

Office of the State Auditor

Financial and Compliance Audit of Colorado Mesa University (University)

Fiscal Year 2023

1. What were the audit fees for the financial statement audit for the year ended June 30, 2022 and the prior two years?

The contract fees paid for Fiscal Years 2022, 2021, and 2020 were \$60,400, \$58,800, and \$44,705, respectively.

2. The RFP mentions potential for on-site work. To evaluate travel costs, how often would the auditor be required onsite?

As noted in the RFP Section II, Part A.8 "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".

According to University staff, "our opinion is the audit process is more effective and efficient when staff are onsite. One time is required because this allows for meeting people face-to-face and establishing a rapport with audit team members, and vice-versa. However, in our experience, remote work correlates to longer audit work periods where other demands and distractions delay the process rather than focused attention that occurs when onsite." For more information on prior on-site work refer to question #3.

3. What is your current audit schedule? How many auditors and for how long do they perform both interim and year-end work?

According to University staff, the Fiscal Year 2022 audit had four phases:

- *Interim work, onsite, week of June 13, 2022, 3 to 5 staff*
- *Revenue work, remote, week of August 8, 2022, staff count unknown*
- *Field work, onsite, week of September 19, 2022. Approximately 4 to 6 staff*
- *Further audit work and inquiries, remote, sporadic up and through November 2022.*

Additionally, when planning field work the contract auditors will also need to consider the deliverable dates noted in the RFP Section I, Part C. Deliverables and Timelines.

4. What were the total hours required to complete the audit and related requested procedures for fiscal year 2022?

The Fiscal Year 2022 scope of work included:

- a. *Audit of the basic financial statements of the Audited Agency for the year ended June 30, 2022, including a review of the related internal control*

structure as required by generally accepted auditing standards and Government Auditing Standards. This includes the identification of the Audited Agency's key information technology systems, and determination of the extent of testing to be performed on those systems, in accordance with auditing standards.

- b. 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.*
- c. Performance of audit work to evaluate the Audited Agency's progress in implementing prior audit recommendations, if applicable.*
- d. Review of the Audited Agency's 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.*
- e. 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.*
- f. 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. Note: Deficiencies in internal control will be written and included either as a finding or in a management letter and cannot be communicated orally. Any deficiencies that Contractor plans to communicate orally must be approved by the OSA.*
- g. Performance of appropriate NCAA agreed-upon procedures for the Audited Agency's Division II Intercollegiate Athletics Program for the year ended June 30, 2022, in accordance with the NCAA by-laws and audit guide.*
- h. Issuance of an independent auditors' report on the financial statements of the Audited Agency as of and for the year ended June 30, 2022.*
- i. 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, 2022.*
- j. Issuance of an independent auditors' report on the application of agreed-upon procedures to the Audited Agency's Division II Intercollegiate Athletic Program Statement of Appropriations, Expenditures, Transfers and Reversions for the year ended June 30, 2022.*

Please note, the total hours for the Fiscal Year 2022 audit and specific audit procedures were not provided to us.

5. What is the typical process with regard to the Foundation and Real Estate Foundations group audits? Are the Foundation and Real Estate Foundation auditor(s) anticipated to change? When are the audits normally started, completed, etc.?

According to University staff, the Foundation and Real Estate Foundations audits were conducted by Paul D. Miller, CPA for the previous 5 years. The audit reports were usually published/issued during week 3 or 4 of September for inclusion in the University's audit after consultation with the University's auditors. The audit process is overseen by Jeff Doyle, CFO of the CMU Foundation and CMU REF. The Foundation(s) will be preparing an RFP for its audit services during FY23. Audit planning usually started mid-July and onsite in early August. The Foundation(s) plans to advertise the RFP by March 3, 2023 with an indication that the expectation of reports to be "published/issued during week 3 or 4 of September for inclusion in the CMU audit after consultation with CMU auditors."

6. What about the audit process would the University like to maintain and what could be changed/improved?

According to University staff, knowing OSA deadlines and how these drive audit field work & deliverable deadlines is of great value. The University prefers to have as much audit work as possible performed during field work dates to minimize future deadline demands. The University appreciates it when auditors provide ongoing updates regarding changes in reporting, audit, and tax requirements which may impact financial reporting or operations. Likewise, the University values the ability to consult with the auditors throughout the year as issues arise to seek consultation or advice on business matters. An added value may be the auditors sharing examples of best practices or benchmarking studies which may promote greater efficiency and effectiveness.

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

Overall, responsiveness and proactive, clear communication between the contract auditor and the OSA is essential. The auditor must complete the audit in accordance with all due dates established in the timeline, which is especially important so that that OSA has appropriate time to review.

According to University staff, for schedule please refer to question #3. At the end of onsite fieldwork review, it is important for the contract auditors to inform the University personnel on what deliverables are still needed, next steps, gaps, etc. In addition, having twice-monthly update meetings with contract auditors and the University's key staff ensures audit progress is continual.

