

Bureau of State Audits
RFP No. 12-01 Statewide Federal Compliance Audit
Response to Questions
February 8, 2012

Question Number	Question	Response
1	Has this audit been performed before?	Yes. The federal compliance audit is a portion of California's annual statewide Single Audit.
2	Who was the prior auditor and what was the fee charged?	The Bureau of State Audits (bureau) was the principal auditor and contracted with two firms, KPMG and Macias, Gini, and O'Connell (MGO), to audit certain major programs and clusters of programs. We have attached a copy of the fee structure for the current audit of fiscal year 2010-11. The attachments contain the contractors' costs and time estimates by assigned major program.
3	Is there a budget for this engagement? If so, what is it?	Please refer to the cost proposal section of the RFP No. 12-01.
4	How many contractors will be selected or just one?	One contractor will be selected.
5	Who is the incumbent(s)?	Please refer to our response to Question 2.
6	How many major programs were audited for the fiscal year 2010-11?	<p>The fiscal year 2010-11 audit is still in progress. As a result, this information is confidential.</p> <p>However, there are approximately 30 to 40 major programs and clusters of programs each year. For additional information, you can search our Web site (www.bsa.ca.gov) and review previously published federal compliance reports (such as audit #2009-002 and audit #2010-002). For example, page 15 of audit report #2010-002 lists the major programs audited for fiscal year 2009-10.</p>
7	What were the total number of hours that the contractor incurred on the Single Audit and the total number of hours by major program.	<p>The federal compliance audit for fiscal year 2010-11 is not complete and thus the requested information regarding actual hours charged is unavailable.</p> <p>Additionally, we believe such information would be of limited value. Because the contractor will be responsible for both the overall planning and program-level planning, including setting materiality levels, selecting sample sizes, identifying the requirements to test and how to test them, the potential contractor's approach and the resulting hours could vary substantially from those spent in prior years. Moreover, we have found that other factors, such as the experience level of staff, can also cause hours to fluctuate from year to year.</p>

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		<p><i>(continued response to question 7)</i></p> <p>Potential bidders should use their professional judgment and experience in preparing a competitive cost proposal—ensuring that their proposals reflect the work stated under <i>Contractor Responsibilities</i> on page 6 of the RFP. Further, potential bidders should refer to our responses to Question 6 (pertaining to the number of major programs) and Question 79 (pertaining to work on the <i>in-relation-to</i> opinion on the SEFA).</p> <p>The amount of hours necessary to support the opinions on compliance varies from year-to-year based on a variety of factors, such as the number of major programs selected, and the number of federal requirements to be tested on each program. Nevertheless, to provide some context for potential bidders, we have provided the budgeted hours for some of the major programs performed by our contractors for the fiscal year 2010-11 federal compliance audit. We have identified a large, medium and small major program to provide some context (shown below).</p> <p style="text-align: center;">Medicaid Cluster: 2,300 hours</p> <p style="text-align: center;">Special Supplemental Nutrition Program for Women, Infants and Children: 760 hours</p> <p style="text-align: center;">Title I Cluster: 346 hours</p> <p>Additionally, as stated in the response to Question 2, we have attached the current contractors' original cost and time estimates.</p>
8	Please provide historical information regarding the amount of travel required to perform the requested services.	Historically, travel has not been a major planning consideration for the audit. However, the winning bidder will need to use its own professional judgment to assess the amount of travel required. All state departments and agencies administering major programs have their headquarters and accounting offices in Sacramento. Historically, travel has been less than 15 nights out of town each year. Also, please see our response to Question 21.

