidentiality of all State Confidential Information wherever located. Contractor shall provide the State with access, subject to Contractor's reasonable security requirements, for purposes of inspecting and monitoring access and use of State Confidential Information and evaluating security control effectiveness. Upon the expiration or termination of this Contract, Contractor shall return State Records provided to Contractor or, except as prohibited by §9 of this Contract, destroy the State Records and certify to the State that it has done so as directed by the State. If law, regulation or any provision of this Contract prevents Contractor from returning or destroying State Confidential Information, Contractor warrants that it will guarantee the confidentiality of, and cease to use, the State Confidential Information.

D. Incident Notice and Remediation

If Contractor becomes aware of any Incident, it shall notify the State immediately and cooperate with the State regarding recovery, remediation, and the necessity to involve law enforcement, as determined by the State. Unless Contractor can establish that none of Contractor or any of its agents, employees, assigns or Subcontractors are the cause or source of the Incident, Contractor is responsible for the cost of notifying each person who may have been impacted by the Incident. After an Incident, Contractor shall take steps to reduce the risk of incurring a similar type of Incident in the future as directed by the State, which may include, but is not limited to, developing and implementing a remediation plan approved by the State at no additional cost to the State.

11. CONFLICTS OF INTEREST

A. Actual Conflicts of Interest

Contractor shall not engage in any business or activities or maintain any relationships that create a conflict of interest by conflicting in any way with the full performance of Contractor's obligations under this Contract. Such a conflict of interest arises when a Contractor's or Subcontractor's employee, officer, or agent: (i) offers or provides any tangible personal benefit to a State employee, a State employee's partner, or a member of a State employee's immediate family; or (ii) discusses, arrange for, or accepts financial or performance auditing work or non-auditing work not identified in this Contract with the Audited Agency during the term of this Contract without the prior express written approval of the State.

B. Apparent Conflicts of Interest

Contractor acknowledges that with respect to this Contract even the appearance of a conflict of interest is harmful to the State's interests. Accordingly, absent the State's prior written approval, Contractor shall refrain from any practices, activities, or relationships that reasonably appear to conflict with Contractor's full performance of its obligations under this Contract. Contractor shall also provide written notice to the State, in accordance with §17 of this Contract, and obtain the State's prior written approval, before entering into a contract or engagement with another State agency, department or division that is subject to audit by the State.

C. Disclosure of Conflicts of Interest

If a conflict of interest or the appearance of a conflict of interest arises or if Contractor is uncertain whether a conflict of interest or the appearance of a conflict of interest has arisen, Contractor shall submit to the State a disclosure statement that sets forth the relevant details for the State's consideration. Failure to promptly submit a disclosure statement or to follow the State's direction in regard to the actual or apparent conflict of interest is a breach of this Contract. Contractor shall also comply with *Government Auditing Standards* with respect to any conflicts of interest arising from the performance of this Contract.

12. REPRESENTATIONS AND WARRANTIES

Each Party has relied on the representations and warranties of the other Party set forth below in entering into this Contract.

A. Qualifications, Standards and Manner of Performance

Contractor represents that it is qualified under applicable law and warrants that it is licensed to perform the Work and Services and deliver the Work Product. Contractor shall perform its obligations under this Contract in accordance with: (i) generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants in *Statements on Auditing Standards*; (ii) the standards for financial and compliance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; (iii) the federal Single Audit Act; and (iv) the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

B. Legal Authority – Contractor Signatory

Contractor warrants that it possesses the legal authority to enter into this Contract and that it has taken actions required by its procedures, by-laws, and applicable laws to exercise that authority and to lawfully authorize its undersigned signatory to execute this Contract, or any part of this Contract, and to bind Contractor to its terms. If requested by the State, Contractor shall provide the State with proof of Contractor's authority to enter into this Contract within fifteen (15) days of receiving the request.

C. Licenses, Permits, and Other Authorizations

Contractor represents and warrants that as of the Effective Date it has, and that at all times during the term of this Contract it will have and maintain, at its sole expense, all licenses, certifications, approvals, insurance, permits, and other authorizations required by law to perform its obligations under this Contract. Contractor warrants that it will maintain all necessary licenses, certifications, approvals, insurance, permits, and other authorizations required to properly perform its obligations under this Contract, without reimbursement by the State or any adjustment in Contract Funds. Additionally, all employees, agents, and Subcontractors of Contractor performing Services under this Contract shall hold all licenses or certifications, if any, required to perform their responsibilities. Contractor, if a foreign corporation or other foreign entity transacting business in the State of Colorado, further warrants that it currently has obtained and will continue to maintain any applicable certificate of authority required to transact business in the State and that it has designated a registered agent in the State to accept service of process. Any revocation, withdrawal or non-renewal of licenses, certifications, approvals, insurance, permits, or other required authorizations necessary for Contractor to properly perform the terms of this Contract is a breach by Contractor and is grounds for termination of this Contract.

D. Contractor Independence

Contractor is a firm of certified public accountants. The State represents and warrants that it will not request or require Contractor to surrender Contractor's "independence" as that term is professionally understood and used with respect to certified public accountants.

E. Contractor Compliance with IRS Publication 1075

To the extent that Contractor receives, transmits, processes, and/or stores Federal Tax Information (FTI) on behalf of the State, Contractor will comply with IRS Publication 1075. Contractor and Contractor's employees with access to or who use FTI must meet the background investigation requirements set forth in IRS Publication 1075.

F. Disclaimer

Except for the representations and warranties expressly stated in this Contract, the Parties disclaim all representations and warranties, written or oral, express or implied.

13. INSURANCE

Contractor shall obtain and maintain, and shall ensure that each Subcontractor obtains and maintains, insurance policies issued by insurance companies approved by the State at all times during the term of this Contract as follows and in accordance with the following requirements:

A. Workers' Compensation

Workers' compensation insurance as required by state statute, and employers' liability insurance covering all Contractor or Subcontractor employees acting within the course and scope of their employment.

B. General Liability

Commercial general liability insurance covering premises operations, fire damage, independent contractors, products and completed operations, blanket contractual liability, personal injury, and advertising liability with minimum limits as follows:

- i. \$1,000,000 each occurrence;
- ii. \$1,000,000 general aggregate;
- iii. \$1,000,000 products and completed operations aggregate; and
- iv. \$50,000 any 1 fire.

C. Automobile Liability

Automobile liability insurance covering any auto (including owned, hired and non-owned autos) with a minimum limit of \$1,000,000 each accident combined single limit.

D. Protected Information

Liability insurance covering all losses of State Confidential Information, such as PII, PHI, PCI, Tax Information, and CJI, and claims based on alleged violations of privacy rights through improper use or disclosure of protected information with minimum limits as follows:

- i. \$1,000,000 each occurrence; and
- ii. \$2,000,000 general aggregate.

E. Professional Liability Insurance

Professional liability insurance covering any damages caused by an error, omission, or negligent act with minimum limits as follows:

- i. \$1,000,000 each occurrence; and
- ii. \$1,000,000 general aggregate.

F. Crime Insurance

Crime insurance including employee dishonesty coverage with minimum limits as follows:

- i. \$1,000,000 each occurrence; and
- ii. \$1,000,000 general aggregate.

G. Additional Insured

The State must be named as additional insured on all commercial general liability policies required of Contractor and Subcontractors.

H. Primacy of Coverage

Coverage required of Contractor and each Subcontractor must be primary over any insurance or self-insurance program carried by Contractor or the State.

I. Cancellation

The above insurance policies must include provisions preventing cancellation or non-renewal, except for cancellation based on non-payment of premiums, without at least 30 days written prior notice to Contractor, and Contractor shall forward any such notice to the State in accordance with §16 of this Contract within 7 days of Contractor’s receipt of such notice.

J. Subrogation Waiver

All insurance policies secured or maintained by Contractor or its Subcontractors as required by this Contract must include clauses stating that each carrier waives all rights of recovery under subrogation or otherwise against Contractor, the State, and the State's agencies, institutions, organizations, officers, agents, employees, and volunteers.

K. Public Entities

If Contractor is a "public entity" within the meaning of the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S. (the “GIA”), Contractor shall maintain, in lieu of the liability insurance requirements stated above, at all times during the term of this Contract such liability insurance, by commercial policy or self-insurance, as is necessary to meet its liabilities under the GIA. If a Subcontractor is a public entity within the meaning of the GIA, Contractor shall ensure that the Subcontractor maintain at all times during the terms of this Contract, in lieu of the liability insurance requirements stated above, such liability insurance, by commercial policy or self-insurance, as is necessary to meet the Subcontractor’s obligations under the GIA.

L. Certificates

Contractor shall provide to the State certificates evidencing Contractor’s insurance coverage required in this Contract within 7 Business Days following the Effective Date. Contractor shall provide to the State certificates evidencing Subcontractor insurance coverage required under this Contract within 7 Business Days following the Effective Date, except that, if Contractor’s subcontract is not in effect as of the Effective Date, Contractor shall provide to the State certificates showing Subcontractor insurance coverage required under this Contract within 7 Business Days following Contractor’s execution of the subcontract. No later than 15 days before the expiration date of Contractor’s or any Subcontractor’s coverage, Contractor shall deliver to the State certificates of insurance evidencing renewals of coverage. At any other time during the term of this Contract, upon request by the State, Contractor shall, within 7 Business Days following the request by the State, supply to the State evidence satisfactory to the State of compliance with the provisions of this §13.

14. DISPUTE RESOLUTION

Any dispute concerning the performance of this Contract that cannot be resolved by the designated Contract representatives, shall be referred in writing to the State Auditor and the Contractor’s managing partner of **NAME OF AUDIT FIRM’S CITY, STATE** practice unit for resolution. The State Auditor and the Contractor’s managing partner of **NAME OF AUDIT FIRM’S CITY, STATE** practice unit shall informally discuss the dispute and attempt to resolve it. If the State Auditor and the Contractor’s managing partner of **NAME OF AUDIT FIRM’S CITY, STATE** practice unit are able to agree to a mutual resolution of the dispute, the resolution will be formalized in writing in accordance with this Contract. If either Party finds, at any time, that the attempted resolution of the dispute has failed, at which time each Party may pursue any and all available remedies, including without limitation, those available under this Contract, at law or in equity.

15. BREACH

A. Defined

In addition to any breaches specified in other sections of this Contract, each of the following is a breach of this Contract:

i. Material Obligations

The failure of Contractor to perform, in whole or in part or in a timely or satisfactory manner, any of its material obligations under this Contract to the satisfaction of the State.

ii. Satisfactory Performance

A determination by the State, in its reasonable discretion, that satisfactory performance of Contractor's obligations under this Contract is substantially endangered.

iii. Bankruptcy

The institution of proceedings under any bankruptcy, insolvency, reorganization or similar law, by or against Contractor, or the appointment of a receiver or similar officer for Contractor or any of its property if the proceedings are not vacated or fully stayed within twenty (20) days after being instituted or occurring.

iv. Material Misrepresentation

Any statement, representation, or certification furnished by Contractor in connection with the RFP, Contractor's Proposal, Modifications to Contractor's Proposal or this Contract that is false, deceptive, incorrect or incomplete in any material respects.

v. Failure to Timely Deliver Reports

Failure by Contractor to complete and deliver the Audit Report or Work Product by the date specified in §6(A), unless Contractor can show that the delinquency resulted from causes beyond its control such as failure of the Audited Agency to provide, by the date specified in a written request from Contractor: records that are auditable; audit schedules; or responses to Contractor's findings and recommendations. Contractor shall allow a reasonable amount of time for the Audited Agency to provide the requested information and responses.

B. Notice and Cure Period

In the event of a breach, the aggrieved Party shall give notice in writing specifying the nature of the breach to the other Party in the manner provided in §17. If a breach by Contractor is not cured within twenty (20) days of receipt of written notice, or, if a cure cannot be completed within twenty (20) days, the cure has not begun within twenty (20) days and been pursued with due diligence, the State may exercise any of the remedies set forth in §16. Notwithstanding anything to the contrary in this Contract, the State, in its sole discretion, need not provide advance notice of a cure period and may immediately terminate this Contract in whole or in part if reasonably necessary to preserve public safety or prevent immediate public crisis.

16. REMEDIES

If Contractor fails to cure a breach of this Contract in accordance with §15(B), the State may exercise any or all of the remedies available to it, including but not limited to the following remedies, in its sole discretion, concurrently or consecutively.

A. Termination for Breach

The State may terminate this Contract upon written notice to Contractor. Exercise by the State of this right is not a breach of its obligations under this Contract.

B. Liquidated Damages

If Contractor fails to complete and deliver the Audit Report by the date specified in Exhibit A Contractor shall pay liquidated damages to the State of \$100 per day for each day delinquent. To the extent that Contractor's failure is excused under §15(A)(v), Contractor is not required to pay the liquidated damages. The Parties agree that the damages from Contractor's failure to timely deliver the Audit Report are difficult to estimate, and that the amount of liquidated damages specified in this §16(B) represents a reasonable estimation of damages that the State will incur due to late performance. Assessment of liquidated damages is not exclusive and does not limit the remedies available to the State at law or in equity for other breaches of this Contract by Contractor.

C. Withhold Payment

The State may withhold payment to Contractor until corrections in Contractor’s performance are satisfactorily made and completed.

D. Deny Payment

The State may deny payment for obligations not performed if, due to Contractor’s actions or inactions, the obligation cannot be performed or, if performed, would be of no value to the State. Any denial of payment must be reasonably related to the value to the State of the obligations not performed.

E. Noncompliance with Federal Regulations

Contractor is liable for any and all penalties applied by the federal government due to noncompliance with federal regulations by Contractor, a Subcontractor, or any of Contractor's employees.

17. NOTICES and REPRESENTATIVES

Each individual identified below is the principal representative of the designating Party. All notices required or permitted to be given to a Party under this contract must be in writing and must delivered: (i) by hand with receipt required; (ii) by certified or registered mail to the Party’s principal representative at the address set forth below; or (iii) as an email with read receipt requested to the principal representative at the email address, if any, set forth below. If a Party delivers a notice to the other Party by email and the email is undeliverable, then, unless the delivering Party is provided with an alternative email address, the Party shall deliver the notice by hand with receipt required or by certified or registered mail to the other Party's principal representative at the address set forth below. Either Party may change its principal representative or principal representative contact information by notice submitted in accordance with this §17 without making a formal amendment to this Contract. Unless otherwise provided in this Contract, notices are effective upon delivery in accordance with this §17.

A. State:

Kerri Hunter
Deputy State Auditor
Office of the State Auditor
1525 Sherman St., 7 th Floor
Denver, Colorado 80203-2211
Kerri.Hunter@state.co.us

B. Contractor:

C. Media

The State is the official spokesperson to the news media pertaining to the Work Product and Audit Report. Contractor shall forward immediately to the State any inquiries from the news media pertaining to the Work Product and Audit Report.

18. RIGHTS IN AUDIT WORK PAPERS

The audit work papers developed by Contractor during the performance of the Services are the exclusive property of Contractor. The State has the right to copy the audit work papers. Except

as provided in §§9B and 10 of this Contract, Contractor shall not provide the audit work papers to third-parties or permit third parties to review, access, or use the audit work papers unless, and only to the extent that, the Legislative Audit Committee has specifically approved disclosure of the audit work papers in accordance with §2-3-103(3), C.R.S., and the State has given prior written consent to disclose the audit work papers to Contractor. Contractor shall forward immediately to the State any requests for work papers that Contractor receives pursuant to CORA.

