

**Independent External Audit Services for the
NY State of Health
RFP #: 15845**

**Questions and Answers
11/17/2014**

1: On page 10 of RFP# 15845, Section 3.1.1, it states "As a program administered by DOH, the Marketplace is covered by the annual New York State Single Audit (OMB A-133), which includes the expenditure and use of federal grant funds." On page 21 of RFP# 15845, Section 4.2 A, it states "(ii) Year one (1) is inclusive of an OMB A-133 Audit Report." Can you clarify whether or not the appointed independent external auditors will be responsible for performing a separate A133 audit for the Marketplace for fiscal periods ending December 31, 2014, 2015, 2016, 2017, and 2018?

Answer: The auditor selected as a result of this RFP is not required to perform a separate A-133 audit for any of the above referenced contract years.

2: Section 4.2 Section A states that Year 1 is inclusive of an OMB A-133 Audit Report. However, Section 3.1.1 states that the contractor will not be required to duplicate tasks that have been performed in the connection with the completion of the OMB A-133 audit. Can the Department provide further clarification on whether an OMB A-133 report is required?

Answer: The auditor selected as a result of this RFP will not be required to perform a separate A-133 audit or issue an OMB-133 report. Accordingly, Section 4.2.A on page 21 of the RFP, and Contract Year one (1) Cost (i) of Attachment 4: Cost Proposal is amended and replaced in its entirety with Attachment 4A: Cost Proposal. Offerors should not include the cost of preparing an OMB A-133 report in their Year 1 cost proposal.

3: What CPA firm is currently performing the OMB A-133 audit for the period from 4/1/13-3/31/14? Will that CPA firm's working papers be made available to the auditors of the Marketplace's financial statements?

a. Will that CPA firm also be issuing a complete set of audited financial statements for the Marketplace for the period from 4/1/13 – 3/31/14 that will be filed along with the OMB A-133 report?

Answer: KPMG performed the 2013-14 OMB A-133 audit. We do not anticipate work papers will be available. However, as stated on page 11 of the RFP, the auditor selected as a result of this RFP may rely on the opinion expressed by the firm completing the OMB A-133 to the extent that it is applicable and available in accordance with GAAP and GAGAS.

a) Bidders should not assume that the auditor performing the OMB A-133 will make the work papers available.

4: Does the Marketplace have expenditures of federal awards that will be included in the Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs? If so, what are the Catalog of Federal Domestic Assistance (CFDA) numbers for those awards? Are any of them part of a cluster, as defined by the Office of Management and Budget Circular A-133 Compliance Supplement?

Answer: The CFDA number for the Exchange grants (all of them) is 93.525.

5: In page 10 of RFP 15845, Section 3.1, it states "DOH will require an annual audit report and audited set of financial statements to be issued as a product of the audit no later than February 15th of each year." As the anticipated contract start date indicated on page 1 is January 15, 2015, will there be an extension to submit the audited financial statements for the year 1 of the contract (fiscal period end December 31, 2014)?

Answer: Section 3.1, on page 10 is hereby amended to read (additional language underlined): "DOH will require an annual audit report and audited set of financial statements to be issued as a product of the audit no later than February 15th of each financial year with the exception of year one (1), in which the audit report and audited financial statements will need to be issued no later than March 16, 2015."

6: Considering the depth and complexity of this project with little lead time before the February 15 audit report deadline (i.e., a contract commencement date of January 15, 2015), can the deadline be extended for the first year?

Answer: Section 3.1, on page 10 is hereby amended to read (additional language underlined): "DOH will require an annual audit report and audited set of financial statements to be issued as a product of the audit no later than February 15th of each financial year with the exception of year one (1), in which the audit report and audited financial statements will need to be issued no later than March 16, 2015."

7: Section 3.1 indicates that the audit of the financial statements should be completed by February 15. Does this requirement apply for the financial statements for the year ended December 31, 2014? When would the draft financial statements suitable for audit be expected to be prepared to facilitate completion of the audit by February 15?

Answer: Section 3.1, on page 10 is hereby amended to read (additional language underlined): "DOH will require an annual audit report and audited set of financial statements to be issued as a product of the audit no later than February 15th of each financial year with the exception of year one (1), in which the audit report and audited financial statements will need to be issued no later than March 16, 2015."

Draft financial statements will be available within 10 business days after calendar year end.

8: The RFP indicates that the financial statements are due on February 15th of each year. Based on that deadline, when will management be ready for the financial statement audit to begin?

Answer: Management will be ready for the audit to begin as soon as an award is made.

Section 3.1, on page 10 is hereby amended to read (additional language underlined): “DOH will require an annual audit report and audited set of financial statements to be issued as a product of the audit no later than February 15th of each financial year with the exception of year one (1), in which the audit report and audited financial statements will need to be issued no later than March 16, 2015.”

9: Financial Statements and an annual report are required to be issued by February 15th of each year for the December 31 year end. Can the department provide a schedule of when it expects to have final trial balance available for audit as well as other prepared analysis that would be needed to conduct our audit?

Answer: The trial balance will be available within 10 business days after calendar year end, as well as other prepared analysis to conduct the audit. The schedule of these analyses will be determined by the auditor selected as a result of this RFP.

