



**California Emerging Technology Fund  
Request for Proposals  
Annual Audit and Tax Preparation Services  
Answers to Questions from Prospective Bidders  
April 9, 2021**

The California Emerging Technology Fund (CETF) is a unique organization in the state and nation directed to be established by the California Public Utilities Commission (CPUC) with the mission to close the Digital Divide in California. CETF is a 501(c)(3) required by State statute to report annually to the Legislature through the CPUC. CETF also by State law is a member of the California Broadband Council.

Prospective Bidders are encouraged to review all of the relevant materials on the CETF website to become thoroughly familiar with the Mission, Overall Strategies, Focus on Outcomes, Performance Accountability, and Accomplishments, including:

- 5-Year Strategic Plan
- Decade Report
- 2020 Progress Report
- Financial Statements for Past Audits
- Memoranda of Understanding (MOUs) with Internet Service Providers (ISPs)

**Background on CETF Mission**

1. Can you provide more information about the potential federal grant?

CETF provides input on public policy to both the State and federal governments to advance institutionalization of Digital Inclusion to achieve Digital Equity. CETF is actively identifying all potential federal funding opportunities to support CETF programs and activities by other California stakeholders. Whether or not CETF will apply for federal funding is yet to be determined by Management and the Board of Directors, except to resubmit an application to the Federal Communications Commission (FCC) to support Telehealth in Skilled Nursing Facilities (SNFs) and senior resident complexes in California to demonstrate the effectiveness of Telehealth in controlling infections among residents and staffing personnel.

CETF received 2 major federal grants under the American Recovery and Reinvestment Act (ARRA) from the U.S. Department of Commerce National Telecommunications and Information Administration (NTIA) totaling \$14.3M to support and manage implementation by approximately 20 community-based organizations (CBOs). Based on the demonstrated effectiveness and efficiency of this approach, CETF is exploring availability of funds in several Departments that align with existing CETF program focus and expertise.

2. Are there any governance practices resulting from your founding and MOUs that we should be aware of?

The Auditor must understand the CETF Mission and strategies to close the Digital Divide. All governance practices comply with federal and California laws for non-profit organizations.

#### Background on CETF Financial Management

3. What are the key controls over cash accounts? Is the ability to make transfers limited and are accounts reconciled timely?

CETF has written Financial Management Policies and Procedures to ensure separation of responsibilities and duties and to provide checks and balances for accuracy. For example, the Treasurer manages all bank accounts for deposits and transfers. The President and CEO oversees and directs all expenditures. All checks are prepared by the Contract Bookkeeper-Accountant.

4. How did you conclude that the grants receivable are not time-restricted as of 6/30/20?

The primary revenues currently received by CETF are negotiated public benefits in MOUs with ISPs that are recognized in CPUC Orders that do not have time restrictions on the use of funds for CETF Core Mission. CETF does have Strategic Plans with specific time horizons for cash flow and program performance objectives adopted by the Board of Directors, but these Plans are not considered a time restriction on use of funds for accounting purposes.

5. Besides your bookkeeper, who else within the organization is involved with financial management and reporting?

The CETF Financial Management Policies and Procedures set forth a separation of responsibilities and duties among 5 categories of personnel: Treasurer; President and CEO; Vice President Operations; Program Staff; and Contract Bookkeeper-Accountant. The President and CEO oversees and authorizes all expenditures, checks are prepared by the Contract Bookkeeper-Accountant, and checks are routinely signed by the Treasurer. The President and CEO has check-signing authority (along with another Officer) and does sign checks when timeliness of payment is an issue, but that is infrequent. The Vice President Operations is responsible for managing all general operational vendors and is responsible for collecting, approving and submitting monthly Invoices for these vendors. Program Staff overseeing program implementation, such as School2Home or Promotion of Affordable Offers, or managing a Grants Portfolio are responsible for collecting, approving, and submitting monthly Invoices and Grant Payment Requests. The President and CEO reviews and approves all Invoices and Grant Payment Requests before checks are prepared. The President and CEO also maintains several internal spreadsheets and documents to track expenditures and verify reports by the Contract Bookkeeper-Accountant.