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9	When submitting the cost proposal, should the cost be based on the number of major programs audited in 2010-11?	Cost proposals should reflect the <i>Contractor Responsibilities</i> noted on page 6 of the RFP. Also, please see our response to Question 6.
10	What is the State's budget for the contractor's participation in this project?	Please refer to our response to Question 3.
11	Who was the contractor for this project in the last 3 years?	Please refer to our response to Question 2.
12	The RFP states that the work will begin after March 30, 2012 and the final reports are due March 15, 2013, what is the time period when most of the work is performed?	Historically, the planning and fieldwork has been performed during the months of April through January.
13	For the cost proposal, do you require only projected hours and rates by personnel categories, or do you desire a projected total fixed cost per year?	Please refer to subparagraph h. cost of section 7. Minimum Contents in the RFP.
14	For expert testimony, do you only desire hourly rates by staff categories?	Please refer to our response to Question 13.
15	Approximately how many audit hours will be incurred to complete the 2011 Single Audit?	Please refer to our response to Question 7.
16	Please provide a list of the major programs for the 2011 Single Audit.	Please refer to our response to Question 6.
17	Can the BSA provide a list of key IT systems that were used to manage major program compliance requirements? Do any agencies plan to replace any major systems in fiscal year 2012?	State departments and agencies typically have their own IT systems to manage major program compliance requirements, so providing an exhaustive list is not practical. However, <i>most</i> state departments and agencies use CALSTARS to record their accounting transactions. We are not currently aware of any department or agency's plans to replace a major IT system.
18	Can a draft schedule of expenditures of federal awards for 2011 be made available to bidders? Do agencies expect significant changes in the amount of federal expenditures in fiscal year 2012? If so, please describe.	Please see our response to Question 6. Further, it would not be appropriate for the bureau to speculate on whether state agencies and departments anticipate significant changes in their federal spending.
19	Do you anticipate any material weaknesses for the 2011 audit that were not reported in 2010?	The fiscal year 2010-11 audit is still in progress. As a result, this information is confidential.
20	If awarded the Statewide Federal Compliance Audit, would we have access to prior year workpapers for all programs determined to be major in 2012?	Yes.

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21	Please provide a summary of travel to state agencies and locations in the State for the fiscal year 2011 audit, by program, if possible.	<p>Please see our response to Question 8.</p> <p>During the fiscal year 2010-11 audit, a few staff spent no more than 15 nights away from Sacramento. Historically, travel has been primarily associated with the Medicaid cluster and the Adoption Assistance program.</p>
22	Have there been any recent federal on-site or desk reviews? Were any findings identified in those reviews?	The federal government periodically performs on-site audits or desk reviews of the State's administration of various federal programs. While the bureau and its contractors consider the results of these reviews when planning our federal compliance audit, the bureau does not centrally track these reviews or the findings identified.
23	The RFP states that the contractor shall provide the Bureau with original monthly invoices and progress reports in the form and content to be determined by the Bureau. Will you please provide further clarification on these progress reports and the level of detail that will need to be provided?	<p>The bureau expects the winning bidder to be the principal auditor and to provide the opinions on compliance for each major program or cluster of programs. As a result, the bureau's level of involvement and oversight will be reduced when compared to previous years.</p> <p>Nevertheless, the bureau anticipates receiving monthly invoices and progress reports from the winning bidder. At a minimum, the bureau expects the progress reports to contain sufficient detail to assess progress on completing all aspects of the federal compliance audit, such as completing major programs, following-up on prior year audit findings for non-major programs, and performing central service testing.</p>
24	The RFP states that the Bureau will reserve the right to review a sample of the contractor's workpapers. Are there other levels of involvement the Bureau will have in monitoring the audit (i.e. will the Bureau want to monitor the drafting of the findings)?	The bureau will require the contractor to provide copies of all working papers (such as to demonstrate how the audit was planned, the fieldwork performed, and the quality of evidence obtained.) The bureau will review a sample of these copied working papers and may periodically ask the contractor technical questions. However, since the contractor will be the principal auditor and ultimately responsible for the compliance opinions on major programs, the bureau does not anticipate asking many questions.

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		<p><i>(continued response to question 24)</i></p> <p>To maintain awareness of the audit findings developed by the contractor, the bureau will require the contractor provide copies of all draft findings sent to state departments or agencies for their response and corrective action plan.</p>
25	<p>Section 1, item 11 of the RFP discusses the overall evaluation process. Part I of the evaluation process states that the cost score will be weighted 35 percent of the overall score. However, Part II states that the cost proposal with the lowest price will be assigned a score of 100 points (or 30 percent). Please confirm what percentage relates to cost score in the overall evaluation.</p>	<p>Please refer to page 15 and 16 of the revised RFP.</p>
26	<p>Page 16 of the RFP states “The firms with the highest scores at the end of Part II will be awarded the contract agreement.” Does this section of the RFP mean that more than one firm will be selected to perform the audit? If so, can you please provide additional information as to how the statewide audit may be divided?</p>	<p>Only one firm will be selected.</p>
27	<p>If a firm plans to engage Small Businesses as subcontractors, what percentage of subcontractor work would qualify for the “Small Business” criteria outlined in Section 7i, if any?</p>	<p>As an incentive, a non-small business prime contractor—who uses certified small business/microbusiness subcontractors for at least 25% of its net bid price—is eligible for a bid preference of five percent (5%) of the lowest responsible bid when competing against another non-small business. When applying bidder preferences, in which non-small business bidders may be eligible, certified small business/microbusiness bidders have precedence over non-small business bidders.</p> <p>NOTE: Small business/microbusiness bids cannot be displaced by non-small business/microbusiness bids, when applying any applicable lawful preferences.</p>

