

Responses to Questions
Professional Auditor and Accounting Services RFP
February 6, 2015

General

1. **Will your 2014 auditors be allowed to bid on this RFP?**
 - a. Yes
2. **Is the engagement coordinated from one person or department for the State or are we going to need to coordinate our activities with various State Departments?**
 - a. The engagement is contracted with the Office of the State Treasurer however necessary fieldwork with other State agencies is coordinated directly with the individual agencies.
3. **Does the OTT financial staff prepare the financial statements and notes? If not them, does anyone else?**
 - a. The preparation of the financial statements (and notes) is a collaborative effort. The auditor will assist in their preparation but the Office of the State Treasurer and Office of the State Comptroller provide all the financial statement schedules.

Special Transportation Fund

1. **Approximately how much on-site time did your auditors spend in the field?**
 - a. The audit team spends approximately eight weeks completing the necessary fieldwork at the various agencies (Office of the State Treasurer, Office of the State Comptroller, Department of Transportation, Department of Motor Vehicles, Department of Revenue Services and Judicial Department).
2. **Approximately how many auditors were there?**
 - a. The audit team varied by agency but generally consisted of four professionals: partner, manager, supervisor and staff accountant(s).
3. **What accounting software does STF use?**
 - a. The State's financial accounting system is Core-CT which uses PeopleSoft technology to manage statewide financial transaction activities.
4. **Is it possible to perform audit procedures prior to June 30th? If so, an approximate date they could begin?**
 - a. The audit team generally holds pre-audit meetings with Treasury staff by mid-May, completes any necessary measures at year end (i.e., physical counts, inventory, etc.) and works on the audit during the summer months to finish by the October 28th deadline.
5. **Approximately when are the books closed and ready for final audit work?**
 - a. The fiscal year end is June 30th. Final bank statements are received during the month of July and final audit work can usually begin at the end of July.
6. **How many adjustments were made by the auditors for 6/30/2014, and what was the nature of them?**
 - a. The auditor typically has four to six minor adjustments for accounts payable, accounts receivable, and inventory.
7. **The 6/30 auditor's report was dated October 24, 2014, is there a statutory deadline for reporting?**
 - a. The audit is required by the Indenture to be completed and filed with the Trustee for the STO Bonds within 120 days of fiscal year end.
8. **What was the audit fee for 6/30/14?**
 - a. \$67,100
9. **What was paid for 6/30/14 for AUP work concerning the debt service coverages?**
 - a. The fee for completion of the Agreed Upon Procedures Report for the 2014 STO bond sale was \$5,700.
10. **Was any work, other than the type specified in the RFP, performed by the auditors for 2014? What was the fee?**
 - a. No.

11. **Reference to certificate of OPM – is that referring to the agreed upon procedures engagement which verifies debt service requirements?**
 - a. Yes, for each STO Bond sale the auditing firm works with information provided by OPM to provide the Agreed Upon Procedures Report.
12. **By financial involvement and support are you referring to agreed-upon-procedures engagement that is roughly equivalent to a comfort letter, which was included in your site as Auditor Agreed Upon Procedures Report for 2013 SRF Bonds?**
 - a. For the STF, the AUP Report is different than the AUP of the SRF Bonds (it is not a comfort letter).
13. **Was a separate management comments letter issued for 2014? If so, may we get a copy?**
 - a. There was no separate Management Letter issued. However, a Supplemental Report was issued to the State. A copy of that information is attached at the end of these responses.
14. **Is there an annual report for the Special Transportation Fund?**
 - a. No.

