

**Amended Questions and Answers
Request for Proposals for Audit Services
2020-GA-02**

1. Are the internal control procedures for cash receipts, cash disbursements, and payroll distinct for each separate program that the Corporation provides (Innovation Institute / Broadband institute / EHealth Institute) or all under the same control environment?

All are under the same control environment

2. What is the CFDA number of the anticipated Federal funding that will require a single audit in 2021?

MassTech does not have the CFDA number. The grant funding would originate from the Department of Defense but MassTech would receive a subaward from another entity. The federal award terms and conditions indicate that MassTech would need to comply with the 2 CFR 200, Subpart F Audit Requirements.

3. What are the fees currently being paid for these services on an annual basis?

\$70,000

4. Was there a management letter comment report in the prior year?

No

5. How many adjustments are typically proposed by the audit firm?

0-1

6. Does the Corporation draft its own Management Discussion and Analysis or this this prepared by the firm?

MassTech drafts the MD&A.

7. Who will draft the basic financial statements?

MassTech prepares the financial statements.

8. What makes up the difference in government wide accrued expenses compared to governmental?

Some accrued expenses were not paid with current financial resources and therefore were not reported in the fund statements.

9. Does the state funding currently being received have restricted uses?

MassTech classifies state appropriations as restricted funds since the funds are to be used for the specified line item and/or program purposes.

10. Are the 2019 audited financial statements available? The link within the RFP is to the 2018 statements.

The 2019 audited financial statements are now available on our website:

<https://masstech.org/masstech/annual-reports>

11. Does management prepare the financial statements?

Yes

12. Were there any adjustments proposed by the CPA Firm?

Yes, there was one adjustment proposed to the FY19 audited financial statements.

13. How long have you had the current firm? Any reason for going out to bid for the audit?

5 years. In accordance with MassTech's procurement policies and procedures, MassTech periodically rebids the services.

14. Are the prior year's CPA required communications available for review?

Not at this time

15. Any idea as to an estimate of audit hours spent in performing the prior year's audit engagement?

Unknown

16. Are there organizations in existence that could potentially create a conflict of interest if they are existing clients of a CPA Firm?

Please see the MassTech Procurements Conflict Policy located at

<https://masstech.org/procurements/procurement-conflicts-policy>, as well as a list of MassTech's grantees located at <https://www.dropbox.com/sh/if91w8mj39qvt75/AAAr-METP2D2n4ilhnKAvPT8a?dl=0>, to make that determination.

17. Are there any specific improvements Mass Tech Collaborative would like to see in the audit process?

MassTech is generally satisfied with the current audit process but does believe that there is areas that can be improved. One areas would be the communication, requests, and level of work required after the fieldwork is completed until the issuance of the audit report.

18. The current RFP (and previous RFP - RFP No. 2015-GA-07) refer to financial statement deadlines of October. The June 30, 2018 financial statements have a report date of December 21, 2018. What were the factors that caused the financial statements to be issued approximately 2 months after the deadline?

Please see the subsequent events footnote.

19. What accounting software program do you use?

Abila MIP Fund Accounting

20. Has your current audit firm ever included Information Technology (IT) specialists on the audit team to perform inquiries and tests specific to your IT networks, servers and accounting information software programs?

Yes.

21. The RFP states that MassTech is likely to receive federal funding during fiscal year 2020 that will require a compliance audit starting in fiscal year 2021. To assist in estimating the fees associated with the potential federal grant compliance audit, please complete the table below or provide similar information. We understand that the information provided would be estimates.

MassTech has not been awarded these funds yet therefore it cannot provide the level of detail requested. MassTech anticipates that the award would be a two or three year award and it would expend between \$1-2 million in each of the years.

22. What portions of the audited financial statements does Mass Tech Collaborative directly prepare?

MassTech directly prepares the MD&A, the financial statements, and the footnotes.

23. Has your current audit firm issued any "Management Letter" reports during the past 3 years? If so, please provide electronic versions of such reports (or provide access through your website).

No.

24. Please provide a summary of audit fees for the following fiscal years ended:

- a. **June 30, 2019 \$70,000**
- b. **June 30, 2018 \$70,000**
- c. **June 30, 2017 \$70,000**

25. Were there any additional billing from the auditor for the FY2019 audit and, if so, what was the amount and reason(s)?

No.

26. Does the organization anticipate any new major funds for the June 30, 2020 fiscal year?

MassTech expects to be a subaward of federal funding during fiscal year 2020 but we do not expect to reach the level requiring an audit for this year.

27. Did the auditor prepare a management letter for the Organization for the year ended June 30, 2019?

No.

28. Have there been any significant changes in the operations of MassTech since the 2018 audit that would have a significant impact on the scope of the engagement?

No.

29. How many auditors are on-site during each stage of the audit process, and what is the composition of the audit team?

There are usually 2-3 staff onsite during each stage of the audit process. The audit team in the past has consisted of a Partner, Senior Manager, Assurance Manager, Senior Associate and Assurance Associate.

30. Were any adjusting journal entries proposed by the auditors during the 2019 audit? If so, how many?

Yes, one adjustment was proposed.

