



## Financial Audit Services Request for Proposals

### ADDENDUM 1

#### Proposer Questions and Connecticut Lottery Corporation (CLC) Responses and RFP Clarifications

March 20, 2018

---

#### RFP Clarification(s):

##### **1. CT DCP LICENSING; INVESTIGATION OF FIRMS**

**RFP References – Part I.B, Paragraph 2, Page 2;  
Part III.K, Page 11; and  
Part VI.B, Paragraph 5, Page 17.**

The successful Firm and its key employees will not be required to be licensed by the DCP at the time of contracting as stated in the RFP. However, the CLC reserves the right to require the successful Firm and its employees who are assigned to carry out the responsibilities of the Contract be licensed by the DCP at a later date. Furthermore, the CLC, the DCP, and/or the Connecticut State Police may, prior to the commencement of the Contract and at any time during the Contract, initiate investigations into the backgrounds of any directors, officers, owners, subcontractors, employees, or any other associates of the successful Firm it deems appropriate. The successful Firm will cooperate with such investigations.

---

#### Proposer Questions:

1. **Question:** Approximately how long has your current audit firm served as the CLC's independent audit firm?

**Answer:**

The CLC does not have a current Audit Firm. The previous Audit Firm audited the financial statements for FY17 and FY16.

2. **Question:** What are the primary factors behind the CLC soliciting bids for audit services?

**Answer:**

See Parts IA and V of the RFP.

3. **Question:** Are there any specific improvements the CLC would like to see in the audit process?

**Answer:**

The CLC will rely on our Audit Firm to provide the services outlined in this RFP. It is up to the Proposer to describe how it feels it could best perform and improve the audit process for the CLC.

4. **Question:** Does your current audit team include an Information Technology *specialist* that performs inquiries and tests specific to the CLC's IT networks, servers and accounting information software programs?

**Answer:**

In the past, the CLC's Audit Firm deemed an Information Technology Specialist a necessary part of the audit team.

5. **Question:** The most recent Annual Report/Audit Report we could find on your website was for the year ended June 30, 2015. Please provide an electronic copy or electronic access to the Annual Report/Audit Report for the year ended June 30, 2017.

**Answer:**

[CLC Financial Statements, Years Ended June 30, 2016 and 2015](#)

[CLC Financial Statements, Years Ended June 30, 2017 and 2016](#)

The CLC FY17 annual report is not completed. In lieu of the annual reports, the CLC is providing audited financials for these periods as background.

6. **Question:** Please provide a 3-year history of audit fees for the following audits:

- a. Fiscal Year 2017 Audit

**Answer:**

Proposers must develop independent pricing based on the RFP.

- b. Fiscal Year 2016 Audit

**Answer:**

See question #6, a.

c. Fiscal Year 2015 Audit

**Answer:**

See question #6, a.

7. **Question:** Why is the Lottery going out for bid?

**Answer:**

See question #2.

8. **Question:** Is the current auditor allowed to bid?

**Answer:**

Not relevant.

9. **Question:** What were the audit fees for fiscal years 2016 and 2017?

**Answer:**

See question #6

10. **Question:** In the RFP, it discusses that Scientific Games International (“SG”) provides and maintains wagering system for all lottery games under contract. It also states that GF receives a SOC 1 (Type II) report. Was this SOC 1 report specific to the systems under management for Connecticut Lottery Corporation, or was it broader in nature to SG’s operations in general? What was the opinion given on the SOC report?

**Answer:**

SOC 1 Report was prepared for services provided for the CT Lottery Corporation as well as SG Lottery Technical Operations. The overall opinion on SG’s assertion was that control objectives were suitably designed and controls operated effectively throughout the period.

11. **Question:** In the Vendor Information Form, you request a listing of the names and titles of all the partners, however our firm has more than 200 partners. Would the Lottery accept a partial list of those involved in the primary engagement office?

**Answer:**

Yes, the CLC will only require a list of partners overseeing and/or working on the CT Lottery engagement. The CLC must be advised in writing of any change in assigned partners within 10 days of such change.

12. **Question:** Is the selected auditing firm allowed to bring in an IT specialist to evaluate, and potentially perform, IT related control and data integrity testing on the SG systems?

**Answer:**

See question #4. The successful Audit Firm may include an IT specialist as part of the audit team for evaluation purposes. The CLC will provide the successful Audit Firm with the SOC 1 Report.

