

ADDENDUM 1

RFP 473-17-00005

FINANCIAL AUDIT OF THE TEXAS UNIVERSAL SERVICE FUND AND INTERNAL CONTROL AUDIT OF THE TEXAS UNIVERSAL SERVICE FUND ADMINISTRATOR

Introductory Note:

The PUCT has received a number of questions regarding RFP 473-17-00005 for a financial audit of the Texas universal service fund and internal control audit of the Texas universal service fund administrator. This addendum documents those questions and the PUCT's responses to those questions.

Questions and Answers (in red):

1. Page 13, Attachment A, Section 2B, SOC 1 SSAE 18:

- a. This section states that the Contractor shall provide an SSAE 18 SOC 1 opinion. The independent service auditor's report from the prior year indicates the examination was an SSAE 16 SOC 1; however, the assertion provided and subsequent testing is not consistent with a SOC 1 and appears to be an AT-101 under SSAE 16 (this was before the SSAE 18 was in effect, the equivalent would be an AT-C 105 under SSAE 18), as no control objectives with control activities are indicated. Was a SOC 1 also conducted in prior years? If so, is the documentation available for proposers to review?

The previous year's audits follow the same format as the one posted on the PUC website. FY 2015 audit is now posted to <http://www.puc.texas.gov/agency/about/procurement/Default.aspx>.

Amendment:

Attachment A, Statement of Work, Section 2.B. (pg 13) first sentence shall now read:

An SSAE 18 opinion on the TUSF Administrator's internal control structure and the adequacy and functioning of those control systems.

- b. In review of the PUC's objectives for an internal controls report over the TUSF Administrator's contract compliance with the PUCT, compliance with provisions of the PUCT Substantive Rule 26, and determining if the TUSF Administrator has adequate procedures to administer the TUSF, it may be that a SSAE 18 SOC 1 may not be the most suitable report for these objectives. If the proposer believes a

SSAE 18 AT-C 105 attestation will meet the objectives of the PUC, would it be acceptable to propose an AT-C 105 in lieu of a SOC 1?

It is the respondent's responsibility to meet the requirements of the RFP. Proposers have the option to offer alternative solutions but must meet the requirements of the RFP.

- c. Have there been any significant changes in the TUSF Administrator's relevant systems, operations, or responsibilities since the last SOC 1 report? If yes, will necessary edits to the description, control objectives, and control activities be made prior to the requested SOC 1 examination?

There have been changes to the statutes under which the TUSF Administrator operates. It is the responsibility of the contractor to identify and make the necessary changes to the description, control objectives and control activities.

- 2. We have reviewed the SSAE #16 report for the year ended August 31, 2016 and have the following questions regarding project scope:
 - a. Regarding Sections II and III, will the TUSF Administrator be responsible for providing an assertion and description of controls for the internal controls examination?

Yes.

- b. Will the scope of the internal controls examination be the same as Section IV of the prior year report? If not, please indicate any anticipated changes of scope.

It is the responsibility of the contractor to identify any necessary changes to section IV from previous years report.

- c. Is the work for the examination of internal controls expected to be performed at the TUSF Administrator's location in Parsippany, New Jersey, or some other location? Please elaborate.

It will be performed in Parsippany, NJ.

- d. Does the PUCT require that all of the examination of internal controls be performed in person by the selected vendor at the TUSF Administrator's offices or can some of the examination be performed remotely (e.g., through use of advanced material requests for documentation, screen sharing, and video conferencing tools)?

The PUCT does not require that all of the examination of internal controls be performed in person by the selected vendor at the TUSF Administrator's offices. The proposer is responsible for identifying methods for examination of internal controls.

3. Page 5, Section 6.1: Would the PUCT accept an electronic version of our proposal as a PDF instead of Microsoft Word? This will allow us to provide a complete proposal that is identical to our printed proposal, including forms and other documents requiring signatures.

A PDF electronic version is acceptable as long as a word document is also provided with the submittal. This allows the PUCT to more easily incorporate the proposal with the final contract. The PUCT understands the word version will not have the signatures or other documents that the PDF version would be able to incorporate.

4. Does the TUSF Administrator (Solix, Inc.) create the invoices, mail the invoices, collect and disburse the funds for the PUCT TUSF? Please clarify the TUSF Administrators roles and responsibilities.

