

**Office of the State Auditor**  
**Responses to Inquiries for the Department of Public Safety RFP**

1. Is it anticipated that there will be modifications to the deliverables and deadlines due to the COVID-19 pandemic?

At the current time, the Office of the State Controller has indicated that it has not revised its timelines for preparation of the State's Fiscal Year 2020 Comprehensive Annual Financial Report; therefore, we are not making modifications to the deliverables and deadlines noted in the RFP at this point. We are in communication with the State Controller and will reassess based on any future developments.

2. Why is this audit going out to bid?

Every year the Office of the State Auditor (OSA) evaluates the workload on the financial audit and the staff resources available. Based on this evaluation a decision is made on which audits should be contracted out and which should be performed by our in-house audit teams.

3. Was this audit performed by the OSA or a contractor in prior years? Are the incumbent auditors able to submit a bid? Will we be able to access the work papers of the previous auditor? Were there any issues with the previous auditors?

This is the first year this Department is being contracted out. In previous years, one of the OSA's in-house audit teams audited this Department. The Contract Monitor will coordinate with the winning bidder to access the OSA work papers and get answers to any questions they have for the team that did the audit in the previous year. There were no issues with the previous year auditors.

4. What are the historic fees and estimated hours for this engagement? Please provide a breakdown of hours spent on this engagement by staff level over the past three years.

Because this audit has been performed in-house by OSA staff in prior years, the historic fees and hours are not comparable for our expectations of a contract auditor. In general for current contracted audits of departments of similar size, our contracted firms spend approximately 400-600 hours in total, not including any single audit programs.

5. Are the services outlined in this RFP continually needed, even beyond the term of the resulting contract, and may therefore be bid out again? Should the bid include fees for subsequent years?

The OSA contracts are one-year contracts that are renewable for up to four additional years. In the intervening years, the OSA may offer the selected bidder the contract with a price increase that is calculated based upon local economic factors. The OSA requires a partner rotation every five years and firm rotation every 10 years, meaning that the winning bidder may bid on the next RFP in five years with a different partner heading the engagement. The bid should only include the fee for the Fiscal Year 2020 audit.

6. Historically, which balances have exceeded the materiality level determined at the statewide level that required testing? Would the Office of the State Auditor be willing to share the prior year lead sheets for the Department?

Department balances/accounts that are significant on a statewide basis will either be selected for testing as a lead balance or as part of the OSA's statistical sampling. Lead balances and statistical samples to test for this Department will be determined by the OSA's statewide team. These may change year to year based on a variety of factors including calculated materiality and activity within the Department for the year. In Fiscal Year 2019, the Department had four lead balances and 17 statistical samples selected for testing. The OSA contract monitor will work with the winning bidder to access the prior year work papers with the OSA which contain the details of this testing.

7. What are the significant exhibits prepared by the Department and submitted to the State Controller?
  - a. All exhibits required by the State Controller are completed by department staff and submitted each year.
  - b. The following are the specific exhibits prepared by the department in Fiscal Year 2019:
    - i. Exhibit C - Schedule of Changes in Long-Term Liabilities
    - ii. Exhibit D1 - Governmental & ISF Debt Service Requirements to Maturity
    - iii. Exhibit F1 - Schedule of Capital Leases
    - iv. Exhibit F2 - Schedule of Operating Leases
    - v. Exhibit I - Letter of Certification of Financial Systems
    - vi. Exhibit K1 - Schedule of Federal Assistance
    - vii. Exhibit M - Custodial Risk of Cash Deposits
    - viii. Exhibit N1 - Fair Value of Investments
    - ix. Exhibit N2 - Credit Quality of Debt Instruments
    - x. Exhibit P - Major Estimates
    - xi. Exhibit V2 - Proprietary Fund Noncash Transactions
    - xii. Exhibit W1 - Changes in Capital Assets - Gov't and Internal Service Funds
  - c. The exhibits submitted are listed in the Fiscal Procedures Manual on the Office of the State Controller's website at <https://www.colorado.gov/pacific/osc/fiscalprocedures>
8. What software system(s), other than CORE, does the Department utilize? Are there any automated controls within the system(s) that would impact the audit? Are there monthly reconciliations between these system(s) and CORE? Have separate IT audits been conducted over these system(s)? If so, were IT audits done by the OSA's IT audit team or by external auditors? Have there been any changes to the IT systems in the past year?