6. Approximately how many hours each month does your outside bookkeeper devote to your accounting?

The existing Agreement with the Contract Bookkeeper-Accountant is based on a projection of up to 40 hours monthly plus additional time annually for preparation of Forms 1099 and closing.

7. You indicated that you file a fairly large number of 1099s each year. Can you provide a general breakdown of your filing requirements?

Written Agreements are retained in the files for all contractors, most of whom are School personnel receiving stipends for implementation of School2Home. All payments to all contractors are tracked. Forms 1099 are prepared for those individuals paid the IRS threshold for reporting, which today is \$600 within a year.

8. Can you briefly describe your cost allocation process between program and management and general?

The cost allocation between Program and Support is based upon a Personnel Time Allocation Budget prepared annually by the President and CEO, reviewed and verified by each Staff person (and revised as appropriate), and adopted by the Board of Directors in conjunction with the annual Fiscal Year Work Plan and Budget. It is verified and validated through timesheets maintained by the President and CEO because the commitment of time by the CEO has the most variability on a weekly-monthly basis and is subject to the most adjustment when responding to unforeseen opportunities or challenges. The Auditor reviews all of these documents for integrity and accuracy in preparing the annual Financial Statements and generates the official allocation of Program and Support expenditures. The Cumulative Program 90% and Support 10% is a function of Cumulative Total Expenditures over several Fiscal Years, including Grants flow-through, per independent audits.

9. Does the CEFF expect retirement or replacement of key employees in Finance over the next year?

No.

10. How has the pandemic impacted financial operations and separation of duties?

The pandemic has had no impact on CETF financial operations and separation of duties. However, it is clear that the pandemic has impacted the operations of several vendors, grantees, and the U.S. Postal Service who have lost and failed to deposit payments in a timely manner for an unusually-high number of checks which had to be replaced.

### Audit

11. Why is the CETF considering changing the auditor?

The CETF Audit Committee issued the Audit RFP and is considering all Proposals on a competitive basis as a governance “best practice” to ensure confidence by all parties in CETF operations. It was the intent of the Audit Committee to issue a RFP last year in conjunction with the CPUC approval of the CETF-T-Mobile MOU which extended CETF operations for at least another 5 years with a new revenue stream. That action also coincided with the change in the Chair of the Audit Committee. However, once the pandemic shelter-in-place orders were issued, it was determined by the Audit Committee to defer the RFP process for a year and rely upon the practice of the current Auditor to rotate annually field examination personnel.

12. Is the scope of the service requested the same as last year?

Yes.

13. Have there been any changes in your accounting system or software since last year?

No. CETF currently is using QuickBooks Premier Editions 2021.

14. When do you expect to have the year fully closed and schedules available for the auditors?

CETF plans to close books for the Fiscal Year 2020-2021 by the third week in July 2021. The commitment by CETF is to have all finalized Financial Reports for the Fiscal Year by the Friday before the beginning of the field examination.

15. Can you briefly describe your closing process?

CETF books are closed monthly with the generation of standard Financial Reports: Actual Expenditures vs. Budget; Detailed P&L; Summary P&L; Bank Account Reconciliations; and CETF Balance Sheet. At least quarterly the Consolidated Balance Sheet is prepared to summarize all funds under control by CETF. The President and CEO reviews all of these Financial Reports, identifies any problems for attention by the Bookkeeper-Accountant, and approves the final Financial Reports. This is the same process for the end-of-year closing. The CETF Audit Committee has a "zero materiality" policy so books are balanced to the penny (no write-offs).

16. What are your expectations around on-site work this year?

CETF prefers that the field examination be conducted onsite for efficiency and immediate response to questions and clarification on any issues. CETF expects that the audit can be conducted this year in person safely through prudent health and social distancing measures. Of course, CETF routinely compiles electronically the standard documents requested by the Auditor, but wants to minimize duplicating files that should be examined onsite.

#### Previous Audits

17. Will your prior auditor be invited to bid?

The RFP is open to all interested bidders, including the prior Auditor.

