

## Questions and Answers to RFP for Audit Services

1. Why is MOPERM going out for bid? What characteristics are you looking for in an audit firm?  
*MOPERM has a policy of mandatory rotation of audit firms which states any audit firm who has performed MOPERM's audit for six consecutive years will be disqualified from rendering auditing services for a period of at least one year. Brown, Smith, Wallace will be completing MOPERM's annual audit report for 2018 thus ending the six-year term with MOPERM.*
2. What challenges or significant changes does MOPERM expect to face over the next three to five years (i.e. renewal date changes as discussed in RFP, possible implementation of new GASB Standards as applicable, accounting system conversion, etc...)? How can the auditor assist MOPERM with these challenges, taking into consideration independence requirements?  
*Historically, MOPERM has renewed all members' coverages on January 1 of each year. Starting in 2019, MOPERM will implement additional renewal dates. Although the majority of members' policies will retain a January 1 renewal date, some members' policies will be transitioned to March 1, July 1 and October 1 renewal dates.*  
  
*MOPERM's accounting staff will expect the contractor to provide support and guidance with regard to necessary changes in recordkeeping and reporting involved in adopting the new renewal dates.*
3. Please provide some background on the finance department staff.  
*MOPERM's accounting unit consists of a Fiscal Manager and an Account Generalist*
4. Is there an audit committee? If so, may I ask who is on the audit committee? What presentations are required for the auditors? Pre-audit? Post-audit? To whom and typically when?  
*MOPERM does not have an audit committee. MOPERM expects the auditor to present its findings to MOPERM's Board of Trustees.*
5. What previous steps has MOPERM taken to enhance IT security?  
*MOPERM's previous auditors suggested various IT security measures; the majority of which have been implemented; firewall with malware protection and content filtering. MOPERM staff has installed antivirus protection on all computers and servers.*
6. Has MOPERM experienced any material or significant fraud in the last two years?  
*MOPERM has not experienced any material or significant fraud in the last two years.*
7. What were the hours provided by the previous auditors related to the audits of the most recent fiscal year and the preceding fiscal year? If unsure about the hours, approximately how long and how many staff are conducting the audit in the field for both interim and year-end procedures?  
*Typical time on-site has been three to four days for interim fieldwork and similar on-site time for final fieldwork.*
8. What is your preferred timing to conduct audit procedures for both interim procedures and year end audit procedures?  
*Timing is open for discussion. Currently, the interim procedures begin with initial requests in early November followed by an on-site visit early December and February. The completed audit is presented during the March/April Board of Trustees regular quarterly meeting.*

9. Has there been any audit adjustments made to the accounting records over the past 2 years? If so what was the magnitude and nature of these entries?  
*MOPERM has not had any audit adjustments made to the accounting records over the past two years.*
10. Does your staff prepare requested audit working papers and also prepare the financial statements?  
*Yes, MOPERM staff prepares requested audit working papers and prepares the financial statements.*
11. Are claims processed by third party administrators (TPA) or MOPERM? If by TPAs, please identify the TPAs and location of claims data. If by TPA's, are there SOC1 Type II reports available?  
*Claims are processed by MOPERM staff.*
12. When will the financial statements be available to the auditors for review?  
*It is anticipated that MOPERM's financial statements for the preceding year will be available to the auditors for review by February 15<sup>th</sup>.*
13. Are there going to be any significant changes to the plan in the foreseeable future that would significantly change its investment vehicles or benefits provided? If so, what are they?  
*MOPERM does not anticipate any significant changes in the foreseeable future that would significantly change its investment vehicles or benefits provided.*
14. Does MCHCP anticipate any changes in the reporting entity or major changes in members or products during the contract period?  
*Unsure of MCHCP'S anticipated changes. However, MOPERM does not anticipate any changes of this nature.*
15. Is a transition to a new auditor a concern? If so, why? What would lessen that concern?  
*Transitioning to a new auditor is not a concern for MOPERM.*
16. Does MOPERM have any written documentation on the key financial processes and internal controls?  
*MOPERM has electronic documentation on the key financial processes and internal controls.*
17. Our practice is to perform as much fieldwork on site; however, would MOPERM be agreeable to performing some of the fieldwork remotely?  
*MOPERM would be agreeable as circumstances allow.*
18. Do you have a copy of the list of schedules you provide your current auditing firm that you could provide?  
*Yes. (General Ledger, Trial Balance, Board Meeting Minutes, Fixed Income and Equity Portfolios, Interim Actuarial Evaluations, Detailed Fixed Asset Schedule, Copies of recently executed agreements/contracts, Updates to prior year process narratives or control memos, Copy of effective reinsurance treaties, List of In-Force Policies/Insureds, Summary of Company's participation in Excess Insurance Coverage)*