The Department utilizes the Colorado Operations Resource Engine (CORE) as its accounting system. According to Department staff, they have not utilized any other financially significant for Fiscal Year 2020 and have not had any changes to their IT systems since the prior year.

9. Does the OSA expect an IT auditor to be used on these engagements or will the OSA continue to test CORE and provide a specific IT program to contractors for use at the individual departments?

The OSA's IT team will coordinate the IT audit of CORE. This will include providing an IT audit program to the various contracted teams to use to perform testing over system security aspects that are administered by the departments. This IT audit program will also include procedures to perform if a financially significant IT system is identified in the Department. In the prior year, no significant system was identified that required these procedures to be performed.

10. Will the OSA have a liaison for the IT audit separate from the assigned contract monitor?

For Fiscal Year 2020, a member of the OSA's IT audit team is expected to act as a contract monitor for the IT portion of this audit. This person will liaise with the winning bidder to coordinate the IT testing.

11. Have there been any major events/transactions in Fiscal Year 2020 which would impact this audit? Are there any issues from Fiscal Year 2019 that may have an impact on the work in Fiscal Year 2020?

As the department housing both the State Patrol and the Division of Homeland Security and Emergency Management, Public Safety is taking a lead role in responding to the current impacts of the Coronavirus Pandemic.

At this time, the Department has indicated that procurement is operating under emergency rules that streamline processes to expedite purchases, particularly by relaxing competition requirements. This will include some significant (multi-million dollar) transactions during the last few months of the fiscal year. However, according to the Department's controller, accounting controls are unchanged. Significant funding will be coming through FEMA to the Department, which could change the focus of the federal audit component (potentially requiring major program testing under the Single Audit). Other possible impacts on the financial audit could include an increase in the number of lead balances and statistical samples to test compared to Fiscal Year 2019.

There are no prior year recommendations or other issues from the previous years that may impact the work to be performed for Fiscal Year 2020.

The Department has indicated it has seen some increase in leasing activity, most significantly due to growth in the Department's firefighting staff and organizational restructuring of that division, as well as to provide space for short-term expansion of the Emergency Operations Center in Centennial. They do not anticipate capital additions resulting from the current emergency, and other ongoing capital construction activity is fairly low at this time.

12. Does the Department have an internal audit function? If so, is the assistance of the internal auditor(s) made available to the external auditor during the audit process?

The Department has a Compliance Office which functions as an internal auditor. In previous years, their assistance was limited to inquiries from OSA auditors to help understand the risks that are present in the Department for the fiscal year under audit.

13. What is the preferred timing of interim and year-end fieldwork? How long did fieldwork take place on site at the Department in the prior year and how many auditors were on site?

The timing of field work is driven by the attest memo deadlines that are included with the RFP. The winning bidder will coordinate with the Department's controller to arrange for staff to be on site for an amount of time proposed and agreed to by the winning firm. We would anticipate that 2 to 3 staff will need to be on site for each phase. In Fiscal Year 2019, OSA staff spent approximately one to two weeks on site for the audit spread throughout the year.

14. Which department facility and location do you anticipate field work taking place at? Do you anticipate needing to perform site visits to other locations?

The accounting staff is based in the Department's headquarters in Lakewood, CO. The Department has indicated that, assuming the work from home orders are lifted, space can be made available in Lakewood that would make the controller's office staff readily available. They also have two satellite locations, one in Windsor for the fire billing activity, and one in Centennial where the Department's disaster response activities are located. We do not anticipate that auditors will need to work on site at those locations although it is possible site visits will need to be made.

15. Were there any known instances of fraud, illegal acts, or non-compliance with laws and regulations in the last two years?

According to the Department, there have not been any instances in the last two years.

16. Please provide the following for the prior year audit:

- a. Audit adjusting journal entries.
- b. Passed adjusting journal entries.
- c. Required communications between the contractor and the organization (i.e. communication internal control deficiencies and other required communications).

a & b. The dollar amounts of posted and passed audit adjustments are contained within the Statewide Single Audit Report on pages 379 to 382. This report is available on our website at <http://leg.colorado.gov/audits/statewide-single-audit-fiscal-year-ended-june-30-2019>.

c. Management Letters, prior year adjusting entry details, and other communications will be part of the successor prior year workpaper review when the contract is awarded.