19. GOVERNMENTAL IMMUNITY

Liability for claims for injuries to persons or property arising from the negligence of the State and the State's agencies, boards, commissions, committees, bureaus, offices, employees, and officials is controlled and limited by the provisions of the Colorado Governmental Immunity Act §24-10-101, *et seq.*, the federal Torts Claims Act, 28 U.S.C. Pt. VI, Ch. 171 and 28 U.S.C. sec. 1346(b), and the risk management statutes, §24-30-1501, C.R.S., *et seq.*

20. GENERAL PROVISIONS

A. Assignment and Subcontracts

Contractor's rights and obligations under this Contract are personal and may not be transferred, assigned or subcontracted without the prior written consent of the State. Any attempt at assignment, transfer, or subcontracting without such prior written consent is void. Any assignment, transfer, or subcontracting of Contractor's rights or obligations under this Contract that is approved by the State is subject to the provisions of this Contract. Upon the request of the State, Contractor shall provide to the State a copy of any subcontract entered into by Contractor in connection with this Contract. Contractor is solely responsible for all aspects of subcontracting arrangements and performance, and any subcontract entered into by Contractor in connection with this Contract must comply with all applicable federal and state laws and regulations and provide that it is subject to all provisions of this Contract and governed by the laws of the State.

B. Binding Effect

Except as otherwise provided in §20(A), all provisions of this Contract, including the benefits and burdens, extend to and bind the Parties' respective successors and assigns.

C. Captions and References

The captions and headings in this Contract are for convenience of reference only, and shall not be used to interpret, define, or limit its provisions. Unless the context clearly otherwise requires, all references in this Contract to sections (whether spelled out or using the § symbol), subsections, or Exhibits refer to sections, subsections, or Exhibits contained in this Contract.

D. Counterparts

This Contract may be executed in multiple identical original counterparts, each of which is an original, but all of which, taken together, constitute one and the same agreement.

E. Entire Understanding

This Contract represents the complete integration of all understandings between the Parties related to the Work and all prior representations and understandings related to the Work, whether oral or written are merged into this Contract. Prior or contemporaneous additions, deletions, or other changes to this Contract do not have any force or affect unless embodied in this Contract.

F. Jurisdiction and Venue

All suits or actions related to this Contract must be filed and all proceedings related to this Contract must be held in the State of Colorado, and exclusive venue is in the City and County of Denver.

G. Modification

Except as otherwise provided in this Contract, any modification of this Contract is only effective if agreed to in a formal written amendment to this Contract that is properly executed and approved in accordance with applicable State law.

H. Statutes, Rules, Regulations, and Other Authority

Unless otherwise specifically provided, any reference in this Contract to a federal or state statute, rule, or regulation or to any other source of legal or policy authority refers to the current version of the statute, rule, regulation, or other authority including any amendments or changes to the authority made after the Effective Date.

I. Order of Precedence

If a conflict or inconsistency arises between any provision contained in the main body of this Contract and any Exhibit, the conflict or inconsistency must be resolved by reference to the documents in the following order of priority:

- i. Colorado Special Provisions;
- ii. The remaining provisions of the main body of this Contract;
- iii. **Exhibit A** (Statement of Work);
- iv. **Exhibit B** (Request for Proposal);
- v. **Exhibit C** (Modifications to Contractor’s Proposal);
- vi. **Exhibit D** (Contractor’s Proposal);
- vii. **Exhibit E** (Information Security Policy for Contractors);
- viii. **Exhibit F** (Compensation and Procedures for Billing);
- ix. **Exhibit G** (Developing and Presenting Audit Findings);
- x. **Exhibit H** (Reporting Requirements and Format for Separately Issued Report);
- xi. **Exhibit I** (Reporting for Statewide Financial Statements and Single Audit).

J. Severability

The invalidity or unenforceability of any provision of this Contract does not affect the validity or enforceability of any other provision of this Contract, which remains in full force and effect, so long as the Parties can continue to perform their obligations under this Contract in accordance with the intent of the Parties.

K. Survival of Certain Contract Terms

Any provision of this Contract that imposes an obligation on a Party that begins after or continues after the termination or expiration of this Contract survives the termination or expiration of this Contract and is enforceable by the other Party.

L. Taxes

The State is exempt from federal excise taxes under I.R.C. Chapter 32 (26 U.S.C. Subtitle D, Ch. 32) (Federal Excise Tax Exemption Certificate Registry No. 84-730123K) and from State and local government sales and use taxes under §39-26-704(1), C.R.S. (Colorado Sales Tax Exemption Identification Number 98-20565). The State is not liable for the payment of excise, sales, or use taxes, regardless of whether any political subdivision of the State imposes such taxes on Contractor. Contractor is solely responsible for any exemptions from the collection of excise, sales, or use taxes that Contractor may wish to have in place in connection with this Contract.

M. Third Party Beneficiaries

Except for a person who assumes Contractor's rights and obligations under this Contract as a successor or assign in accordance with §§20(A) and 20(B) of this Contract, this Contract does not and is not intended to confer any rights, obligations, or remedies upon any person or entity other than the Parties. Enforcement of this Contract and all rights and obligations under this Contract are reserved solely to the Parties. Any services or benefits that third parties receive as a result of this Contract are incidental to the Contract and do not create any rights for the third parties.

N. Waiver

A Party's failure or delay in exercising any right, power, or privilege under this contract, whether explicitly or by lack of enforcement, does not operate as a waiver of the right, power, or privilege, and a single or partial exercise of any right, power or privilege does not preclude any other or further exercise of the right, power, or privilege.

O. CORA Disclosure

This Contract is a public record that, to the extent not prohibited by federal law, is subject to public release through CORA.

P. Standard and Manner of Performance

Contractor shall perform its obligations under this Contract in accordance with the highest standards of care, skill and diligence in Contractor's industry, trade, or profession.

Q. Indemnification

i. General Indemnification

Contractor shall indemnify, save, and hold harmless the State and the State's employees, agents, and assignees ("Indemnified Parties"), against any and all costs, expenses, claims, damages, liabilities, court awards, and other amounts, including attorneys' fees and related costs, incurred by any of the Indemnified Parties in relation to any act or omission by Contractor or Contractor's employees, agents, Subcontractors, or assignees in connection with this Contract.

ii. Confidential Information Indemnification

Disclosure or use of State Confidential Information by Contractor in violation of §10 of this Contract may be cause for legal action by third parties against Contractor, the State, or their respective agents. Contractor shall indemnify, save, and hold harmless the Indemnified Parties against any and all costs, expenses, claims, damages, liabilities, court awards, and other amounts, including attorneys' fees and costs, incurred by the State in relation to any act or omission by Contractor or Contractor's employees, agents, assigns, or Subcontractors that violates §10 of his Contract.

iii. Intellectual Property Indemnification

Contractor shall indemnify, save, and hold harmless the Indemnified Parties against any and all costs, expenses, claims, damages, liabilities, court awards, and other amounts, including attorneys' fees and costs, incurred by the Indemnified Parties in relation to any claim that any Work infringes a patent, copyright, trademark, trade secret, or any other intellectual property right.

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21. COLORADO SPECIAL PROVISIONS

A. FUND AVAILABILITY. §24-30-202(5.5), C.R.S.

Financial obligations of the State payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available.

B. GOVERNMENTAL IMMUNITY.

No term or condition of this Contract shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections, or other provisions, of the Colorado Governmental Immunity Act, §24-10-101 *et seq.*, or the Federal Tort Claims Act, 28 U.S.C. Pt. VI. Ch. 171 and 28 U.S.C. §1346(b) and 2671 *et seq.*.

C. INDEPENDENT CONTRACTOR

Contractor shall perform its duties hereunder as an independent contractor and not as an employee. Neither Contractor nor any agent or employee of Contractor shall be deemed to be an agent or employee of the State. Contractor and its employees and agents are not entitled to unemployment insurance or workers compensation benefits through the State and the State shall not pay for or otherwise provide such coverage for Contractor or any of its agents or employees. Unemployment insurance benefits shall be available to Contractor and its employees and agents only if such coverage is made available by Contractor or a third party. Contractor shall pay when due all applicable employment taxes and income taxes and local head taxes incurred pursuant to this Contract. Contractor shall not have authorization, express or implied, to bind the State to any agreement, liability or understanding, except as expressly set forth herein. Contractor shall: (i) provide and keep in force workers' compensation and unemployment compensation insurance in the amounts required by law; (ii) provide proof thereof when requested by the State; and (iii) be solely responsible for its acts and those of its employees and agents.

D. COMPLIANCE WITH LAW.

Contractor shall strictly comply with all applicable federal and State laws, rules, and regulations in effect or hereafter established, including, without limitation, laws applicable to discrimination and unfair employment practices.

E. CHOICE OF LAW.

Colorado law, and rules and regulations issued pursuant thereto, shall be applied in the interpretation, execution, and enforcement of this Contract. Any provision included or incorporated herein by reference which conflicts with said laws, rules, and regulations shall be null and void. Any provision incorporated herein by reference which purports to negate this or any other Special Provision in whole or in part shall not be valid or enforceable or available in any action at law, whether by way of complaint, defense, or otherwise. Any provision rendered null and void by the operation of this provision shall not invalidate the remainder of this Contract, to the extent capable of execution.

F. BINDING ARBITRATION PROHIBITED.

The State of Colorado does not agree to binding arbitration by any extra-judicial body or person. Any provision to the contrary in this contract or incorporated herein by reference shall be null and void.

G. SOFTWARE PIRACY PROHIBITION. Governor's Executive Order D 002 00.

State or other public funds payable under this Contract shall not be used for the acquisition, operation, or maintenance of computer software in violation of federal copyright laws or applicable licensing restrictions. Contractor hereby certifies and warrants that, during the term of this Contract and any extensions, Contractor has and shall maintain in place appropriate systems and controls to prevent such improper use of public funds. If the State determines that Contractor is in violation of this provision, the State may exercise any remedy available at law or in equity or under this Contract, including, without limitation,

immediate termination of this Contract and any remedy consistent with federal copyright laws or applicable licensing restrictions.

H. EMPLOYEE FINANCIAL INTEREST/CONFLICT OF INTEREST. §§24-18-201 and 24-50-507, C.R.S.

The signatories aver that to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described in this Contract. Contractor has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of Contractor's services and Contractor shall not employ any person having such known interests.

I. VENDOR OFFSET. §§24-30-202 (1) and 24-30-202.4, C.R.S.

[Not applicable to intergovernmental agreements] Subject to §24-30-202.4 (3.5), C.R.S., the State Controller may withhold payment under the State's vendor offset intercept system for debts owed to State agencies for: (i) unpaid child support debts or child support arrearages; (ii) unpaid balances of tax, accrued interest, or other charges specified in §39-21-101 *et seq.*, C.R.S.; (iii) unpaid loans due to the Student Loan Division of the Department of Higher Education; (iv) amounts required to be paid to the Unemployment Compensation Fund; and (v) other unpaid debts owing to the State as a result of final agency determination or judicial action.

J. PUBLIC CONTRACTS FOR SERVICES. §8-17.5-101 *et seq.*, C.R.S.

[Not applicable to agreements relating to the offer, issuance, or sale of securities, investment advisory services or fund management services, sponsored projects, intergovernmental agreements, or information technology services or products and services] Contractor certifies, warrants, and agrees that it does not knowingly employ or contract with an illegal alien who shall perform work under this Contract and will confirm the employment eligibility of all employees who are newly hired for employment in the United States to perform work under this Contract, through participation in the E-Verify Program established under Pub. L. 104-208 or the State verification program established pursuant to §8-17.5-102(5)(c), C.R.S. Contractor shall not knowingly employ or contract with an illegal alien to perform work under this Contract or enter into a contract with a Subcontractor that fails to certify to Contractor that the Subcontractor shall not knowingly employ or contract with an illegal alien to perform work under this Contract. Contractor: (i) shall not use E-Verify Program or State program procedures to undertake pre-employment screening of job applicants while this Contract is being performed; (ii) shall notify the subcontractor and the contracting State agency within three days if Contractor has actual knowledge that a Subcontractor is employing or contracting with an illegal alien for work under this Contract; (iii) shall terminate the subcontract if a Subcontractor does not stop employing or contracting with the illegal alien within three days of receiving the notice and (iv) shall comply with reasonable requests made in the course of an investigation, undertaken pursuant to §8-17.5-102(5), C.R.S., by the Colorado Department of Labor and Employment. If Contractor participates in the State program, Contractor shall deliver to the contracting State agency, institution of higher education or political subdivision, a written, notarized affirmation, affirming that Contractor has examined the legal work status of such employee, and shall comply with all of the other requirements of the State program. If Contractor fails to comply with any requirement of this provision or §8-17.5-101 *et seq.*, C.R.S., the contracting State agency, institution of higher education or political subdivision may terminate this Contract for breach and, if so terminated, Contractor shall be liable for damages.

K. PUBLIC CONTRACTS WITH NATURAL PERSONS. §§24-76.5-101, *et seq.*, C.R.S.

Contractor, if a natural person 18 years of age or older, hereby swears and affirms under penalty of perjury that he or she: (i) is a citizen or otherwise lawfully present in the United

States pursuant to federal law; **(ii)** shall comply with the provisions of §24-76.5-101, *et seq.* C.R.S.; and **(iii)** has produced one form of identification required by §24-76.5-103, C.R.S., prior to the Effective Date of this Contract.

22.SIGNATURE PAGE

Contract Routing Number 2018-**XX**

THE PARTIES HERETO HAVE EXECUTED THIS CONTRACT

*** Persons signing for Contractor hereby swear and affirm that they are authorized to act on Contractor's behalf and acknowledge that the State is relying on their representations to that effect.**

<p style="text-align: center;">CONTRACTOR</p> <p style="text-align: center;">NAME OF CONTRACTOR</p> <p>By: _____ Title: _____</p> <p>_____</p> <p style="text-align: center;">*Signature</p> <p>Date: _____</p>	<p style="text-align: center;">STATE OF COLORADO <i>Colorado Office of the State Auditor</i> Dianne E. Ray, State Auditor</p> <p>_____</p> <p style="text-align: center;">By: Dianne E. Ray, State Auditor</p> <p style="text-align: center;">Signatory avers that Contractor has not begun performance or that a Statutory Violation waiver has been requested</p> <p>Date: _____</p> <p>_____</p> <p style="text-align: center;">Legislative Audit Committee Chair</p> <p style="text-align: center;">LEGAL REVIEW Sharon L. Eubanks, Director Office of Legislative Legal Services</p> <p>By: _____</p> <p style="text-align: center;">Signature –</p> <p>Date: _____</p>
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23. EXHIBIT A – STATEMENT OF WORK

1. GENERAL DESCRIPTION

Contractor shall conduct a financial and compliance audit of the Audited Agency in a manner consistent with the terms and conditions of the Contract and in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants in *Statements on Auditing Standards*, the standards for financial and compliance audits contained in *Government Auditing Standards – 2011 Revision* issued by the Comptroller General of the United States, the Single Audit Act, the Provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (federal uniform grant guidance), the *AICPA Audits of State and Local Governmental Units* and *Government Auditing Standards and Single Audit* audit and accounting guides, and Fiscal Rules promulgated by the State Controller. Further, auditors of colleges and universities shall follow additional guidelines applicable to higher education, including the following:

- a. Accounting principles promulgated by the National Association of College and University Business Officers (NACUBO) in its publication, *Financial Accounting and Reporting Manual*.
- b. Higher Education Accounting Standards established by the Colorado Higher Education's Financial Advisory Committee (FAC), and issued by the State Controller.
- c. The Colorado Department of Higher Education Audit Guide, *Colorado Funded Student Aid*.
- d. The U.S. Department of Education Audit Guide, *Student Financial Assistance Programs*.

