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**Questions and Answers**

**Financial Audit Services**

**RFQ: No. 781-1-23173**

**Question 1**:

Could you provide the latest audited financial statement for The Higher Education Coordinating Board. I was unable to locate them on the website.

**Response:** Please find the latest audited financial statement below. It is also available under the solicitation documents listed on the <http://www.highered.texas.gov/about-us/procurement/>



Double click to open report.

If document does not open, please email [Contacts@highered.texas.gov](mailto:Contacts@highered.texas.gov) to request a copy.

**Question 2**:

What has generally been the timing of the fieldwork for the financial audit services?

**Response:** Planning and perhaps some of the IT fieldwork may begin early in the fiscal year. The bulk of fieldwork typically occurs during the March through June timeframe. Also, the financial statement package is not available until approximately February.

**Question 3**:

Have there been any changes in key management personnel in the last 2 years?

**Response:** Yes.  We have the following new members of our leadership team:

* 1. Dr. Harrison Keller, Commissioner
  2. Mr. Rey Rodriguez, Deputy Commissioner and Chief of Staff
  3. Ms. Nicole Bunker-Henderson, General Counsel
  4. Mr. Ray Martinez, Deputy Commissioner of Academic Affairs and Workforce Education
  5. Ms. Lori Fey, Deputy Commissioner of Data Analytics and Innovation
  6. Ms. Melissa Henderson, Associate Commissioner of Development

**Question 4**:

Have there been any changes in major IT systems in the last 2 years?

**Response:** None.

**Question 5**:

Were there any management letters or significant audit adjustments in the last 2 years?

**Response:** None.

**Question 6**:

Can you disclose the audit fees for the financial audit services for the past year?

**Response:** Yes.  The current contract to conduct an agency-wide financial statement audit for fiscal year ended August 31, 2019 was executed with KPMG for a fixed fee of $199,200. (THECB Agency Operations Committee meeting July 22, 2020, Agenda Item VI-A)

**Question 7**:

Have you received or do you anticipate receiving and spending funding related to the COVID-19 pandemic in fiscal year 2020 or 2021?

**Response:** Yes.  During the week of July 10, 2020, Governor Abbott announced [Texas will invest $57 million](https://gov.texas.gov/news/post/governor-abbott-allocates-emergency-education-relief-funding-for-texas-higher-education) in federal funds to maintain the state’s need-based financial aid programs, including TEXAS Grants, Texas Educational Opportunity Grants, and Tuition Equalization Grants, to help keep more students enrolled at their colleges and universities.

Also, during the week of July 24, Governor Abbott and the legislative leadership [announced](https://gov.texas.gov/news/post/governor-abbott-announces-additional-118-million-in-federal-funding-to-support-texas-higher-education) an additional $118 million in federal funding to support Texas higher education, including $93 million in financial aid to help students continue or restart their progress toward earning a postsecondary credential of value.

**Question 8**:

Does management draft their own financial statements?

**Response:** The Deputy Commissioner for Financial Services/CFO is responsible for oversight of this activity.

**Question 9**:

a.) Is there to be a single audit under this RFQ as well? b.) If not, what is the timing of the single audit finding results and c.) Will the financial statement auditor have access to those results before significant fieldwork for the financial statement audit?

Answer:

a.) No.

1. Timing of the single audit results usually occurs in March.
2. Typically not, due to timing because both audit entities are auditing the same fiscal year at the same time.

**Question 10**:

Can you release the prior year (2019) single audit findings if there were any?

**Response:** The Comptroller of Public Accounts and the State Auditor’s Office have completed the statewide single audit reporting package for the state of Texas for fiscal 2019 and submitted the required materials to the Federal Audit Clearinghouse as required by [2 CFR, Part 200, Subpart F (Uniform Guidance)](http://www.ecfr.gov/cgi-bin/text-idx?node=sp2.1.200.f). All state agencies and institutions of higher education are included in the statewide single audit performed by the Texas State Auditor’s Office/CliftonLarsonAllen LLP.   <https://fmx.cpa.texas.gov/fmx/finrpt/singleaudit/index.php>

**Question 11**:

How much weight in scoring or preference will be given to using a HUB subcontractor?

