

Pueblo City-County Library District
Audit Services RFP #4-2018
Questions & Answers

1. Can you please provide information on the annual price for the previous audit contract?

Cost of PCCLD 2017 audit and preparation of the 2017 990 tax return: \$25,000
Cost of Pueblo Library Foundation 2017 audit: \$4,500
Cost of Pueblo Library Foundation 2017 990 tax return: \$1,000

2. Can you please provide copies of the management letter and governance letter prepared by the auditors for the 2017 audit?

Available upon direct request via email to sherri.baca@pueblolibrary.org

3. Have there been any known instances of fraud or illegal acts during the previous three years?

No

4. Were there any major IT system failures or other significant IT issues noted during the previous three years?

No

5. Have there been any regulatory audits performed during the previous three years?

An attestation engagement to examine PCCLD's assertions about the significant elements of payroll census data reported to Colorado Public Employees' Retirement Association (PERA) [name, payroll period, social security number, PERA-includable salary, and employee and employer contributions] was conducted for the year ended December 31, 2016.

If so, were there any major findings or issues brought to management's attention?

There were no major findings or issues brought to management's attention.

6. Has the Library District engaged its auditors to perform any additional services in the past three years?

Only the PERA attestation engagement previously mentioned

Other than the items noted in the Scope of Work, is the Library District considering engaging its auditors to perform any additional services, such as the PERA net pension liability calculations relating to GASB 68 or 75?

PCCLD is compliant with GASB 68. Further discussion is needed to address the provisions of GASB 75.

7. The RFP refers to the Single Audit guidance – does the Library District anticipate exceeding \$750,000 in federal expenditures in the upcoming five year contract period?

No, not at the current time

8. Did the Foundation have issue separate audited financial statements for 2017 or was it just part PCCLD's financial statements? If they did, is it possible to get a copy?

Yes, the Pueblo Library Foundation has separately issued financial statements. A copy of the 2017 audit report is available upon direct request via email to sherri.baca@pueblolibrary.org.

9. May I get a copy of the 990 for the Foundation (the latest that has been prepared)?

Yes, a copy of the 2016 Form 990 for the Pueblo Library Foundation is available upon direct request via email to sherri.baca@pueblolibrary.org. The 2017 Form 990 has not yet been filed.

10. Who serves on the Audit Committee?

Three members from the library district's board of trustees serve on the audit committee

11. Is there a mandatory auditor rotation policy in place for the library district?

No, there is not a mandatory auditor rotation policy in place. The library district typically follows a 5-year RFP schedule for audit services (as it does with other operating activities, i.e., janitorial, insurance broker services, etc.) However, the schedule and activities for procurement are subject to business needs.

12. What is your process for choosing an auditor?

As stated in Section VII of the RFP:

An audit committee consisting of members of the Board of Trustees, along with executive leadership and designee(s) will evaluate the proposals. During the evaluation process, the audit committee and PCCLD reserve the right, where it may serve PCCLD's best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. During the evaluation process, the audit committee and PCCLD may, at its discretion, request any one or all firms to make oral presentations. Not all firms may be asked to make such oral presentations.

The audit committee recently reviewed the GFOA best practices in selecting an independent auditor which include obtaining a high quality audit at a reasonable price and to avoid focusing on price at the expense of quality.

13. To whom has the RFP been sent?

The RFP has been posted on the websites of the library district, CGFOA and Colorado Society of CPAs. Firms that the district staff encountered at the 2017 CGFOA annual conference were sent the RFP as were firms that district is aware has audited libraries in Colorado. The RFP was also posted on the Rocky Mountain e-Purchasing Bids System.

14. Are any changes in operations or revenue anticipated for the library district in 2018?

No, we anticipate our 2018 results will closely follow the district's 2018 Annual Budget which can be found at <http://www.pueblolibrary.org/about/reportsandplans>

15. Does the library district produce the full CAFR document or is the auditor assisting with it?

For the past few years, the audit firm has been assisting with the production of the financial statements, notes to the financial statement and RSI by using the district's financial data (general ledger). District staff have completed the CAFR by adding the additional components (Introductory Section, MD&A, and Statistical Section). It is the desire of the district to explore producing the full CAFR in coming years upon reorganizing staff workloads to accommodate the CAFR activities. The district finance team is currently working on continuous improvements in procurement, cash management, internal controls, etc.—we are adding technology to our processes and data systems.

The library district currently submits its Annual Plan & Budget and the CAFR for the GFOA's budget and financial reporting awards, for which both awards have been achieved for a number of years.