2. CONTRACTOR'S OBLIGATIONS

The Work to be performed by Contractor includes the following:

A. Scope of Work

1. Contractor's audit of the Audited Agency must include the following:

- a) Audit of the basic financial statements of the Audited Agency for the year ended June 30, 20XX, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. This includes the identification and performance of appropriate information technology general control testing of the University's key information technology systems, in accordance with auditing standards. Appropriate testing includes evaluating the design and operating effectiveness of the key information technology general controls within relevant systems, including any system interfaces, that are critical components of the financial reporting processes and which could significantly impact the financial statements.
- b) Audit of the Audited Agency's federal grant programs (see Exhibit F) under the federal Single Audit Act for the year ended June 30, 20XX, as applicable.
[OMIT PARAGRAPH IF NO FEDERAL PROGRAMS]

- c) Financial and compliance audit of the Statement of Appropriations, Expenditures, Transfers and Reversions of the Audited Agency's State-Funded Student Financial Assistance Programs, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*. [OMIT PARAGRAPH IF NO SFSFA]
- d) Review of the Audited Agency's compliance with state and federal laws and regulations, State Fiscal Rules, and bond covenants that could have a material effect on the Audited Agency's financial statements.
- e) Perform audit work to evaluate the Audited Agency's progress in implementing prior audit recommendations.
- f) Review of exhibits required by the State Controller to be submitted to the State Controller in support of the statewide financial statements. Also, review of all of the Audited Agency's adjusting entries, posted or not, after the Colorado Operations Resource Engine's (CORE's) final year-end closing.
- g) Submission of attestation memos to the OSA on the results of audit work performed. These memos will be used to support the audit of the statewide financial statements and statewide Single Audit.
- h) Preparation of report comments and/or a management letter, as appropriate based on assessed severity level, containing audit findings and recommendations for improvements in the operations, internal controls, and accounting procedures of the Audited Agency, along with any opportunities for cost savings determined through the audit. This will include obtaining and reviewing responses to the recommendations from the Audited Agency's management and ensuring they meet the State's established parameters for responses. In accordance with *Government Auditing Standards*, for any "Partially Agree" or "Disagree" response, the contractor shall prepare an Auditor's Addendum as a rebuttal to the Audited Agency's response. All report comments, management letters, responses, and Auditor's Addenda must be reviewed and approved by the OSA..
- i) Performance of appropriate NCAA agreed-upon procedures for the Audited Agency's (Division I/Division II) Intercollegiate Athletics Program for the year ended June 30, 20XX, in accordance with the NCAA by-laws and audit guide. [Division I Schools (CU, CSU, UNC) have to do the NCAA procedures in FY2018. Omit paragraph if NOT a school or AUP is on rotation.]
- j) Issuance of an independent auditors' report on the financial statements of the Audited Agency as of and for the year ended June 30, 20XX.
- k) Issuance of an 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 Audited Agency performed in accordance with *Government Auditing Standards* for the year ended June 30, 20XX.

- l) Issuance of an independent auditors' report on the Statement of Appropriations, Expenditures, Transfers and Reversions of the Audited Agency's State-Funded Student Financial Assistance Programs. **[OMIT PARAGRAPH IF NO SFSFA]**
 - m) Issuance of an independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of the Statement of Appropriations, Expenditures, Transfers and Reversions of the Audited Agency's State-Funded Student Financial Assistance Programs performed in accordance with *Government Auditing Standards* for the year ended June 30, 20XX. **[OMIT PARAGRAPH IF NO SFSFA]**
 - n) Issuance of an independent auditors' report on the application of agreed-upon procedures to the Audited Agency's **(Division I/Division II)** Intercollegiate Athletic Program Statement of Appropriations, Expenditures, Transfers and Reversions for the year ended June 30, 20XX. **[Division I Schools (CU, CSU, UNC) have to do the NCAA procedures in FY2018. Omit paragraph if NOT a school or is on rotation.]**
2. As it performs the Work, Contractor shall maintain an awareness of any areas beyond the scope of the Services in which the Audited Agency may not be carrying out the Audited Agency's programs in an effective and efficient manner. Contractor shall discuss any such areas with the State to determine whether the State desires Contractor to undertake a performance audit of the Audited Agency's program(s). The cost of a performance audit is not included within the scope of this Contract. Therefore, any performance audit is subject to negotiation and must be set forth in a separate agreement among Contractor, the State Auditor, and the Legislative Audit Committee.

B. Review by State

The State has access to and the right to review Contractor's Audit Report, financial statements, audit findings and recommendations, and audit work papers during the drafting stage of the Audit Report and prior to completion of the Audit Report in final form. Contractor shall furnish a draft copy of the Audit Report to the State at least ten (10) working days before the report is submitted to the Audited Agency.

C. Availability.

Contractor, upon the request of the State, shall furnish copies of Contractor's audit programs developed pursuant to this Contract to the State and shall make all other audit work papers available to the State for review or use in future audits at no additional charge to the State.

D. Reports.

Contractor shall prepare and deliver the Audit Report to the State on the due dates set forth in **Exhibit H and I, as applicable**. All Work will be completed no later than **October 31, 20XX**, unless the State has approved an extension of time. If Contractor becomes aware that the due date for the Audit Report cannot be met, Contractor shall notify the State Auditor in writing of the reasons for the delay and identify a specific date when the Audit Report will be delivered. For a separately issued Audit Report, Contractor shall deliver to the State up to 100 copies of the bound report as determined by the State at the time of report finalization. Acceptable binding formats for the Audit Report are limited to spiral, comb, or glued bindings; 3-ring bindings are not acceptable. Contractor shall also deliver to the State an electronic copy of the Audit Report in unprotected Adobe PDF format or any other format prescribed by the State.

E. Oral Presentations

Upon the request of the State, Contractor shall make an oral presentation of Audit Report findings and recommendations to the Legislative Audit Committee and, if applicable, one other legislative committee selected by the State.

F. Entrance and Exit Conferences.

The State shall participate in all entrance and exit conferences between the Audited Agency and Contractor, as well as all major conferences dealing with auditing exceptions, audit findings, and recommendations.

G. Fraud.

If Contractor becomes aware of fraud or indications of fraud affecting the Audited Agency, Contractor shall notify the State Auditor immediately. Contractor shall follow guidance contained in *Government Auditing Standards: 2011 Revision* issued by the Comptroller General of the United States regarding the reporting of such fraud or indications of fraud.

3. PERSONNEL

A. Contract Monitor

Contractor's performance under this contract shall be monitored by **NAME OF CONTRACT MONITOR**, an employee or agent of the State, who is hereby designated as the contract monitor for this Contract.

B. Other Key Personnel

The key personnel identified by Contractor in the Contractor's Proposal are deemed to be essential to the Work being performed under the Contract.

C. Replacement

Contractor shall immediately notify the State if any key personnel cease to be employed by Contractor. Before diverting any key personnel to other programs, Contractor shall give the State fifteen (15) days advance notice and shall submit to the State justification, including proposed personnel substitutions, in sufficient detail to permit evaluation of the impact on the Contractor's performance of the Work. Contractor shall not divert any key personnel without the prior written consent of the State, which the State shall not unreasonably withhold. Contractor shall replace any key personnel with personnel of substantially equal or greater ability and qualifications to perform Work.

4. ACCEPTANCE CRITERIA

If the State determines that the Audit Report is unacceptable (either before or after a draft or a final Report is issued) for failure to comply with auditing standards or satisfy any requirements included in this Contract, the State, at the State's direction, may require Contractor to re-audit at its own expense and submit a revised Audit Report. The State's right to reject Contractor's draft or final Audit Report because of the failure to comply and Contractor's obligation to re-audit or revise extend throughout the term of this Contract and continues for one (1) full year after the termination of this Contract.

5. PAYMENTS

Payments shall be made in accordance with **Exhibit F** and any other applicable provisions of this Contract.

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24. EXHIBIT B – REQUEST FOR PROPOSAL

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25. EXHIBIT C – MODIFICATIONS TO CONTRACTOR’S PROPOSAL

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26. EXHIBIT D –CONTRACTOR’S PROPOSAL

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27. EXHIBIT E - INFORMATION SECURITY POLICY FOR CONTRACTORS

Applicability

This policy applies to all OSA Contractors at all locations who are conducting audits or professional services on behalf of the OSA using State of Colorado information, electronic or otherwise.

Definitions

Confidential information assets – are defined in paragraph 5. below.

OSA Contractor(s) or Contractor(s) – any business, company, corporation, partnership, or individual conducting business on behalf of or in cooperation with the OSA, whether via contract, purchase order, or other purchasing agreement. OSA Contractors include Subcontractors and their employees.

Protected information assets - are defined in paragraph 4. below.

State of Colorado information, information or audit information – any information, whether in electronic or hard copy form, obtained, utilized, or generated by an OSA Contractor while performing work on behalf of the OSA.

State Auditor Authority and Responsibility

The State Auditor's authority and responsibility for accessing and handling confidential information is set forth in the Colorado Revised Statutes. Section 2-3-107 (2) (a), C.R.S., provides that the State Auditor or his or her designated representative "shall have access at all times . . . to all of the books, accounts, reports, vouchers, or other records or information in any department, institution, or agency, including records or information required to be kept confidential or exempt from public disclosure upon subpoena, search warrant, discovery proceedings, or otherwise." Additionally, Section 2-3-103 (3), C.R.S., provides that "work papers of the office of the State Auditor shall be open to public inspection only upon approval of the majority of the members of the audit committee" and that "work papers that have not been specifically approved for disclosure by a majority vote of the committee shall remain confidential." Finally, Sections 2-3-103.7 and 2-3-107 (2) (b), C.R.S., prescribe penalties for willful or unlawful release of confidential information and prohibit the release of information required to be kept confidential pursuant to any law. The volume and availability of confidential information in electronic and hardcopy format, along with the risk to the OSA should confidential information be inadvertently released or breached, heightens the need for rigorous procedures governing the receipt, storage, and destruction of confidential data.

Policy Compliance

1. All OSA Contractors and their personnel who are performing the Work are required to understand and abide by this policy.
2. By signing an OSA contract or purchase order, an OSA Contractor agrees to abide by this policy and require its personnel performing the Work, including Subcontractors and their employees, to understand and abide by this policy.

Data Classification

3. Any State information asset whether in hardcopy or electronic form (e.g., data, databases, reports, communications, manuals, documentation for systems, procedures, and plans) that is used in the course

of an audit on behalf of the OSA is considered either "Protected" or "Confidential," unless expressly stated otherwise in writing by the State Auditor.

4. "Protected information assets" are defined as information that: (i) is required by federal, state, or local laws and statutes to be protected; or (ii) would, in the event of a breach of confidentiality, loss of integrity, or lack of availability, seriously and adversely impact the OSA or the State, up to and including physical harm to individuals, or cause significant hardship to the OSA, the State, or commercial entities that have entrusted the information to the OSA.
5. All OSA Contractor audit information assets not categorized as "Protected" are automatically classified as "Confidential."

Use and Protection of Information Assets

6. Contractors must take reasonable and prudent measures to protect all OSA audit information and the systems that process, store, and transmit such information from unauthorized disclosure and modification regardless of location.
7. All State information systems (e.g., networks, intranets, internet connections, telephones, fax, etc.) are the property of the State and are for State business use only. Contractors shall not use State information systems to knowingly access, store, or distribute offensive material, such as pornography. Contractors may not use State of Colorado systems to knowingly compromise other systems, networks or safeguards, without prior authorization from the OSA.
8. Any unauthorized attempt to access information that is outside Contractor's "need-to-know" for his/her operational purposes is prohibited.
9. Contractors must encrypt all "Protected" and "Confidential" information when stored on portable computers or removable media (e.g., laptops, external hard drives, CDs, USB drives.)
10. Contractors must, at all times, physically secure portable computers used in storing and processing audit information on behalf of the OSA through the use of cable locks or other security measures.
11. Contractors shall not leave any portable computers, removable media (e.g., laptops, external hard drives, CDs, USB drives), or hard copy information containing "Protected" and "Confidential" information unattended, such as in vehicles or in checked airport luggage.

Viruses and Malicious Code

12. Contractors must effectively deploy personal firewall security and up-to-date malicious code/virus protection software for all systems and devices used in carrying out official OSA business.

Telecommunications Security and Information Transmission

13. Contractors are responsible for being aware of and protecting against current and potential telecommunications (e.g., telephones, voice mail, mobile phones, conference calls, instant messaging, and facsimile machines) security risks in their given environment.
14. Contractors are prohibited from connecting to any state networks in connection with the Services hereunder without prior authorization from the OSA and the information security officer of the Audited

Agency. In the case of executive branch agencies, Contractors should submit a request with their agency liaison to obtain permission through the Governor's Office of Information Technology access management team.

15. Contractors shall make every effort to ensure that all State of Colorado information is protected from inadvertent disclosure when being sent over the Internet or other non-State of Colorado networks.
16. Contractors shall not connect portable computers containing "Protected" or "Confidential" data to any public WiFi networks (e.g., internet cafes) without adequately protecting such information through the use of hard drive encryption and the use of an encrypted VPN tunnel.
17. Contractors must always consider information sensitivity and transmission security issues when selecting a transmission medium. "Protected" and "Confidential" data must only be transported or transmitted over a public network when protected by encryption.
18. When data is stored on electronic media or a mobile computing device, the data must be encrypted at all times during physical transport.
19. Transmission of Protected or Confidential data over a public network by unencrypted email is prohibited.

Information Storage and Disposal

20. Media or hard copy documents containing Protected or Confidential information are to be appropriately labeled and protected in accordance with this **Exhibit E**.
21. Contractors must maintain physical media security by using locking filing cabinets or drawers and locking them when left unattended. Media security may also be achieved by locking the door of a private office.
22. Personal computers, laptops, USB drives, mobile phones, and other devices and media containing State of Colorado information must be secured by their users from loss, theft, and unauthorized use.
23. Contractors shall not leave unattended any device containing State of Colorado information unless a password-engaged screensaver is used. The screen saver must engage after 2 minutes of inactivity.
24. Contractors must ensure that once portable storage devices (e.g., external hard drives, CDs, USB drives) are no longer under their direct control, all Protected or Confidential data will be cleaned and sanitized (i.e., cleared, purged and destroyed) in conformance NIST Special Publication 800-88 and/or other standard procedures and requirements set by the U.S. Department of Defense, such as DoD 5220.22-M.
25. Hard copy documents containing Protected or Confidential information must be shredded prior to disposal.
26. Data storage devices (CDs, DVDs, and floppy disks) containing Protected data must be physically destroyed at the end of the audit. For thumb drives and portable hard drives, the Contractor must either use an electronic shredding program to destroy the data or destroy the device at the end of the audit. A record of disposal is to be maintained in the workpapers by the Contractors. A record of disposal must contain the name of the individual disposing of the data, the method used to dispose of the data,

identifying qualities of the data (such as the serial number of the media on which it was stored, if applicable), and the date of disposal.

Incident Reporting

27. All suspected loss or compromise of OSA audit information as a result of the loss of a desktop, portable, or mobile computing device or removable storage device by any means (e.g., theft, loss) used to store State of Colorado data shall be reported to the OSA Contract Manager within 24 hours of discovery.
28. In the event of the suspected loss or compromise of OSA audit information under control of Contractor, Contractor is responsible for working with the State Auditor and the Audited Agency with respect to recovery and remediation. Contractor is also responsible for working with the OSA and the Audited Agency to notify all Colorado residents and other affected parties whose sensitive data may have been compromised as a result of the breach. Contractor will bear all reasonable associated costs.

Personnel Security

29. Contractor is responsible for performing background checks consistent with Contractor's standard employment practices for Contractor personnel completing work on behalf of the OSA.

Policy Enforcement

30. If Contractor is deemed to be in noncompliance of this policy by the State Auditor, the State Auditor shall have the unilateral right to terminate the Contract.
31. Upon request by the State Auditor, Contractor agrees that it shall make available qualified individuals and a member of senior management responsible for security and data protection, for the purposes of discussing information technology controls, including those policies, procedures, and controls relevant to the provision of services and security obligations under this Contract.