8. Does the University prepare the financial statements?

Yes, the University's management prepares the financial statements, footnotes, and Required Supplementary Information (RSI).

9. Is the University planning any major transactions (e.g., debt issuances, mergers, significant new types of operational activities, etc.) over the next few years that would significantly impact the financial statements? Are there any known significant transactions/activities planned for the future periods covered by the Request for Proposal that should be considered in our proposed fee structure and/or audit approach?

According to University staff, there are no major transactions thus far.

10. Does University anticipate any major changes in its federal or state funding over the next several years that would have a significant impact on the financial statements?

According to University staff, no major changes are anticipated in federal or state funding.

11. Any significant events, changes to the entity's structure, or transactions expected to occur that would be considered as different/new/unusual that could materially impact audit procedures or the scope of work?

According to University staff, there are no significant events, changes to the entity's structure, or transactions expected to occur that would be considered as different/new/unusual.

12. How often historically has the Student Financial Aid Cluster been audited at the University?

The Federal Student Financial Aid Cluster was last audited at the University in Fiscal Year 2021 and is generally audited at least once in a 3-year period. We do not anticipate the Federal Student Financial Aid Cluster to be selected for testing in Fiscal Year 2023. The State Funded Student Financial Aid was audited in Fiscal Year 2021 and is completed every other year. Thus, the next time the State Student Financial Aid audit will be performed will be during the Fiscal Year 2023 audit and is currently included as part of the scope of work for this RFP.

13. Has there been any turnover in the University key financial reporting personnel over the past three years? Subsequent to June 30, 2022, have there been any significant changes to management responsible for financial reporting and compliance? If so, can you summarize the significant changes?

According to University staff, William (Bill) Raimer started as Controller in April 2022 replacing the University's longtime controller, Joseph Taylor who retired. William is a CPA with many years of Controller / CFO experience but is new to the Higher Education industry. In July 2022, Michelle Quinn replaced Laura Glatt as VP for Finance & Administration. Michelle was previously at the University of Northern

Colorado for 23 years, the last 12 years as CFO / VP for Finance & Administration. She is well versed and skilled in financial management for Higher Education institutions. Taylor Schultz became the University's permanent Bursar in October 2022. Lindsey Campbell became Director of Financial Aid in 2021.

14. Please describe the University's understanding of the impacts and implementation status or plan regarding the following:
- i. Conduit Debt Obligations- GASB 91 – *According to University staff, this is not applicable to the University.*
 - ii. Public-Private and Public-Public Partnerships and Availability Payment Arrangements- GASB 94 - *According to University Staff, this is not applicable to the University.*
 - iii. Subscription-Based Information Technology Arrangements-GASB 96 - *According to University staff, the University has met with IT staff and is finalizing its adoption plan. The analysis is not complete as the applicable amounts that will be included in the analysis will be on the year-end trial balance. It is expected that the information will be ready to review during interim field work depending on when interim field work is scheduled. The University had approximately a dozen agreements applicable to GASB 87 and are estimating approximately the same for GASB 96. The University will implement and include GASB 96 in the Fiscal Year 2023 Financial Statements.*
 - iv. New rules from the Gramm-Leach-Bliley Act (GLBA) and the Federal Trade Commission (FTC) Safeguards Rule - *According to University Staff, General GLBA compliance is articulated in the University's Data Protection Plan. The analysis of these rules is ongoing with changes targeted for enactment by June 9, 2023. Additionally, the University's move to the Banner Cloud is expected to assist with several of the Final Regulation requirements.*

15. Is the University still using Banner as its main system?

According to University staff, the University is still using Banner and will transition to the Banner cloud instance in late February 2023. The Banner Cloud transition is moving data storage from local/University hardware and resources to a hosted environment administered by Banner (Ellucian).

16. Are there any expected changes in key accounting or information systems in the near future?

According to University staff, the University has advertised an RFP for general banking services with an expected go live date in October 2023. The RFP was issued February 17, 2023. The statement of work is as follows: "this solicitation will focus on the general business banking partnership as outlined in this section. The University has elected to solicit separately in the future (perhaps FY24) for the student banking services and the campus procurement card. The following comprise the general business banking services: 1 General Business a.) Receipts Clearing Account (sweep account), b.) Accounts Payable Imprest, c.) Vendor Imprest Account, and d.) Payroll Imprest Account. The proposed implementation schedule for a transition to a new

bank depends upon a target go-live date of October 1st, 2023. Refer to the Statement of Work for additional information about the schedule. Excluded Accounts: The University has other trust accounts, which are excluded from this RFP because of bond resolution requirements. In addition, any investments, including certificates of deposit are excluded from this proposal. Finally, merchant services are excluded from this proposal.”

17. Is the current auditor able to bid?

The current auditor is not allowed to bid on this engagement.