

QUESTIONS AND ANSWERS

REQUEST FOR QUALIFICATIONS (RFQ) PROJECT NO. 13-30

Project Title: Financial Statement Opinion Audit Services

Date: August 28, 2013
To: Prospective Respondents
From: Procurement Operations Department, Houston Community College
Subject: Questions and Answers Request for Request for Proposals, HCC Project No. 13-30

1. Tab 1 and Tab 2 - Indicate whether your company is currently in default on any loan agreement or financing agreement with any bank, financial institution, or other entity. If so, specify date(s), details, circumstances, and prospects for resolution.

Answer: Provide information requested in Tab 1. The similar request in Tab is hereby removed in its entirety.

2. Tab 2 and Tab 3 item 1.h.1) – Certify that the firm is legally permitted or licensed to conduct business in the State of Texas for services offered and Confirming that the respondent/firm is licensed to practice as an independent certified accounting firm

Answer: Provide answers under each Tab. Tab 3 item 1.h.1 confirms whether your firm is independent and both address licensing and legally permitted provision of services.

3. Tab 3 Item 1g – Provide a brief description of your firm. Can this be addressed in Tab 2? Company Profile section?

Answer: No.

4. Tab 2 and Tab 3 Item 1e - Describe the local office's capability to audit information systems, include the qualifications of personnel skilled in information systems who will work on the audit, if required. Is a distinction being made between the local office and the firm's capabilities?

Answer: Yes

5. Tab 3 Item 1c and Tab 3 Item 2e – Describe your firm's financial statement opinion auditing philosophy and general financial auditing methodology

Answer: Provide information responsive to Tab 3 Item 1c. The similar request in Tab 3 Item 2e is hereby removed in its entirety.

6. Tab 3 Item 1d and Tab 3 Item 2– Describe the projects your team has been associated with in providing financial opinion statement auditing services. Is there different information being requested for Item 1d and Item 2?

Answer: Yes. Item 1d is a general statement and Item 2 is specific.

7. Tab 6A and 6B – can references noted in 6A be repeated in 6B. Also, how does that correlate to Item 2 under Tab 3

Answer: Yes. References provided in Tab 6A may be repeated if they apply to 6B. With respect to correlation, based on a firm's history, they may or may not correlate.

8. Section IV – 4. Tab 3 – Demonstrated Qualifications of Firm. Can you please clarify what is expected to be presented to address item 1 that seems to request items a-h to be noted for each project experience. However, it appears items a-h are general in nature for the Firm as a whole.

Answer: Provide information requested in Tab 3 item 1 a-h that provides general overall qualifications of your firm as it relates to projects similar to the scope of work requested herein.

9. Section IV – 7. Tab 6 – Past Performance and References – can you please clarify what is meant by List all projects for which your firm was responsible that were unsuccessful?

Answer: Nothing is implied. Please list any unsuccessful projects that were similar to the work requested herein

10. Section IV – 7. Tab 6 – can you please clarify what is meant by describe techniques or procedures utilized on previous Bond projects? Is that in relation to the auditor’s involvement with bond offerings?

Answer: The sentence, ‘describe techniques or procedures utilized on previous bond projects is hereby removed in its entirety.’

11. Section IV – 7. Tab 6 – References – how many references are being requested for each category

Answer: No specific number of references is requested. However, the list of references should be limited to all customers for whom you have performed similar work during the last 3 to 5 years.

12. Section X – Internship Program – is this a requirement for all contracts with HCC?

Answer: No. It is a requirement of all solicitations but may not be for all contracts with HCC.

13. What is the reason for issuing an RFP?

Answer: This is a Request for Qualification (RFQ) not a Request for Proposal (RFP)

14. Are the current auditors eligible to bid?

Answer: No.

15. Section IV - 4. Tab 3 Item 1.h.8) – can you please define “other auditors”? Is that internal audit?

Answer: Other auditors may be internal auditors and possible work papers from previous external auditors.