Clean Water Fund

1. **Approximately how much on-site time did your auditors spend in the field?**
 - a. The audit team spends approximately three weeks completing the necessary fieldwork at the two agencies (Office of the State Treasurer and the Department of Energy and Environmental Protection).
2. **Approximately how many auditors were there?**
 - a. There were three auditors, one partner and two staff accountants, who worked on the combined clean water and drinking water audits.
3. **What accounting software does the CWF use?**
 - a. The CWF uses a combination of CORE-CT (People-Soft), Sage-Pro 200, and Access databases.
4. **Is it possible to perform audit procedures prior to June 30th? If so, an approximate date they could begin?**
 - a. The audit team generally holds pre-audit meetings with Treasury staff by mid-May, completes any necessary measures at year end and works on the audit during the summer months to finish by the September 15th deadline.
5. **Approximately when are the books closed and ready for final audit work?**
 - a. The fiscal year end is June 30th. Final bank statements are received during the month of July and final audit work can usually begin at the end of July.
6. **How many adjustments were made by the auditors for 6/30/2014, and what was the nature of them?**
 - a. There were minimal adjustments made by the auditors. The adjustments were all end of the year adjustments including payroll and federal cap grant accruals.
7. **The 6/30 auditor's report was dated September 4, 2014, is there a statutory deadline for reporting?**
 - a. There is a statutory deadline that the annual report, which contains the audit, must be submitted no later than 90 days after the end of the fiscal year (September 28th). To meet this requirement, the audit reports must be completed at least two weeks prior, on or about September 15th.
8. **What was the audit fee for 6/30/14?**
 - a. \$20,900
9. **Similar to the STF, the CWF requests- on page 3, items c and d- performance of procedures regarding debt service requirements; your website did not list copies of any such reporting for 2014, if this was performed may we please get a copy?**
 - a. The state did not request a confirmation of the debt service requirements for the last state revolving fund bond sale in 2013.
10. **What was paid for 6/30/14 for AUP work concerning the debt service coverages?**
 - a. The AUP, which is equivalent to a comfort letter, is only done in conjunction with a bond sale. The last bond sale was completed in February 2013. The fee for the AUP letter was \$5,000 and included both the clean water fund and drinking water fund.

11. **Was any work, other than the type specified in the RFP, performed by the auditors for 2014? What was the fee?**
 - a. No.
12. **By financial involvement and support are you referring to agreed-upon-procedures engagement that is roughly equivalent to a comfort letter, which was included in your site as Auditor Agreed Upon Procedures Report for 2013 Bonds?**
 - a. Yes
13. **Was a separate management comments letter issued for 2014? If so, may we get a copy?**
 - a. There was no separate management letter.
14. **The CWF is subject to a federal single audit under OMB Circular A-133 which is already a compliance audit- how could there be another audit for DEEP?**
 - a. There is not a separate audit for DEEP. The audited financials must be submitted to the EPA prior to September 30th each year. In addition, the selected auditor must also file the federal single audit with the Federal Audit Clearinghouse by the annual deadline.

Drinking Water Fund

1. **Approximately how much on-site time did your auditors spend in the field?**
 - a. The audit team spends approximately three weeks completing the necessary fieldwork at the two agencies (Office of the State Treasurer and the Department Public Health).
2. **Approximately how many auditors were there?**
 - a. There were three auditors, one partner and two staff accountants, who worked on the combined clean water and drinking water audits.
3. **What accounting software does the DWF use?**
 - a. The DWF uses a combination of CORE-CT (People-Soft), Sage-Pro 200, and Access databases.
4. **Is it possible to perform audit procedures prior to June 30th? If so, an approximate date they could begin?**
 - a. The audit team generally holds pre-audit meetings with Treasury staff by mid-May, completes any necessary measures at year end and works on the audit during the summer months to finish by the September 15th deadline.
5. **Approximately when are the books closed and ready for final audit work?**
 - a. The fiscal year end is June 30th. Final bank statements are received during the month of July and final audit work can usually begin at the end of July.
6. **How many adjustments were made by the auditors for 6/30/2014, and what was the nature of them?**
 - a. There were minimal adjustments made by the auditors. The adjustments were all end of the year adjustments including payroll and federal cap grant accruals.
7. **The 6/30 auditor's report was dated September 8, 2014, is there a statutory deadline for reporting?**
 - a. There is a statutory deadline that the annual report, which contains the audit, must be submitted no later than 90 days after the end of the fiscal year (September 28th). To meet this requirement, the audit reports must be completed at least two weeks prior, on or about September 15th.
8. **What was the audit fee for 6/30/14?**
 - a. \$17,100
9. **Similar to the STF, the DWF requests- on page 3, items c and d- performance of procedures regarding debt service requirements; your website did not list copies of any such reporting for 2014, if this was performed may we please get a copy?**
 - a. The state did not request a confirmation of the debt service requirements for the last state revolving fund bond sale in 2013.
10. **What was paid for 6/30/14 for AUP work concerning the debt service coverages?**
 - a. The AUP, which is equivalent to a comfort letter, is only done in conjunction with a bond sale. The last bond sale was completed in February 2013. The fee for the AUP letter was \$5,000 and included both the clean water fund and drinking water fund.