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28	The RFP asks whether the proposed staff or firm has received an external quality control review within the last three years and the results of that review. Will you please clarify whether you expect the firm to disclose results of other client QCRs or what will satisfy this provision of the RFP?	The bureau expects bidders to provide evidence that they have recently undergone peer review. Bidders should provide the peer review team's opinion and evidence that the peer review team reviewed audit work pertaining to a client's Single Audit.
29	Professional standards require us to issue an engagement letter for audit services. Is the State willing to sign an engagement letter and incorporate the engagement letter in the Request for Proposal by reference?	An engagement letter will not be applicable for this contract since the contractor will be auditing other state agencies on our behalf.
30	If a firm was to request certain changes to the standard contract, do those need to be outlined in the proposal?	The standard contract is based on standard language used in contracts for professional services entered into by the State of California as well as standards that are unique to the State Auditor, such as provisions relating to certain statutory requirements placed on the State Auditor, including provisions relating to Government Auditing Standards issued by the Comptroller General of the United States. The contractor should state in its bid any requests to deviate from the standard language and the compelling reason why the contractor is requesting the change. Request for substantial deviations from the standard language may, at the sole discretion of the State Auditor, result in disqualification of the bid.
31	The RFP states that our proposed rates should be applicable throughout the contract period. Can we provide a percentage cost-of-living increase for fiscal years 2013 and 2014?	Yes, proposals should include a reasonable percentage cost-of-living increase for the 2013 and 2014 fiscal years that is consistent with commonly used standards.
32	The RFP states that our proposal should also include a cost component for expert testimony. Please confirm that does not constitute expert witness in legal proceedings, but instead testimony to legislature or committees or subcommittees of the legislature or management.	Please see the addendum to the RFP clarifying the provision relating to a cost component for expert testimony. The bureau intends to include a contingent amount in the RFP that would be billed upon the prior written approval of the bureau, in the unlikely event that expert testimony to the California Legislature or one of its committees or subcommittees is required from the Contractor

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		<i>(Continued response to question 32)</i> relating to the Federal Compliance work performed by the contractor. In addition, the contractor should state its rates for responding to questions that the Federal Government has about the work it performs.
33	Typically, when will the departments be ready for audit?	Typically, state departments and agencies are ready for the auditor to perform interim work in early April. During late-June through late-August, accounting staff at state departments and agencies generally focus on closing the fiscal year, so involvement with accounting staff during this time period may be more limited during this time.
34	Historically, what is the amount of travel required to perform the requested services?	Please refer to our response to questions 8 and 21.
35	What is the deadline for issuance of draft and final reports?	Please refer to page 7 of the RFP "Monitoring and Deliverables" section.
36	Were contractors utilized for the FY 2011 Statewide Federal Compliance Audit? If so, what were the average expenditures and audit fees?	Please refer to our response to questions 2 and 7.
37	Can we get the most recent single audit report for the year ended June 30, 2011?	Please refer to our response to Question 6.
38	Is it anticipated that the state will be a low risk auditee in 2012?	No. As a result, the <i>Percentage of Coverage Rule</i> under OMB Circular A-133, section 520(f), requiring at least 50 percent audit coverage, applies.
39	Can we have an approximate number of hours used by the Bureau and both KPMG and Macias (if they were involved in this audit) and fees for the contractors used?	Please refer to our responses to questions 2 and 7 for information on hours spent.
40	Are there expectations for the timing of field work (when can we begin the interim phase of this audit)?	Interim work can begin once the contract has been executed with the bureau. Also, please refer to our response to Question 33.
41	Will there be one central source for financial activity reports?	This question can be answered in different ways depending on what is meant by "financial activity reports."

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		<p><i>(Continued response to question 41)</i></p> <p>The State collects high-level financial data for federal programs to assist with preparing the SEFA. However, for transaction-specific financial reports, the auditor will need to work with each department's accounting and program staff to understand how federal program expenditures are recorded and how samples of transactions for testing can be identified.</p>
42	When would the books for the entities be closed?	Please refer to our response to Question 33.
43	Are there material new monies that may impact the determination of major programs?	Please refer to our response to Question 18.
44	Are there any current investigations from Federal oversight agencies?	Please refer to our response to Question 22.
45	Is this the first time the State is outsourcing the entire federal compliance audit?	Yes.
46	What percent or number of major programs were outsourced to external auditors in the previous year(s)?	<p>To understand some context for the number of major programs or clusters of programs audited in prior years, please refer to our response to Question 6.</p> <p>Similarly, the Schedule of Findings and Questioned Costs contained in our prior federal compliance reports (as noted in our response to Question 6) presents findings by auditor (i.e. BSA, KPMG, or MGO).</p>
47	What were the prior year fees?	Please refer to our responses to question 2.
48	What is the budget for the current year audit?	Bidders are required to submit their cost proposals in accordance with the RFP. Also, please refer to our responses to questions 2 and 7.
49	What was the breakdown of total hours incurred by the predecessor auditor (state and external) in performing the compliance audit?	Please refer to our response to Question 7.