16. Section IV- 6. Tab 5 – Technical Approach & Methodology – can you please clarify what questions should be addressed in this section?

Answer: Please describe your firms ability and comfort level in dealing with each of the categories mentioned in this section. A general discussion of each numbered topic 1-5 is required.

17. Section IV – 6. Tab 5 – Item 4. Record Accessibility and Computerized Accounting Records – can you please share what type of reports and queries the prior auditor ran for purposes of the audit. What type of access is granted to the auditor to be able to perform this function?

Answer: External auditors are provided the Trial Balance detailed by account. They were also given total access to the PeopleSoft Finance system to run any reports needed in addition to any queries deemed necessary.

18. In what areas can your auditor create added value?

Answer: External Auditors are encouraged to review HCC's reports and discuss any issues. For example, input into the annual risk assessment.

19. Are there any areas within the audit or the College's operations that impact the audit that is of special concern to management?

Answer: Financial Aid and IT Security which are being addressed.

20. What are the most significant challenges incurred during the FY 2012 audit, if any?

Answer: Financial Aid and IT Security which are being addressed.

21. Is the transition to a new auditor a concern? What would lessen your concern?

Answer: Yes, collaboration and knowledge transfer between the incumbent and the new auditing firm.

22. How would you describe the College's internal control environment?

Answer: Internal Control is the responsibility of management. HCC's Internal Audit Department (IAD) has not done an entity level control environment audit.

23. Please provide a copy of the College's most recent internal control letter.

Answer: The external auditors have not issued a letter for FYE 2013.

24. What was the nature and magnitude of any audit adjustments for the FY 2012 audit?

Answer: Normal routine post-closing entries.

25. What level/areas of assistance, if any did the internal audit function provide in prior audits? Will the level of assistance continue for this and future audits?

Answer: Over 380 hours mainly in single audit and inventory testing. No.

26. Did the previous auditors use a HUB certified subcontractor?

Answer: No.

27. What HUB certifications does the College accept? Does the City maintain a list of HUB certified entities?

Answer: Houston Community College accepts certifications from: The State of Texas HUB Program, Metropolitan Transit Authority, City of Houston, Texas Department of Transportation, Houston Independent School District and the Small Business Administration. HCC does not maintain a list of HUB certified entities.

28. What GASB standards does the College expect to be applicable during FY 2013? What process does the College employ to evaluate the implications of new GASB standards?

Answer: External Auditors will coordinate with State of Texas Coordinating Board and HCC Accounting team.

29. What were the audit fees for FY 2011, 2012 and 2013? Does the audit fee amount include any overrun billings?

Answer: See HCC's Annual Financial Report (AFR) to estimate time, effort and cost.

30. Generally, how long were the auditors in the field for interim and final fieldwork and how many people?

Answer: See HCC's AFR to estimate time, effort and cost.

31. Tab 2 – Company Profile: Paragraph 4 requests for “net sales data”. Please clarify what is intended by “net sales”. For example, is this gross revenue net of (name)?

Answer: Please provide gross and net revenue.

32. Tab 3 – Demonstrated qualification of firm: Paragraph 1(d) requests for a description of the projects the audit team has been associated with in providing financial opinion statement auditing services. Do you mean all kinds of projects or only the projects that may be considered relevant to this RFQ?

Answer: Refer to Tab 3, paragraph 1.

33. Tab 3 – Demonstrated qualification of firm: Paragraphs 2(a, b and c) request for a description of previous projects worked. Please clarify if this is different from the information requested in Tab 3 paragraph 1(d)?

Answer: The clients may be the same; however, please answer according to the format requested.

34. Tab 3 – Demonstrated qualification of firm: Paragraph 2(e) requests for financial auditing services philosophy and methodology. Please confirm if it is okay to provide this information one time in Tab 3 paragraph 1(c) where it was previously requested?

