

QUESTIONS AND ANSWERS
PROJECT No. 08-09
Financial Statement Opinion Audit Services

Date: April 25, 2008

To: Prospective Respondents

From: Houston Community College, Procurement Operations

Subject: Informational Letter #1 – Request for Qualifications (RFQ) for Financial Statement Opinion Audit Services (Project No. 08-09)

The following written questions regarding subject RFQ were received in Procurement Operations prior to the deadline for submitting written inquiries as specified in the solicitation:

Question No. 1:

Would the entity provide copies of all the reports covered by the RFQ for the prior year so that we can see all opinions, balances, disclosures and findings?

HCC Answer:

Yes. These documents may be reviewed by contacting the Director of General Accounting at (713) 718-5066.

Question No. 2:

Were there any material weaknesses in internal controls in the 2 prior years?

HCC Answer:

No

Question No. 3:

Have there been repetitive single audit findings?

HCC Answer:

No

Question No. 4:

Have there been any audit findings by the cognizant (or oversight) agency or any other grantor agency?

HCC Answer:

No

Question No. 5:

Will the prior auditor be allowed to repropose?

HCC Answer:

Yes

Question No. 6:

What were the prior year audit fees? How much time did the prior audit firm spend in completing its audits? If actual hours are not available, please indicate the number of individuals that were in the field and for how long.

HCC Answer:

Then prior year audit fees were approximately \$109,000.00. The audit firm spent 2.5 months completing the audit.

Question No. 7:

Were there any audit adjustments in the prior year? If so, how many?

HCC Answer:

Yes. There were six (6) adjusting journals and five (5) reclassification journals.

Question No. 8:

How has internal audit been used (what analyses have they prepared) in the past? Is that expected to change?

HCC Answer:

Internal audit (per the external audit firm's request) conducts the audit for financial aid, payroll, unrecorded liabilities, accounts payable, reviews close out of grants dealing with community base agents and disbursements and other miscellaneous requests. The level of assistance provided by the Internal Audit department is not expected to change.

Question No. 9:

Who will prepare the financial statements? Who will type, print and bind them?

HCC Answer:

HCC prepares the financial statement which is reviewed by the external audit firm and corrected if needed. The management discussion and foot notes are prepared by HCC; sent to the external auditors who fine tune, cosmetically, all documentation and prepares for final compilation and distribution. All information is sent to the external firm's auditors electronically.

Question No. 10:

What is the amount of federal expenditures and what were the major programs last year?
Any new large grants this year?

HCC Answer:

Based on programs and not individual grants, the major grants are: Title IV (Pell: \$29,176,908, Federal Loan: \$11,812,857, SEOG: \$1,148,889, Work Study: \$579,152; SMART: \$104,015), TRIO (Upward Bound: \$946,453, Student Support Services: \$378,931), Perkins: \$1,822,974, Adult Ed (Federal: \$6,149,814, State: \$1,335,802). There are no significant new grants this year.

Question No. 11:

What component units do you have? Are these audited in relation to the CAFR or are these audited separately by others?

HCC Answer:

HCC has the following component units:

- Public Facility Corporation
- Foundation

All are audited together **except** the Foundation, which is audited independently. The Foundation audit requirements will be handled as a separate procurement.

Question No. 12:

Are any major changes in operations anticipated over the next several years?

HCC Answer:

Changes **may** consist of possible annexations and completion of major capital programs.

Question No. 13:

Have any new systems been implemented in the current year or will new systems be implemented next year?

HCC Answer:

Yes. Cash Net, an upgrade to HCC's cashiering system, which is used for student and departmental deposits, has been implemented. Implementation of new systems next year is not anticipated at this time.

Question No. 14:

What is the timing of completion of the following: final close of the books; preparation by the entity of the draft financial statements?

HCC Answer:

The final close of the books should occur around September 16, 2008. Preparation of the draft financial statements should occur around October 1, 2009.

Question No. 15:

Do any significant legal or environmental issues exist?

HCC Answer:

No

Question No. 16:

We were unable to locate a copy of the 2006-2007 CAFR on the HCC website, can you please provide a copy for review or direct us to the location on your website where is held?

HCC Answer:

The CAFR is available via paper or electronically. It may be obtained by contacting the Director of General Accounting at (713) 718-5066.

Question No. 17:

When would HCC be ready for the auditors to commence final fieldwork?

HCC Answer:

After preliminary work has been completed during the period of 06/01-7/31, the audit firm will be expected to return around 10/01/08 and complete the audit by 11/14/08.

Question No. 18:

Section X of the RFQ notes that the HCC accounting/finance team will prepare drafts of all required schedules to the audit team. Does the HCC accounting/finance department also prepare the draft of the CAFR or is this draft prepared by the audit firm?

HCC Answer:

HCC's accounting team prepares the draft for the annual financial report and the written transmittal letter which is the intro to the CAFR. It is then sent to the audit firm to be cosmetically enhanced, bound and completed, using a copy of the annual financial report that is sent to the Coordinating Board.

Question No. 19:

Section X of the RFQ also notes that HCC maintains an internal audit department which may be available to assist during the audit. Historically, how many hours has the internal audit department been able to allocate to the audit?

HCC Answer:

Approximately 200 to 250 hours.

Question No. 20:

Were there any auditor proposed adjustments during the prior audit?

HCC Answer:

There were 6 adjusting entries and 5 reclassification entries.

Question No. 21:

Did HCC have any findings from the single audits in the prior year audit?

HCC Answer:

None

Question No. 22:

Were there any management letter comments to HCC from the prior year audit?

HCC Answer:

Minimal. Copies are available if needed.

Question No. 23:

What was the audit fee charged to HCC from the 2006-2007 audit?

HCC Answer:

The fee was approximately \$100,000.00. However, we expect to negotiate a more favorable fee with the selected firm.