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50	If not all major programs were outsourced in the previous year, how many hours did the State spent auditing the other major programs?	Please refer to our response to Question 7.
51	What are the IT systems that will have an impact on the compliance audit?	Please see our response to Question 17.
52	Are the IT systems impacting the compliance audit centralized or segregated?	Please see our response to Question 17.
53	Does each State Agency has its own IT systems?	Please see our response to Question 17.
54	Are the State auditors testing the IT systems?	Please see our response to Question 17. Further, we expect the auditor to assess audit risk using its own professional judgment and review/test relevant IT controls as needed to support a low-assessed level of control risk. During the fiscal year 2011-12 audit, the contractor should not assume the bureau is testing all IT systems relevant to the federal compliance audit as part of the bureau's work on the financial audit. When asked by the contractor, the bureau will provide information on the scope of our work for IT systems relied upon for the financial audit.
55	Is the State auditing the IT general controls related to the IT systems that will generate reports used during the compliance audit?	Please see our response to Question 54.
56	Have the ITGC proven to be effective?	Significant deficiencies and material weaknesses in internal control (including information technology controls) can be reviewed in our prior federal compliance reports, which are available on our Web site at www.bsa.ca.gov . For example, our federal compliance report covering fiscal year 2009-10 is audit #2010-002. Also, please see our response to Question 54.
57	Did the prior external auditors have to test the accuracy and completeness of reports generated by the IT systems?	Yes. Also, please see our response to Question 54.
58	Is there a preliminary breakdown of major programs by State Agency?	Please see our response to Question 6.
59	Is there a preliminary breakdown of major programs by location?	Historically, the need for travel has been limited. Please see our response to questions 8 and 21.

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60	Is a preliminary SEFA available for the current year?	<p>No.</p> <p>However, the SEFA from prior years can be accessed from our Web site at (www.bsa.ca.gov). For example, the SEFA for fiscal year 2009-10 can be found beginning on page 197 in our audit report #2010-002 for fiscal year 2009-10. Similarly, the SEFA for fiscal year 2008-09 can be found in audit report #2009-002.</p>
61	Is there a matrix of expected compliance requirements considered to be direct and material to the major programs?	<p>No.</p> <p>The OMB Circular A-133 Compliance Supplement, Part II, provides the matrix of applicable compliance requirements to various federal programs. However, the determination of whether these requirements are material to major programs will be a matter of professional judgment and planning performed by the contractor. The contractor will have access to prior year working papers if requested.</p>
62	How many major programs are expected to be expended on multiple locations?	Please see our response to questions 8 and 21.
63	In the case of major programs expended at multiple locations, are the controls and procedures the same at each location?	No.
64	Will there be a central point of contact for each major program?	<p>Generally, each state department or agency has an audit liaison that helps to coordinate external auditors with department/agency staff. This contact information is generally included in prior year working papers and the bureau will assist the contractor in identifying these coordinators on an as needed basis.</p>
65	How many major programs are expected to have Davis Bacon Act Requirements?	<p>The bureau will not speculate on which federal programs will be major programs for fiscal year 2011-12, or whether the contractor will consider the Davis-Bacon requirement to be material for those major programs.</p> <p>However, bidders may review previously published federal compliance reports on our Web site (www.bsa.ca.gov) and review our Schedule of Findings and Questioned Costs for reportable issues</p>

