



**RFQ-18-EW-002**

**TSTC – Financial Audit Services**

**Addendum #1**

**Posted Date: 04/18/2018**

**Answers to Questions Received by April 13, 2018**

- 1. Question:** Does TSTC intend to continue with private financial audits (apart from the State Auditor's Office) on an annual basis, or only obtain them for the two fiscal years preceding each re-accreditation period?

**Answer:** Yes, we expect to only need an audit for re-accreditation purposes. Per SACSCOC requirements, the first preceding re-accreditation after an initial accreditation is due in 5 years. After the first re-accreditation, the following reaffirmations are due every 10 years. TSTC was accredited as a statewide single college for the first time in 2015. The 2020 reaffirmation (5 years since the initial cycle) is the first time being re-accredited as a Statewide College. Therefore the next reaffirmation year will be in 2030.

- 2. Question:** Was the financial audit for the initial accreditation performed by a private auditor; and if so, who was the auditor, what years did they audit, and what was the fee?

**Answer:** Prior to 2015, TSTC was accredited as individual campuses. In 2015 TSTC obtained accreditation as a single statewide college. During the initial accreditation as a single college, a Review of the consolidated financial statements of the statewide college was performed by Pattillo, Brown, & Hill, L.L.P. for the fiscal years August 31, 2014 and 2013.

- 3. Question:** Is it correct that you are engaging a firm to audit both the 2017 and 2018 fiscal years? If comparative information is to be presented in the audited financial statements, we would also be required to perform audit procedures over beginning balances as of September 1, 2017.

**Answer:** Yes, this is correct. We understand that audit procedures will be performed on the beginning balances as of September 1, 2017.

4. **Question:** As a continuation of the question above, would professional audit services continue annually after the August 31, 2018 fiscal year-end or is the expectation to have audits performed only every five years as part of the accreditation process.

**Answer: See answer to Question 1.**

5. **Question:** The College contains 10 campuses. Is financial accounting and supporting information centralized in Waco or decentralized at each campus which would require the auditor to visit all or a sample of the different campuses?

**Answer: Financial accounting and supporting documentation is primarily centralized in Waco. Other supporting documentation (e.g. procurement / cash disbursements related) can be obtained from a centralized system that can be available electronically.**

6. **Question:** As a continuation of the question above, are there other significant transaction streams (such as cashiering, inventory, etc.) and internal controls (such as enrollment, compliance with federal and state programs, etc.) and related supporting information that are decentralized at each campus which would require the auditor to visit all or a sample of the different campuses?

**Answer: As far as internal controls, majority of the material sampling may be done through Waco. Workflow and supporting information from other campuses is available through an online system.**

7. **Question:** Will a tentative schedule of expenditures of federal and state awards for fiscal year ending August 31, 2018 be provided to assist with the single audit portion of the audit fee determination?

**Answer: Expenditures for federal and state awards are consistent in FY 2018 compared to prior years. No significant new grants have been received thus far. Please refer to prior schedules for federal and state awards in the Annual Financial Reports at <http://www.tstc.edu/governance/annualfinancial>.**

8. **Question:** What assistance will be provided by College personnel during the course of the audit engagements?

**Answer: Seven financial accounting personnel located in Waco will be coordinating with personnel throughout the 10 campuses to ensure what is needed for the audit is available in a reasonable time.**

9. **Question:** Will the College prepare the financial statements for fiscal years ended August 31, 2017 and 2018 to which the auditor will attach their opinion or will the preparation of the audited financial statements for both years be the responsibility of the auditor?

**Answer: The Annual Financial Report (AFR) will be prepared by the College, to which the auditor may attach their opinion.**

**10. Question:** What meetings (such as audit committee, Board of Regents, etc.) will the audit firm be required to attend for purposes of planning and final presentation of the audits?

**Answer: No formal meeting presentations are required. We would like an exit meeting with management to present the audit report.**

**11. Question:** In Note 18 of the College-prepared August 31, 2017 financial statements, it mentions the TSTC Foundation which exists to support the education and other activities of the College. The Note further explains that the TSTC Foundation is not considered a component unit of the College as it is controlled by a separate board of directors. Our understanding of the accounting standard related to component units is that board control is one factor in the evaluation of whether an entity is considered a component unit. The standard also requires consideration when 1) an organization's net position compared to the College is significant, 2) substantially all resources held by the organization can only be used by, or for the benefit, of the College, and 3) the organization has historically provided resources to the College or its constituents. In such cases, the TSTC Foundation would meet the criteria to be a discretely presented component unit in the College's financial statements. Are any of these three criteria met?