28. EXHIBIT F - COMPENSATION AND PROCEDURES FOR BILLING

1. Contractor shall submit all invoices for services to the State. Payment will be made from the State Auditor's appropriation.
2. Contractor may render monthly interim bills to the State until completion of the Work; provided that the aggregate amount of all bills shall not exceed the maximum compensation set forth in Section 3 below. The interim bills shall be promptly paid by the State except that the State reserves the right to withhold 10 percent of the total Contract amount until delivery and acceptance of the Audit Report. Release of the Audit Report by the Legislative Audit Committee constitutes acceptance of the Audit Report.
3. Total maximum compensation for the Work shall be \$XXX,XXX, with estimated funding split between fiscal years expected to be:

	<u>Total</u>	<u>Paid From State's Budget Period</u>	
		<u>2017-2018</u>	<u>2018-2019</u>
<u>Name of Audited Agency</u>			
Financial and compliance audit	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx
<u>Other Itemized Costs</u>			
<u>Single Audit Programs:</u>			
<u>Name of Program</u>	\$ x,xxx	\$ x,xxx	\$ x,xxx
Total Fee	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>

4. The State shall not be required to provide staff time in connection with the audit of the Audited Agency, except that State shall assign one (1) member of the State staff to serve as audit coordinator between the State and Contractor. The State contract monitor shall attend various meetings as necessary, such as entrance and exit conferences, and the brainstorming meeting, and act as a liaison to Contractor. In accordance with §10, §17C, and §18 of the Contract, all requests for Work Product or work papers pursuant to the Colorado Open Records Act or news media inquiries pertaining to the engagement shall be forwarded immediately to the State contract monitor.

29. EXHIBIT G - DEVELOPING AND PRESENTING AUDIT FINDINGS

Developing and Presenting Audit Findings

An audit finding is a written explanation of the information developed during the audit engagement concerning errors, omissions, weaknesses, or areas for improvement. It is the source from which all audit recommendations flow. Audit findings have certain common elements. The five elements of an audit finding are criteria, condition, cause, effect, and recommendation.

Title of Finding

Provide brief background information about the program in one or two paragraphs. Do not include criteria, condition, cause, or effect in this background section.

What was the purpose of our audit work and what work was performed?

Describe the purpose of the audit work in one sentence. (i.e., “The purpose of the audit work was to XXXX.”)

Briefly describe the audit testwork that was performed using bullets and/or one to two paragraphs. (i.e., describe the data and documents reviewed, individuals interviewed, and the sample selected and sample methodology).

How were the results of the audit work measured? (*Criteria*)

The criteria are the standards against which the condition is measured. They are standards used by the auditors to evaluate a particular event or process and describe “what should be.” Some examples of criteria include:

- Colorado Constitution
- Colorado Revised Statutes
- Colorado state agency rules and regulations
- federal laws and regulations
- State Fiscal Rules and Fiscal Procedures Manual
- Generally Accepted Accounting Principles
- program-specific written policies and procedures
- program-specific written goals and objectives
- good business practices
- unwritten policies, procedures, goals, and objectives as explained by the Audited Agency’s personnel

If the criteria are not already set forth in writing, it may be necessary to find information to serve as evidence of criteria. When common sense or expert opinion is used as criteria, the development of the finding must be logical and convincing to the reader, who may not possess the same level of expertise. This is also important because such criteria are less authoritative than other types of criteria.

This section should briefly describe the criteria of the finding. Strive to provide the essential information in one or two short paragraphs, bullets, or in a table.

What problem(s) did the audit work identify? (*Condition*)

The first step in developing a finding is to identify the statement of condition. This occurs during the “fact-finding” process when the Contractor’s audit staff (“auditors”) compares “what is” with “what should be.” When there is a difference between “what is happening” with “what should be happening,” the first element (condition) of an audit finding is identified. The condition should be a factual statement of what was found and be free of value judgments.

This section should describe the overall problem (the condition of the finding) in one or two sentences. Then provide specific examples that support the condition (e.g., exceptions identified during the audit test work). Use bullets and tables to describe the types of exceptions identified.

Why did this/these problem(s) occur? (*Cause*)

The cause is the element of the audit finding which explains why the “condition” exists. The cause represents what must be corrected to prevent the recurrence of the existing condition. As such, auditors must correctly identify the cause before a proper course of action can be devised. Developing the cause frequently requires a fairly extensive analysis of the problem. Often, there are multiple factors causing the problem. The human behavior aspect, which increases the difficulty in identifying the proper cause, is always present. Nevertheless, auditors should make a reasonable effort to determine as closely as possible the real cause of the problem. Examples of cause include:

- negligence
- inadequate resources
- inadequate training
- poor communication
- inadequate guidelines or standards
- absence of good management techniques
- failure to follow established policies and procedures

This section should describe the cause of the finding in one or two paragraphs or in bullets that correspond to the bullets used in the condition section above.

Why does/do this/these problem(s) matter? (*Effect*)

The effect represents the end result of the activity being measured. It is the impact of the difference between the statement of condition and the criteria. The attention given to an audit finding depends largely upon its significance, and significance is judged by effect. What is the result if nothing is done about the problem identified? Auditors frequently use materiality to measure the potential significance of findings. The effect of an adverse audit finding is what motivates management to take needed action to correct the condition. When the effect is insignificant, audit staff should consider eliminating the finding from the report or grouping it with other minor findings. Some examples of effect include:

- violation of law or regulation
- noncompliance with legislative intent
- loss of potential income
- program goals and objectives not being met
- increased costs
- poor service quality

- inefficient service delivery
- increased risk of fraud and abuse
- reduced effectiveness

When determining the effect of an audit finding, auditors should look at outcomes such as impacts on citizens, services, or public safety. In addition, the fiscal impact of the finding (e.g., increase or decrease in revenue or costs) should be quantified where possible. The estimated fiscal impact should be discussed with the Audited Agency and reported as an estimate (e.g., we estimate this change will eliminate one administrative support position with an estimated annual cost of \$26,000).

This section should describe the effect of the finding in one or two paragraphs or bullets. Quantify the effect to the extent possible.

Recommendation No. X:

The recommendation is the action believed necessary to correct the adverse situation. Generally, each finding will result in one or more recommendations. The following are guidelines for developing recommendations:

- Write recommendations that address or solve the “cause” of the problem.
- Write recommendations as realistically and specifically as possible so they are more likely to be understood by and prove useful to the Audited Agency.
- Present recommendations in a constructive tone and emphasize improvement rather than criticism of past activities. Auditors should keep in mind that their objective is to motivate the Audited Agency to take action. This can best be done by avoiding language that unnecessarily generates defensiveness and opposition.
- Write your recommendation so that it can be understood by itself (e.g., the reader will not have to refer to the finding to understand the recommendation).
- Avoid introducing new information in the recommendation that was not presented in the body of the finding. The recommendation should follow logically from what was presented in the finding.
- Avoid extreme language such as “immediately,” “without delay,” or “as soon as possible.” These phrases do not add to the substance of the recommendation. In situations where there is an urgency to correct a problem, include in the recommendation the consequence of delay (e.g., continued loss or waste of money).

The Department of XXXX should XXXX by:

- a.
- b.

The written Audit Report, which contains all audit findings and recommendations, is issued to legislators and other state and federal officials who have limited time to read reports. Therefore, the Contractor should present findings as concisely as possible, but with enough clarity to be understood by the reader. In addition to being clear and concise, audit findings should be logical, convincing, and constructive. The findings should be presented in a way that will convince the reader of their significance and motivate the Audited Agency to take action. This is accomplished by clearly presenting the five elements of an audit finding—criteria, condition, cause, effect, and recommendation.

For additional guidance regarding developing audit findings, please consult Chapter 4 - Standards for Financial Audits in *Government Auditing Standards: 2011 Revision* issued by the U.S. Comptroller General, which is available online at <http://www.gao.gov/govaud/ybk01.htm>.

30. EXHIBIT H - REPORTING REQUIREMENTS AND FORMAT FOR SEPARATELY ISSUED REPORTS

The final written Audit Report is required at the completion of the audit work. This Report will contain findings, conclusions, and results from the audit. It will also provide recommendations for changes or modifications to improve the efficiency and effectiveness of the Audited Agency. Contractor shall deliver to the state up to 100 copies of the bound report. The exact number of copies will be determined by the State at the time of report finalization. Contractor shall also deliver to the State an electronic copy of the Audit Report in unprotected Adobe PDF format or other format prescribed by the State.

The final Audit Report is due **October 31, 20XX** and will be prepared in the format delineated below.

REQUIRED REPORTING FORMAT

1. Addressee of Report

Each Audit Report must be addressed to "Members of the Legislative Audit Committee."

2. Report Format

Contractor's Audit Report must include all of the following sections bound together as a single report. Acceptable binding formats are limited to spiral, comb, or glued bindings; 3-ring bindings are not acceptable.

Major sections of the Audit Report and their required order within the report are:

- Title Cover and Distribution Page
- Table of Contents
- Report Summary
- Recommendation Locator
- Description of the Audited Agency
- Findings and Recommendations (Including Audited Agency Responses and Schedule of Questioned Costs, if applicable)
- Disposition of Prior Audit Recommendations (and Resolution Status of Questioned Costs, if applicable)
- Auditors' Report on Financial Statements
- Financial Statements
- Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of basic financial statements performed in accordance with "*Government Auditing Standards*"
- Additional Information for Single Audit (if applicable)

a. Title Cover and Distribution Page

The report cover should include the title of the audit and the periods covered. The distribution page is the opposite side of the report cover. It contains information on how to obtain both electronic and bound versions of the report. The distribution page should include the State Audit Report number. Contractor must contact the State for specific requirements of the distribution page before printing the report.

b. Table of Contents

This page is an index to the report, by topic and page number.

c. Report Summary

The summary is a 3 to 5 page overview of the important comments in the report. The following format must be used for the report summary:

- Authority and Purpose/Scope of Audit
- Summary of Major Audit Findings and Recommendations (including type of audit opinion)
- Summary of the Audited Agency's responses to recommendations contained in the summary
- Summary of Progress in Implementing Prior Audit Recommendations

d. Recommendation Locator

The following format must be used:

- Recommendation number
- Page number (of recommendation)
- Recommendation Summary
- Audited Agency's Response (agree, disagree, etc.)
- Implementation Date

e. Description of the Audited Agency

The enabling legislation should be cited and the purpose and function of the Audited Agency clearly set forth.

f. Findings and Recommendations

The report must contain this section reporting the auditor's findings and recommendations relative to operating weaknesses, violations of law, compliance with applicable statutes and regulations, and adherence to generally accepted accounting principles and sound business practices.

The findings and recommendations included in the report must contain sufficient background to inform a lay reader of the facts and circumstances surrounding the finding. In addition, the finding should identify and emphasize the business effects resulting from the deficiency or instance of non-compliance. Finally, recommendations should focus on workable solutions which the Audited Agency can effectively implement.

Audit recommendations are presented after the development section for each audit finding. Recommendations must be separately stated from the discussion of the audit finding. Recommendations are consecutively numbered in the report, (i.e., 1, 2, 3, 4, etc).

g. Audited Agency Response

The Audited Agency's officials will be given the opportunity to include the Audited Agency's position regarding audit findings and recommendations in the report text. The State will provide the parameters for the Audited Agency's response; this could include a limit on the number of words or characters, which the Contractor will communicate to the Audited Agency when

requesting their response. The Audited Agency's response will be included in the report after each recommendation. However, if a statement of the Audited Agency's position is not provided within ten working days following receipt of the final draft copy, Contractor should advise the State Auditor to determine if the report should be processed without the Audited Agency's response. Contractor is responsible for reviewing the Audited Agency's response for accuracy, responsiveness to the recommendation, and adherence to the State's established parameters. This review should include working with the Audited Agency to ensure the response meets State requirements and is approved for inclusion in the final Report. For any "Partially Agree" or "Disagree" response, Contractor shall prepare an Auditor's Addendum as a rebuttal to the Audited Agency's response. The language for all Auditor's Addenda must be reviewed and approved by the State.

h. Disposition of Prior Audit Recommendations

The Audited Agency's progress in implementing prior audit recommendations is reported in this section. The disposition of prior period recommendations is classified in this section as either: implemented, partially implemented, not implemented, deferred, or no longer applicable.

i. Resolution Status of Questioned Costs

According to the federal Single Audit Act Amendments, the resolution of questioned costs is the responsibility of the recipient and the related federal agency. The Amendments also state that resolution shall be made within six months after receipt of the Audit Report by the federal agency.

The status of questioned costs can be reported as part of the disposition of prior year audit recommendations or addressed in a separate section of the Audit Report.

j. Financial Statements

Financial statements should follow reporting requirements applicable for the audit entity as required by the State Controller, audit guides of appropriate federal agencies, Financial Accounting Standards Board, or the Governmental Accounting Standards Board. The financial statements must be reconciled to the final trial balance for each fund as shown by CORE records. Contractor will determine that the reconciliation prepared by the Audited Agency is correct and that any adjustments have been approved by the State Controller in accordance with the Fiscal Rules.

k. Additional Information for Single Audit

For findings related to federal expenditures, the finding must be written in accordance with federal uniform grant guidance, which will include identification of applicable federal compliance requirements by finding, contact name, and federal agencies to which each finding relates.

l. State Format

The report shall be prepared using the State format to the extent possible.

3. Single Report

Contractor's Audit Report will include all of the aforementioned sections bound together as a single report. Contractor may issue separate reports for financial statements and management comments.

Contractor will not issue separate reports for federal and state financial assistance programs. These reports will be included, in separate sections as appropriate, in one Audit Report for the Audited Agency. Separate Reports will be issued for revenue bond funds and NCAA Agreed-Upon Procedures.

31. EXHIBIT I - REPORTING FOR STATEWIDE FINANCIAL STATEMENTS AND SINGLE AUDIT

REPORTING THE RESULTS OF AUDIT WORK

Contractor will provide items 1a, 1b, and 2 by August 24, 2018, items 3a, 3b, and 4a by September 7, 2018, items 4b, 6 through 13 by October 31, 2018, item 5 by October 12, 2018, item 14a by September 4, 2018, and items 14b and 14c by November 5, 2018.

Attestation information that will be required to be submitted to the State but is not reflected in the above dates will include:

- Report on procedures performed and the results of information technology general controls testing of financially significant systems and/or those significant to major program compliance, as well as CORE logical access procedures – due May 31, 2018.
- Audit risks identified, including information technology related risks, and the related planned audit procedures – due July 9, 2018.
- Report on procedures performed for risk factors identified related to internal controls, including any associated audit findings and recommendations – due July 31, 2018.
- Report on results from the Statewide statistical samples – due date to be determined.
- Other required additional matters that are relevant to the planning and conduct of work of the audit – due date to be determined.

Fourth and fifth bullet items above will have approximate due dates between July and October.

Items Needed for TABOR Reporting Purposes

- 1a. A schedule of audit differences affecting revenue that shows financial misstatements noted during the audit and the adjusting entries needed to correct the errors.
- 1b. A written statement that the Audited Agency has properly classified and reported current year exempt and nonexempt revenue for TABOR purposes on CORE and that no audit differences were noted except as provided as part of (1a) above.
2. A written statement that any changes in enterprise designations and any prior years adjustments to the TABOR spending limit have been properly reported by the Audited Agency on the Office of the State Controller's Exhibit As. If the Exhibit A is incorrect, a copy of the revised Exhibit A will be submitted.

Items Needed for Cash Funds Uncommitted Reserves Reporting Purposes (Section 24-75-402, C.R.S.)

- 3a. A schedule of audit differences for cash funds showing financial misstatements noted during the audit and the adjusting entries needed to correct the errors.
- 3b. A written statement that no financial misstatements were noted that would impact the "Cash Funds Uncommitted Reserves Report" as required by Section 24-75-402, C.R.S., no additions or deletions were noted that should be made to the report, and no exemptions of funds that should have been included on the report were found except as provided as part of (3a) above.

Items Needed for Federal Award Reporting Purposes

- 4a. If the Audited Agency is subject to the Cash Management Improvement Act, a written conclusion on whether the Audited Agency is in compliance with the Act for applicable programs shown on the U.S. Treasury-State Agreement.
- 4b. A written conclusion on whether the Schedule of Expenditures of Federal Awards is fairly stated in accordance with the Single Audit Act and the Office of the State Controller's instructions for preparation of the schedule.

All current year questioned costs are to be included in the auditor's findings and recommendations.