17. Has there been any personnel turnover at the Department in any key accounting positions during the last twelve months? Are any key personnel planning to retire in the upcoming year?

The supervisor of the Department's disaster emergency accounting team resigned recently and that position is currently vacant, but apart from that the management team is unchanged. The controller has indicated he is planning to retire at the end of this calendar year.

18. Are you currently aware of any areas for which OSA would like additional audit procedures performed beyond the standard audit plan or mentioned in the RFP? Are there any areas where the OSA would like to see improvement from the prior years?

At this time, we are not aware of any areas where work would need to be performed beyond the scope of work outlined in the RFP. If a situation arises where such work is needed, then the OSA will discuss doing a contract amendment.

19. Have there been any problems with this audit encountered in recent years that led to delays in meeting the OSA deadlines?

We have not encountered any problems with the Department that caused our team to miss OSA deadlines.

20. Does the Department have any unusual or complex accounting issues?

We did not encounter any unusual or complex accounting issues in the prior year.

21. Will audit request items be made available electronically?

Most documents are stored electronically as attachments to journal entries and vouchers within CORE. Most payroll records are also electronic, but some time recording, particularly for the state patrol work on grants or special events do remain on paper.

22. If OSA could change one thing about the audit process, what would that be?

The OSA expects the selected firm to follow the audit process and requirements as outlined in Government Auditing Standards and the AICPA's Statements on Auditing Standards, both of which are applicable to this engagement. Bidders are encouraged to rely on their expertise and experience to develop approaches, work steps, analytics, methodologies, etc. that will accomplish the audit's objectives effectively and efficiently while maintaining compliance with applicable auditing standards.

23. Assuming each bidders' proposed fees are equal, what is the next most important thing to OSA?

As noted in the RFP, the OSA will award the contract to the bidder whose proposal provides the best overall value to the State of Colorado, which is a result of several factors including, but not limited to, price, the comprehensiveness and appropriateness of the proposed work plan, and the firm's ability to ensure a quality work product.

24. Will all questions and answers generated from the RFP be included as an Addendum and distributed?

The responses will be distributed electronically to each firm that submitted questions. All questions and answers are compiled and provided to all firms that submitted questions. The document will also be available on our website:  
<http://leg.colorado.gov/agencies/office-state-auditor/requests-proposals>.

25. Who will comprise the selection committee for this RFP?

The final decision on who is awarded the contract will rest with the State Auditor. The contract monitor, Deputy State Auditor for financial audits, and one other reviewer within the OSA will review and score the proposals and make a recommendation for who should be awarded the contract. The Department will also review the bids submitted and provide a recommendation on which bid should be granted the contract, which will be factored into the final selection.

26. Will the winning bidder be required to review the minutes from the Department's various taskforces?

We would expect the contractor to review the minutes for any governing board at the Department. In Fiscal Year 2019, the Department had no governing boards. For other groups such as task forces, we would expect the contractor to exercise auditor judgment to determine whether the minutes for any of those groups need to be reviewed. The Department confirmed that there have been no changes for Fiscal Year 2020.

27. Which funds does the Department participate in?

In Fiscal Year 2019, the Department participated in the General Fund, one internal service fund, and some non-major funds. Department staff have indicated that there are two new funds for Fiscal Year 2020. They are the Law Enforcement Criminal Justice Information Sharing Fund and the Information Technology Capital Construction Fund. These are a special revenue and capital construction fund, respectively. In Fiscal Year 2019, they would have been classified as non-major funds.

28. Please provide information on the Department's outstanding debt.

In Fiscal Year 2019, the Department reported total debt of approximately \$22.3 million. For Fiscal Year 2020, the Department has indicated that no new debt has been added and existing debt is being repaid as scheduled.

29. Are there any upcoming GASB standards which may significantly impact the Department?

GASB Statement No. 87, which impacts leasing, is expected to have a significant impact on departments across the State. The Department has a number of leases in Fiscal Year 2019. The Department has indicated that much of its leasing activity in Fiscal Year 2020 is related to their response to the Coronavirus Pandemic. It is expected that these would be short-term operating leases in the absence of GASB Statement No. 87. It should be noted that, as of the time these responses are being issued, the GASB has begun a project to potentially delay some or all upcoming GASB standards including Statement No. 87.