31. Are there any known significant transactions/activities planned for the future periods covered by the RFP that should be considered in our proposed fee structure and/or audit approach?

MassTech is not aware of any known significant transactions other than listed in the RFP. MassTech does receive annual appropriations and bond funds from the Commonwealth of Massachusetts to fund its programs and the level of funding may vary which will impact the revenue and expenditure levels as well as number of related transactions from year to year.

32. Are there any significant contingencies or legal issues that could have an impact on the financial statements for the year ending June 30, 2020?

None that MassTech would expect to have an impact on the financial statements.

33. Are the (i) government-wide financial statements, including the reconciliations to the fund financial statements; and (ii) fund financial statements, including the notes to the financial statements prepared by the Organization, or is it anticipated that such be prepared by the auditor?

MassTech prepares the financial statements, including the reconciliations and notes.

34. Did the incumbent firm provide any nonattest services during the year ended June 30, 2019? If so, please describe.

No.

35. For each nonattest service provided by the incumbent firm during the year ended June 30, 2019, please provide the fees charged for each type of service.

N/A.

36. Please describe any information system upgrades or replacements expected that may impact the scope of the audit during the period of the contract.

None

37. Please provide copies of the required communications to the Finance Committee, including management letter, received from the external auditors for the most recent audit.

Please see the prior year's CPA required communications located at <https://www.dropbox.com/sh/if91w8mj39qvt75/AAAr-METP2D2n4ilhnKAvPT8a?dl=0>

38. Were there any audit adjustments that were posted for the year ended June 30, 2019? If so, please provide the number of such audit adjustments and describe nature and dollar amount of each adjustment.

There was one audit adjustment to adjust the unearned revenue and receivable balances as of June 30, 2019 for about \$8.7 million. This related to revenue that had been billed but not received by year end.

39. Were there any waived audit adjustments (misstatements identified by the audit firm but not recorded in the financial statements) for the year ended June 30, 2019? If so, please provide the number of such waived adjustments and the nature and dollar amount of each.

No.

40. The RFP describes the need for an audit to be conducted in accordance with the Uniform Guidance for the year ending June 30, 2021 (and possibly beyond).

- a. What is the CFDA number(s) for the federal financial assistance to be received for the program anticipated to be audited as a major program(s)? **Unknown**
- b. In the absence of knowledge of the CFDA number(s) for the program(s) to be audited as major programs, how would you like us to include a fee in the proposal (since determining a fixed fee in the absence of knowledge relating to the compliance requirements of the major program(s) to be tested would most likely not be possible)? **The federal award terms and conditions indicate that MassTech will need to comply with the audit requirements of 2 CFR 200, Subpart F Audit Requirements.**

41. Please describe the type of audit procedures that were performed by the incumbent firm as part of its interim audit fieldwork stage of the audit (mid-June through early July).

Review of the following items:

- **Significant transactions, events or activities during the fiscal year**
- **Updates to the control procedures, if any**
- **MassTech Board and committee minutes**

- **Trial Balance and GL details through the last closed period**
- **Significant contracts**
- **SOC1 reports**
- **Confirmations are prepared and signed by MassTech**

42. Are there any changes in the Organization's operations during the year ended June 30, 2020 when compared to the year ended June 30, 2019? If so, please describe.

No.

43. Are there any projected changes in the Organization's operations during the years ending June 30, 2021 through 2024? If so, please describe.

The RFP indicated the expectation to received federal funding. In addition, MassTech receives annual appropriations and bond funds from the Commonwealth of Massachusetts to fund its programs; the level of funding may vary which will impact the revenue and expenditure levels as well as number of related transactions from year to year.

44. For lease arrangements within the scope of GASB Statement No. 87:

- What are the number of leases? **2**
- Please describe the nature of such leases.
 - MassTech is the lessor to Kopin Corporation for the Integrated Circuit Fabrication Facility located on MassTech's campus on North Drive.**
 - MassTech is the lessee to SHIGO Center Plaza owner for office space located at 2 Center Plaza, Boston, MA.**
- Was a further analysis performed of the impact of GASB Statement No. 87 and, if so, please describe the Organization's current understanding of the impact.

We have not performed an in-depth analysis of the impact of GASB Statement No. 87 and will require guidance from the selected firm.

45. American Institute of Certified Public Accountants (AICPA) guidelines prohibit accounting firms from indemnifying attest clients for damages, losses, or costs that relate, directly or indirectly, to an attest's client's acts. Given this prohibition, would MassTech consider removing the indemnification requirements contained under in the draft Services Agreement?

MassTech is willing to consider removing this requirement if it is prohibited.

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

Yes

47. How are the costs related to the fiber network tracked?

The costs related to the fiber network are tracked in a separate Fund.

48. Do you have an internal audit function? If so, please provide any reports that would have an impact on the financial statement audit.

No

49. Is the transition to a new audit firm a concern? If so, why? What would lessen your concern?

No

50. What are your most significant concerns as an organization?

MassTech has no concerns to be discussed at this time but will apprise the chosen vendor should any arise.