RFP 2015-32 Financial Statement Single Audit
Final Responses to Questions
June 8, 2016

No.	Question	Response
1	Is it unclear how many years the proposal should address for financial audit services? Please clarify.	RFP 2015-32 Financial Statement and Single Audit is for fiscal year 2015-2016.
2	Scope of Work Section 3.9 of the RFP indicates that Covered California has the option to renew the contract up to three (3) one year terms. Should the cost of these option years be included in the Cost worksheet?	Not necessary, as Section 3.9 also states, "If mutually agreed upon by the State and the Contractor, this contract shall be amended to include additional funding at the same rates provided in the Bidder's proposal."
3	Does Covered California have an internal audit department?	Covered California has an Internal Audit Services Section.
4	The 2014 Single Audit Report indicates that the Agency had a significant deficiencies in internal controls over financial reporting. What were the deficiencies and management's corrective action plans?	Please refer to the attached 2014 Single Audit Report.
5	Did the Agency resolve all necessary deficiencies and findings from all internal and external audits?	Covered California processes continue to evolve as management continues to identify opportunities for improvement. Covered California has established the appropriate culture, tone, control, systems, and due diligence efforts to promote effective and efficient program administration, continuous quality improvement, and compliance with federal and state statutory and regulatory requirements and business best practices. Covered California continues to work with auditors and remains on track to resolve any remaining findings from all internal and external audits in an agreed upon manner.
6	Has the Agency implemented a governance, risk management, and compliance (GRC) structure? If not, does it plan too?	Covered California established a new, Program Integrity Division that has governance, risk management, and compliance components.
7	Has a financial statement audit been conducted within the last 2 preceding fiscal years? If so, would it be possible to obtain a copy?	The Fiscal Year 2014-2015 audit is not yet complete. Please see attachments for the two previous audits.
8	If the Agency had a financial audit in the previous year, how many audit adjustments were proposed?	For fiscal year 2013-2014, there were seven audit adjustments to the financial statement.
9	What is current status of findings contained in audit report of CA State Auditor dated 2/16/16 (entitled "High Risk – Covered California", Report 2015-605)?	Some audit recommendations are fully implemented, while others are partially implemented.
10	Please provide prior year audited financial statements and/or most recent unaudited financial statements (balance sheet and income statement) available.	Refer to above question 7.
11	Please provide prior year single audit report and/or most recent unaudited schedule of expenditures of federal awards.	Refer to above question 7.
12	Single audit – how many major programs in prior year? Please list major programs.	Covered California has one major program, which is CFDA 93.525 State Planning and Establishment Grants for the Affordable Care Act's (ACA) Exchanges.
13	What financial statement period/year-end is the annual audit?	The financial statement period/year-end is June 30, 2016. Covered California is on a fiscal year beginning July 1 and ending June 30.
14	What independent accounting firm has Covered California contracted with in prior years?	KPMG, LLP

15	Please provide listing of Covered California's various IT systems with a brief description of each.	Operated by Covered California, the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) is used to record, process, maintain, and report millions of records and data fields essential to financial and program operations. In addition, the Health Claims Processing System (HCPS) is a proprietary enrollment management system owned and operated by Covered California's third-party administrator for employer group enrollments.
16	Please provide list of Covered California service centers and other office locations and where each is geographically located.	Covered California has the following service centers: Rancho Cordova, Frenso, and two in Contra Costa. All of these are located within the state of California.
17	Actuarial - Does Covered California have an in-house actuarial department?	Covered California does not have an in-house actuarial department.
18	Actuarial - What external actuarial firm is used?	Bertko Actuarial Associates LLC
19	Please provide an organization chart for Covered California and overview flowcharts of significant relationships with other entities (i.e. Dept. of Health Care Services, Dept. of Managed Care, Dept. of Insurance, qualified health plan entities, and others, etc.)	Please see attached Executive Level Org Chart for Covered CA.
20	RFP Section 3.10 states: "Payment of audit fees is contingent upon Covered California receiving funding from the Federal government and the collection of fees asses from the Qualified Health Plans. Covered California shall bear no liability or responsibility for payment to Contractor" in the event payment to Covered California from these sources is delayed, suspended, or terminated. What is estimated probability that this event may occur?	Covered California estimates the probability of this event occurring is unlikely.
21	What level of assistance will be provided by Covered California personnel for the annual audit?	Covered California will have one Single Point of Contact (SPOC) to coordinate all inquiries (i.e. document requests, additional questions, meetings, etc.)
22	Can you please clarify your requirements for how you will pay for the services and your review of reports under this audit? In the following sections of the RFP, we found variances in respect to billing: · Section 3.5 states that payment for all tasks performed under this SOW will be based on time and materials. It will be Covered California's sole determination as to whether any tasks have been successfully completed and are acceptable. · Section 3.6 states that the Contractor must provide on a monthly basis time sheets. · Section 3.10 states that Contractor may invoice Covered California only after the successful completion and acceptance of the deliverables. These requirements are not typical for an audit. Most audits are paid for on a fixed fee basis and while we certainly will discuss the audit reports with you and take your opinions into consideration to maintain our independence as an auditor the reports are not deliverables and cannot be subject to your approval.	Covered California is amending RFP 2015-32, Sections 3.5, 3.6, and 3.10. Please see the amended version for details. To further clarify, approval of invoices is based on completion of work rather than the substance of the work.

