

Office of the State Auditor
Financial and Compliance Audit of Colorado State University
Fiscal Year 2023

Responses to Prospective Bidder Inquiries:

Fees:

1. What were fees for each of the last three years of audits? Please provide a breakdown by deliverables (base fee, any additional federal audit, state single audit, NCAA, etc.) and any additional out of scope billings, as applicable.

The contract fees paid for the last three audit years (2022, 2021, and 2020) were \$300,000, \$261,100, and \$241,140, respectively. The Fiscal Year 2020 audit had a \$15,650 contract amendment and Fiscal Year 2021 audit had a \$8,000 contract amendment, which are included in the contract fees noted. There were no additional out of scope billings. See detailed breakdown by deliverables for audit years 2022, 2021, and 2020.

Audit Year 2022:

	<u>Total</u>
Colorado State University Financial and compliance audit	\$229,800
Single Audit Programs:	
Basic and Applied Scientific Research (ALN 12.300)	\$ 8,400
Conservation and Rehabilitation of Natural Resources on Military Installations (ALN 12.005)	\$ 8,400
Education Stabilization Fund (ALN 84.425)	\$ 8,400
Research and Development Cluster	\$ 14,700
Student Financial Aid Cluster	\$ 14,700
Other Itemized Costs:	
NCAA Agreed Upon Procedures – CSU – Fort Collins	\$ 6,500
NCAA Agreed Upon Procedures – CSU – Pueblo	\$ 5,400
State Funded Student Financial Assistance	<u>\$ 3,700</u>
Total Fee	<u>\$300,000</u>

Audit Year 2021:

	<u>Total</u>
Colorado State University Financial and Compliance Audit	\$218,400
Single Audit Programs:	
Education Stabilization Fund (84.425)	\$8,000
Coronavirus Relief Fund (21.019)	\$8,000
Student Financial Aid Cluster	\$14,000
Other Itemized Costs:	
NCAA Agreed Upon Procedures CSU-Fort Collins	\$6,200
Census Testing	<u>\$6,500</u>
 Total Fee	 <u>\$261,100</u>

Audit Year 2020:

	<u>Total</u>
Colorado State University Financial and compliance audit	\$215,850
Other Itemized Costs	
NCAA Agreed Upon Procedures CSU – Fort Collins	\$ 6,140
State Funded Student Financial Assistance	\$ 3,500
Single Audit Programs:	
Coronavirus Relief Fund (CFDA 21.019)	\$ 7,825
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act Higher Education Emergency Relief Fund (CFDA 84.425)	<u>\$ 7,825</u>
 Total Fee	 <u>\$241,140</u>

2. What were total hours for each of the last three years of audits, if known?

The total hours for these audits were not provided to us.

3. For purposes of quoting the fee for federal compliance audit, is a range of fees acceptable which would depend on hours or complexity of the program being audited?

The proposal should comply with the requirements stated in the RFP, specifically, Section II, Part A- 8 indicates the requirements for Compensation. The anticipated fee for the audit of a federal major program is \$8,400 for Fiscal Year 2023. The proposal can include a fee for each major program, but should not specify a range for the fees, since the total amount needs to be all inclusive.

RFP& Scope of Audit:

4. Please confirm that the audit of the discretely presented component units, CSUF, CSU-P Foundation, and CSUS Foundation, are not part of the requested audit scope.

The audit of the discretely presented component units, CSUF, CSU-P Foundation, and CSUS Foundation are being separately audited for Fiscal Year 2023 and the University will obtain and provide these reports to the contract auditor. Similar to prior years, the contract auditor is responsible for the overall financial audit of the University. Therefore, the contract auditor will have to review and analyze the discretely presented component units as part of their group audit analysis. In prior years, the contract auditor was able to refer to the audits of the discretely presented component units.

5. When are the 3 foundations' financial statement audits typically complete?

According to the University staff, the three foundations' financial statements audits are received in mid-October.

6. Are the internal controls the same for the System and CSU Global?

According to the University staff, the internal controls are not the same for System and CSU Global and each institution has their own separate fiscal rules and procedures.