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		<p><i>(Continued response to question 65)</i></p> <p>pertaining to the Davis-Bacon requirement. The most recently published federal compliance report is for fiscal year 2009-10 (audit #2010-002).</p>
66	How many major programs are expected to have Equipment and Real Property Management requirements?	Please see our response to Question 65.
67	What is the expected amount of loan guarantees?	The bureau will not speculate on the amount of loan guarantees for fiscal year 2011-12. However, bidders may refer to a prior year's SEFA, which is available on our Website as noted in our response to Question 60.
68	May we have a copy of the prior year contract with the external auditors, including separate engagement letter?	<p>Please refer to our response to question 2.</p> <p>Also, the bureau's contracts with KPMG and MGO did not include separate engagement letters since these two firms were not auditing the bureau.</p>
69	What was the amount of travel incurred in the prior year?	Please refer to our response to questions 8 and 21.
70	Is the State willing to modify the terms and conditions to allow the external auditors to comply with professional auditing standards?	<p>It is not clear from the question how the potential bidder believes the RFP's conditions would prevent compliance with professional auditing standards.</p> <p>The bureau expects the contractor to comply with applicable auditing standards, including GAGAS and the provisions of OMB Circular A-133.</p>
71	The RFP is limiting the personnel only to individuals with prior experience with single audit or program specific audits of large federal programs at the state level. Does this requirement extend to junior staff as well?	<p>The requirement in the RFP requiring prior experience with the Single Audit or program specific audits of large federal programs at the state level does not apply to each of the contractor's employees.</p> <p>Instead, the bureau intends for the contractor's staff to collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning the assignment. At a minimum, the bureau would expect the contractor's</p>

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		<i>(Continued response to question 71)</i> supervisory staff to possess the competence necessary to successfully manage and complete the audit.
72	Will credit be awarded for utilizing small disadvantage business enterprises as subcontractors?	Please refer to page 14 of the RFP for information on preferences for small businesses and the response to question 27 above.
73	Record retention provision? Professional standards require auditors to retain workpaper ownership and in California such workpapers must be maintained for 7 years. Is the State willing to change this provision?	The requirement that the contractor retain records supporting and relating to the audit for a period of three years is based on the statutory requirements that the State Auditor retain those records for a period of three years. We recognize that the Contractor may be required to retain workpapers for a period of seven years under other state laws as well as retain ownership of those records.
74	Termination? As independent auditors, we may be required to resign from an audit due to many different factors. Is the State willing to change this provision?	Please see our response to Question 30.
75	Disputes? Is the State willing to change this provision to call for the appointment of an independent third party?	Please see our response to Question 30.
76	Limitation of liability? Is the State willing to change this provision to also limit the Contractor's liability?	Please see our response to Question 77.
77	Indemnification? As written, this clause is in violation of independence standards. Is the State willing to modify this language to allow the external auditors to maintain their independence?	The indemnification clause is based on standard state indemnification clauses in contract and the State Auditor does not believe this language violates independence standards. Nonetheless, as explained in our response to Question 30, the State Auditor is willing to entertain revisions to the contract language with the understanding that requests for revisions may result in disqualification of the RFP.
78	Attachment D? Is the State willing to modify this exhibit? Some conditions, such as the requirement to only use State computer equipment to receive, store, and transmit electronic information and transfer records to the bureau's network drives do not appear to be applicable to this engagement.	Attachment D is standard language outlining the State Auditor's practices to protect confidential and sensitive information. The State Auditor expects that the contractor will take similar measures to protect confidential and sensitive information from the public or otherwise inappropriate or unlawful

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		<p><i>(Continued response to question 78)</i></p> <p>release, including any information that is obtained during the audit prior to the audit report being made public.</p>
79	<p>As the primary auditor of the State’s basic financial statements, will BSA be responsible for opining on the Schedule of Expenditures of Federal Awards (SEFA) fair presentation, in all material respects, in relation to the basic financial statements taken as a whole?</p>	<p>The bureau intends to have subsequent discussions with the contractor for <u>the potential</u> of performing additional work (at additional cost) to support the <i>in-relation-to</i> opinion on the SEFA.</p> <p>For the purposes of submitting bids in response to this RFP, please exclude consideration of the work necessary to support the SEFA opinion.</p>
80	<p>Assuming the contractor is responsible for verifying the accuracy and completeness of the SEFA:</p> <p>a) Approximately how many hours have BSA incurred in verifying the accuracy and completeness of the SEFA (or its equivalent) for non-major programs and those major programs audited by BSA and KPMG? Will the prior year workpapers verifying the accuracy and completeness of the SEFA be available for review to the contractor?</p> <p>b) What is the approximate date that the contractor can expect to receive the draft SEFA from the Department of Finance?</p> <p>c) CalSTARS is the primary information system used by the State. Are there any secondary information systems used to obtain expenditure data for compiling the SEFA?</p>	<p>Please see our response to Question 79.</p> <p>Please see our response to Question 79. The Department of Finance provides various drafts of the SEFA throughout the audit, each with increasing detail. For example, preliminary expenditure information for the SEFA is usually available in September, while non-cash assistance information becomes available around October. Most of our audit work on the SEFA takes place in December and January.</p> <p>Please refer to our response to Question 17.</p>