Section 3.1, on page 10 is hereby amended to read (additional language underlined): “DOH will require an annual audit report and audited set of financial statements to be issued as a product of the audit no later than February 15th of each financial year with the exception of year one (1), in which the audit report and audited financial statements will need to be issued no later than March 16, 2015.”

10: Does the Department expect to develop and prepare the financial statements, including cash flow statements, and related footnotes?

Answer: The Department will prepare the financial statements, including cash flow statements and related footnotes if applicable.

11: Please provide the Marketplace’s most recently available statement of financial position.

Answer: No statement of financial position is available at this time but will be available to facilitate the audit.

12: Can the Department provide a trial balance from PeopleSoft as of October 31 that would show the accounts related to the assets, liabilities, revenues and expenses of the NY State of Health? This will allow us to better understand the scope of work and related audit effort.

Answer: A trial balance is not available at this time. Please see Attachment 10 for a template of Statement of Net Assets and an Income Statement.

13: Please provide the Marketplace's statement of revenues, expenses and changes in net position for the period from October 1, 2013 through September 30, 2014 (or most currently available date).

Answer: At this time, NY State of Health will not be releasing financial statements. Please see Attachment 10 for a template of the Marketplace's statement of revenues, expenses and changes in net position.

14: Would the Independent External Audit firm for the NYS Department of Health be relying on these financial statements, in part or in whole?

Answer: The internal financial statements would form the basis of the financial portion of the audit.

15: The December 31 year-end for the Marketplace is different from the State's year-end of March 31. What procedures does the Marketplace expect to have in place to ensure appropriate closing of its accounts on an accrual basis in a timeframe that facilitates the February 15 deadline?

Answer: Financial statements are recorded on a calendar year basis pursuant to federal regulation, and not the State fiscal year. We would follow our normal month end procedures.

Section 3.1, on page 10 is hereby amended to read (additional language underlined): "DOH will require an annual audit report and audited set of financial statements to be issued as a product of the audit no later than February 15th of each financial year with the exception of year one (1), in which the audit report and audited financial statements will need to be issued no later than March 16, 2015."

16: Will the financial records be closed by management of the Marketplace on the GAAP basis of accounting (accrual basis) with the expectation that the auditors will not be required to record any adjustments to the financial statement?

Answer: NY State of Health records will be closed on December 31, 2014. Any adjustments would be expected to be reviewed by the auditor selected as a result of this RFP when the audit commences.

17: During the calendar year end December 31, 2014, what do you expect the total federal expenditures to be?

Answer: The most recent projections estimate \$208,200,000 in federal funds to be expended in State fiscal year 2014-15.

18: We understand that the Marketplace opened for business on October 1, 2013 and that an audit is requested from the period October 1, 2013 to December 31, 2014. Has an audit been performed from the inception date of the Marketplace through September 30, 2013?

a. If so, please provide a copy of those audited financial statements.

b. If not, please provide the internal statements of net position as of September 30, 2013 and the related statements of revenues, expenses and changes in net position and cash flows from inception through September 30, 2013.

Answer: No audits have been performed to date. Thus, no audited set of financial statements are available. The initial audit period of this RFP is seeking independent audit services for the period from inception, October 1, 2013 through December 31, 2014.

We assume part “b” refers to September 2014. That information will be made available to the auditor selected as a result of this RFP.

19: Will the state provide the results of any financial audits, attestation engagements or performance audits that have already been performed relative to the Marketplace, its activities and/or funding?

Answer: No audits have been conducted to date.

20: Is the Marketplace a component unit of the State of New York’s financial Statements? If so:

- a. Is there an expectation by the auditor of the State’s financial statements regarding procedures the Marketplace’s auditor would perform to facilitate inclusion of the Marketplace’s financial statements therein as reported in the State’s Comprehensive Annual Financial Report?
- b. Will the auditor of the State’s financial statements be referencing the report of the auditor of the Marketplace’s financial statements?

Answer: The Marketplace is a component unit of the State of New York’s financial statements.

a) No

b) That determination would be made by the auditor of the State’s financial statements.

21: Does the NYS Department of Health have internal financial statements for the New York State of Health?

Answer: NY State of Health prepares separate internal Financial Statements independently from the Department of Health.

22: What general ledger package is being used?

Answer: Transactions are processed in the Statewide Financial System (SFS). An extract of the SFS data is uploaded to the Marketplace PeopleSoft accounting system where the financial statements are generated.

23: In Sections 2.3 and 2.4, there are references to the Marketplace’s transactions being captured in PeopleSoft. Are the references to PeopleSoft in this case meaning the Statewide Financial System (SFS), or are Marketplace transactions being recorded in a separate accounting system outside of SFS?

Answer: The Marketplace PeopleSoft accounting system is where the premium billing and collection data resides, as stated in Section 2.4 on page 8 of the RFP.

Transactions are processed in the Statewide Financial System (SFS). An extract of the SFS data is uploaded to the Marketplace PeopleSoft accounting system where the financial statements are generated.

24: If the Marketplace transactions are being captured in SFS within DOH, are they identifiable within SFS?