7. Who performs the audits of the CSU Foundation and the CSU-Pueblo Foundation? When are those reports completed and issued? Are the internal controls and Finance Management Team of the Foundations the same as the System?

According to the University staff, the CSU Foundation audit is performed by Plante Moran and the CSU Pueblo Foundation audit is performed by Stockman Kast Ryan + Co. University staff further indicated that the foundations' financial statements audits are received by mid-October, and the internal controls and Finance Management Team for the foundations are not the same as the University.

Staffing:

8. Have there been any changes or departures in key staff in the past year that would affect the upcoming audit? Are you aware of any upcoming departures of key financial reporting personnel due to retirements, etc. in the next 1-2 years?

According to the University staff, Brendan Hanlon was named Vice President for University Operations (VPUO)/CFO for CSU in August 2022, Patti Arroyo was named Vice President, Finance and Administration at CSU Global in August 2022. No known retirements are anticipated in the next 1-2 years. Carrie Wood was hired as the controller at CSU-Global in November 2022. Amy Parsons began her tenure as the CSU president in February 2023.

9. Have there been any significant changes in the Finance Management Team/Audit contacts at the system in the past 2 years?

According to the University staff, Brendan Hanlon was named Vice President for University Operations (VPUO)/CFO for CSU in August 2022, Patti Arroyo was named Vice President, Finance and Administration at CSU Global in August 2022. Carrie Wood became the controller at CSU-Global in November 2022.

CSU Operations:

10. Is there any role of Internal Audit in the external audit process? If so, please describe if there are any audit assistance procedures performed by the internal auditor.

In prior years' audits, the contract auditor has not relied on or had internal audit perform any testing on behalf of the external auditors.

According to the University staff, Internal Audit participates in the entrance/exit conferences, meets to discuss risk (if requested), and makes reports available to the external auditors.

11. Are the records for the System and campuses needing an audit/AUP centralized to one location? Are there different points of contact for the audits for each entity?

According to the University staff, records are generally kept at the institution where the transaction occurs; however, documents are maintained within the Quali system as support for the transaction or kept electronically and easily accessible. Records are also easily accessible in NetSuite for CSU Global.

CSU Fort Collins is the point of contact for the System audit and CSU-Global is the point of contact for the standalone audit.

Fieldwork and Audit timing:

12. We note the required deadlines outlined in the RFP; can you please provide information on when fieldwork or test work typically happens?

- a. When are interim tests of controls and financial systems typically conducted? When do you prefer this to happen?

Interim fieldwork related to the financial, single audit, and IT systems can begin as soon as the OSA has an executed contract with the awarded bidder, a signed engagement letter obtained from CSU management, and an entrance conference held with the University/contract auditor/OSA. The OSA prefers that an entrance conference be held as soon as possible after the contract execution. In general, internal control testing, including IT testing, and Single Audit work may be performed at interim, with testwork related to coverage through the end of the year performed at a later date. Internal control testing may begin at a time subsequent to the entrance conference, as agreed upon by the awarded bidder and the University. All testing generally needs to be completed based on the associated attest due dates, as noted in Section I, Part C under “Deliverables and Timelines” of the RFP documents.

According to the University staff, historically interim test of controls had commenced in May through June, after the OSA entrance. This timing is normally discussed during the entrance conference.

- b. When are final numbers/trial balances ready? When do you provide draft financial statements to the auditors? When was it provided last year?

According to the University staff, final numbers, trial balances, and draft financial statements are usually ready by mid to late September.

- c. When is the System’s preferred timing for commencing final test work?

All testing generally needs to be completed based on the associated attest due dates, as noted in Section I, Part C under “Deliverables and Timelines” of the RFP documents.

According to the University staff, the final testwork can commence in August and usually ends in October.

- d. When is the NCAA AUP work typically performed?