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	<p style="text-align: center;"><i>(Question 80 continued)</i></p> <p>d) During 2011, the State changed SEFA presentation from a cash receipt basis to modified accrual. What programs showed the most significant/unexpected changes in annual program expenditures due to the change?</p>	<p>The fiscal year 2010-11 audit is still in progress and thus the requested information is confidential. Also, please refer to our response to Question 18.</p>
81	<p>What is the approximate number of hours incurred by BSA to perform the risk assessment and resulting major program determination?</p>	<p>Historically, major program determination is performed at the beginning of the audit and then consistently re-evaluated as the Department of Finance solidifies its work on the SEFA. Our audit work on the SEFA traditionally hasn't been complete until January.</p> <p>Although as we discuss in our response to question 7 that hours incurred can fluctuate from year to year for a variety of reasons, to provide you some context, during fiscal year 2009-10, roughly 200 hours was needed to perform the risk assessment and determine major programs. Approximately half of the time was used during the months of July and August 2010 (working with a draft SEFA) while the rest was used later in the audit to reassess our Type A threshold and major programs once certain parts of the SEFA (non-cash assistance, etc.) came into focus.</p>
82	<p>Should the contractor assume that 35 major programs will be tested for purposes of preparing a cost proposal?</p>	<p>The bureau will not provide advice or speculate on the number of major programs for fiscal year 2011-12.</p> <p>Also, please see our response to Question 6.</p>
83	<p>What are the programs (if any) that the State and/or Federal government has mandated to be tested as major and considered as part of BSA's risk assessment?</p>	<p>The OMB Circular A-133 Compliance Supplement, Appendix IV cites the Medicaid Cluster as a "high risk" program under OMB Circular A-133, Section 525(c)(2).</p>

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84	What is the approximate number of hours incurred by BSA associated with performing the A-133 compliance audit reporting as described in Section 3 "Audit Responsibilities and Deliverables," subsection "Monitoring and Deliverables" of the Request for Proposal?	Please refer to our response to Question 24 regarding the bureau's expected level of involvement under this contract. Also, please refer to our responses to question 7 for information on hours incurred.
85	What is the primary source of information for the SEFA footnote related to subrecipient payments?	The State's Department of Finance is responsible for preparing the SEFA. However, as noted in our response to Question 79, those submitting proposals in response to this RFP should exclude from consideration the work necessary to support the SEFA opinion.
86	Will the contractor have access to the management letters issued as part of the compliance audit of fiscal year ended 6/30/2011?	Yes.
87	Confirm that the contractor will only be responsible for issuing the "Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133" and that such report excludes an opinion on the SEFA.	Please refer to our prior response to Question 79 regarding the SEFA. Also, bidders should be aware that the bureau will expect the contractor to not only audit major programs, but also perform other tasks as noted in our response to Question 23. Page 6 of the RFP defines the contractor's responsibilities.
88	Confirm our understanding that the Department of Finance compiles the Data Collection Form and the contractor reviews and certifies.	Your understanding is incorrect. Completing the Data Collection Form is a shared responsibility between the State's Department of Finance and the principal auditor. The Federal Audit Clearinghouse's Web site contains instructions on how to complete the SF-SAC form and states which sections are the responsibility of the auditor. For example, <i>Part III – Federal Programs</i> of the SF-SAC requires the auditor to enter various information pertaining to findings for federal programs.

