



Financial Audit Services RFP - Questions and Answers

| WRITTEN QUESTIONS | | IDAHO LOTTERY PROVIDED ANSWERS |
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| 1 | Why is the Lottery going out for audit proposals? | As a self governing State entity, it's beneficial to solicit proposals from vendors, contractors and firms to allow for competition, compare pricing and get the best possible price and quality for the Lottery. |
| 2 | Has your prior audit firm been invited to respond to this RFP? If not, why not? | Yes. The prior audit firm will be invited to participate in this process. |
| 3 | How long has the Lottery been working with it's current auditor? | Our current contract has been in place since the inception of the Lottery in 1989. They have done excellent work for the Lottery. |
| 4 | Has the Lottery and audit firm met the timeline included in the RFP in recent years? If not, please describe the circumstances. | The Lottery's current Firm, along with the Lottery, have mostly met the deadlines listed. We share responsibility when there have been delays. |
| 5 | Do you anticipate that your current audit firm will propose? If not, why not? | Yes, we anticipate they will participate. |
| 6 | How is current fieldwork for all segments performed? What, if any, concerns does the Lottery have with a remote approach? | In the most recent period the audit was primarily done remotely though the current Firm's local office. There was a half day that was arranged for on-site testing of larger, more expansive physical support. Discussions and as-needed meetings were held via telephone or on a digital meeting platform. |
| 7 | Please provide audit fees paid by the Lottery for the financial audit for each of the last three audit cycles? | For the last three audit cycles, the Lottery paid \$49,000.00 in audit fees, per cycle. |
| 8 | For FY24, what were the total audit hours to complete the financial audit for the Lottery - and how many auditors were involved? | These details have not been provided on the invoice and are not fully known by the Lottery. There were several Staff Auditors involved, though not for the full duration of fieldwork, as well as one Senior Auditor and a Managing Auditor. Only one Staff Auditor visited the office for testing. |
| 9 | Were there any instances of known or suspected fraud within the Lottery over the last year? | There are no known or suspected instances of fraud over the last year. |
| 10 | Has the current auditor charged the Lottery fees outside the scope of the audit (including special services) in the past several years? If so, what is the nature of this and the amount of fees? | There were no additional fees charged, nor work performed outside of the scope of the audit, in the past several years. |
| 11 | Has the Lottery been notified of any outside agency audits or desk reviews during 2024? If so can you share the results? | No, the Lottery has not been notified of any outside agency audits or desk reviews. |
| 12 | Who comprises the proposal evaluation committee? | The Evaluation Committee will be comprised of three Idaho Lottery Accounting professionals, one Security employee with a degree in forensic accounting, and an external CPA/Fiscal Officer. |
| 13 | What is the timing of preliminary and final fieldwork for the Lottery? | In recent years, walkthroughs have been performed in early to mid-summer, with fieldwork beginning in early to mid August and a draft ready to provide to the State Controller's Office at the end of September. |
| 14 | Does the Lottery use a portal to share work papers with its audit firm? If not, are you open to using such a tool? | Yes, this is efficient and acceptable to the Lottery. |
| 15 | Have you encountered any difficulties with your audits in prior years? If so, please describe | No. |
| 16 | Does the Lottery have internal control documentation of key accounting cycles (disbursements, payroll, taxes, etc.)? If so, in what format (narratives, flowcharts, other)? | Yes, we have internal control documentation in a narrative format. |
| 17 | How does the Lottery maintain their capital assets data? | Capital asset data is maintained primarily by Idaho Lottery Chief Financial Officer, Ben Klotthor, using Excel, with larger assets tracked and disposed of through the new statewide ERP, LUMA. This primarily consists of fleet vehicles and some larger IT equipment. |
| 18 | Do you anticipate any large capital asset projects in FY25? If so, how much and what for? | No large capital asset projects are anticipated in FY25. |