Yes. A copy of the TUSF Administrator's contract can be found at http://www.puc.texas.gov/agency/resources/reports/fiscal/contracts/473-15-00317_Solix_TUSF.pdf.

5. General Question: What onsite location(s) will required for the selected firm to conduct work over the life of this project? Please list and identify the physical locations where the Financial Statement audit and Internal Control work would be completed.

The physical location where the work will be completed will be at the TUSF Administrator's office. The current TUSF Administrator is Solix, Inc. Their home address is 30 Lanidex Plaza West, Parsippany, NJ 07054. Additionally, the selected firm

may determine where to complete work that is not required to be on-site at the TUSF Administrator's office.

6. General Question: Will the PUCT provide a project coordinator or other resource to assist the selected firm with collecting documentation, scheduling meetings, etc.? If so, will this project coordinator be the same person for both Financial Statement audit and Internal Control work would.

No, the PUCT will not provide a project coordinator.

7. Financial Statement Audit: Will the PUCT prepare the Financial Statements, Schedules and Footnotes, or will contractor be responsible for completing the above noted items?

The TUSF Administrator prepares the financial statements. The contractor will be responsible for auditing them.

8. May we have a copy of the audited statement of changes in fund balance and the balance sheet of the TUSF, and the related audit opinion, for the year ended 8/31/16?

A copy of these documents may be found at:

http://www.puc.texas.gov/agency/about/procurement/rfp/473-17-00005/FY16_TUSF_Audit.pdf.

9. May we have a copy of the report on all TUSF disbursements made to Texas state agencies that are responsible for administering a program supported by the fund for the year ended 8/31/16?

This is posted to the PUCT website.

<http://www.puc.texas.gov/agency/about/procurement/Default.aspx>

10. May we have a copy of the TUSF Administrator's TUSF financial statements, along with the statement of revenue and disbursements for each month of the fiscal year and the year-end balance sheet for the year ended 8/31/16?

A copy of these documents may be found in the FY16 Audit which can be found at:
http://www.puc.texas.gov/agency/about/procurement/rfp/473-17-00005/FY16_TUSF_Audit.pdf.

11. For the SOC1, would the contract be with Solix, Inc., (the TUSF administrator) or with the PUCT?

The contract is with the PUCT.

12. Has a SOC1 been previously provided by the TUSF administrator? What was the period of the examination?

Yes an SOC1 has been provided by the TUSF administrator. A report is done annually. The previous 2 years' reports can be found at:
<http://www.puc.texas.gov/agency/about/procurement/Default.aspx>.

13. What is the expected period of the SOC1 report?

The audit periods are stated in the RFP.

14. If there has been a previous SOC audit, can we have a copy of the prior SOC 1 report? If not, can you outline the control objectives and number of control activities?

2 years of audits are posted to the procurement page of the PUCT at:
<http://www.puc.texas.gov/agency/about/procurement/Default.aspx>.

15. Are there any subservice organizations that would be relevant to the scope? Will these be included or carved out?

No, there are no subservice organizations that are relevant to the scope.

16. As for internal controls over cyber security, does the administrator have a documented internal cybersecurity framework that will be leveraged?

The TUSF administrator has documented policies and procedures for cybersecurity.

17. Is the contract award for all engagements to one firm or is there a possibility of it being split into separate engagements?

The award will be made to one firm.

18. What were the most recent fees for each engagement for 2016?

\$56,000

19. What were the staffing levels of the audit firm for the financial audit and the SOC-1 review (number of on-site staff and how long)?

The winning proposer will determine their staffing levels.

20. What are the audit preliminary and final fieldwork dates for each engagement?

The deadlines are stated in the RFP. The contractor will need to plan its fieldwork dates.

21. Were there any disagreements with the current audit firm or difficulties encountered during the audit?

No.

22. How long has the incumbent audit firm or administrator been with the program?

The current TUSF administrator has been administering the program since 1999. The incumbent audit firm was first chosen in 2010 and has performed all audits to present. The PUCT has issued competitive RFPs twice since the incumbent audit firm was first chosen.

23. How often are these engagements offered out for bid?

This contract will be for 4 years.

24. Were there any major changes in the year under audit? IT changes etc. significant transactions.

It is the responsibility of the contractor to identify any changes from the previous year's report.