16. How long has your current auditor been in place?

We have had the same firm—Swanhorst & Company—as our auditor since 2013 when our previous RFP for audit services was released. Swanhorst & Company merged with Hinkle & Company late 2017, and our 2017 audit report was issued by Hinkle & Company. We worked with the (previously) Swanhorst audit team which completed the 2017 field work.

17. Do you prepare the financial statements for the District and the Foundation?

For the past few years, the audit firm has been assisting with the production of the financial statements, notes to the financial statement and RSI by using the district's financial data (general ledger). District staff have completed the CAFR by adding the additional components (Introductory Section, MD&A, and Statistical Section). It is the desire of the district to explore producing the full CAFR in coming years upon reorganizing staff workloads to accommodate the CAFR activities. The district finance team is currently working on continuous improvements in procurement, cash management, internal controls, etc.—we are adding technology to our processes and data systems.

18. When are the financial statements typically completed and available for review?

Financial data is ready for the interim audit field work which is typically scheduled for early December. Final data for the fiscal year is ready for the final field work which is typically scheduled for mid-March.

As stated in Section IV. B. of the RFP, we ask that the auditor have drafts of the audit report(s) and recommendations to management available for review by the Audit Committee and the CFO by May 15. The auditor should be available for any meetings that may be necessary to discuss the audit reports. The auditor must deliver the final report to the library district board of trustees at the regular June board meeting which is typically the fourth Thursday evening of each month, but is subject to change by the board of trustees [at minimum by June 30 as required by C.R.S. 29-1-606(a)(1)]

19. Did the auditor report any significant deficiencies or material weaknesses in 2017?

No

20. Did the District have any adjusting journal entries as a result of its audits for 2017 or 2016?

Yes

What was the nature of the adjustments, if any?

2017 Adjustments:

Library District—a \$5,500 adjustment was needed to clear out a Transfer To/From Special Revenue account which had a balance from the 2016. It was missed inadvertently in 2017. The offset was to a marketing expenditure account. (See 2016 audit adjustment below.) Only one adjustment was needed in 2017.

Foundation—a \$5,250 adjustment was needed to book the in-kind donation from the library district for 2017 audit fees. Only one adjustment was needed in 2017.

2016 Adjustments:

Library District—

- \$5,500 adjustment to remove transfer from the General Fund that represented a contribution to the Foundation from the Special Revenue Fund (offsetting adjustment was made in Special Revenue Fund).
- \$18,548 adjustment to eliminate negative Interfund payable (for reporting purposes only)
- \$55,208 adjustment in the Fixed Asset Fund to remove accumulated depreciation related to assets deleted in 2016.
- Passed Adjusting Journal Entry: \$79,101 to agree capital assets GL balances to the fixed asset accounting software. This entry was ultimately booked in 2017 as we worked on improvements in our fixed asset systems (reporting, inventory, etc.)

Foundation—

- \$5,500 adjustment to record contribution from the library district
- \$26,162 adjustment to reclassify in-kind contributed salaries
- \$990 adjustment to reclassify long-term pledges receivable (for reporting purposes only)

21. Were there any changes in operations, key people or programs at the District in 2018?

No

Are any significant changes anticipated in the next 5 years?

No

22. Why is PCCLD going out to bid and how often does PCCLD go out to bid? Does PCCLD require firm rotation or will the current auditors be invited to propose?

PCCLD has completed the 5th and final year under the current contract (2017 audit is the final year). There is not a mandatory auditor rotation policy in place. The library district typically follows a 5-year RFP schedule for audit services (as it does with other operating activities, i.e., janitorial, insurance broker services, etc.) However, the schedule and activities for procurement are subject to business

needs. The last RFP for audit services was issued by PCCLD in 2013. All qualified audit firms, including the current audit firm, are invited to submit a proposal for consideration by the district.

- 23. The RFP indicates that the auditor is responsible for the preparation of the report and that PCCLD will be responsible for the preparation of the CAFR. Please clarify those responsibilities. Is it anticipated that the auditor will prepare the basic financial statements, footnotes, and financial statements schedules and that PCCLD will prepare the MD&A, statistical section and remaining CAFR schedules? If the auditor provides assistance with the preparation does PCCLD have the word and excel files for the financial statements to provide to the auditor?**

For the past few years, the audit firm has been assisting with the production of the financial statements, notes to the financial statement and RSI by using the district's financial data (general ledger). District staff have completed the CAFR by adding the additional components (Introductory Section, MD&A, and Statistical Section). It is the desire of the district to explore producing the full CAFR in coming years upon reorganizing staff workloads to accommodate the CAFR activities. The district finance team is currently working on continuous improvements in procurement, cash management, internal controls, etc.—we are adding technology to our processes and data systems.

PCCLD can provide all general ledger data electronically and many of our processes are electronic with the ability to produce customized reports exported to Excel or pdf (P-card spending, payroll, purchasing, scanned documents, etc.)