**Answer: The College is required to submit GASB Questionnaires to the State Comptroller annually. After thorough assessment of GASB 39 and review of the State Comptroller's Questionnaire related to Component Units, it was concluded that TSTC Foundation is not a component unit of the College.**

**12. Question:** As a continuation of the bullet point above, are there any other related entities to be evaluated as part of the College (the reporting entity)?

**Answer: The College has no other related parties.**

**13. Question:** Does the College maintain detailed depreciation schedules to support the capital assets in the financial statements?

**Answer: Yes. The College uses the Statewide Property Accounting (SPA) system which is reconciled to the College System periodically.**

**14. Question:** Did the College use an independent organization to perform a count of inventory (merchandise and consumable) at August 31, 2017 (and 2016)? If not, were counts performed by the College with supporting records maintained?

**Answer: Inventory counts are performed annually by the College. Supporting documentation for this is maintained.**

**15. Question:** Does the College have an internal audit function? If so, is it independent from Management and can consideration be given in the audit proposal for utilization of the internal audit function?

**Answer: Yes, the College does have an internal audit function. The internal auditors are independent from management and directly report to the Board of Regents. The internal audit function may be utilized, schedule permitting.**

**16. Question:** The indemnification language noted in the RFQ is not appropriate to audit services under AICPA standards. Accepting this language would mean that the Contractor is not independent as required for the services requested. Would TSTC allow the contractor to propose alternative language to this, and other sections as may be necessary, that is reasonable and consistent with professional standards?

**Answer: Yes.**

**17. Question:** Will questions and your responses from other proposers be provided to all interested parties in the RFQ? If so, how will such information be shared?

**Answer: All questions will be answered to all vendors by posting of an Addendum through our website and through the ESBD.**

**18. Question:** Section 4.4 of the RFQ outlines the timing and deliverables of the audit engagements. Can you please clarify that this timing is for both the 2017 and 2018 audit engagements with the reports on the audited financial statements and single audits for both years due no later than February 15, 2019?

**Answer: The comparative audited financial statements and single audits for fiscal years 2017 and 2018 are due no later than February 15, 2019. Audit procedures related to fiscal year 2017 and preliminary procedures on fiscal year 2018 may begin as soon as a contract is signed, but no later than July 2018.**

**19. Question:** Will TSTC consider a reasonable limitation of Contractor's liability

**Answer: Yes.**

**20. Question:** Is it sufficient to include all key members of the proposed audit team and roles of other non-key team members (e.g. staff associates)?

**Answer: Yes.**

**21. Question:** "The Proposer should describe in detail (b) the method in which the fees are calculated" Can TSTC clarify what is meant by this requirement?

**Answer: Please provide the fees for each of the following options:**

- **Comparative financial statement audits for fiscal year 2017 and 2018**
- **Single audit for fiscal year 2017**
- **Single audit for fiscal year 2018**
- **Financial statement audit for fiscal year 2018 only**

**22. Question:** Does TSTC require state and federal single audits completed for the years ended August 31, 2017 and August 31, 2018?

**Answer:** Yes.

**23. Question:** Will the federal single audit(s) be submitted to the Federal Audit Clearinghouse?

**Answer:** The single audits requested in this RFQ is for accreditation purposes only. Since TSTC is part of the State of Texas and is included in the Consolidated Annual Financial Report of the State of Texas (CAFR), the single audit report is submitted to the Federal Audit Clearinghouse by the State Auditor's Office annually. TSTC is not permitted to submit a 'stand-alone' single audit to the Federal Audit Clearinghouse.

**24. Question:** Are the books and records for all years under audit, including beginning balance information, maintained at the system administration location in Waco? Will travel to the other campuses be required?

**Answer:** See answer to Question 5.

**25. Question:** Were there any significant deficiencies or material weaknesses identified by the State Auditor's Office, specifically related to TSTC, in their reports over the past three years?

**Answer:** No significant deficiencies or material weaknesses identified by the State Auditor's Office in the past three years.

**26. Question:** Can TSTC provide a sample agreement which includes all the terms that the Contractor will be expected to agree to?

**Answer:** Once a firm is selected and an engagement letter is received, TSTC's General Council will review to ensure that any additional wording that may be necessary to comply with State Agency regulations as well as conditions by the State Auditor's Office are included as part of the contract.