Answer: Paragraph 2(e) asks for information pertaining to auditing computerized systems, the IT methodology and the usage of

various information systems. Paragraph 1 (c) does not stipulate a particular method and should be answered in the manner as requested.

35. Tab 6A – Past Performance: The first paragraph asks for establishing the firm's experience and past performance in providing and completing financial statement opinion auditing services. Please clarify if this is different from the information requested in Tab 3 paragraph 1(d), Tab 3 paragraph 1(f) and Tab 3 paragraph 2(d)? Can this information be provided one time in Tab 3?

Answer: Please provide the detailed as requested in Tab 6 A. There may be some duplication; however there are also differences. Responding as requested in the RFQ will allow efficient assessment.

36. Tab 6B – References: This section asks for reference contact information on ALL customers the firm has provided similar services during the past 3 - 5 years. However, Tab 6A in its first paragraph asks for reference contact information on 3 similar projects that have been successfully completed. Please clarify if only one or both of these requests should be provided.

Answer: Please provide both requests.

37. Tab 6A – Past Performance: In the third (3rd) paragraph, the request is for information of past performance on community college/junior college/and or higher education financial statement auditing services as a prime contractor. Do you simply need a listing of project descriptions? If project descriptions, please clarify if this is different from the information requested in Tab 3 paragraph 1(d), Tab 3 paragraph 1(f) and Tab 3 paragraph 2(d).

Answer: Provide a list of your clients (past and present) that are classified as community college/junior College and or higher education. These same references will appear in other areas of this request identifying express details.

38. Tab 6A – Past Performance: In the sixth (6th) paragraph, the request is for information on the firm's past performance in providing financial statement opinion audit services oversight and planning. Please provide more clarity on the intended meaning of "oversight and planning". In addition, please clarify if this is different from the information requested in Tab 3 paragraph 1(d), Tab 3 paragraph 1(f), Tab 3 paragraph 2(d), and Tab 6A third (3rd) paragraph.

Answer: Tab 6a Sixth paragraph is all inclusive of those items indicated and referenced in TAB 3-1d, 1f, and 2d. Expound on your planning process.

39. What were the total audit fees paid for fiscal years 2012 and 2011?

Answer: See AFR on HCC's website to estimate time, effort and cost.

40. If known, how many hours did the auditors bill for the fiscal year 2012 audit?

Answer: See AFR on HCC's website to estimate time, effort and cost.

41. How many meetings (in total) are typically scheduled between the auditors and the board of trustees and/or the Audit committee per year?

Answer: Board of Trustees- approximately two to three and the Audit Committee will conduct approximately two meetings. However, HCC expects the Audit firm to attend meetings when requested.

42. Section VII B. – Minimum Qualification Standards ---- Please clarify what is meant by the "lead auditor team member"?

Answer: The team of professionals that conduct the audit shall have a team leader, which should be a Certified Public Accountant (CPA).

43. Provide a copy of FY2012 audited financial statements.

Answer: See HCC website via the following link:
<http://www.hccs.edu/hccs/faculty-staff/business-affairs>

44. Provide a copy of any management letter issued by the auditors in FY2012.

Answer: This information will be provided to the awarded auditing firm.

45. Other than the bonds issued in April 2013, any other information on how fiscal year 2013 might be significantly different from fiscal year 2012?

Answer: 1) Implement Statement 65-Reporting deferred elements as Inflows and Out Flows, 2) Statement 4- Reference to Net Assets changed to Net Position, 3) GASB 62- Removing references to FASB, 4) Schedule A-Reporting Tuition/ Fees & Waivers, 5) MD&A - Three years of comparative data, and 6) a large investment pool.

46. Is HCC planning to submit a comprehensive annual financial report (CAFR) to Government Finance Officers Association (GFOA) for 2013 and beyond?

Answer: Yes.

47. Who prepares the financial statements and footnote disclosures – HCC or auditors?

Answer: The HCC Accounting team.