

Massachusetts Development Finance Agency

Responses to Questions

Related to the Request For Proposals

Audit & Tax Services

- Are there any specific improvements you would like to see in the audit process?
We would like to see improved communication between management and the auditors throughout the fiscal year and throughout the audit.
- Have there been any disagreements between management and your independent auditor during the prior three engagements?
No disagreements to note.
- What are your preferences in terms of how much of the audit is performed onsite versus how much is performed remotely?
Audit work may be performed remotely, although we are open to onsite work if preferred.
- What financial accounting software is utilized?
The Accounting department currently uses Microsoft Dynamics Great Plains and Bi360 Reporting for its financial accounting software.
- Does management prepare the financial statements?
Yes, the Controller and Assistant Controller prepare the financial statements.
- Does the current audit firm use a subcontractor to comply with the Diverse Business Participation Program?
We can't comment on the policies or practices of other firms who may be respondents to the Request for Proposals.
- Are there any other significant changes in your organization (or pending changes) that will have an impact on the audit process moving forward?
No.
- What were your annual audit fees for the following fiscal year audits broken out by deliverable:
 - Fiscal Year 2023
 - Fiscal Year 2022**We can't comment on the fee structure of other firms who may be respondents to the Request for Proposals.**
- Is the incumbent firm allowed to propose?
Yes.
- Is there a specific contract requirement (such as a percentage) related to DBE subcontractors? How is this requirement considered as part of the evaluation criteria?
While there is not a specific contract requirement nor percentage related to DBE subcontractors, the Diverse Business Participation Schedule and Narrative is an important component of the evaluation of proposals.
- Is there anything about your current audit process that you would like to be changed in the future?
We want to ensure deadlines for the issuance of financial statements are met and communication is maintained during the fiscal year and during the audit process.

- Please provide the fees paid for audit services for each of the past three years. If applicable, please indicate if there were any billings above contracted amounts for “out-of-scope” or additional services not contemplated at contract award and what the additional services were provided.
We can’t comment on the fee structure of other firms who may be respondents to the Request for Proposals.
- What are the expectations for the performance of the fieldwork? Any preferences to perform the work remotely, on-site or a hybrid model?
Work can be performed remotely if that is the auditor’s preference. There may be circumstances that might require the auditors to come to the Devens, MA or Boston, MA office to perform some audit work or testing.
- Do you typically have adjusting journal entries? If so, how many do you typically have?
We don’t typically have adjusting journal entries after the audit TB and draft financial statements have been provided to the auditors on the first day of fieldwork. We can typically provide the audit TB prior to the first day of fieldwork.
- What are the three biggest challenges affecting MassDevelopment?
Because the Agency is a quasi-state agency, we can be impacted by specific initiatives of the administration of the Commonwealth in helping to accomplish them.
- Have there been any disagreements between management and your independent auditor during the prior three engagements?
No disagreements to note.
- Did the incumbent auditors meet the pre-determined deadlines?
The incumbent auditors have had difficulty meeting agreed to deadlines the past few years.
- Did the incumbent auditors provide consistency of staff over the last few audits?
Overall, there has been consistency of staff over the last few audits.
- What is the reason for going out to bid?
The Chairperson of our Board of Directors requested that management go out to bid as we have had the same auditor for the past 11 years.
- How many auditors are assigned to the engagement each year, and for how long?
The Agency only uses one auditor for the Agency related audits and tax returns. We do utilize different auditors for our New Markets Tax Credit Program entities and for the STAR (Short Term Asset Reserve) Fund.
- What are the most important factors that you will be considering when making your decision related to the RFP?
The factors that will be used in our selection process are included in the RFP.
- Are there any significant changes in MassDevelopment’s operations (or pending changes) that will have an impact on the audit process moving forward?
No.
- Does management maintain an inventory and amortization/depreciation schedule for all leases, subscription-based IT arrangements (SBITA), and capital assets? For leases and SBITAs, is annual consideration performed for new agreements and are material agreements posted by management?
The Agency uses Leasequery (now Finquery) software to maintain our GASB applicable leases and SBITAs. The software assists with annual journal entries to ensure we are

GASB compliant. We do have separate policies for leases and SBITAs. The Agency uses Sage software to maintain capital assets and calculate depreciation.