Items Needed for Financial Statement and Financial Reporting Purposes

5. A summary schedule of all audit differences (including passed audit adjustments) showing the correcting adjustments needed, including CORE fund and account coding.
6. A written conclusion on whether account balances of the Audited Agency that are material to the financial statements of the State of Colorado or to the Audited Agency's financial statements as appropriate are fairly stated.
7. A written statement regarding whether any material weaknesses in the internal control structure were identified.
8. A written statement identifying any instances of material noncompliance with laws, rules, regulations, and bond covenants, including TABOR and quarterly reporting requirements.
9. A written conclusion on the accuracy of information in the exhibits provided to the Office of the State Controller along with copies of any revised exhibits that differ from those submitted to the Office of the State Controller. The conclusion will include a determination of: (1) the accuracy of the Audited Agency's reconciliation of its financial balances to CORE; (2) the reasonableness of adjustments made after final year-end close, including any entries entered into CORE after Period 14, and whether those adjustments have been approved by the Office of the State Controller; and (3) the reasonableness of the presentation of financial information for Statewide reporting purposes.
10. A written statement identifying any material subsequent events or changes to component units at the Audited Agency.
11. A written statement identifying any instances of fraud or the indications thereof.

If Contractor becomes aware of fraud or indications of fraud affecting the Audited Agency, Contractor must notify the State Auditor immediately. Also, Contractor must follow the guidance contained in *Government Auditing Standards: 2011 Revision*, issued by the Comptroller General of the United States, regarding the reporting of such fraud.

12. A written conclusion on the adequacy of information used for footnote disclosures.
13. Additional financial information that may be deemed necessary in forming the opinion for the State's financial statements.

14. Contractor is required to provide the following, prepared in the State Auditor's format:

- a. A schedule showing the implementation status of all prior year audit recommendations in the State Auditor's format electronically through e-mail in Microsoft Office Word or Excel format.

If applicable, the status of questioned costs should be reported as part of the disposition of prior year audit recommendations.

If applicable, according to the Single Audit Act Amendments, the resolution of questioned costs is the responsibility of the recipient and the related federal agency. The Amendments also state that resolution shall be made within six months after receipt of the Audit Report by the federal agency. Contractor should evaluate the accuracy and completeness of these resolutions.

The disposition of each prior year audit recommendation is to be classified as either implemented, partially implemented, not implemented, deferred, or no longer applicable. If the disposition is other than implemented, please include a short explanation of the implementation status.

- b. Audit findings and recommendations along with written responses electronically through e-mail in Microsoft Office Word or Excel format.

Contractor will prepare written audit comments and recommendations for operating weaknesses, questioned costs, violations of law, noncompliance with rules and regulations, non-adherence to generally accepted accounting principles or sound business practices, and opportunities for improved efficiency or effectiveness.

The Contractor's findings and recommendations should include sufficient background to inform a lay reader of the facts and circumstances surrounding the finding. In addition, each finding should identify and emphasize the business effects resulting from the deficiency or instance of non-compliance. Finally, recommendations should focus on workable solutions which the Audited Agency can effectively implement.

For findings related to federal expenditures, the finding must be written in accordance with federal uniform grant guidance, which will include identification of applicable federal compliance requirements by finding, contact name, and federal agencies to which each finding relates.

- c. Listing of: (1) each of the current year recommendations; (2) one- to two-word Audited Agency response as stated in writing by the Audited Agency (i.e., "Agree," "Partially Agree," or "Disagree"); (3) the date to be implemented; and (4) the contact person, as applicable for comments relating to federal funds as required by federal uniform grant guidance. Note: The contractor shall prepare an Auditor's Addendum, which is a rebuttal to the Audited Agency's response for any "Partially Agree" or "Disagree" response. The language for all Auditor's Addenda must be reviewed and approved by the State.



ATTEST A1 – IDENTIFIED RISK AREAS AND PLANNED AUDIT APPROACHES

DUE DATE: July 10, 2017

DATE:

TO: Office of the State Auditor, Statewide Audit Team
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

***Please submit the attestation memo as an unprotected Excel file. Additionally, DO NOT add additional rows to the attest memo. Please include explanations or additional information on a new tab or as a separate attachment. ***
Please send Financial and Compliance information, in addition to any IT related areas.

	RESPONSE Please select from the drop down box
1. Have you performed planning procedures in accordance with AU-C Sections 300-499, <i>Risk Assessment and Response to Assessed Risks</i> ?	<input type="text"/>
2. Based on your planning procedures, have you identified, documented, and assessed risk areas for your audit?	<input type="text"/>
2a. Have you attached a listing and/or brief discussion of risk areas identified for testing at the Department?	<input type="text"/>
3. Have you identified financial non-compliance areas that could have possible material effects to the State's financial statements? Note: Financial noncompliance refers to compliance with statutes impacting the Department, regulations, contracts, grants, etc. For example, there is a statute requiring all Departments to submit quarterly financial reporting to the Office of the State Controller.	<input type="text"/>
4. Have you attached a brief summary of your planned audit approaches to address the identified risk areas from questions #2, #2a, and #3 above?	<input type="text"/>
5. Have you received, reviewed, and do you understand, the Letter of Instruction provided by the Office of the State Auditor (OSA)? If "No", please attach a thorough explanation.	<input type="text"/>
6. Have you received the preliminary major programs assessment for this Department from the OSA?	<input type="text"/>
6a. Based on your independent preliminary major programs assessment for this Department, do you agree with the risk assessment and the preliminary major program selection provided by the OSA? If "No", please attach an explanation of the differences.	<input type="text"/>
6b. Have you attached your independent preliminary major programs assessment? If "No", please attach an explanation.	<input type="text"/>
6c. Are there additional major programs that were not identified in the preliminary major programs assessment provided by the OSA? If "Yes," please attach an explanation.	<input type="text"/>
7. Have you identified any federal requests for an audit, or any requirements for a program audit, in any of the Department's program grant agreements? If "Yes", please attach an explanation.	<input type="text"/>

Note: Please add additional tabs or attachments, as necessary, for explanations noted in responses above.



ATTEST A2 – DETAILS OF OVERALL PLANNED TESTING

DUE DATE: July 31, 2017

DATE:

TO: Office of the State Auditor
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

***Please submit the attestation memo as an unprotected Excel file.*
*The left column indicates the applicability to the type of Department being audited. ALL means Feeders, In-house and Stand-Alone Departments.***

		Response
ALL	1. Have you prepared and attached the overall audit strategy for the Department being audited?	<input type="text"/>
ALL	2. Have you prepared and attached the brainstorming/risk assessment meeting work papers for the audited Department?	<input type="text"/>
ALL	3. Have you performed audit procedures related to tests of controls in compliance with AU-C Section 330, <i>Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained</i> , based on your planning procedures and risk assessment?	<input type="text"/>

ALL 4. We have performed the following audit procedures indicated in the table below for risk factors identified related to financial statement internal controls for all activity related to financial statement reporting: (NOTE: Auditor judgment is required to assess risks for the audited department. If the audited department has been identified as a significant component, component materiality is required to be used to assess quantitative risk. Low risk and immaterial areas are not required to be tested unless otherwise deemed necessary by the department or component auditor. These areas may include expenditures, revenue, payroll, appropriations, and/or any type of transaction type within any of these categories. *Report all testing performed even if no exceptions have been identified. Indicate those risks that are significant to the department/agency.*)

a. Internal control area tested (Identify by broad area or specific control as deemed necessary)	b. Indicate what types of procedures were performed to determine whether the control is operating effectively. (e.g. <i>Inquiries, inspection, observation, and reperformance</i>)	c. Based on the procedures performed, is the control operating effectively? (yes or no)	d. If the control is not operating effectively, are there compensating controls to reduce the control risk to a reasonably low level? (yes, no, n/a)*
<i>Example: Expenditures</i>	<i>Inquiries, inspection, and observation</i>	<i>No</i>	<i>No</i>

*If you responded "no" to steps 4c and 4d above, for any control process tested, please complete question 5 below. (Note: If you responded "yes" to both of these steps, then continue to question 6 to complete the form.)

ALL 5. For areas where you indicated "no" to steps 4c and 4d, please provide the following information, if able; otherwise, provide as much information as possible: (Note: this will help us to identify samples and lead accounts for further financial statement testing at the statewide level.)

a. Department Code	b. Fund and Fund name	c. Account and Account name	d. Closing Classification (e.g. 1, 2, 10, 11, 14, 15)	e. Dollar value of errors (if applicable)	f. Classification of deficiency (e.g. Deficiency in Internal control, Significant Deficiency, or Material Weakness) AND planned communication to management and/or governance (i.e., management letter or finding)	g. Brief description of the issues/errors identified
Example: ABCA	1000 – General Fund, Unrestricted	3121 – Office Supplies	10	\$1,000,000	Significant Deficiency/Finding	We noted that there was no segregation of duties over the office supplies purchasing function. Therefore, the purchasing employee was making disbursements under the office supplies account to fake companies and keeping the disbursements.

	response Please select from the dropdown box	Additional Explanations for any N/A Responses
Feeders and In-House	6. Did you test the required objectives included as part of the compliance audit programs?	
Feeders and In-House	7. Were you able to conclude on the audit objective(s) as noted in the compliance audit programs? If "No," a detailed description of this inability to conclude must be attached.	
Feeders and In-House	8. Have you reviewed and attached the preliminary analytics provided by the OSA for the audited Department? Note: The attachment should include the Department's preliminary analytic explanations and the auditor's analysis of those explanations. Areas should be highlighted that would possibly indicate a Statewide issue (as applicable).	
ALL	9. Based on this preliminary request for subsequent events related to the audited Department, have subsequent events been identified that should be considered for disclosure in the State's financial statements? If "Yes," attach a listing of those subsequent events.	
ALL	10. Based on this preliminary request, does the audited Department have any component units and/or related parties? If "Yes," attach a listing of component units and/or related parties. Note: A listing of the State's related parties was distributed in the Letter of Instruction.	
ALL	11. We have submitted/attached the materiality used for our audit testing. Note: The OSA materiality is for the State overall. Therefore, stand-alone materiality amounts should be less than the OSA materiality.	
ALL	12. Has the auditor identified a significant risk of material misstatement of the group financial statements, due to fraud, abuse, or error during preliminary or interim testwork? If "Yes," please attach a detailed description of the risk.	



Attest A3: LEAD SCHEDULE SAMPLE TESTWORK

DUE DATE: August 4, 2017 (Period 10 TABOR revenue statistical samples) and
September 15, 2017 (Remaining statistical samples)

DATE:

TO: Office of the State Auditor
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

***Please submit the attestation memo as an unprotected Excel file. Additionally, DO NOT add additional rows to the attest memo. Please include explanations or additional information on a new tab or as a separate attachment. ***

	Response
1. Have you performed testwork for the applicable sample transactions as shown in the attached sample summaries for this Department?	<input type="text"/>
2. For the Statewide Team-provided statistical samples, please attach the sampling spreadsheet listing the samples tested. For each individual transaction in the sample, address the items below, include the workpaper reference within the attached spreadsheet, and indicate whether any exceptions were noted. (NOTE: This is for the portion of the transaction identified in the sample ONLY (ex., the credit to revenue portion is included in the sample whereas the other portion, the debit to cash, is not). For the offsetting portion, see item 3 below.)	
a. Is 100% dollar value of the transaction as identified on the sample summary tested?	<input type="text"/>
b. Was each sample tested to address the audit objectives noted in the audit program?	<input type="text"/>
c. For the audit objectives tested, were any exceptions noted? If so, please provide a summary of the exception(s) and indicate the associated audit objective impacted. (Note: Please include in the explanation if the Department detected and corrected the issue prior to the auditor's testing and detection of the exception. Also indicate the Document ID for the correcting entry.)	<input type="text"/>
d. If exceptions were noted, is the amount of the misstatement(s) identified on the sample summary?	<input type="text"/>
e. If exceptions were noted, is the correct dollar value of each transaction for which there was a misstatement identified on the sample summary?	<input type="text"/>
f. If exceptions were noted, is the correction in "e." above included on the post-closing audit adjustment spreadsheet?	<input type="text"/>
3. For the offsetting portion of the transaction in the Statewide Team-provided statistical samples (e.g., credit portion of the debit transaction), please address the items below and attach details if any exceptions were noted.	
a. Was the offsetting portion of each sample tested to address the audit objectives noted in the audit program?	<input type="text"/>
b. For the audit objectives tested, were any exceptions noted? If "Yes", please provide a summary of the exception indicating the associated audit objective that is impacted.	<input type="text"/>
c. If exceptions were noted, is the correction included on the post-closing audit adjustment spreadsheet?	<input type="text"/>
4. Based on the current year's testing, were there any accounts that should not be subjected to statistical sampling in subsequent audits? (If so, provide details of the account coding and justification for the potential exclusion in an attachment or below.)	<input type="text"/>

If necessary, please use a separate tab, attachment, or additional space below to provide additional information regarding the answers above.



ATTEST B - AUDIT DIFFERENCES FOR TABOR REVENUE

DUE DATE: August 25, 2017

DATE:

TO: Office of the State Auditor
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

Please submit the attestation memo and supporting documentation in an electronic format.

Note: The purpose of this attest memo is to support the OSA's opinion on TABOR revenue for Fiscal Year 2017. Thus, responses on this attest memo are specific to revenue testing.

	Response
<p>1. Have you completed revenue substantive financial statement testing? If NO or N/A, provide an explanation.</p> <p>**Note: Any NO or N/A response must be communicated in advance to your contract monitor.</p>	<input type="text"/>
<p>2. Are there any known audit differences for TABOR revenue identified?</p>	<input type="text"/>
<p>3. The "Schedule of Post Closing TABOR Adjustments" is attached, identifying all of the adjusting entries needed to correct known/likely identified TABOR errors.</p> <p>**Note: There is no consideration of materiality with TABOR at the department/agency level. All TABOR adjustments, regardless of dollar amount, should be included on the Schedule.</p>	<input type="text"/>
<p>4. If YES to Question 3, does each adjustment show the department code and name, the CORE fund, account number and account name for all accounts affected, and an explanation of the adjustment? If NO or N/A please provide an explanation.</p>	<input type="text"/>
<p>5. Did the department/agency properly classify revenue as exempt versus non-exempt revenue in CORE as of the end of the fiscal year (which is as of the end of Period 14 in CORE)? If there were audit differences related to TABOR revenue classifications, please indicate "NO" and provide explanations.</p>	<input type="text"/>
<p>6. Have prior year corrections of TABOR revenue designations been properly reported on the Exhibit A1 and submitted to the OSC? <i>(If the Exhibit A1 is incorrect, a revised copy of the Exhibit A1 has been attached to this memo).</i></p>	<input type="text"/>
<p>7. Have changes in enterprise designations been properly reported on the Exhibit A2 and submitted to the OSC? <i>(If the Exhibit A2 is incorrect, a revised copy of the Exhibit A2 has been attached to this memo.)</i></p>	<input type="text"/>

8. Is the department/agency a TABOR exempt enterprise? If YES, complete a and b, below.

a. Attached is the department/agency-prepared calculation which we reviewed that demonstrates the department/agency received less than 10 percent of its revenues in total from State and local governmental support.

****Note: Inquire of the department/agency of any existing local government grants. If the department/agency received local government grants during Fiscal Year 2017, please provide a brief description of the grantor, the purpose, and the dollar amount.**

b. Prior year expenses and expenditures to/from non-TABOR enterprises have been reviewed and are properly reported in Section B of the Exhibit A2.

9. Each department/agency is required to run and review a TABOR Variance Analysis, and submit the results to the Office of the State Controller by 8/18/2017.

a. Have you evaluated the Department/Agency's TABOR Variance Analysis and performed testing where deemed necessary? This step is crucial to our audit. For more information, please see the memo that accompanied the attest. If NO please provide an explanation below.

****Note: There is no consideration of materiality with TABOR at the department/agency level. All TABOR variances meeting OSC guidelines, regardless of dollar amount, should be analyzed.**

b. Attached is a copy of the TABOR variance analysis, along with department/agency explanations, and auditor conclusions. Include the cover page that describes the parameters used to run the report in info-advantage. If NO or N/A, please provide explanation.