According to the University staff, the NCAA AUP work is typically performed in November. The University’s Fort Collins’ (Division I) Intercollegiate Athletics Program is required to be audited every year and the University’s Pueblo’s (Division II) Intercollegiate Athletics Program is required to be audited every three years. The report is submitted by the University to NCAA by mid-January of the following year.

13. How much of your audit was conducted virtually the past year? The RFP mentions virtual work may be able to be facilitated but some on site work may be required. What are your expectations for the amount of time spent on site and what procedures are best performed in person versus virtual?

According to the University staff, System and CSU-Global audits were conducted virtually last year. University staff will be available if the awarded bidder prefers to be on campus. See response to #15 for additional information.

14. The RFP states that a final audit report must be delivered to the State Auditor by October 31st. However, the last two audits were dated by the Auditor in January (FY21) and December (FY22) respectively. What caused those audits to be delayed in getting issued? And, what procedures have been put in place to ensure the 2023 auditor will have appropriate time to issue by October 31st?

Recent delays have all been attributed to the COVID-19 pandemic and the timing of the Office of Management and Budget's (OMB) Compliance Supplement and related addendums. In Fiscal Year 2021, OMB provided an extension for completing the Single Audit testwork, due to the COVID-19 Public Health Emergency. Therefore, the audit was released in January 2022. In Fiscal Year 2022, OMB did not provide an extension for completing the single audit testwork and therefore, the audit report was issued in December 2022.

As stated in Section I, Part C under "Deliverables and Timelines" of the RFP, the final audit report must be delivered by the awarded bidder to the OSA by October 31, 2023 for our review.

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

According to the University staff, in the past, the auditors were onsite at CSU Fort Collins (or virtually) for 2-3 weeks in August. For the CSU Global audit, 1 audit staff performed fieldwork virtually last year for 2-3 weeks in August and September 2022.

Prior Audits:

16. Can you provide the attestation memos on the results of the audit work for fiscal year 2022?

This information is part of the audit workpapers. Access to prior year work papers will be granted upon execution of the contract and our predecessor auditor process.

17. Can you provide the audit recommendations for fiscal year 2022?

The University's audit recommendations for Fiscal Year 2022 are included in Fiscal year 2022 audit report and can be found on our website at <https://leg.colorado.gov/audits-for-department/Colorado-State-University-System>.

Financial statements:

18. How involved are the auditors in preparation of the financial statements versus management? Does management prepare the draft financial statements and footnotes, including RSI?

According to the University staff, for the CSU System's financial statements, management prepares the draft financial statements and footnotes, including Required Supplementary Information. Management completes a PDF of the financial package and then the contract auditor adds their section to the final PDF. CSU-Global prepares their financial statements in Excel and provides those to the contract auditor for review and compilation for the audit report.

The contract auditor prepares CSU-Global's footnotes and Required Supplementary Information based on the information provided by CSU-Global and CSU-Global takes responsibility for this information.

19. How many audit adjustments have the auditors proposed in the past 2 years for the financial statements? How many have been booked and how many have been reported as uncorrected audit adjustments?

The University's System's audit adjustments detail for Fiscal Year 2022 can be found on page 168 within the audit report located at

https://leg.colorado.gov/sites/default/files/documents/audits/2216f-a_colorado_state_university_system_fy2022.pdf

The University's System's audit adjustments detail for Fiscal Year 2021 can be found on pages 159 and 161 within the audit report located at

https://leg.colorado.gov/sites/default/files/documents/audits/2116f-a_colorado_state_university_system_fy21_financial_audit.pdf

The University's Global Campus' audit adjustments detail for Fiscal Year 2022 can be found on pages 57 and 59 within the audit report located at

https://leg.colorado.gov/sites/default/files/documents/audits/2216f-b_colorado_state_university_global_fy2022_financial_audit.pdf

The University's Global Campus' audit adjustments detail for Fiscal Year 2021 can be found on pages 63 through 66 within the audit report located at

https://leg.colorado.gov/sites/default/files/documents/audits/2116f-b_colorado_state_university_global_fy21_financial_audit.pdf

20. Does the same Finance/Accounting team prepare the System and CSU Global's financial statements?

According to the University staff, the CSU Fort Collins' accounting team prepares CSU Systems financials statements and CSU- Global's accounting team prepares Global's financial statements.