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89	<p>Section 3 “Audit Responsibilities and Deliverables”, subsection “Monitoring and Deliverables” requires the contractor to provide BSA the “audited” version of the Department of finance’s SEFA. Is it the contractors responsibility to verify the accuracy and completeness of the SEFA and that BSA will be responsible for opining on the Schedule of Expenditures of Federal Awards (SEFA) fair presentation, in all material respects, in relation to the basic financial statements taken as a whole?</p>	<p>Please see our response to Question 79.</p>
90	<p>a) Who is the fiscal intermediary for the Medicaid Management Information Systems under the Medi-Cal program during fiscal year ended June 30, 2011?</p> <p>b) Will there be a Statement on Auditing Standards No. 70, Service Organizations (SAS70) Type II report that assesses the sufficiency of the design and effectiveness of the internal controls of the fiscal intermediary?</p> <p>c) If yes, will the SAS 70 report cover the Single Audit period, July 1, 2011 through June 30, 2012 and be available to the contractor for review?</p>	<p>a) Hewlett Packard Enterprise Services (formerly Electronic Data Systems). Effective 10/15/11, the new fiscal intermediary is ACS.</p> <p>b) The State requires annual audits of the California Medicaid Management Information System. However, not all of the control objectives established by the Department of Health Care Services are required to be audited every year.</p> <p>c) The report issued November 10, 2010, covered the period 3/1/10 through 8/31/10. KPMG did not rely on IT controls because the SAS 70 report did not cover the entire fiscal year 2010-11.</p>
91	<p>Since the Department of Health Care Services performs their Medi-Cal Payment Error Studies (MPES) every odd fiscal year, when will the MPES covering FY 2011 be available for review?</p>	<p>MPES issued during fiscal year 2010-11 covered payments from calendar year 2009 (the sample selected was from the 4th quarter 10/1/09 through 12/31/09). We do not have information on when the Department of Health Care Services plans to publish its MPES covering payment from calendar year 2011.</p>
92	<p>Currently, Medi-Cal has two primary systems for paying for medical care: Fee-For-Service (FFS) and Medi-Cal Managed Care (MMC). The Medi-Cal Payment Error Study only covers the Fee-For- Service (FFS) claims. Is there a similar error study conducted for the Medi-Cal Managed Care expenditures?</p>	<p>Currently, we are not aware of a similar error study conducted for the Medi-Cal Managed Care expenditures.</p>

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93	Will the Health Care Services' Medical Review Branch of trained medical professionals continue to be available to the Contractor to ascertain that sample expenditures were incurred for an allowable service rendered and was supported by medical records or other evidence, indicating that the service was actually provided and consistent with the medical diagnosis?	Yes.
94	Will the results of any audits related to Medi-Cal performed by the Department of Audits and Investigations be available to the Contractor for review?	Yes.
95	Confirm that BSA will be responsible for testing central services agencies, fringe benefits, payroll and Statewide Cost Allocation Plan at the statewide level and that the contractor will have access to such testing should the costs be material to a respective major program.	Incorrect. The bureau expects the contractor to consider these costs during the federal compliance audit. Please refer to our response to Question 23.
96	Approximately how many hours have BSA incurred testing major programs?	Please refer to our responses to Question 7 for information on hours incurred.
97	a) When is the contractor allowed to begin interim testing? b) For the Medicaid program, may we conduct eligibility visits at various counties during interim?	Please refer to our responses to questions 33 and 40. Yes. The contractor may perform the work it deems necessary to support its opinion on compliance.
98	When is the contractor allowed to begin year-end testing?	The contractor will need to negotiate this with the departments and agencies it plans to audit. Our response to Question 33 provides information on when the State's accounting staff typically focus on closing the fiscal year.
99	What is the composition of the committee evaluating the proposals?	The bureau's management will ensure appropriately qualified staff with experience on the Single Audit will contribute to evaluating bidders. Providing additional clarification in response to this question is not necessary to assist bidders in drafting their proposals.
100	Will BSA allow follow-up question subsequent to 1/31/2012?	No. Unfortunately due to the tight timeframes listed on page 3 of the RFP, the State Auditor will not be able to entertain questions after the January 31, 2012 deadline for questions from proposers.

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101	For the programs that BSA has audited over the last three years, what specific programs did BSA utilize the assistance of IT Specialists for conducting either a general IT controls review and/or an application controls review?	Please refer to our response to questions 17, 54, and 56.
102	What are the major programs and administering departments for the June 30, 2011 A-133 compliance audit?	Please refer to our response to Question 6.
103	What is the primary source of information for the SEFA footnote related to outstanding loans that require continuing compliance?	Please refer to our responses to questions 79 and 85.
104	Will the successful contractor be able to review the Bureau's financial statement workpapers as it relates to internal control testwork over certain areas germane to the contractor's testwork over compliance such as payroll and procurement?	In our experience, the amount of testing on the financial audit that is relevant to the federal compliance audit is limited. However, the bureau will respond to specific contractor questions about the scope of our work on the financial audit to assess the opportunities for audit efficiency.
105	In past years what information technology systems have been reviewed and are relied upon by State Departments for compliance purposes?	Please refer to our response to questions 17, 54, and 56.
106	Please provide additional information regarding historical travel related to this engagement.	Please refer to our response to questions 8 and 21.
107	Can the Bureau provide a listing of the Departments that administer each of the State's Type A programs?	The bureau will not speculate on which federal programs will be major programs (or Type A programs) for fiscal year 2011-12. Also, please refer to our response to Question 6. The Schedule of Findings and Questioned Costs from prior federal compliance reports contain the requested information for those federal programs with audit findings.
108	Does the State desire to continue with the voluntary interim A-133 reporting in fiscal 2012 and beyond?	No.
109	Please outline preferred fieldwork timing.	Please see our responses to Question 12.