18. How long has your prior auditor been performing the audit?

The prior Auditor, selected through a similar open RFP process, has performed the audit since the Fiscal Year 2008-2009 with new field examiners each year and different Audit Partners.

19. Were there any material weaknesses, significant deficiencies, or control deficiencies in the prior audit? If so, please provide relevant reports.

No material weaknesses, significant deficiencies, or control deficiencies have been identified in any prior audits.

20. Did you receive any internal control or management comments from your auditor in the last three years?

No.

#### Audit Schedule

21. Most of our audit work is done remotely during the pandemic. Does CETF require the auditor to perform any fieldwork or can the entire audit be handled remotely?

CETF prefers onsite field examination.

22. Given that the audit begins the week of August 2 and a draft is due by September 3, will it be possible to do some interim work in either June or July to accomplish planning tasks such as obtaining copies of organization documents, by-laws, articles of incorporation, internal control write-ups, review of the predecessor auditor's work, etc.?

Yes, as much work as possible should be done prior to the beginning of the field examination, including compilation of the specified documents.

#### Additional Background

23. Do your grants to other organizations include conditions that must be met in order for the recipient to be entitled to the funding?

Yes.

24. What are your policies for evaluating grant proposals?

All grants for broadband Adoption are performance-based and evaluated according to the proposal from the organization, reasonableness of the submitted Work Plan and Budget, coupled with due diligence on past performance of the organization. Please see the Request for Letters of Interest on the CETF website. For grants related to institutionalization of Digital Inclusion, CETF negotiates with appropriate non-profit organizations and public agencies to implement strategies and projects consistent with the approved Strategic Plans and Work Plans. CETF regularly monitors all grants and receives performance reports from all grantees.

25. The T-Mobile multi-year grant is all included in net assets without donor restrictions. Typically multi-year grants have an implied time restriction that matches the years in which the grant funds will be received. Did CETF consider treating the T-Mobile grant as having an implied time restriction for the \$28 million portion to be received in future years?

The public benefit commitment from T-Mobile to CETF was recognized with a donor restriction for that portion dedicated to specific program purposes (\$22M) and without a donor restriction for that portion designated for Core Mission (\$13) per the MOU and the Financial Statements Notes. There is no time restriction in the MOU for use of T-Mobile funds by CETF, although, as noted previously, CETF has adopted a Cash Flow Framework to implement the MOU.

26. What is the nature of the Charter Territory restriction listed in Note 11.

All funds from Charter Communications for program implementation (apart from Core Mission) must be spent within the Charter Service Territory.

27. Have you recently evaluated your classification of consultants in accordance with California's recent legislation?

Yes.

28. How do you track your lobbying expenditures? Do you involve legal counsel to advise in this area on a regular basis?

Each Staff person maintains a Monthly Report on Advocacy Activities which are compiled for a composite Annual Report and analysis consistent with the Advocacy Policy adopted by the CETF Board of Directors with the assistance of legal advice from the General Counsel. The Annual Report on Advocacy is a standard document examined by the Auditor.

29. Certain members of the Board of Directors receive compensation. Could you briefly describe the services that they perform in exchange for the compensation?

The Board of Directors adopted a Policy in 2009 on compensation for Directors based on attendance at Board and Committee Meetings. An Attendance Record is maintained for all Directors. Each Director who is not a State employee is eligible to receive Stipends pursuant to completion of a form. All Directors are asked periodically if they want to receive Stipends. A monthly Invoice for payment of Director Stipends is generated by the President and CEO. Per Board Policy the Treasurer receives an annual Stipend for performing specified duties as the Chief Financial Officer, which includes primarily overseeing and managing the bank accounts.

30. What is the most recent operational technology upgrade CETF has implemented?

CETF is a relatively-small non-profit organization in the context of the statewide Mission to close the Digital Divide. CETF uses secure subscription-based applications for some grants management. The CETF Information Technology vendor employs: Broadcom Symantec Endpoint Protection Small Business Edition (SEP SBE); Symantec Endpoint Security (SES) Product Family; Symantec DeepSight Intelligence Portal; and Symantec DeepSight Intelligence Datafeed.