If necessary, please use additional space below to provide additional information regarding the answers above.



To: OSA Audit Teams and Contract Monitors
From: Heather McFadden, Independent Contributor
Date: June 30, 2017
Subject: Attest B Support

Section 24-77-106.5, C.R.S., requires the Colorado State Controller to prepare and distribute a TABOR financial report annually to the Governor, General Assembly, and the Executive Director of the Department of Revenue no later than September 1 following the end of the fiscal year. The Office of the State Auditor (OSA) then has to audit the TABOR financial report no later than September 15. The Attest B is an important part of this audit process, and will be used to determine all revenue is properly recorded as either TABOR exempt or non-exempt in the State's accounting system.

The TABOR audit report for Fiscal Year 2016 has some background information that may be useful to understand when completing the Attest B. The report can be found at the following link:

[https://leg.colorado.gov/sites/default/files/documents/audits/1601f-a schedule of computations required under article x tabor 2017 0.pdf](https://leg.colorado.gov/sites/default/files/documents/audits/1601f-a%20schedule%20of%20computations%20required%20under%20article%20x%20tabor%202017%200.pdf)

Below is a list of common questions that may come up when completing the Attest B. Please feel free to contact us with any other questions you may have.

Question:

Why is the Attest B due so soon after fiscal year-end?

Answer:

According to State statute, the Office of the State Controller (OSC) is required to report on TABOR revenue by September 1, 2017 and the OSA has to audit this report by September 15, 2017. We rely on the Attest B memos to help us opine on the accuracy of the OSC's report.

Question:

How do I know if revenue has been classified as exempt or non-exempt TABOR revenue?

Answer:

The best way to determine this is by looking up the revenue source code in the chart of accounts. The column labeled 'Revenue Source Class Name' will tell you what the "TABOR Indicator" is for that source code. As a general rule, any accounts not listed as 'Nonexempt' are exempt. It's important that you



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discuss all revenue classifications with your department/agency to confirm their understanding of these classifications.

Question:

What is an Exhibit A1 and when should a Department submit one?

Answer:

An Exhibit A1 should be submitted to the OSC when a “TABOR Indicator” needs to be changed from a previous year (up to four fiscal years). When previously non-exempt revenue needs to be changed to exempt (or vice-versa) and the error exceeds \$200,000, it needs to be reported on the A1.

Question:

What is an Exhibit A2 and when should a Department submit one?

Answer:

An Exhibit A2 should be submitted to the OSC when an activity either newly qualifies as a TABOR Enterprise or newly disqualifies as a TABOR enterprise. The OSC uses this information to adjust the TABOR base prior to calculating the current year’s TABOR revenue limit.

Question:

What is an enterprise?

Answer:

An enterprise is a government-owned business authorized to issue all of its own revenue bonds and receives less than 10 percent of its annual revenue in grants from all Colorado State and local governments. Revenues from enterprises are TABOR exempt. For a full listing of enterprises please see the OSC’s Fiscal Procedures Manual, page 135.

Question:

If I am auditing a TABOR exempt enterprise, should I review the Department’s 10% calculation?

Answer:

Yes, please refer to Question 7 on the Attest B. It is important to review the entity’s enterprise status on an annual basis as changes to enterprise status impact the State’s TABOR revenue calculation.

Question:

Attest B question #9 asks about performing TABOR variance analysis. Why is the TABOR variance analysis an important part of the Attest B?

Answer:

The TABOR variance analysis should be used support your TABOR revenue classification analysis. Historically, many of the audit adjustments related to TABOR revenues have been identified through this analysis. It is important for your audit team to follow-up and seriously consider the explanations provided by the Department.



ATTEST C - UNCOMMITTED RESERVES FOR CASH FUNDS, ADDITIONAL RISKS, AND CASH MANAGEMENT IMPROVEMENT ACT

DUE DATE: September 8, 2017

DATE:

TO: Office of the State Auditor
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

***Please submit the attestation memo as an unprotected Excel file. Additionally, DO NOT add additional rows to the attest memo. Please include explanations in boxes provided, or additional information on a new tab or as a separate attachment. ***

Note: There are three sections to this attest. The first eleven questions only apply to the Cash Funds Uncommitted Reserves Report that was sent by the OSA to the Contractor/Auditor. *(Note: Be sure to review the legislation for applicable changes.)*

Question 12 deals with additional risks identified after the Attest A1 and Attest A2 submission.

Questions 13 - 15 only applies to the Cash Management Improvement Act.

Response	
Cash Funds Uncommitted Reserves Report	
1. Does the entity have cash funds shown on the Cash Funds Uncommitted Reserves Report? If no, skip to question 12 on additional identified risks and questions 13-15 on the Cash Management Improvement Act.	<input type="text"/>
2. Were there any significant variations noted based on analytical procedures performed for total revenue, fee revenue, and total expense? If yes, please attach department responses including auditor conclusions.	<input type="text"/>
3. Is the cash funds uncommitted reserves report showing the appropriate amounts for fee revenue? Fee revenue from fees set in statute should be excluded from this amount. Fee revenue from fees set in statute is designated in CORE using the STAT sub-revenue code. If no, please provide an explanation.	<input type="text"/>
<input type="text"/>	

4. Did the Department identify capital reserves and calculate the reserve amount in accordance with House Bill 15-1280, Section 24-75-403, et seq., C.R.S., and did the Department communicate these amounts to the Office of the State Controller? If yes, specify the cash Fund and provide details of the reserve, as applicable.

5. Has the Department requested the Office of the State Controller to average the uncommitted reserves for a multi-year collection cycle in accordance with Section 24-75-402 (7.5), C.R.S.? If yes, identify specific cash funds for which this averaging was requested.

6. Does the Department have a previously appropriated fund balance? If yes, does the previously appropriated fund balance agree to the statutory appropriation?

7. Do any of the Department's funds have an Alternative Maximum Reserve? Please provide statutory documentation for any Alternative Maximum reserve identified.

8. Have all of the Department's cash funds been included or excluded in the Cash Funds Uncommitted Reserves Report by the Office of the State Controller in accordance with applicable statutory requirements (*Section 24-75-402 C.R.S. et seq., and each funds enabling statute*)?

The auditor is responsible for determining whether a fund is subject to Cash Funds reporting statutes. It is important to note that all cash funds are subject to the cash funds reporting statutes unless specifically exempted in statute.

9. Are there any adjustments to the cash funds report based on all of the testing performed? If yes, please attach the revised cash funds schedule. (Note: This must be discussed with and approved by your audited department and the department must communicate any changes to the Office of the State Controller.) This includes adjustments to total revenue, fee revenue, and/or total expenditures. Only include adjustments discovered by audit procedures. Do not include adjustments identified by your department that have been communicated to the OSC.

10. Has the department requested or does it intend to request a waiver of Cash Funds requirements for any funds from the JBC (*Section 24-75-402 (8), C.R.S.*)? If yes, please list the funds with requested or approved waivers and include details of the waiver.

11. Have the descriptions been attached for all funds of your Department that were shown, or should be shown, on the *Cash Funds Uncommitted Reserves Report (this means any fund with an Uncommitted Reserve greater than \$200,000)*? Each description **must** include the purpose of the fund, the source of the fee revenue including a listing of fees and related amounts, if applicable (supported by statute or rule), and the use of the fees collected.

Additional Risks (does not apply to the Cash Funds Uncommitted Reserves Report)

12. Have additional risks that were not initially identified as part of your Attest A1 and Attest A2 been subsequently identified through the audit process? If yes, attach the audit approach(s) for addressing those additional risk(s).

Cash Management Improvement Act (does not apply to the Cash Funds Uncommitted Reserves Report)

13. Have you performed test work to determine compliance with the Cash Management Improvement Act for the applicable programs as shown in the Treasury-State Agreement for the Department? (*Note: Higher Education institutions are not included in the Act.*)

14. Were there any exceptions noted in the test work of the programs included in the Cash Management Improvement Act agreement?

15. Are explanations of all exceptions attached?



ATTEST D1 – DISPOSITION OF PRIOR YEAR AUDIT RECOMMENDATIONS

DUE DATE: September 5, 2017

DATE:

TO: Office of the State Auditor, Statewide Audit Team
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

*The information included with this attest memo will be used to create the OSA's "Annual Report of Outstanding Audit Recommendations, as of June 30, 2017". This OSA report will be provided to ALL state legislators in Colorado.

*Please submit the attestation memo as an unprotected Excel file. Additionally, except for the table at the bottom, DO NOT add additional rows to the attest memo. Please include explanations or additional information on a new tab or as a separate attachment. *

RESPONSE Please select from the drop down box	
<p>1. Does your department have any Prior Year Audit Recommendations (PYARs)? -PYARs are any department recommendations that were included in the prior year statewide report or stand-alone report, or outstanding PYARs in either report. -If your response to this question is "No," you are done with this attest memo and you may leave remaining questions, and the table below, blank.</p>	<input type="text"/>
<p>2. Have you completed testing on all PYARs? -If your response to this question is "No," please indicate which PYARs still have testing in progress in the auditor's disposition column in the table below, include/attach a detailed explanation as to why the testing is not completed, and include the expected completion date of the testing. -Testing must be completed no later than the Attest F1 due date of November 6, 2017.</p>	<input type="text"/>
<p>3. Have all of the PYAR dispositions been included in the table below, been submitted to, and reviewed and approved by the Financial Deputy State Auditor? -For contractors, please submit the dispositions to your contract monitor prior to the attest due date and the contract monitor will let you know once the dispositions are approved by the Financial Deputy State Auditor. -All information included in the table below should be included in whatever document is used to obtain approval from the Financial Deputy State Auditor.</p>	<input type="text"/>

Report Year, Rec. No., and Sub-parts. (Note, each sub-part should have its own line.)	Recommendation Narrative (Must Be Included. Pull narrative from prior year Statewide Single Audit Report)	Department's Disposition from Exhibit K3 ¹	Auditor's Disposition ¹ (See STEP 2 above)	Auditor's Assessment of Level of Deficiency ² (From the Prior Year)	Auditor's Assessment of Level of Deficiency ² (Current Year)	Department's Revised Implementation Date ³ (Month and Year)
<i>The cells in grey are examples for the auditor to use in completing this form. These should be removed prior to submitting this form.</i>						
2016-00x Part a	The department should implement a second level review over its monthly payroll authorization process.	Implemented	Testing Not Completed - See attached explanation including expected date of testing completion.	Significant Deficiency	N/A - Implemented	N/A
2016-00x Part b	The department should require all pay increases entered into CORE to be approved in writing by a division supervisor, division manager, and an HR employee.	Implemented	Partially Implemented	Material Weakness	Significant Deficiency	July 2017

¹ Dispositions can be any one of the following: "Implemented" (If the Auditor's Disposition is "Implemented" no new implementation date needed), "Not Implemented" (new implementation date needed), "Partially Implemented" (new implementation date needed), "Deferred" (new implementation date needed only if Deferred was not the original response provided by the department when the PYAR was first written), and "No Longer Applicable" (no new implementation date needed). WE ARE NO LONGER ACCEPTING "Implemented and Ongoing" as a disposition.

² Level of Deficiency can be any one of the following: "Deficiency in Internal Control" (DIC), "Significant Deficiency" (SD), "Material Weakness" (MW), or "Not Classified - Not An Internal Control Issue". Examples of reasons why the Level of Deficiency may change since last year are: 1) recommendation was implemented so the level of deficiency is no longer applicable; 2) recommendation was partially implemented, and after the auditor's reassessment, it dropped from SD to DIC; 3) recommendation was not implemented and additional factors, after reassessment, have caused the level of deficiency to rise from a SD to a MW.

³ The new implementation date must be a specific month and year, and needs to be outside of the fiscal year tested (after June 30, 2017). Therefore, the new implementation date cannot be prior to June 30, 2017. The department cannot provide an implementation date of "Immediately".



ATTEST D2 - POST-CLOSING AUDIT DIFFERENCES

DUE DATE: October 10, 2017

DATE:

TO: Office of the State Auditor
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

Our estimated issuance date for the statewide financial statements is mid December 2017. In order to meet that deadline, our office has to consolidate this information for all components, assemble and evaluate the differences at a statewide level, and meet with the Office of State Controller to discuss all adjustments affecting the financial statements. The deadline for this Attest Memo is critical to our statewide audit timeline, so please let us know if you anticipate any issues meeting this deadline.

Please include all identified adjustments (other than those that the auditor believes are trivial) in the "Schedule of Post-Closing Audit Adjustments" spreadsheet provided. The Office of the State Controller has identified that any adjustments entered into CORE in Periods 15 and beyond are considered post-closing adjustments.

**Please submit the attestation memo as an unprotected Excel file. Additionally, DO NOT add additional rows to the attest memo.
Please include explanations or additional information on a new tab or as a separate attachment.**

	Response
<p>1. We are aware of known audit differences that we and/or the department identified during our audit. The related proposed adjustments may be recommended for posting or be passed upon. These adjustments may be derived from our audit testwork or suggested by the department. In proposing any adjustment, we duly considered factors relevant to assess whether the misstatements were material.</p> <p>Please note the following: - This information will be used to populate the adjustment spreadsheets included in the Statewide Single Audit Report. - All adjustments, if significant (quantitatively or qualitatively) and recommended to be posted, must have an accounting entry prepared by the department in CORE and submitted to the OSC for approval. This should be done before the Attest deadline noted above.</p> <p>If "No" please mark "N/A" to questions 2 through 8.</p>	<input type="text"/>
<p>2. The "Schedule of Post-Closing Audit Adjustments" is attached, identifying all adjusting entries needed to correct the known identified errors (other than those that the auditor believes are trivial).</p> <p>In addition, we have requested that management report the required adjustment(s), including any effect of prior period misstatements, to the Office of the State Controller, other than those that the auditor believes are trivial. Information for each column on the spreadsheet for each adjustment and all audited post-closing entries have been included.</p>	<input type="text"/>
<p>3. We have identified the amount used to define "trivial" here, by fund.</p> <p><input type="text"/></p>	<input type="text"/>

a. For any items identified as trivial (and not included on the adjustments spreadsheet), a description of the items and the dollar amounts for each have been identified below: *(please attach another sheet if more space is needed.)*

4. We identified likely misstatements during our audit. If yes, we have included these in the attached "Schedule of Post-Closing Audit Adjustments" spreadsheet.

5. Based on our qualitative review, we found known or likely audit differences which are indicative of possible fraud. If yes, please attach a memo to explain this further.

6. We have accumulated all known and likely misstatements we identified during the audit (other than those we believed to be trivial), and have communicated them to the appropriate level of management on a timely basis.

7. For any account balance that we identified the amount of likely misstatement from a sample as material, we have requested management to examine the entire account balance in order to identify and propose corrected adjusting entries for misstatements. *(If yes, please attach an explanation and indicate which adjustments these associate to.)*

8. We have included a narrative response to the question in Column W, "Is the PASS audit adjustment material individually or in the aggregate?" on the "Schedule of Post-Closing Audit Adjustments" spreadsheet. If not, indicate a response on the spreadsheet.

Note: Please ensure that passed adjustments in cumulative are below the Statewide performance materiality/component performance materiality threshold.

9. For all misstatements identified on the adjustment spreadsheet, are any misstatements indicative of fraud or management bias? *(If yes, please attach an explanation and indicate which adjustments these associate to.)*

a. If yes, has the auditor evaluated the implications of the misstatements with regard to other aspects of the audit, particularly the auditor's evaluation of materiality, management and employee integrity, and the reliability of management representations, recognizing that an instance of fraud is unlikely to be an isolated occurrence?

10. Has the auditor identified potential significant risks of material misstatement to the group financial statements? If yes, please attach a detailed explanation, including the account and amount of misstatement and/or a brief description of the non-compliance area, and an explanation of the further audit procedures that have been or will be performed for this area.