- The RFP indicates an audit timeline concluding with finalizing the audit report by the end of November. However, the fiscal year 2023 audit for MassDevelopment does not appear to have been issued as of today. What were the key factors leading to the delay in your desired November timing?

The key factors are related to the auditor completing testing related to new GASB 91 Conduit Obligations. They did not complete their testing during the normal course of the audit.

- Will management of MassDevelopment draft the financial statements in addition to the management's discussion and analysis section? The RFP does not indicate that the CPA firm would be responsible for producing the financial statements and related footnotes disclosures, but we wanted to confirm this with you.

The Controller and Assistant Controller prepare the audited financial statements including management's discussion and analysis and related footnotes.

- As new GASB accounting pronouncements become applicable to MassDevelopment does management internally lead the process of adopting the standards or is this something that you traditionally utilize your CPA firm to provide consulting services for?

Management typically researches new GASBs and comes to its own conclusions, but we then like to discuss with the auditor to ensure we are all on the same page before adopting a new policy or procedure. Some guidance is always appreciated.

- In relation to the above question regarding the past adoption of GASB 96 and GASB 84 – will future reporting under these standards require consulting services from your CPA firm?

No, the Agency uses Leasequery (now Finquery) software to maintain our GASB applicable leases and SBITAs. The software assists with annual journal entries to ensure we are GASB compliant. Management can prepare the financial statements and related footnotes in relation to the Fiduciary entities.

- Although it appears as though there were no material weaknesses or significant deficiencies identified in the draft FY23 audit were there any proposed audit adjustments and if so, what did they relate to?

No, we don't typically have material proposed audit adjustments.

- As part of transitioning the audit services to a new CPA firm are there any areas of focus that you are interested in getting a new perspective on?

We just want to ensure there will be open communication throughout the fiscal year and during the audit process, along with collaboration on new accounting pronouncements.

- Please describe MassDevelopment's internal due diligence procedures around valuing level 3 investments. If these investments are managed by an asset custodian who provides detailed reporting, please include a summary of what is provided in your response.

The level 3 investments include stock warrants and common stock. The Agency uses a third party (Kroll) to value the stock warrants. That report is shared with the auditors once completed in August. Common stock amounts are determined by our Lending group and those valuations are also shared with the auditors at the start of fieldwork. Investment information related to the Investment Trust Fund is taken from the STAR Fund December audited financial statements.

- Is the only governmental fund applicable to MassDevelopment the general fund or do you utilize special revenue, debt service or capital project funds?

The Agency financial statements show a consolidated presentation of the general fund and restricted funds.

- Please describe management's current process for evaluating allowance for loan losses – i.e., risk rating system or methods used and how does this compare to MassDevelopment's historical loan losses. Also, has there been any internal discussion about moving this process more to more closely align with the Current Expected Credit Loss (CECL) model that has been released for FASB governed lending organizations in preparation for GASB's release of a similar standard?

Our Lending department, which includes both loan officers and a credit team, has policies in place for loan loss allowance which we will share with the auditor. The Lending department also utilizes a third party (Cobblestone) to review the loan and guarantee portfolio to include the loan loss allowances each year which we also share with the auditors.

- What is management's level of interest in partnering with a CPA firm with a current client base that includes a significant number of MassDevelopment's borrowers in both the affordable housing and charter school sectors of the non-profit market?

There could be possible benefits as the firm may better understand the nature of the Agency's business and how it can be intertwined with other state Agencies and programs.

- The balance of capital assets seems to have grown by \$12M in FY23 – is this level of growth expected to continue in FY24 and what are the major projects/costs that the growth can be attributable to?

Yes, ongoing projects include the construction of a public safety building in Devens, MA and completing water and sewer construction projects, also in Devens.

- Are the audit fees publicized through the State's CThru website totaling \$171,838 all-inclusive of both the MassDevelopment and Devens Electric Utility audits, and the six tax filings noted on the RFP?

We can't comment on the fee structure of other firms who may be respondents to the Request for Proposals.

- Are you meeting with prospective CPA firms prior to submission of the proposal?

No, we do not plan on meeting with prospective CPA firms prior to submission of the proposal. We are likely to have meetings with select firms after reviewing the written submissions.