**27. Question:** Was an audit performed by an Independent Auditor conducted for the previous year? If yes, could you provide a copy of that report or direct us to where we can access the most recent audited financial statements?

**Answer:** TSTC does not have annual financial statement audits, but is subject to being audited by the State Auditor's Office. TSTC's financial statements have not been audited by the State Auditor's Office in recent years. The last independent engagement (Financial Statement Review) was conducted for SACSCOC purposes for fiscal years ending August 31, 2013 and 2014. The most recent unaudited financial statements can be found on our website: <http://www.tstc.edu/governance/annualfinancial>

**28. Question:** What are your expectations in terms of timing for the engagement?

**Answer:** The financial statement audit and single audit are due with the SACSCOC reaffirmation report in March 2019. Due to this deadline, we require the reports to be completed by at least February 15, 2019. We understand the time-crunch given the size of the College, therefore have requested for audit procedures to begin as soon as a contract is formed and no later than July 2018.

**29. Question:** Are the current auditors being asked to propose?

**Answer:** TSTC currently has no third party auditors.

**30. Question:** How long have you been with your current auditors?

**Answer:** Not applicable. See above.

**31. Question:** Are you dissatisfied with your current auditors?

**Answer:** Not applicable. See above.

**32. Question:** Is there anything you would like to see as an improvement from a service perspective?

**Answer:** Not applicable. See above.

**33. Question:** What have been the fees for the last three years?

**Answer:** Not applicable. See above.

**34. Question:** How many days was the prior audit firm at your site for fieldwork?

**Answer:** Not applicable. See above.

**35. Question:** Is any portion of the audit performed remotely?

**Answer:** Yes.

**36. Question:** What is the IT environment like?

**Answer:** The Sub-ledger and General Ledger are managed through Colleague by Ellucian, which is a web software. Other reporting software such as Informer, ImageNow, and Tableau are also used. An IT department is available on-site for IT related questions.

**37. Question:** Which system/software are you using, do you anticipate any changes?

**Answer:** TSTC uses Colleague by Ellucian. We do not anticipate any changes.

**38. Question:** Are there any additional projects that the current firm is engaged to perform?

**Answer: No.**

**39. Question:** Have you experienced any significant changes in operations from the prior year including changes to federal or state programs?

**Answer: No significant changes in operations and federal/state programs.**

**40. Question:** Do you anticipate any significant changes in activities, funding sources, key personnel (particularly within accounting), accounting systems, etc. in the near future?

**Answer: No.**

**41. Question:** Is Internal Audit available to assist with the audit?

**Answer: See answer to Question 15.**

**42. Question:** Will the College be drafting the financial statements and related notes or is the audit firm expected to?

**Answer: See answer to Question 9.**

**43. Question:** Does TSTC internally implement new standards or does the auditor assist? What was the last GASB standard that was implemented?

**Answer: GASB standards are implemented with the guidance of the State Comptroller's Office as TSTC's AFR is rolled into the State Consolidated Annual Financial Report (CAFR). The last GASB standard implemented was GASB 68 in fiscal year 2015.**

**44. Question:** Any planned changes to the IT system or accounting applications?

**Answer: No.**

**45. Question:** Has TSTC ever been audited by a private independent certified public accounting firm? If so, when was the last audit performed?

**Answer: See answer to Question 27.**

**46. Question:** Section 2.5 relates to HUB requirement. Section 2.5.1 states that TSTC has determined that subcontracting opportunities are not probable under this RFQ. Can you clarify this? Is TSTC stating that this is not applicable to this RFQ? If it is not applicable to this RFQ do we need to complete any portions of the HUB plan?

**Answer: Yes, the HUB plan must be completed and returned with the Proposal of the Proposer. Section 2.5.1 states that TSTC has determined that subcontracting opportunities are not probable because the Proposer will unlikely be subcontracting the audit services but more than likely the Proposer's employees will be performing the audit services.**

**47. Question:** Will management prepare a MD&A as required by GASB?

**Answer: Yes.**

**48. Question:** Would you like us to respond to anything in Appendix C or include it in the proposal?

**Answer: Only if applicable to your company.**

**49. Question:** Do you want the proposals to include a cover letter and/or executive summary?

**Answer: Yes.**

Please sign and date below and attach addendum to the bid package submitted.

I, by signing below acknowledge receipt of the posted addenda, and understand that it becomes part of the bid package for submission.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_