- 24. Does PCCLD prepare the required calculations for GASB 68 or have those been historically done by the auditor? If prepared by the auditor, does PCCLD have supporting calculations for the prior years, including the amortization schedules?**

GASB 68 calculations have historically been done by the auditor. We do have the supporting schedules for prior years.

- 25. Based on review of the footnote disclosures, PCCLD currently has two operating leases. Has PCCLD started the evaluation of the impact of GASB Statement No. 87, Leases to PCCLD?**

Review of GASB 87 is happening now.

- 26. Are there any major events/transactions anticipated for fiscal years 2018 through 2020 that are known at this time?**

PCCLD has commenced an interior re-design project for our main location—the Rawlings Library, a 110,000 square foot building constructed in 2003. It is anticipated that we'll have the design plan, schematic drawings and cost estimates completed by the end of 2018. From there, we will launch a capital fundraising campaign and likely complete construction in phases. Possibly the project could be as high as \$4M.

The potential effects of the Gallagher Amendment on PCCLD's 2020 budget are being projected. We have taken an active approach to learning about potential remediation for the cuts to property tax if the residential assessment rate continues to fall as predicted by the Colorado Legislative Council. Last week, the PCCLD executive leadership team offered testimony at the State capitol to the Alternatives to the Gallagher Amendment Interim Study Committee.

- 27. Are you willing to share your thoughts on how, or if, the process for completing the audit could be improved? What is most important to you in working with your auditors?**

We have enjoyed a good working relationship with our current auditors and past audits have helped us improve. We are extremely pleased with the effectiveness of our financial reporting system while seeking to continuously improve. It is important that the audit team, or at least leadership of the engagement, be stable and competent. It is our hope that we can work with one or more of the same folks from the audit firm on each engagement year to year.

Acclimating new auditors to our organization each year is time consuming—continuity is key.

- 28. What tools (e.g., disclosure checklists) has the PCCLD historically used in preparing the financial statements to ensure financial statements and disclosures are complete and pursuant to current guidance? What resources would the PCCLD like the auditor to provide?**

Because the auditor has prepared the financial statements and notes, we haven't established resources like checklists and such. As we work toward doing this work in-house and setting up internal systems, we can envision the auditor being a resource in the transition.

- 29. What challenges does the PCCLD expect to face over the next five years (i.e. accounting system limitations including peripheral applications, etc.)? How can the auditor provide help to the PCCLD with these challenges, taking into consideration independence requirements?**

Being a progressive institution with forward moving annual plans instituted each year, we have done much to improve PCCLD's systems. In the past two calendar years, we have improved our payroll, p-card, banking and cash management systems. We are currently upgrading our accounting, purchasing and fixed asset software. We are updating our asset valuations on our capital asset replacement plan, improving internal controls and adding electronic payment processes. We are currently kicking off our budgeting process for 2019. Only the Gallagher Amendment is contemplated as a challenge over the next five years beginning in 2020. The state legislature is studying what can be done to fix Gallagher before significant cuts to property tax revenue impact taxing districts throughout the state (counties, cities, metro districts, special districts, etc.)

- 30. Were there any known instances of fraud or illegal acts during the fiscal year?**

No

- 31. Has there been any litigation against the PCCLD during the past three years?**

No

- 32. Does the PCCLD utilize outside service providers for any significant functions (i.e. payroll services)?**

We use Paylocity for our payroll and UMB Bank for our P-card program.

- 33. Is the PCCLD willing to share historic audit fees for the PCCLD's financial audit?**

Fees are indicated in Question #1

- 34. Is the PCCLD willing to share historical audit hours, or if not known, how many auditors were generally at the PCCLD during interim and final fieldwork and how long was fieldwork generally scheduled?**

We do not know historical audit hours. For the 2017 audit, interim field work spanned two days (2 audit staff the first day and 1 staff the second day). Final field work spanned four days (2 audit staff on-site the first day and 1 staff the remaining 3 days). We uploaded much electronic data to a shared Dropbox which seemed to make the process more efficient. PCCLD schedules a full week for both the interim and final fieldwork, preferably the second or third weeks of December and March each year.

- 35. Please provide the following, if applicable, relating to the fiscal year 2017 and 2016 audit for the PCCLD:**

- a. **Audit Adjusting Journal Entries** — See Question #20
- b. **Passed Adjusting Journal Entries (not posted)** — See Question #20
- c. **Management Letter (internal control deficiency communication, or SAS I 15)** — Management letters are available upon email request to sherri.baca@pueblolibrary.org
- d. **Final letter to the PCCLD Board and/or Audit Committee (SAS 114).** — not applicable