- 11. By financial involvement and support are you referring to agreed-upon-procedures engagement that is roughly equivalent to a comfort letter, which was included in your site as Auditor Agreed Upon Procedures Report for 2013 Bonds?**
 - a. Yes
- 12. Was any work, other than the type specified in the RFP, performed by the auditors for 2014? What was the fee?**
 - a. No.
- 13. Was a separate management comments letter issued for 2014? If so, may we get a copy?**
 - a. There was no separate management letter.
- 14. The DWF is subject to a federal single audit under OMB Circular A-133 which is already a compliance audit- how could there be another audit for DPH?**
 - a. There is not a separate audit for DPH. The audited financials must be submitted to the EPA prior to September 30th each year. In addition, the selected auditor must also file the federal single audit with the Federal Audit Clearinghouse by the annual deadline.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Dannel P. Malloy
Governor of the State of Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund of the Special Transportation Fund (the "Fund") of the State of Connecticut as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and questioned costs, we identified certain deficiencies in internal control, that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2014-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2014-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Fund's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maloney Sabol + Company, LLP

Glastonbury, Connecticut
October 27, 2014

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
Schedule of Findings and Responses
June 30, 2014

CONTROL DEFICIENCY CONSIDERED TO BE A MATERIAL WEAKNESS

FINDING 2014-1 - ACCOUNTS PAYABLE

Criteria

The objectives of internal control over financial reporting are to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition

The accounting system was unable to produce an accurate accounts payable balance at year end resulting in an understatement of accounts payable.

Accounts payable for the Restricted Grants Fund for the Department of Transportation computed by the accounting system totaled \$45,408,637 as of June 30, 2014 when the actual amount was determined to be \$56,311,000 resulting in an understatement of accounts payable of \$10,902,363.

In addition, since certain expenditures were reimbursable from grants and contracts, grants and contract revenue and related receivables were also understated by \$10,902,363 for the Restricted Grants Fund.

Cause

The understatement of accounts payable was caused by invoices being submitted after the accounts payable cut-off date and by progress payments for grant projects that overlapped fiscal years. Specifically, certain invoices were presented and paid after the 45 day period for which the system uses to capture accounts payable.

Effect

The effect is that expenditures and related accounts payable and grants receivable and related grants and contract revenue were materially understated in the Restricted Grant Fund's financial statements.

Management's Response

Management is aware of the issue and intends to implement policies and procedures to ensure that such invoices are properly processed and recorded in the future.

STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND
Schedule of Findings and Responses
June 30, 2014

CONTROL DEFICIENCY CONSIDERED TO BE A SIGNIFICANT DEFICIENCY

FINDING 2014-2 - INVENTORIES

Criteria

The objectives of internal control over financial reporting are to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition

The accounting system was unable to produce an accurate inventory balance at year end resulting in an overstatement of inventory.

Inventories for the Special Revenue Fund for the Department of Transportation computed by the accounting system totaled \$32,605,850 as of June 30, 2014 when the actual amount was determined to be \$30,429,120 resulting in an overstatement of inventories of \$2,176,730.

Cause

The overstatement of inventory was caused by the lack of reconciliation of physical quantities to the accounting system. Specifically, certain reports from the accounting system used by management were not reconciled and did not agree with physical inventory valuations that were maintained and monitored by personnel at each inventory location. As a result, inventories originally reported by the Department of Transportation were overstated at year end.

Effect

The effect is that inventories were overstated in the Fund's financial statements.

Management's Response

Management is aware of the issue and intends to implement policies and procedures to ensure that such inventories are reconciled and recorded in the future.