31. Are there any elements of your strategic plan or internal strategy that you would like your external accountants to be involved with?

CETF expects the Auditor to be fully familiar with the Strategic Plans and management processes to review and verify the integrity of all aspects of CETF operations.

32. Are there any areas that the Audit Committee, board of directors or senior management would want the outside auditors to consider?

The scope of services for the Auditor is set forth in the RFP which was approved by the Audit Committee.

33. Is there anything specific that you are looking for with the successor auditors?

The scope of services for the Auditor is set forth in the RFP.

34. How many audit adjusting journal entries did you have in the prior fiscal year?

Generally there are few adjusting journal entries each Fiscal Year—less than 10 and usually approximately 5—mostly related to classification of expenditures or characterization on the Balance Sheet.

35. Any litigation not included in the 2020 Financial Statements?

No.

36. Is the CEFF planning to issue any new debt?

No.

37. Will there be any significant events in FY 2020-21?

No significant events are known at this point, however there always is the possibility of unanticipated events and there always are unforeseen challenges and/or opportunities that arise each Fiscal Year. CETF historically has been prepared and agile to adjust to those circumstances and seize the opportunities consistent with the Mission. In this Fiscal Year the new federal Administration attention to broadband as essential infrastructure is an example of an opportunity that has been assessed by the CETF Board of Directors with an adjustment to the Work Plan and Personnel Time Allocation. Certainly, the COVID-19 pandemic was not anticipated at the beginning of the last Fiscal Year and CETF was able to make an immediate adjustment to ensure continuity of operations.

38. How much were the total federal expenditures last year?

There were no federal funds received or expended in the last Fiscal Year and there may be none for Fiscal Year 2020-2021. Federal funds being pursued by CETF may only apply to the next Fiscal Year.

39. When will a closed trial balance be available for the audit with all closing entries recorded?

CETF typically generates a trial balance as of the end of the Third Quarter (March 31) to share with the Auditor to assist in reviewing financials. The year-end trial balance will be prepared consistent with the goal to close books in the third week in July 2021.

40. Please provide the number of staff in Finance and structure.

As stated previously, CETF has 5 categories of personnel involved in the Finance structure for appropriate separation of responsibilities and duties. The primary points of contact for the audit are the Contract Bookkeeper-Accountant, President and CEO, and Vice President Operations.

41. Do you need auditor's assistance to draft financial statements?

The Auditor is relied upon to prepare the official Financial Statements for the audit that also support federal and state filings.

42. Please provide a list of the schedules that you typically provide at the beginning of the audit, by August 2.

CETF compiles and prepares standard documents typically requested by an Auditor.

43. Do you prepare a draft copy of the entire financial statement?

Please see above answers.

#### Questions Not Answered To Ensure Proposals Based on Independent Professional Assessments

44. For both interim and year-end, how many staff did the audit team consist of in the past and how many weeks did the auditor spend in the field?

45. What were the prior year audit fees, tax return preparation (both Form 990 and form 199), and RRF-1 and can you provide the break down by components?

#### Additional Question Submitted After Conclusion of Bidders' Conference

A. Could you provide more detail regarding your expectation around rotating audit personnel? Is CETF looking for the entire team, including the partner, to switch out each year.

As stated in the RFP, "CETF also will consider engaging the selected firm for subsequent years, provided performance for the 2020-2021 audit is satisfactory." Understanding of CETF and continuity of oversight by an audit firm and the same audit partner can be very helpful for a certain period of time. Thus, CETF sincerely is requesting a professional recommendation from each bidder in submitting a proposal to include an "Explanation of your policy and practice in rotating audit partners and field examiners." In the past, CETF has experienced the benefits of changing-rotating most of the field examination team from year to year, with reasonable multi-year continuity of the audit partner. Given that CETF will be operating for at least the next 5 years to implement the MOU with T-Mobile, bidders may want to think about providing an explanation of your firm's policy and practice for rotating audit partners and field examiners with that timeframe in mind.