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110	Please comment on total hours estimated for the 2011 audit and incurred for the 2010 audit	Please see our response to Question 7.
111	What is working well with the current sub-contract CPA firms?	Providing additional clarification in response to this question is not necessary to assist bidders in drafting their proposals.
112	What could be improved in future audits?	Providing additional clarification in response to this question is not necessary to assist bidders in drafting their proposals.
113	Why is the State of California taking this compliance audit project out to bid? In the past it was conducted by the State with certain portions contracted out to several CPA firms. What is causing the shift to just one firm?	Providing additional clarification in response to this question is not necessary to assist bidders in drafting their proposals.
114	We'd like to know about coordination with SBA as it is conducting the audit of the state financial statements. What (if any) dual purpose testing will they perform that can be leveraged?	Please refer to our response to Question 104.
115	What is the process of reporting prior year finding status updates? (In the 2010 audit, there were approximately 200 pages of findings - a follow up process must already be in place and we'd like to understand more about it).	<p>A part of the planning process for the audit includes identifying prior year findings at non-major programs. Once these findings are identified, auditors perform limited procedures to assess the status of corrective action shown in the Summary Schedule of Prior Year Audit Findings. Prior year findings on major programs are followed-up on during the normal course of auditing those programs.</p> <p>When prior year findings have not been adequately addressed, the bureau's practice has been to provide end notes to the Summary Schedule of Prior Year Audit Findings referencing where the <i>current year</i> version of the finding can be found. The bureau intends to provide the contractor with the flexibility to decide how best to comply with the finding follow-up and reporting provisions of OMB Circular A-133, Section 500(e).</p>

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116	Please describe the transition process from the SBA being principle auditor to the awarded CPA firm? Given the size and scope of this project, it seems there are ongoing (or year round) activities that will need to have a cutoff timeframe.	There are no “year-round” activities for the federal compliance audit. Also, please refer to our response to Question 12.
117	What access will the CPA firm have to State fraud hotlines for items related to the compliance audit?	The State Auditor operates a “hotline” under the Whistleblower Protection Act, that, among other things intakes allegations of improper governmental activities involving state and court officers and employees. To the extent that the bureau’s investigations division becomes aware of potential fraud involving federal funds, the State Auditor will determine whether it is appropriate to share that information with the contractor. Other than allegations received under the Whistleblower Protection Act, the State Auditor does not operate separate “fraud hotlines” and, as required by audit standards, is alert to potential fraud when performing audit work.
118	Who will investigate fraud complaints related to compliance? Please describe the process?	If the contractor receives a fraud complaint relating to the Federal Compliance audit, the bureau will work closely with the contractor to determine what additional steps, if any, the contractor would be required to perform. At a minimum, the contractor will be expected to perform work relating to the complaint to the extent that federal or state law (including audit standards) require the contractor to perform that work. If the contractor receives complaints about fraud or other potential improper governmental activities involving state employees or agencies that are not related to the Federal Compliance audit, the contractor should immediately report those allegations to the bureau.
119	Are there any current audits being conducted by federal agencies that relate to compliance? If yes, please identify and explain the nature of those audits.	Please refer to our response to Question 22.
120	Are there any programs that have been identified by the federal government as high risk programs for the State of California?	Please refer to our response to Question 83.

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121	The results of the 2011 compliance audit are crucial for major program determination in 2012. Since the 2011 audit is not yet complete, is there any information that SBA can provide that will help the CPA firm in their scoping of this project? For instance, the number of Type A programs that will be required to be high risk in 2012 due to findings in 2011?	Please refer to our response to questions 6 and 18.
122	How much time was expended by the SBA and its subcontractors last year and what fees were paid to the subcontractors.	Please refer to our responses to questions 2 and 7.
123	Can you supply information about the quality of the State Agencies' documentation of controls to ensure compliance with the 14 compliance requirements? Additionally, please explain what, if any, internal audit work is done at the state related to federal awards.	<p>Given the number of major programs and state entities involved, it would not be practical to provide specific information on internal controls in response to this question. However, our working papers are public documents and you may make a Public Records Act request if you wish to see our audit work on internal controls. Specifically, you may contact Margarita Fernandez – Chief of Public Affairs at (916) 445-0255 or make a request via PRAcordinator@bsa.ca.gov.</p> <p>Prior year working papers, which document our identification, testing, and assessment of internal controls, will be available for the contractor's review.</p> <p>Many state departments and agencies have an internal audit function. The scope of their reviews and their level of focus on federal spending varies.</p>