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| 19 | Who prepares and maintains the financial information for right-to-use lease assets (and related liabilities) and right-to-use software agreements? Is software used? If so, what product? If not, what method is used? Will the auditors have access to the database for review? | Right-to-use assets are prepared and maintained by Idaho Lottery Chief Financial Officer, Ben Klotthor. Schedules are prepared in Excel for each relevant lease, no other software is used. We have not had any qualifying software agreements in the two most recent periods. All schedules and calculation are provided for review as part of the audit. |
| 20 | Do you anticipate any large changes in right-to-use lease or right-to-use software activity in FY25? If so, can you please describe? | We do not anticipate any large changes to right-to-use leases or right-to-use software activity in FY25. |
| 21 | Does the Lottery typically require assistance in adopting new GASB (Governmental Accounting Standards Board) standards? If so, please describe. | The Idaho Lottery Chief Financial Officer is charged with monitoring new GASB standards and implementing as necessary. No recent assistance has been necessary. |
| 22 | Are there any major anticipated changes in the Lottery's operations or organization that will significantly impact the audit? | No. |
| 23 | Have there been any changes in management or accounting staff since last year? Do you anticipate any changes in the near future? | The Idaho Lottery Director, Jeffrey R. Anderson, retired on July 26, 2024. New Lottery Director, Andrew Arulanandam, began work on September 16, 2024. Beyond those changes, there have been no other changes to Management or Accounting staff. |
| 24 | If your audit was completed remotely last year, what went well? What improvements would you like to see made to the process? | Completing the audit in a remote manner did not have a material impact on the audit. The firm did a great job updating needs lists to notify the team of items that were still needed. |
| 25 | If your audit was completed onsite last year, what went well? What improvements would you like to see in the process? | The only onsite visits last year consisted of a half-day of testing by one of the Firm's Staff Auditors. There were two meetings attended by the Manager and Partner, one being the presentation of the draft Financial Reports to the Idaho Lottery Commission Audit Subcommittee and the other being the presentation of the final Financial Statements to the Idaho Lottery Commission for approval. The Idaho Lottery Commission meets every other month - beginning in January each calendar year (Jan, Mar, May, July, Sept, Nov). |
| 26 | Does the Lottery have an internal audit function? Have they been utilized during the audit process? If so, please describe the extent of their assistance? | No. |
| 27 | How many adjusting journal entries were proposed by your auditor for the Lottery's financial statements for FY24? If possible, please provide copies or a summary of what they were related to? | No adjusting journal entries were proposed by the auditors for FY24. |
| 28 | How many adjusting journal entries were proposed by your auditor for the Lottery's financial statements for FY23? If possible, please provide copies or a summary of what they were related to? | No adjusting journal entries were proposed by the auditors for FY23. |
| 29 | What ERP system does the Lottery use? Is the Lottery planning any significant changes to its ERP system? If so, please describe and provide the timeline. | The Lottery uses a statewide ERP known as LUMA that integrates personnel actions including time recording, expense reimbursement, payables disbursement, and transaction recording. Internally, the Lottery uses Sage300 by AccPac as the primary accounting software maintained by the Lottery. |
| 30 | What other critical financial accounting systems has the Lottery, and its auditors relied upon in the past? | In the past, the Lottery and its Auditors have primarily relied upon reports from Sage, and LUMA as well as the legacy system that preceded LUMA. The legacy statewide system, STARS, was used through June 30, 2023. On July 1, 2023, LUMA went live and STARS use was discontinued. |
| 31 | Do you anticipate any changes in the significant financial applications used during the contract period? If so, please describe. | No. |



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| 32 Is the Lottery able to provide the auditors with read-only access to the financial accounting software systems? | While we do not have that ability at present, we are happy to share screens and/or demonstrate the functionality. We are happy to show how reports are requested and created and/or other necessary actions needed for verification. |
| 33 Please provide copies of the full management letter issued by the auditors for the Lottery. | These will be posted on the website along with this Question and Answer Document. |
| 34 Who prepares the Lottery's financials statements? If management, when is the first draft available for review? | The financial statements are prepared primarily by Idaho Lottery Chief Financial Officer, Ben Klotthor, with assistance from other Idaho Lottery Accounting team members. |
| 35 Who prepares the Lottery's Management's Discussion & Analysis? If management, when is the first draft available for review? | The Management Discussion & Analysis (MD&A) is prepared by Idaho Lottery Chief Financial Officer, Ben Klotthor, and Chief Operating Officer, Becky Schroeder, with review by Director, Andrew Arulunandam. |
| 36 Does the Lottery utilize any service organizations for outsourced activities (i.e. payroll servicing, insurance processing or administration, credit card processing, cloud service providers)? Does the Lottery obtain SOC reports for related service organizations? | The Gaming System utilized by the Lottery is provided by vendor, Intralot. Data from Intralot is imported into Sage to provide daily sales, claims and prize expense amounts. Other reports from Intralot are further used to determine necessary year end adjustments. An SSAE 18 TYPE 2 SOC 1 report of Intralot operations is provided, contractually, every other year. |
| 37 Can you explain the reason that the Lottery is going out to bid? Is the current audit firm invited to bid? | See Answers #1 and #2. |
| 38 Are there improvements that the Lottery would like to see made in the overall audit process, timing, communication, other areas? | The Lottery is not seeking specific improvements, but are always interested in efficiencies or process enhancements. |
| 39 What were the fees charged for the fiscal year 2023 and 2024 services listed in the RFP? Were there any additional audit fees billed last year pertaining to services provided outside the scope of the services listed in the RFP? If so, can you provide a list of services and additional fees pertaining to those services? | Audit fees charged for each of the past two fiscal periods was \$49,000.00. No additional services were necessary nor additional fees paid outside of the financial audit. |
| 40 What is the typical timing of fieldwork for the audit each year? Is this typically done on-site, remote, or a hybrid approach? | In recent years, walkthroughs have been performed in early to mid-summer, with fieldwork beginning in early to mid August and a draft ready to provide to the State Controller's Office at the end of September. In past years the fieldwork has been performed on-site, remote, and hybrid. |
| 41 Are there any known significant transactions or activities planned for the future periods that should be considered in our proposed fee structure? | No significant or unusual transactions or activities are planned for future periods. |
| 42 Are audit request items available electronically? Including access to general ledger detail, supporting schedules, supporting invoices/contracts/etc.? | Yes, files can be provided electronically and have been provided via a portal in past years. Some items were tested on-site last year for half of a day due to the bulky nature of the request. |
| 43 Can you provide a copy of the any audit adjustments that were made related to the 2024 audit (if any), and any findings or recommendations made by the auditor? | No adjustments were recommended as part of the audit in 2024, nor were any findings or recommendations made. |
| 44 Can you please provide a copy of the fiscal year 2024 audited financial statements? We saw the 2023 audited financial statements online but did not see the 2024 year-end financials. | These are included in the 2024 Annual Report and posted on the Idaho Lottery website. Past annual reports are on the left side of that page - while the newest (2024) report is on the right. You will also find it at this link: https://issuu.com/idaholottery/docs/2024_annualreport |
| 45 Can you clarify if the external auditors draft the financial statements or does the Lottery? Are there any other nonaudit services the external audit firm assists with? | In past periods financial statements have <u>not</u> been drafted by the external auditors. They have assisted with no other nonaudit services, besides being present for the Raffle Drawing in January. |