**Response:**

Evaluation Criteria for each of the Proposal Components:

|  |  |
| --- | --- |
| Technical Component | 40% |
| Management Component | 30% |
| Qualifications | 30% |
| Total | 100% |

**Question 12**:

Attachment A has a section E which is entitled “Exceptions to T&C”.  However page 10 of the RFQ under #3 of the second PDF section notes that exceptions should be included in the transmittal letter. Should we refer out the Attachment A section to  the transmittal letter?

Page 10 of the PRQ under #3 of the second PDF section notes “Any exceptions to this RFQ and the THECB Vendor’s Addendum, or any of the items listed under A.3.2 contracting process must be specifically noted in the letter.”

Our question is what is the THECB Vendor Addendum and what is section A.3.2 please?

**Response:** The THECB has posted an Addendum to the RFQ to address Question 12

**Question 13**:

Could you provide some information as the extent and nature of any debt financing/refinancing transactions that have occurred in fiscal year 2020 and also those anticipated going forward into the next fiscal year?

**Response:** In fiscal year 2020, we issued bonds for new money to issue student loans and for refunding the 2010 bond series.  Both issues were tax exempt PABs.  The THECB intends to issue up to $170M of new money bonds in July 2021 to fund new student loan relating to the 2021/2022 academic year and approximately $92M of refunding bonds to refund the 2011 bonds series that will become callable on 8/1/21.

**Question 14:**

Section 2.2 Statement of Work: In order to perform the audits of the general-purpose financial statements, the auditor shall be required to understand the THECB's internal control policies and procedures and evaluate the effectiveness of the entity's internal control. The financial audit shall include auditing of the stand-alone financial statements which include the THECB-administered college student loan programs and the remainder of the organization.

Are the ‘general-purpose financial statements’ and ‘stand-alone financial statements’ the same in this context or separate deliverables?

**Response:** They are the same.

**Question 15:**

Are there specific requirements, other than GAGAS,  that the entity has to meet in regards to certain controls testing and/or certifications that the audited financial statements are being used for ( such as Texas Administrative Code requirements or FISMA requirements) that would require testing of IT system controls?

**Response:** There are no other requirements beyond what is specified in the RFQ.

**Question 16:**

What is the current level of IT work in the financial statement audit, specifically number and name of applications typically tested under the scope of the financial statement audit for IT General Controls  (i.e. general ledger system, loan system, etc.), and  how many key application level controls are being tested within these systems?

**Response:** IT controls both general and application are tested to the extent necessary for the auditor to opine on the statements.  Auditors presently test the general ledger system, loan system, and payroll system as well as general information technology controls.

**Question 17:**

Section 2.2.3 Management Component – item 6 “Provide the status of any disciplinary action taken against the respondent by the Texas State Board of Public Accountancy and/or licensing boards of other states;”  As a national firm, it is acceptable to the Board to provide actions for only the State of Texas?

**Response:** Please provide the status of disciplinary action taken against the respondent by the TSBPA and/or licensing boards of other states.  The response may differentiate whether the disciplinary action is by the TSBPA or other licensing entities.

**Question 18:**

Section 2.2.3 Management Component – item 9 – Does the Board have a requirement or a set goal for the use a subcontractor?  What percentage was subcontracted in the previous year(s)?

**Response:** No minimum.  Report the extent of HUB used and identify.

**Question 19:**

Section 2.2.3 Management Component – item 12 – What is the Board expectation with regards to the use of Internal Audit?  Does internal audit currently provide support to the outside audit team?  If yes, what is the total effort in hours?

**Response:** The THECB has historically provided 50 hours of Internal Audit staff support to benefit both the external auditor and the Internal Audit function.

**Question 20:**

Section 2.3 Deliverables - Respondents must be available to begin the engagement preparatory activities on October 1, 2020.  What has been the timing for interim and final fieldwork testing in past audits?  Does management have a preference on the timing?

**Response**: Interim testing has been performed on significant IT controls, on or proximate to fiscal year end.  Other fieldwork has been performed in the March-May timeframe.  The THECB is willing to consider timeframes proposed by the respondent, given the constraints of financial reporting deadlines, holidays, etc.

**Question 21:**

Can you clarify if THECB wants fees to be include in the response for request for qualifications, if so, do you want fees for all years and is there a preferred format?

**Response:** Proposed fees are a required element of the RFQ response and should address the contract term as well as the renewal periods identified in the RFQ.