Note: Please contact your contract monitor or Selome Negassa (Statewide Group Audit Team) with information or questions regarding post-closing adjustments. Selome.Negassa@state.co.us or 303-869-2834

The following items are noted for your information. Please contact your Contract Monitor if you have any questions.

- Do not assume that the submission of a post-closing adjustment within CORE by a department/agency/university to the Office of the State Controller will guarantee that a proposed adjustment for identified known misstatements will be posted to the State's financial statements. The auditors should note, in the comment section of the attached spreadsheet, if they are in agreement with these audit adjustments.
- Adjustments to correct identified known misstatements that are "passed upon" at the department/agency/university level may still be posted to the State's financial statements when aggregated and evaluated with other adjustments across the State.
- All identified known adjustments, regardless of dollar amount, should be taken into consideration relative to TABOR. There is a "zero threshold" relating to TABOR adjustments. Prior to passing on any TABOR adjustments, please consult with the Statewide Audit Team. Financial statement materiality is not applicable to TABOR adjustments.
- If prior period adjustments are noted, please provide the journal entries and indicate in the comment section of the attached spreadsheet if the adjustment was reported to the Statewide Audit Team in the prior year or discovered in the current year.
- The Office of the State Controller evaluates each adjustment separately. The final determination of what will be posted to the State's financial statements is made during November and December. This evaluation may require additional adjustments to be made separately to the State's financial statements, even though the stand-alone statements may have already been issued.



ATTEST E - AUDIT OPINION AND REPORTS

DUE DATE: October 31, 2017

DATE:

TO: Office of the State Auditor
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

INSTRUCTIONS:

Please submit the attestation memo as an unprotected Excel file.
DO NOT add any rows or columns to this spreadsheet and when completing column J, please use specific references for any additional attachment(s).

Select responses from drop down menus. If response selected requires explanation, please provide a basic explanation in column J and attach additional documentation with specific references to be included with your Attest E submission.

"N/A" should only be used when the question does not apply, (e.g., the department/institution does not receive federal funds).

	Response	Explanation, if necessary.
<p>1. For those auditors not issuing audit opinions on the department or institution being audited. In your professional judgment, did you obtain sufficient and appropriate audit evidence that the account balances material to the State's financial statements, based on the Statewide calculation of materiality, are presented fairly as of and for the year ended June 30, 2017? This determination is based on considerations of both quantitative and qualitative materiality factors. <i>[If, in your professional judgment, the opinion would be other than unmodified, or would contain an emphasis of matter and/or other matter paragraph should be included, please select "No - See Explanation" and please provide an explanation in column J.]</i></p>		

	Response	Explanation, if necessary.
a. For those auditors that received lead balances from the Statewide audit team, have you attached the lead schedules provided to you with a summary of how each lead schedule balance was tested (i.e. substantive analytic, internal control compliance testing, other sample testing)?		
2. For those auditors issuing an audit opinion on the department's or institution's financial statements. Is your opinion on the department's or institution's financial statements unmodified? <i>[If the opinion is modified, please check "No - See Explanation" and please provide an explanation in column J.]</i>		
3. For those auditors issuing an audit opinion on the department's or institution's financial statements. Does your opinion include an "Emphasis of Matter" paragraph? <i>(If the opinion did include an "Emphasis of Matter" paragraph, please check "Yes - See Explanation" and please provide an explanation in column J.)</i>		
4. For those auditors issuing an audit opinion on the department's or institution's financial statements. Does your opinion include an "Other Matter" paragraph? <i>(If the opinion did include an "Other Matter" paragraph, please check "Yes - See Explanation" and please provide an explanation in column J.)</i>		
5. Did you have departures from GAAP, scope limitations, or other matters that would affect the audit opinion? <i>(If "Yes - See Explanation," please provide an explanation in column J. If there was an other basis of accounting used by the audited department or institution, please indicate that basis, such as cash, tax, regulatory, contractual, or other basis of accounting.)</i>		
6. Did you have any departures from Generally Accepted Government Auditing Standards (GAGAS) that had an effect on the audit opinion? <i>(If yes, please provide an explanation in column J.)</i>		
7. Did you find and report significant deficiencies and/or material weaknesses in the internal controls over financial reporting? <i>[If checked "Yes - See Explanation," please provide in column J a description of the significant deficiency and/or material weaknesses indicating that a report comment (i.e., finding) was written and whether or not the deficiency was identified due to fraud, abuse, and/or illegal acts. A report comment should also be prepared and submitted along with Attest F1 for those significant deficiencies and/or material weaknesses found. This report comment should also address whether the material instance was identified due to fraud, abuse and/or illegal acts, if applicable.]</i>		

	Response	Explanation, if necessary.
<p>8. Did you find and report material instances of noncompliance with provisions of laws, regulations, contracts, and grants that could have a direct and material effect on the determination of financial statement amounts? <i>[If checked "Yes - See Explanation," provide a description of the material noncompliance indicating that a report comment (i.e., finding) was written and whether or not the noncompliance was identified due to fraud, abuse, and/or illegal acts. A report comment should also be prepared and submitted along with Attest F1 for material instances identified. This report comment should also address whether the material instance was identified due to fraud, abuse and/or illegal acts, if applicable.]</i></p>		
<p>9. Did the department or institution comply with state statutes and the Office of the State Controller's requirements regarding quarterly financial reporting? <i>(Refer to the Office of the State Controller's Fiscal Procedures Manual; Chapter 5, Section 4.)</i></p>		
<p>10. Did the department or institution record any post-closing entries (after Period 13) that should have been recorded during the fiscal year AND are not audit adjustments? [Note: State statute (Section 24-30-204(3), C.R.S.) requires the State's books to close by August 4th.]</p>		
<p>11. Did the department or institution submit its stand-alone financial statements to the State Controller by September 14 in accordance with state statute (Section 24-30-204(1), C.R.S) and the State Controller's extension? <i>(If "No - See Explanation", please provide an explanation in column J and include the date when the statements were submitted.)</i></p>		
<p>12. Did the department or institution comply with the restrictive covenants of bond fund indentures? <i>[If "No - See Explanation" or "N/A - See Explanation", please provide an explanation in column J.]</i></p>		
<p>13. Did you audit all of the applicable State Controller's Closing Exhibits of the Department/Institution? <i>Please attach all audited exhibits.</i></p>		
<p>a. During Exhibits testing, did you find any exceptions? <i>(If any exceptions were noted, please provide an explanation of the specific exception(s) in column J and please attach a copy of the revised exhibit, marked as revised.)</i></p>		
<p>14. Did you identify problems in the final analytical review that would possibly indicate a Statewide problem or that would change the planned audit approach? <i>(If yes, please provide an explanation in column J.)</i></p>		
<p>15. Have you audited the Exhibit K1, <i>Schedule of Expenditures of Federal Awards</i> and determined, in your professional judgment, the Exhibit K1 is presented fairly as of and for the year ended June 30, 2017, in accordance with the Single Audit Act, as amended, Uniform Guidance, and the Yellow Book and any required note disclosures are also included on the Exhibit and fairly stated? <i>(If "No - See Explanation" or "N/A - See Explanation", please provide an explanation in column J.)</i></p>		

	Response	Explanation, if necessary.
a. Have you attached the final version of the Exhibit K1?		
16. Did the Department or Institution properly exclude any grants received as a subrecipient from another State Department or Institution on its Exhibit K1 and did the Department or Institution also properly exclude, to the extent it was determinable, any grants received by the State, then passed-through to subrecipients outside of the State, and then received again by the State?		
17. Did the Exhibit K1 properly(*):		
a. List the individual federal programs by federal agency and provide total federal awards expended for each individual federal program and CFDA number or other identifying number? <i>(If "No - See Explanation" or "N/A - See Explanation", please provide an explanation in column J.)</i>		
b. Identify the names of the pass-through entities and identifying numbers for each grant? <i>(If "No - See Explanation" or "N/A - See Explanation", please provide an explanation in column J.)</i>		
c. Identify the value of the federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end? <i>(If "No - See Explanation" or "N/A - See Explanation", please provide an explanation in column J.)</i>		
d. Include the correct ending balances for loan and loan guarantee programs? <i>(If "No - See Explanation" or "N/A - See Explanation", please provide an explanation in column J.)</i>		
e. Contain other required disclosures, as applicable? <i>(If "No - See Explanation" or "N/A - See Explanation", please provide an explanation in column J.)</i>		
f. Provide identification of ARRA awards, if applicable, and ARRA expenditures reported on the Exhibit K1 were properly and separately identified and accounted for by the department/institution and ARRA expenditures were fairly presented on the Exhibit K1 in accordance with ARRA and program requirements? If ARRA funds were reported on the Exhibit K1, please provide specific ARRA information with this Attest including CFDA number and total expenditures. <i>(If "No - See Explanation" or "N/A - See Explanation", please provide an explanation in column J.)</i>		
18. Regarding ARRA funds provided by the department/institution to subrecipients, did the department/institution separately identify ARRA funds on the Exhibit K1 and document at the time of subaward and disbursement of funds to each subrecipient the federal award number, CFDA number, and the amount of ARRA funds?		

	Response	Explanation, if necessary.
<p>19. Have you been able to reconcile amounts presented on CORE to related amounts included on the Exhibit K1 without exception? <i>(If "No - See Explanation" or "N/A - See Explanation", please provide explanation for any discrepancies and consider whether this constitutes an instance of noncompliance that should be reported).</i></p>		
<p>20. Did you find and report material instances of noncompliance with laws, regulations, and the provisions of contract or grant agreements that may have a direct and material effect on any of the Department's/Institutions's major programs? <i>(If "Yes - See Explanation," please explain instances of noncompliance and submit audit recommendations to your contract monitors or audit manager and as part of the Attest F1. The report comment should also address whether the material instance was identified due to fraud, abuse and/or illegal acts, if applicable.)</i></p>		
<p>21. Did you find and report significant deficiencies and/or material weaknesses in the internal controls over compliance with requirements of laws, regulations, contract, or grants that could have a direct and material effect on any of the department's/institution's major federal programs? <i>(If "Yes - See Explanation," please explain any weaknesses and submit audit recommendations to your contract monitors or audit manager and as part of the Attest F1. The report comment should also address whether this was due to fraud, abuse and/or illegal acts, if applicable.)</i></p>		
<p>22. Have you audited all federal programs meeting the materiality threshold for major programs, as provided by the Statewide Team or contract monitor, and in accordance with Uniform Guidance for Fiscal Year 2017?</p>		
<p>a. Have you consulted with the Statewide Team or contract monitor to obtain a preliminary listing of major programs to be audited at your department/institution?</p>		
<p>b. Did you identify any other major programs to be tested during the course of the audit? <i>(Because the preliminary major program determination is made based on prior year data, it is possible that a program needing to be tested was not initially identified and federal expenditures exceeded the major program threshold in Fiscal Year 2017.)</i></p>		
<p>23. If the Department/Institution received ANY federal funding on, or prior to, the Statewide opinion date, then will you obtain and provide the applicable written representations from the department/institution's management regarding its compliance with the Single Audit Act Amendments of 1996 and Uniform Guidance to the Statewide Audit team? <i>(As necessary, substitute the words "Exhibit K1" for "Schedule of Expenditures of Federal Awards" in the representation letter. The answer should only be "No - See Explanation" or "N/A - See Explanation" if the department/institution did not receive federal funds. All other "No - See Explanation" or "N/A - See Explanation" responses should be explained in column J.) (Note: Contact your contract monitor to coordinate the department's/institution's dating of the management representation letter.)</i></p>		

	Response	Explanation, if necessary.
<p>24. Has the department/institution complied with the submission requirements by subrecipients as stated in AICPA Statement of Position 98-3, paragraph 10.76? <i>(The Office of the State Controller is overseeing the distribution of the Single Audit report to the federal government and state departments/institutions. Instead of providing paper copies of the reporting package to all required parties, the Office of the State Controller will have the reporting package available on its website).</i></p>		
<p>25. Do you have concerns about the competence, integrity, ethical values, or diligence of management about management's commitment to, or enforcement of policies relating to these areas? <i>(If yes, answer question 25.a. below.)</i></p>		
<p>a. If concerns were noted in question 25. above, then did you analyze the effects of these concerns and do these concerns impact the reliability of representations and audit evidence in general, including determining the possible effect on the opinion in the auditor's report? <i>(Please attach a summary of your concern(s) and the effect to representations, and/or audit evidence and/or the audit opinion even if there is no opinion being issued for the department being audited.)</i></p>		
<p>26. Are you aware of subsequent events that should be considered for disclosure in the State's financial statements? <i>(If "Yes - See Explanation", please provide an explanation in column J of subsequent events.)</i></p>		
<p>27. Are you aware of any changes to component units and/or related parties for the department or institution being audited? <i>(If "Yes - See Explanation", please provide an explanation of changes in component units and/or related parties in column J. Please include any notes or changes on the related party listing that went out with the Letter of Instruction.)</i></p>		
<p>28. Have you performed testwork to ensure activities are recorded in proper fund categories per GASB 34?</p>		
<p>29. Have you performed adequate testwork to ensure special revenue funds are appropriately categorized in accordance with GASB 54 and the Office of the State Controller's Fiscal Procedures Manual?</p>		
<p>30. Have you attached any department/institution-unique information that is required to be disclosed in the financial statements? <i>(If "Yes - See Explanation," please provide an explanation in column J of the department/institution-unique information.)</i></p>		
<p>31. Have you attached a list and explanation of any nonprofits created by or on behalf of this department or institution during the fiscal year? <i>(If "Yes - See Explanation", please provide a description in column J and attach a listing of the nonprofits and Exhibit U2.)</i></p>		
<p>32. Have you tested the Exhibit L1 and Exhibit L2 to ensure all significant commitments and contingencies have been reported to the Office of the State Controller?</p>		

	Response	Explanation, if necessary.
<p>33. Have you identified any indications of possible management bias regarding accounting estimates and the application of accounting principles? <i>(If "Yes - See Explanation," please provide an explanation in column J and answer question 33.a. below.)</i></p>		
<p>a. If you responded yes to question 33, then did the indications of possible management bias regarding accounting estimates and the application of accounting principles result in an audit recommendation? <i>(If "Yes - See Explanation," please provide an explanation in column J of the weakness and submit audit recommendation to your contract monitor or audit manager as part of the Attest F1.)</i></p>		
<p>34. Have you attached other matters that may be relevant to the group audit or that the component auditor wishes to draw to the attention of the group engagement team, including exceptions noted in the written representations that the component auditor requested from component management?</p>		
<p>35. Have you considered professional guidance regarding your responsibility for the assessment of risks for and detection of fraud, errors, illegal acts, and violations of contract provisions or grant agreements in accordance with the <i>Codification of the Statements of Accounting Standards - Clarified</i> and the GAO Yellow Book?</p>		
<p>a. Have you evaluated the sufficiency and appropriateness of audit evidence to be obtained when assessing risk and designing further audit procedures? In addition, for those risk(s) assessed as unacceptably high, have you either performed additional procedures or are you satisfied that the entity adjusted the financial statements to reduce audit risk to an appropriately low level? <i>(Note: Please provide a listing of those risks and the work performed on those risks. If these were noted in other Attest memos provided to the OSA, then please indicate that in column J.)</i></p>		
<p>b. Did you give appropriate consideration to the possibility of fraud, errors, illegal acts, and violations of contract provisions or grant agreements and assessed the risk of material misstatement of the financial statements?</p>		
<p>c. Did you also give appropriate consideration to the possibility that fraud or illegal acts may have occurred that had a direct and material effect or material but indirect effect on the financial statements?</p>		
<p>d. Did you report any errors, and violations of contract provisions or grant agreements or irregularities resulting from your audit work? <i>(Note: If reported as part of another question above, please add in the explanation field the questions where this was included.)</i></p>		