21. Can you provide the financial and compliance audit report of the System's Statement of Appropriations, Expenditures, Transfers and Reversions of the System's State-Funded Student Financial Assistance Programs for fiscal year 2022?

CSU System's financial and compliance audit report of the System's Statement of Appropriations, Expenditures, Transfers and Reversions of the System's State-Funded Student Financial Assistance Programs for Fiscal Year 2022 can be found on pages 172 through 174 within the audit report located at <https://leg.colorado.gov/audits/colorado-state-university-system-fiscal-years-ended-june-30-2022-and-2021>.

Expected Changes in Operation/Future Transactions:

22. Are there any significant changes in internal controls, reporting structure or operating strategies from 2022?

According to the University staff, there are no significant changes in internal controls, reporting structure or operating strategies from 2022.

23. Is the System planning any major transactions over the next few years that would significantly affect the financial statements?

According to the University staff, there are no anticipated major transactions over the next few years that would significantly affect the financial statements.

24. Does the System plan on doing any bond issuances in the next year?

According to the University staff, the CSU System is currently reviewing capital needs over the next couple of years and anticipates there will be a bond issuance in the next 12-18 months.

25. When the System does issue bonds, what services do they require from their external auditors?

According to the University staff, no significant services are required from the external auditors.

Information Systems:

26. What are the key information systems that historically have been in scope and what is the purpose/use of each?

- a. Have there been any changes or migrations of information systems that are financially significant during FY 23?
- b. Are there any planned migrations in the next 2-3 years?

The contractor in consultation with the OSA will be expected to conduct risk assessment procedures to determine the significant IT process areas and IT general controls to perform on those IT systems that are significant to the financial statements and/or a major program compliance requirement. In Fiscal Year 2022, the contract firm identified Banner system as a financially significant system.

There are no planned migrations in the next 2-3 years. CSU will review its current HR system, but it's unlikely a conversion will occur in the next 2-3 years.

27. Have there been any significant IT security breaches in the last two years?

According to the University staff, there were no IT security breaches in the last 2 years.

Single audit:

28. How many and which Type A and B major programs were tested each of the past 3 years?

In Fiscal Year 2020, 2 major programs were tested:

- ALN 21.019- Coronavirus Relief Fund
- ALN 84.425- Education Stabilization Fund

In Fiscal Year 2021, 3 major programs were tested:

- ALN 21.019- Coronavirus Relief Fund
- ALN 84.425- Education Stabilization Fund
- Student Financial Aid Cluster

In Fiscal Year 2022, 5 major programs were tested:

- ALN 84.425- Education Stabilization Fund
- ALN 12.005- Conservation and Rehabilitation of Natural Resources on Military Installations
- ALN 12.300- Basic and Applied Scientific Research
- Research and Development Cluster
- Student Financial Aid Cluster

Likes/ Dislikes/ Concerns:

29. What works well with the current audit process?

Overall, timely 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 the University staff, having a central process to upload files for auditor use works well.

30. What could be better with the current audit process?

According to the University staff, providing a comprehensive PBC list to eliminate one off requests would be preferable.

31. Have there been any disagreements with your auditors on accounting issues in the past two years?

As noted in the Fiscal Year 2022 and 2021 audit reports, there have been no disagreements with auditors and the University on accounting issues.

The University's System's Required Communications to the Legislative Audit Committee for Fiscal Year 2022 can be found on pages 166 through 169 within the audit report located at https://leg.colorado.gov/sites/default/files/documents/audits/2216f-a_colorado_state_university_system_fy2022.pdf.

The University's Global Campus' Required Communications to the Legislative Audit Committee for Fiscal Year 2022 can be found on pages 56 through 58 within the audit report located at https://leg.colorado.gov/sites/default/files/documents/audits/2216f-b_colorado_state_university_global_fy2022_financial_audit.pdf