13. **Question:** For a winner of the grand prizes payable, how does the Lottery record the initial liability, and how is it subsequently accounted for? Where is the amortization recorded on the statement of revenues, expenses, and statement of net position?

**Answer:**

The majority of the grand prizes for our games affords the winner a choice of a one-time cash payment or an annuity for a specified number of years or a "life-time". In the case of an annuity prize, imputed interest is calculated and added to both the annuity receivable and the annuity payable and amortized over the life of the annuity. These amounts are reflected in the current and long term assets and liabilities on the Statement of Net Position. The interest portion of the annual payments is reflected in the Statement of Revenues & Expenses as non-operating interest and expense.

14. **Question:** When an individual wins a life-time prize, does the Lottery purchase an investment in the name of the individual, or is it purchased in the name of the Lottery?

**Answer:**

Insurance annuities are purchased in the name of the Lottery, but the payment schedule may be based upon the expected lifetime of an annuitized prize winner.

15. **Question:** How many auditors were out in the field during interim? How many auditors were out in the field during final fieldwork?

**Answer:**

Depending on the year and the auditing firm there were usually 2 auditors present for the interim work and 3 or 4 for the year-end work.

16. **Question:** How soon after year end can the auditors be in the field?

**Answer:**

The successful Audit Firm may begin the engagement immediately after Contract execution.

17. **Question:** When will the financial statements available to the auditors for review?

**Answer:**

CLC preliminary financial statements will be ready for review by August 1<sup>st</sup>.

18. **Question:** Who prepares the financial statements? If the Lottery's management prepares the financial statements, when are they available for review by the auditors?

**Answer:**

CLC management prepares the financial statements. (See question #17 above). The successful Audit Firm will assist with disclosure requirements and the implementation of new pronouncements.

19. **Question:** Have there been adjustments identified by the auditors during the audit process, and if so, what was the nature of the adjustments discovered?

**Answer:**

The financial statements for 2016 included a correction of a prior year error due to an error in the calculation of deferred outflows related to GASB 68/71.

20. **Question:** Are there going to be any significant changes to the system that would significantly change its investment vehicles or benefits provided? If so, what are they?

**Answer:**

The CLC does not understand this question.

21. **Question:** What are the key qualities that the Lottery is expecting from their auditors?

**Answer:**

See question #2.

22. **Question:** If the Lottery could change one thing about the audit process what would that be?

**Answer:**

See question #3.

23. **Question:** How long has CLC worked with their current independent audit firm, and is the current provider able to propose on the engagement?

**Answer:**

See questions #1 and #8.

24. **Question:** What is the reason(s) for requesting bid proposals?

**Answer:**

See question #2.

25. **Question:** What were the fees for services for the June 30, 2017, June 30, 2016 and June 30, 2015?

**Answer:**

See question #6.

26. **Question:** Were there any additional billings from the auditor for the 2017, 2016 and 2015 audits and, if so, what was the amount?

**Answer:**

Yes, the CLC agreed to a small increase in the annual fee based on hours expended due to the implementation of GASB 68/71 in FY15 and FY16. The Proposer's fee should be all inclusive and should not anticipate additional billings.

27. **Question:** Does CLC anticipate any significant changes in operations, such as, significant new revenue sources within the period covered by the RFP?

**Answer:** The CLC is currently prohibited by law from offering "free play" or "promotional games" on its website, and does not currently sell its products online ("iLottery"). However, during the life of the Contract, the CLC expects to be able to offer both free play games and an iLottery suite of games, as well as the possibility of some forms of sports betting.

28. **Question:** What was the approximate number of audit adjustments made/proposed by the auditor?

**Answer:**

See question #19.

29. **Question:** Are any of the accounting functions outsourced by another accounting firm? If so, what functions and which firm?

**Answer:**

No accounting functions are outsourced.

30. **Question:** Does CLC prepare the audited financial statements or do the auditors assist in preparing the statements?

**Answer:**

See question #18.

31. **Question:** Did the auditor prepare a SAS 114 letter and a management letter for CLC for the year ended June 30, 2017? If so, did management agree with any recommendations and were changes made to address any such recommendations?

**Answer:**

The CLC received the required auditor communications but did not receive a management letter for the year ended June 30, 2017. There were no recommendations in the auditor's communication.

32. **Question:** Are there any anticipated IT system changes or conversions to a new system in the near future?

**Answer:**

The CLC does not anticipate any IT system changes or conversions in the near future.