19. Did the current auditors have an actuary on staff to review this or did they engage an external actuarial firm?  
*Services are provided by an actuarial firm under contract with MOPERM.*
20. Looking at page 34 of the audited financials it appears that the actuary has under accrued or estimated the initial loss year estimate for Loss and LAE the last 7 years in a row (fiscal year 2010-2016); would management be open to working with a new actuary or working towards a new/more conservative estimation process?  
*MOPERM has subsequently contracted with a new actuarial firm effective June 1, 2017.*
21. Page 25 of the audited financials increased the provision for insured events - prior year loss and LAE by approximately \$16.5 million or 31%. What caused this large change related to prior years? Did management go through the exercise to determine what caused this and to determine if the financials should be restated for FY2016 and if so can we obtain this analysis?  
*The increase was due to a series of large claims brought against MOPERM members alleging liability for acts that occurred during preceding years.*
22. To what extent are your internal controls documented – including investment policies, claims and premium processes? If so, is this in a narrative or internal control questionnaire format?  
*MOPERM policies which include internal controls are kept electronically.*
23. Do you have any litigation against MoPERM that might result in a large contingency?  
*MOPERM is not subject to any pending litigation that may result in a large contingency.*
24. What is your ideal timing for both audit fieldwork and to finalize your audit going forward? Has claims and premiums typically been tested at interim? If not, can this be done at interim going forward?  
*Claims and premiums haven't typically been tested at interim but that option can be discussed. Proposed dates for field work are open for discussion. Currently, the interim procedures begin with initial requests in early November followed by an on-site visit early December.*
25. How many weeks have auditors been on-site conducting the audit, both for interim and final fieldwork? How many auditors have been involved through each phase of the audit?  
*Typical time on-site has been three to four days for interim fieldwork and similar on-site time for final. The number of auditors is ordinarily two*
26. Are there any disagreements with the current auditors?  
*There are no disagreements with the current auditors.*
27. Are there any journal entries that were proposed by the audit firm for the December 31, 2017 audit? If so, can you provide the number and nature of these audit adjustments?  
*There were no journal entries proposed by the audit firm for the December 31, 2017 audit.*
28. Have there been any changes in key personnel from the prior year?

*Yes, a new fiscal manager was employed by MOPERM effective August 22, 2018*

29. Are the financials prepared by management or by the proposing accounting firm? Does management rely on the auditor to help implement/adopt new accounting pronouncements or is there any specific areas that the auditor helps prepare?

*The financials are prepared by management. Management relies on the auditor to help implement/adopt new accounting pronouncements.*

30. Does MoPERM anticipate any changes in the reporting entity or major changes in members or products during the contract period?

*MOPERM does not anticipate any changes in the reporting entity or major changes in members or products during the contract period.*

31. Do you have an internal audit department and if so have they been utilized in the audit process in the past? If they've been used in the past to assist with the audit, please provide an estimate of hours and areas they've assisted with. If they haven't been used in the past, would they be available to assist in the future and if so how many hours of assistance could we expect from internal audit?

*MOPERM does not have an internal audit department.*

32. What is the timing of receiving the actuary report annually?

*An interim study is conducted mid-year and the annual study at the end of the year.*

33. Has there been significant fraud at MoPERM within the last five years? If so, please provide a description of what occurred and the resolution of such activity.

*No, there has not been significant fraud at MOPERM within the last five years.*

34. What policy and claims system does MoPERM utilize?

*Risk 360 by Synergistic Solution Technologies (SST) based in Austin, TX.*

35. Does MoPERM process premiums and claims internally or do they utilize a TPA? If a TPA is utilized do they maintain a SOC1 report around internal controls?

*MOPERM staff process claims internally.*