30. In regards to Disaster Grants Public Assistance (CFDA No. 97.036):

- a. Are there any significant anticipated changes to federal expenditures outside the impact of the COVID-19 outbreak?
  - b. Are there a large number of sub-recipients receiving small grants or a small number of sub-recipients receiving large grants?
  - c. What are the high-risk factors for this program?
  - d. When was this program last audited? Were there any findings?
  - e. Which division within the Department oversees expenditures for this program?
  - f. How does the State meet the program matching requirements? Are they met by State funding or are sub-recipients expected to provide matching funds?
- a. The Department has indicated that they are anticipating an overall increase in federal funding this year but cannot quantify at this time.
  - b. Per the Department, past disaster experience often includes large pass-through payments to local jurisdictions and outside entities, and direct payments to individuals are extremely rare. For the current COVID-19 outbreak, the Department is unsure as of this date how the grant funds will be allocated. The Department noted that other divisions may also receive some increased funding as a result of the outbreak.
  - c. This program was last audited in Fiscal Year 2017 as a low risk Type A program. Risk factors the last time this program was audited include sub-recipient monitoring and drawdown of federal funds.
  - d. This program was last audited in Fiscal Year 2017. There was one finding related to cash management. This finding may be seen in the Fiscal Year 2017 Statewide Report, which can be found on the OSA website at <http://leg.colorado.gov/audits/statewide-single-audit-fiscal-year-ended-june-30-2017>. This recommendation was determined to have been implemented by the Department in Fiscal Year 2018.
  - e. This program is overseen by the Division of Homeland Security and Emergency Management. The Division offices are located in Centennial, CO.
  - f. Processes between divisions receiving grants can vary greatly in how they manage their programs' match requirements. Depending on program requirements, some of the state match may be met by the effort of sub-recipients, while some is matched through state funds. It is our understanding at this time that disaster funding related to COVID-19 will not require a state match.

31. Can we obtain copies of attest memos from the prior year?

These are included with the prior year work papers. The contract monitor will coordinate with the winning bidder to obtain access to these work papers.

32. Does the engagement include any required procedures for pension audits?

Accounting entries for pensions are handled centrally by the Office of the State Controller. The contractor will be expected to audit the Department's internal controls over payroll as well as any lead balances or statistical samples that are selected by the OSA's statewide team for that area. The entries made by the Office of the State Controller will be tested centrally by the OSA.

33. What is the preferred timing by the department to perform internal control procedures by July 31 and financial procedures by mid-October?

The winning bidder will coordinate with the Department's controller on the exact timing for staff to be on site, for testing samples, and other matters. Generally, compliance testing is completed between May and July while substantive testing is completed between August and October.

34. Are there any prior year findings or management letter comments for this Department?

There are no outstanding prior year recommendations for this Department. There is a management letter from Fiscal Year 2019. The winning bidder will have access to this as part of the prior year work papers.

35. Are there documented policies and procedures related to internal controls over significant transaction cycles (for example payroll, purchasing and disbursements, revenues and receivables, IT, etc.)?

These may be requested from the Department once work has begun.

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

The Department has indicated that since they are somewhat insular from other state agencies due to not being located downtown, they benefit from auditors' observations of other agencies, as applicable. The Department finds it valuable when the process with the auditors is collaborative in nature, seeking to understand both auditor and departmental perspectives on any identified item.

37. What transition issues would the Department be concerned about if the audit is awarded to new auditors?

It's understood that new auditors will not have the familiarity with Department operations as the previous auditors would. It would be mutually beneficial for the auditors to spend some time with the Department familiarizing themselves with their organization.

38. Is there any cash kept on hand at ports of entry?

The ports assess fees and fines and make regular deposits to designated banks throughout the state. These deposits tend to be small and those funds are balanced in the Lakewood office.

39. Are there any inventory balances an auditor may need to observe on June 30?

The department operates two small supply warehouses in Golden and Fort Collins, but these are primarily for specialty type items only. The Golden warehouse stocks uniforms, weapons and ammo, vehicle parts and other items frequently used by the state patrol, while the much smaller Fort Collins warehouse stocks mostly vehicle parts for the repair of firefighting equipment. The inventories are counted by the Department and will likely have been completed before an audit firm has been selected. In previous years, auditors have not needed to observe these inventories.