	Response	Explanation, if necessary.
<p>e. Did you report all instances of fraud and illegal acts, unless inconsequential, except for fraud and illegal acts involving federal awards that are subject to Uniform Guidance reporting and that are not material to financial statement amounts? <i>(Note: If reported as part of another question above, please add in the explanation field the questions where this was included.)</i></p>		
<p>f. Did you report all quantitative or qualitatively material instances of abuse? <i>(Note: If reported as part of another question above, please add in the explanation field the questions where this was included.)</i></p>		
<p>36. If not already reported as part of the questions above, if fraud or illegal acts were detected, did you attach an explanation? <i>(The explanation should include whether the abuse had a material impact to the financial audit. The report comment should be submitted as part of the Attest F1.)</i></p>		
<p>37. If not already reported as part of questions above, if material instances of abuse were reported, did you attach an explanation? <i>(The explanation should include whether the abuse had a material impact to the financial audit. The report comment should be submitted as part of the Attest F1.)</i></p>		
<p>38. Did you find instances that would indicate a potential significant risk of material misstatement of the group financial statements, due to fraud or error, identified by the auditor's response to such risks? <i>(If yes, attach an explanation of the risk of material misstatement. If necessary, a report comment should be written for the department/institution/component and submitted with the Attest F1.)</i></p>		
<p>39. If applicable, is the auditor's report properly dated (or will be dated) on or prior to the Statewide opinion date (December 2017) <i>(i.e., not dated earlier than the date on which the auditor obtained sufficient appropriate audit evidence to support the opinion)</i>? (Note: please attach a copy of the final/signed opinion with this attest or provide when available.)</p>		
<p>40. Did you audit the GASB 68 pension allocation for your department/institution? <i>(If "No - See Explanation," please provide an explanation in column J.)</i> If No or N/A, please proceed to question 44.</p>		
<p>41. Did the department/institution use the OSC methodology or their own methodology for the PERA GASB 68 pension allocation? <i>(If they used their own methodology, please attach a description of that methodology.)</i></p>		

	Response	Explanation, if necessary.
42. Did you identify any exceptions during the review of the PERA GASB 68 pension allocation for the audited department/institution? <i>(If "Yes - See Explanation" please provide an explanation in column J.)</i>		
43. For Higher Education Institution's Auditors, please respond to the following questions regarding testing on PERA GASB 68:		
a. Did the contribution amounts in the OSC workbooks agree to the institution's records and are the amounts correct?		
b. Do the amounts shown on the Exhibit U2 - Section E for covered payroll agree to the institution's financial statement RSI?		
c. Did the institution record their PERA GASB 68 entry into CORE based on the OSC's workbook and CORE account coding?		
d. If no to parts a.-c., did you attach a detail of the differences noted with an explanation on the cause of the difference (for example: are the differences due to the methodology used by the institution compared to the OSC's methodology. Or, are the differences due to the change in the account coding)? <i>Please use the CORE account coding when providing the differences noted.</i>		
e. Did you attach a copy of the institution's PERA GASB 68 entry?		
44. Has the audit team complied with ethical requirements relevant to the group audit, including independence and professional competence? <i>(If "No - See Explanation" or "N/A - See Explanation," please provide an explanation in column J.)</i>		



ATTEST F1 - STATEWIDE SINGLE AUDIT REPORT – In-House, Feeders and Stand-Alones

DUE DATE: November 6, 2017

DATE:

TO: Office of the State Auditor
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

Please submit the attestation memo as an unprotected Excel file. Additionally, except for tables included throughout the attest memo, DO NOT add additional rows to the attest memo. Please include explanations or additional information on a new tab or as a separate attachment.

RESPONSE Please select from the drop down box

Section 1 - Questions For the Required Communication to the Legislative Audit Committee
--

- | | |
|---|----------------------|
| 1. Did you encounter any significant difficulties in dealing with management during the audit? <i>(If yes, please attach an explanation.)</i> | <input type="text"/> |
| 2. Did you have any disagreements with management over a financial accounting, reporting, or auditing matter, whether or not resolved to your satisfaction, that could be significant to the financial statements or the auditor's report? <i>(If yes, please attach an explanation.)</i> | <input type="text"/> |
| 3. Are you aware of any management consultations with other accountants about auditing and accounting matters? <i>(If yes, please attach an explanation.)</i> | <input type="text"/> |
| 4. Did the audit identify fraud, or suspected fraud, involving management, employees who have significant roles in internal control, or others which resulted in, or may result in, a material misstatement of the statewide financial statements? | <input type="text"/> |
| 4a. If yes to step 4 above, did you attach an explanation for how this was communicated to management and/or those charged with governance (or how it will be communicated to those charged with governance)? | <input type="text"/> |

Section 2 - Questions for Current Year Audit Recommendations, Management Letter Comments, Prior Year Audit Recommendations, and Statewide Opinions

- | | |
|---|----------------------|
| 5. Do you have current year audit recommendations? If no, proceed to step 7. | <input type="text"/> |
| 5a. If yes to step 5 above, have the introduction section and current year recommendation(s) undergone a quality control review of numbers, calculations, dates, statutory, regulatory, and/or other citations? | <input type="text"/> |
| 6. If yes to step 5 above, have you attached the following information combined in one file : | |
| 6a. Introduction section approved by the Deputy State Auditor and the State Auditor? | <input type="text"/> |
| 6b. Current year recommendations in order of importance, approved by the Deputy State Auditor and State Auditor? | <input type="text"/> |
| 6c. Completed department responses, approved by the Deputy State Auditor and State Auditor? | <input type="text"/> |
| 6d. For all department "Disagree" or "Partially Disagree" responses, the auditor evaluated the department's response and included appropriate wording as an auditor's addendum stating this fact, approved by the Deputy State Auditor and State Auditor? | <input type="text"/> |
| 7. Do you have a management letter? If no, proceed to step 9 below. | <input type="text"/> |

8. If yes to step 7 above, have you attached a copy of the final, signed, management letter?

9. Do you have any prior year audit recommendations (PYAR)? If no, proceed to step 11 below.

9a. If yes to question 9 above, complete the following table for each Prior Year Audit Recommendation (PYAR).

<u>9a(1). Report Year, PYAR Number, and Sub-Parts</u> Note, Each Sub-Part Should Have Its Own Row. PYAR Number should be pulled from the Prior Year Statewide Single Audit Report.	<u>9a(2). PYAR Narrative</u> Pull Narrative from Prior Year Statewide Single Audit Report	<u>9a(3). Department's PYAR Disposition from Exhibit K3</u>	<u>9a(4). Auditor's PYAR Disposition</u> Please make sure to include both a disposition AND narrative for not implemented, partially implemented, and deferred recommendations. (For example, "Not Implemented - See Current Year Recommendation No. 01")	<u>9a(5). Auditor's Assessment of Level of Deficiency (Current Year)</u> Note: Deficiency level only required if the PYAR is Not Implemented, Partially Implemented, or Deferred.	<u>9a(6). Department's Revised Implementation Date (Month and Year)</u> Note: Only for current year PYAR classification(s) of Deficiency in Internal Control.	<u>9a(7). Current Year Rec. Number</u> Any PYAR with an Auditor's Disposition of Partially Implemented or Not Implemented AND a current year Level of Deficiency of Significant Deficiency or Material Weakness Must Have a Current Year Audit Recommendation.

9b. Have all of the PYAR dispositions included in the table above been reviewed and approved by the Financial Deputy State Auditor?

9c. Has the tested Exhibit K3 been attached?

10. Did the audit identify instances, through follow up procedures on PYARs (including testing of Exhibit K3), in which the auditee materially misstated the status of any PYARs? (If yes, please indicate whether this was taken to a management letter or recommendation. If a recommendation, indicate that it is included in the table in step 13 below.)

11. Did you test a major program? If no, proceed to step 12.

11a. If yes to step 11 above, complete the following table for each major program tested.

<u>11a(1). Major Program Tested - List the CFDA Number and Federal Program Name (Do NOT just list cluster, list each individual CFDA number).</u> Please list all major programs tested, even if there are no federal recommendations for the major program. Also, if more than one major program was tested, then complete a separate row for each major program tested.	<u>11a(2). Major Program Compliance Opinion</u> Based on the results of major program testing performed, department auditors must determine a compliance opinion for each major program tested (Unmodified, Qualified, Adverse, Disclaimer, N/A).	<u>11a(3). Compliance Requirements</u> If the major program compliance opinion is Qualified, Adverse, or a Disclaimer of Opinion, then list each direct and material compliance requirement impacted by the modified opinion on a separate row (i.e., one compliance requirement per row). If additional space is needed, please attach a separate sheet. Note: Compliance requirements listed here should agree, in aggregate, to the compliance requirements noted in 18s below.	<u>11a(4). If the opinion is Qualified, Adverse, or a Disclaimer of Opinion, then provide the Recommendation Number(s) that ties to the compliance requirement noted in the previous column (i.e., 11a(3))</u> For each compliance requirement, list all recommendation number(s) impacted (i.e., the same recommendation number(s) may be on several different rows). Note: Recommendation(s) listed here should only be material non-compliance rec(s) noted in 18g below.

12. Were federal recommendations written that identified questioned costs?

12a. If yes to step 12 above, does the written recommendation identify the questioned costs and describes how the costs were computed?

13. Did you use statistical sampling for any testwork that resulted in a recommendation?

13a. If yes to step 13 above, does the written recommendation identify that statistical sampling was used, and describe the methodology used?

14. Were any questioned costs identified from a federal program that was not audited as a major program?

14a. If yes to step 14 above, please indicate the recommendation number from the table in step 18 below.

15. Did the audit identify abuse that was quantitatively or qualitatively material to a major program?

15a. If yes to step 15 above, please indicate the recommendation number from the table in step 18 below.

16. Did the audit identify known fraud affecting a federal award?

16a. If yes to step 16 above, please indicate the recommendation number from the table in step 18 below.
If there was no recommendation written for fraud affecting a federal award, please provide an explanation for how it was communicated under the direct reporting requirements of GAGAS.

17. Did the audit identify fraud, abuse, and/or illegal acts that are material to the financial statements?

17a. If yes to step 17 above, please indicate the recommendation number from the table in step 18 below.

18. CURRENT Year Recommendations: Provide the following information for ALL current year recommendations.

-For federal recommendations, make sure to complete all parts of the table which has been split in two (18a through 18v).

-For financial recommendations, only parts 18a through 18f need to be completed.

-For **standalones**, please include all federal and financial recommendations that impact the State's financial reporting, including non-compliance.

				Yellow Book Opinion Attestations		Single Audit Major Program Opinion Attestations				
				These questions, and the information provided by department auditors, attest to information we will provide in the Statewide Single Audit Report's <i>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</i> .		These questions, and the information provided by department auditors, attest to information we will provide in the Statewide Single Audit Report's <i>Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance; And Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance</i> .				
18a. Rec. No. ¹	18b. Recommendation Title ¹	18c. Prior Year Rec. Number, if Applicable	18d. Is this a financial recommendation, federal recommendation, or both?	18e. Internal Controls Over State's Financial Reporting ²	18f. Non-Compliance with Provisions of Laws, Regulations, Contracts, or Grant Agreements That Impacts State's Financial Reporting ²	18g. Major Program Compliance ³	18h. Internal Controls Over Major Programs ⁴	18i. Amount of Questioned Costs (Mark as N/A if not applicable to recommendation)		
								Federal Portion Amount	CFDA and Applicable Federal Award Number	State Portion Amount

¹ This should correspond to the recommendation number and recommendation title on the report draft.

² Refer to the 2011 Yellow Book, paragraphs 4.19-4.25 for additional details regarding the reporting requirements of *Government Auditing Standards*.

³ Refer to Uniform Grant Guidance, Title 2 C.F.R. Part 200.516 for the reporting requirements for audit recommendations. Summarized information for your reference is provided below, but should not be used in lieu of the referenced Uniform Grant Guidance:

Material Non-Compliance: For the recommendations noted, is the Program materially non compliant with federal program requirements?

Instance of Non-Compliance: For the recommendations noted, when the instance(s) of non-compliance noted do not rise to the level of material non-compliance.

⁴ According to Uniform Grant Guidance, the definitions for "significant deficiencies" and "material weaknesses" are defined in generally accepted auditing standards issued by the AICPA and Government Auditing Standards issued by the Government Accountability Office.

For the second-half of the table, list the following information for each federal award recommendation. **"Various" IS NOT an acceptable response for ANY of the following because the federal government requires specific identification. Please attach additional sheets as necessary.**

18j. Rec. No. ¹	18k. Recommendation Title ¹	18l. CFDA Title	18m. CFDA Number or Other Identifying Number	18n. Federal Program Name	18o. Federal Awarding Entity	18p. Federal Award Number	18q. Federal Award Year	18r. Name of Pass-Through Entity Providing Funds To State, if applicable ³	18s. Compliance Requirement(s) (A-N)	18t. Major Program Affected? (Y or N)	18u. Pass through Entities	18v. Department Contact Name and Telephone Number ²

¹ This should correspond to the recommendation number and recommendation title on the report draft.

² Please use the Fiscal Officer listed in the Fiscal Procedures Manual as the department contact unless that contact person is no longer with the department.

³ Response required if funds are not received directly from the federal government, who is passing through the funds to the State. List pass-through entity/entities other than the federal government here. Otherwise N/A.



IT ATTEST Memo – Results of IT Audit Work

DUE DATE: July 31, 2017

DATE:

TO: Office of the State Auditor
(osa.financial@state.co.us)

FROM:

PHONE:

RE:

CORE IT AUDIT PROGRAM - IN-HOUSE and FEEDER TEAMS ONLY

	Response	Additional Explanations for any N/A Responses
1. The audit team has completed and attached the CORE IT Audit Program.	<input type="text"/>	<input type="text"/>
2. The audit team has drafted and attached findings identified, both formal and management letter comments, as a result of completing the CORE IT Audit Program. The findings should include the following information: a. Classification of the finding. b. Method finding with be communicated to management.	<input type="text"/>	<input type="text"/>

TESTING ON OTHER FINANCIALLY SIGNIFICANT AND/OR SIGNIFICANT TO A MAJOR FEDERAL PROGRAM COMPLIANCE REQUIREMENT - IN-HOUSE and FEEDER TEAMS ONLY

1. The audit team has submitted risk assessment documentation determining the significant IT process areas and key controls that have been identified for testing.	<input type="text"/>	<input type="text"/>
2. The audit team has completed and attached the results of ITGC testing (both tests of design and operating effectiveness of key controls) on those system(s) communicated by the OSA as being financially significant and/or significant to a major federal program compliance requirement, through either a risk-based audit program developed by the audit team or by leveraging the OSA Sample ITGC Audit Program as a guide.	<input type="text"/>	<input type="text"/>
3. The audit team has drafted and attached findings identified, both formal findings and management letter comments, as a result of testing other financially significant and/or significant to a major federal program compliance requirement. The findings should include the following information: a. Classification of the finding. b. Method finding will be communicated to management.	<input type="text"/>	<input type="text"/>

CORE LOGICAL ACCESS TESTING AND RESULTS - STANDALONE TEAMS

1. The audit team has completed and attached the results of CORE Logical Access Testing (new hires, transfers, and terminations), on the user listing provided to the audit team.	<input type="text"/>	<input type="text"/>
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TESTING ON OTHER FINANCIALLY SIGNIFICANT AND/OR SIGNIFICANT TO A MAJOR FEDERAL PROGRAM COMPLIANCE REQUIREMENT- STANDALONE TEAMS

1. The audit team has submitted risk assessment documentation determining the significant IT process areas and key controls that have been identified for testing.	<input type="text"/>	<input type="text"/>
2. The audit team has completed and attached the results of ITGC testing (both tests of design and operating effectiveness of key controls) on those system(s) determined as being financially significant and/or significant to a major federal program compliance requirement, through a risk-based audit program developed by the audit team.	<input type="text"/>	<input type="text"/>
3. The audit team has drafted and attached findings identified, both formal findings and management letter comments, as a result of testing other financially significant and/or significant to a major federal program compliance requirement. The findings should include the following information: a. Classification of the finding. b. Method finding will be communicated to management.	<input type="text"/>	<input type="text"/>