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| 46 | On page 11 of the RFP, respondents are asked to provide copies of Proposer's audited or reviewed Financial Statements. As a partnership, our firm does not have audited financials, nor do we have balance sheets, statement of income or statement of cash flows available for public release or to be included in a proposal. We can submit our current and past net fees, a summary D&B report and a letter of financial stability verification from our financial institution. Will these suffice as an alternative to financial statements? | Yes, these documents, listed, are an acceptable alternative. |
| 47 | Section 2.5 describes the three (3) additional two year extensions of the contract the option of the Lottery. Is this presumed to be a mutual extension or only at the option of the Lottery? | This is presumed to be a mutually agreed upon extension. This will be clarified in the contract. |
| 48 | If this is a one way option of the Lottery, will the lack of providing pricing for extensions be considered nonresponsive? | As indicated above, this is not a one way option for the Lottery. Yes, not providing pricing would be considered nonresponsive. |
| 49 | Would a fixed price plus an inflationary index factor be considered responsive for the extension periods in Section 4? | Yes, this would be considered to be responsive. |
| 50 | Is there any expectation or requirement for the auditors to observe or perform any procedures over the regular drawings of the Lottery? | No, this is not an expectation. We do occasionally request audit or observation services for an annual Raffle drawing. We have made this request once annually. |
| 51 | In the prior year audit, was all the audit work perform onsite, or do you prefer a mix of remote and onsite audit work? | In the most recent period, the audit work was performed primarily remotely. A half day was arranged for on-site testing of larger, more expansive physical supported requests. Discussions and as-needed meetings were held via telephone or on a digital meeting platform. |
| 52 | Would you please provide the fees for the years ended 2022, 2023 and 2024? | Audit fees paid by the Lottery for the financial audit was \$49,000.00 in each year ending 2022, 2023, and 2024. |
| 53 | Is the incumbent auditor permitted to bid? | Yes. See Answer #2. |
| 54 | Considering the deadline of September 30, what is the typical timeline of the audit fieldwork? When is the earliest the Lottery is available to begin audit fieldwork procedures? | In recent years walkthroughs have been performed in early to mid-summer, with fieldwork beginning in early to mid August and a draft ready to provide to the State Controller's Office at the end of September. While we are open for meetings and planning ahead of time, audit fieldwork procedures really cannot likely begin until early August. |
| 55 | May we receive a copy of the 2024 annual comprehensive financial report, management letter and required communications letter? | These will be posted on the website along with this Question and Answer Document. |
| 56 | May we receive a copy of the 2024 report on Lottery information security, or could you elaborate on the contents and nature of this report (mentioned on the top of page 10 of the RFP)? | To clarify, we will not require a specific report on Information Security. This refers to inclusion in the final reporting that audited information security controls and processes are satisfactory to the Firm. |
| 57 | What were the fees paid to the external auditor for this scope of work in FY2024 and FY2023? | Audit fees charged for this scope of work over each of the past two fiscal periods was \$49,000.00. |
| 58 | Approximately how many days were the external auditors at your offices for this scope of work in FY2024 and FY2023? | In FY24, an external Auditor spent half of one day at our offices to perform testing of larger support files. In FY23 no days were spent on site. The Manager and Partner did attend a meeting with the Idaho Lottery Commission Audit Subcommittee as well as a meeting with the Idaho Lottery Commission in person, although both of these meetings are available virtually. |



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| 59 | A 12/8/16 news release, announced that INTRALOT contracted with Idaho Lottery to provide lottery gaming systems. What type of System and Organizational Controls (SOC) report does Idaho Lottery receive from INTRALOT, and is that level of SOC report expected to be received throughout Idaho Lottery's contract with INTRALOT? | Gaming System Vendor, Intralot, is contractually required to provide an SSAE 18 TYPE 2 SOC 1 every other year. They have provided this report in 2024, 2022, 2020, 2018, etc. This is required throughout the life of a gaming system contract (and if vendors changed, the same requirement would exist for a new vendor). The alternating years, where there is no SOC report, the Firm is required to do a slightly enhanced controls check for Information Technology. |