23	Does Covered California expect the vendor to test compliance over each of the subparts contained within 45 CFR § 155 in one year or would the agency be open to discussing alternate compliance testing arrangements, as sanctioned by CMS?	The RFP is for Financial Statement and Single Audit only.
24	Could Covered California provide the last audited financial statements and A133 report as an addendum to this RFP?	Refer to above question 7.
25	Could Covered California provide the PY management / required communication letters as an addendum to this RFP?	Refer to above question 7.
26	Have all findings and internal control deficiencies been addressed? If they have not been addressed, can you explain why not?	Refer to above question 5.
27	Were there any significant audit adjustments proposed by the auditor in the prior audit?	Refer to above question 8.
28	Have there been any significant changes at Covered California that would change the audit scope from that of the June 30, 2015 audit?	Currently, there are no known significant changes at Covered California that would change the audit scope from that of June 30, 2015.
29	What is the expected amount of federal expenditures for each of the next three years?	The grant funds expire September 30, 2016.
30	How many programs make up the expenditures in the previous question?	Covered California has one major program, which is CFDA 93.525 State Planning and Establishment Grants for the Affordable Care Act's (ACA) Exchanges.
31	As the remaining federal start-up dollars must be spent by September 30th, can Covered California explain how the new revenue recognition cycle will enable the organization to become sustainable and self-sufficient?	Please refer to the attached Proposed Fiscal Year 2016-2017 Budget.
32	Were there any disagreements with the prior vendor? Including any disagreements on compliance, accounting or reporting matters	There were no disagreements with prior the vendor on compliance, accounting, or reporting matters.
33	How long did the previous audit team spend at the Covered California office for fieldwork during the most recent audit?	Covered California's previous audit team had flexibility of performing fieldwork on-site or off-site.
34	RFP Section 1.4 Contract Amount states: “Responses shall not exceed $175,000 in total costs. Responses that exceed this amount will not be considered." Please clarify whether this applies to one year or multiple years of the contract.	This applies to the contract term August 1, 2016 through June 30, 2017.
35	Why are you considering changing the auditor?	Covered California supports an open competitive bidding process to any independent audit firm who is interested in performing such services.
36	Do you expect any changes to the accounting system (IT implementation) during the potential contract period? If so, what stage are you in?	Covered California does not expect any changes to the accounting system.
37	Do you expect to have any retirement or replacement of key employees?	By June 30, 2016, the Chief Executive Deputy Director position will be vacant and the Plan Management Director position will be vacant.
38	Has there been any recent turnover with the individuals who prepare the financial reports or involved with the financial reporting process?	There has not been any recent turnover with individuals who prepare the financial reports or involved with the financial reporting process.
39	Please provide the prior year audit fee.	Prior year's audit fee was $125,000.
40	How long were the prior year auditors on-site (# of weeks) and how many staff were on-site during this time?	Covered California's previous audit team had flexibility of performing fieldwork on-site or off-site. The audit team consisted of 4-5 staff.
41	How many audit adjusting entries did you have last year?	Refer to above question 8.
42	What other firms are being included in the proposal process?	This is an open competitive bidding process and bidder's proposals are due on July 1, 2016.

43	What is causing the delay in issuing prior year audited financial statements?	There was additional testing for GASB 68 (Accounting and Financial Reporting for Pensions).
44	Why are you asking the audit firms to take collection risk on receiving their payment for services rendered in the event the federal government doesn't keep funding Covered California?	This is standard contract language used by Covered California.
45	Do you consider Covered California a going concern?	Covered California is not considered a going-concern.
46	How long can Covered California fund itself without Federal funding?	Please see the attached Proposed Fiscal Year 2016-2017 Budget.
47	Is Covered California solvent to date?	Please see the attached Proposed Fiscal Year 2016-2017 Budget.
48	Paragraph 1.1 of the RFP states that "By submitting an offer, your company agrees to the terms and conditions stated in this RFP." Based on our review of the RFP, Terms and Conditions, and other related attachments, we will need to propose modifications to these terms and conditions as part of our proposal. As a result, will our proposal be deemed nonresponsive?	Any proposed changes to the model contract will be reviewed by Covered California's Office of Legal Affairs and those changes will be either approved or denied.