Answer: Yes.

25: Section 3.1 of the RFP indicates that the Marketplace is modeled to operate similar to an enterprise fund. With DOH generally being reported in the State's governmental fund, what is the basis for the Marketplace being reported similar to an enterprise fund? Also, assuming the financial statements will be presented similarly to an enterprise fund, please confirm that they will be prepared using the economic resources measurement focus and the accrual basis of accounting.

Answer: Enterprise Funds are used for activities that resemble private sector business activities and are generally self-supporting funds. Generally Accepted Accounting Principles (GAAP) for enterprise funds is similar to those applicable to businesses in the private sector; the measurement focus is on determining operating income, financial position, and cash flows.

26: To the extent that services are provided by other State departments to the Marketplace, how will such charges be identified and captured in the accounting records of the Marketplace? Will there be indirect administrative costs incurred by DOH charged to the Marketplace, and if so, how will such charges be determined?

Answer: Such charges would be directly billed and invoiced to the Marketplace. Charges would be determined based on allocation of methods, staff count or utilization.

27: 3.4.4, Section viii, requires a specific statement (in quotations) attesting to the Marketplace's activities, receipts, and expenditures. Will the standard report language contained in general accepted auditing standards (GAAS) be accepted as fulfilling this requirement?

Answer: Yes.

28: Section 3.4.4, item viii of the RFP details a statement regarding the accuracy of the financial statements that is expected to be provided in the audit report. Such statement appears to be inconsistent with language used in an audit report on financial statements issued in accordance with AICPA and GAO professional standards. If upon further review, should this be the case, would DOH accept the standard audit report on financial statements issued in accordance with professional standards? Further, it should be noted that an unmodified report on the financial statements cannot be assured as part of the scope of work prior to the conduct of the audit.

Answer: NY State of Health would accept language used in an audit report on financial statements issued in accordance with AICPA or GAO professional standards. DOH understands that an unmodified report on the financial statements cannot be assured as part of the scope of work prior to the conduct of the audit.

29: During the period being requested to be audited, how many participants did you have in the Small Business Marketplace?

Answer: As of the November 2014 billing, the Small Business Marketplace provided coverage to 9,115 subscribers.

30: How many insurance carriers are connected to the Marketplace?

Answer: In 2014, 16 health plan issuer enter into agreements with the Marketplace to offer Qualified Health Plans and 5 issuers offered stand-alone dental plans on the Marketplace. Ten of these issuers offered small employer coverage.

31: Does each carrier have a separate agreement or are the terms the same for each carrier?

Answer: Each carrier has a separate agreement with the same terms.

32: How many internal accounting staff are there in the New York State of Health?

Answer: Seven staff comprised of one Administrative Officer, two accountants, two Internal Auditors and two Billing/Accounts Payable professionals.

33: How many DOH accounting and financial reporting staff are dedicated to Marketplace activities?

Answer: Seven staff comprised of one Administrative Officer, two accountants, two Internal Auditors and two Billing/Accounts Payable professionals.

34: Have the employees, recording the transactions, been trained in the treatment of Federal funds?

Answer: Yes.

35: Under Section 3.2.2 in the RFP, there are several programmatic requirements described and included in CFR Part 155. Please confirm that these statutory elements are considered a financial audit as defined by Section 2.07b of Government Auditing Standards (2011 revision) (GAGAS). If not, what standard within GAGAS/GAAS will govern the audit of these programmatic elements?

Answer: The determination of the standards that govern the audit of programmatic elements will be the responsibility of the selected audit firm.

36: Section 3.2.1 states "The contractor shall review"; does the Department expect a written deliverable related to this review or is this something that is expected to be integrated into our audit approach?

Answer: Deliverables are defined in the RFP in Section 3.4 on page 14.

37: Is the auditor of the State's financial statements eligible to submit a response to this RFP?

Answer: The RFP does not preclude the auditor of the State's financial statements from responding to this RFP provided that the requirements of the RFP are met.

38: Section 6.3, item 1 references a "Bid Form" that should be completed; however, we don't see that form included in the RFP. Please provide.

Answer: The "Bid Form" in Section 6.3 is the "Cost Proposal: Attachment 4" of the RFP.

39: Section 4.1 states that the Executive Summary is a mandatory requirement under the technical proposal. However, this item is not listed under Section 5.1 Mandatory Requirements (Pass/Fail). Could the Department clarify if the inclusion of an Executive Summary in the proposal is indeed a pass/fail requirement?

Answer: The Executive Summary is a mandatory requirement under the technical proposal. The RFP is hereby amended to add the Executive Summary as number 10 under section 5.1, Mandatory Requirements (Pass/Fail), on page 23 of this RFP.

40: Will the full report, prepared by the Independent External Audit firm, be published on the NYS DOH website?

Answer: The report that will be issued by the Independent external audit firm will be a public document. It has not yet been determined how the document will be made available.

41: In Section 4.2.1 and 4.2.C, the RFP clearly states the required staff to be included for the duration of the project. Would you consider a team that not only meets these mandatory minimum expectations, but additionally augments the auditing team with a program manager and a programmatic compliance manager?

Answer: Yes.