December 23, 2014

AN EXAMINATION OF THE FINANCIAL AND TECHNICAL CONTROLS OF THE MAGIC SYSTEM

To: All Potential Proposers

From: the Office of the State Auditor

Delivered: Via posting to the OSA Website

Following are questions that have been received from potential proposers to the Office of the State Auditor's Office RFP Document # 14-12-01-OSA. Every effort is being made to clarify any uncertainties with the responses **(presented in bold wording)** that are being provided. Further clarification can be provided at the Proposers Conference scheduled for January 7, 2015 at 9:00 am CST in the Conference Center East Room in the Woolfolk Building, Jackson Mississippi.

Please note that we are awaiting responses from the Department of Finance and Administration (DFA) as of the date of this response to Questions # 8, 12 and 15. No response is being provided at this time to Question # 16 because no question was proposed when the document was submitted to the Office of the State Auditor.

Questions re: RFP# 14-12-01-OSA with Responses in Bold

1. Part I, Section P – Other Key Dates on page 5 of the RFP states "Draft Copies of Report Delivered to OSA: Friday, April 24, 2015 at 5:00 p.m. CDT" and "Final Copies of Report Delivered to OSA: Friday, May 1, 2015 at 5:00 p.m. CDT." On what date should the winning proposer expect to receive comments from OSA on the draft reports?

   The winning proposer should expect to receive comments from OSA by 12:00 pm CDT Wednesday April 29, 2015 if the draft report is delivered by Friday April 24, 2015 at 5:00p.m. CDT.

2. Part II, Section A – Description of Project on page 6 of the RFP states "The work for this Request for Proposal includes performing all procedures necessary to identify and review the controls, both general and significant, related to Mississippi's Accountability System for Government

Information and Collaboration (MAGIC)." Shall the proposer assume the term "significant control" is synonymous with "key control", i.e. controls required to provide reasonable assurance that material errors will be prevented or timely detected? Or does "significant controls" refer to "significant application controls" as detailed in Attachment A, item #2.

Significant controls should be considered to mean significant application controls.

3. Part II, Section A – Description of Project on page 6 of the RFP states "The work for this Request for Proposal includes performing all procedures necessary to identify and review the controls, both general and significant, related to Mississippi's Accountability System for Government Information and Collaboration (MAGIC)." Does the State intend for application controls, IT general controls, IT dependent controls and manual controls related to all interaction with MAGIC to be in-scope for the examination? Or, is the examination limited to the identification and review of the application controls and IT general controls associated with MAGIC?

The examination could potentially cover all of these particularly if Management of DFA or ITS attested to the control regardless as to how it is classified.

4. Part II, Section B – Description of MAGIC on page 6 of the RFP states "On July 1, 2014, the State of Mississippi replaced the statewide legacy financial and accounting systems (SAAS) with SAP's fully integrated up-to-date off-the-shelf Enterprise Resource Planning (ERP) software package that has been modified to meet the State's defined requirements." Can OSA provide a listing of significant modifications made to SAP, to assist with project scoping?

The Department of Finance and Administration / MMRS will have to provide the listing of modifications made to SAP. We do not currently have a timeframe as to when that information will be available. However, we do expect the listing of modifications will be available to the selected Contractor before the start of the project.

5. Part II, Section B – Description of MAGIC on page 7 of the RFP states " Additional information about MAGIC can be found on the MMRS website: www.mmrs.state.ms.us/MAGIC/index.shtml. The Blueprints and System Documentation found within this web site will be of particular benefit in helping to understand the MAGIC system and completing this proposal." After review of the information on the MMRS website we are unable to locate System Blueprints and Documentation that would be helpful in scoping the project. Can OSA clarify the location of this documentation?

The location of the information referred to as Blueprints and System Documentation can be found at the following links:

http://www.mmrs.state.ms.us/MAGIC_FI_GR/FIGM_System_Documentation.shtml

http://www.mmrs.state.ms.us/MAGIC_FI_GR/FIGM_Blueprint.shtml

http://www.mmrs.state.ms.us/MAGIC_FI_GR/FIGM_Business_Process_Flowcharts.shtml

6. Part II, Section C – Requirements on page 8 of the RFP states "In documenting the results of the engagement, you will also be required to identify control weaknesses, identify the types of potential misstatements that could occur and identify the State's policies and procedures to prevent or detect these misstatements." Does this requirement infer that the Contractor must identify all manual controls included in the State's policies and procedures to prevent or detect misstatements, or only identify compensating manual controls for IT control weaknesses identified during the review?

   The Contractor would be expected to identify compensating manual controls for IT control weaknesses.

7. Part II, Section C – Requirements on page 8 of the RFP states "The report should also offer an opinion on whether data the General Ledger feeds to the Financial Statements is being retrieved from the proper areas and that the Financial Statements are accurate, adequate and materially correct. This opinion will flow from assertions provided by Management of DFA." A report offering an opinion that "data the General Ledger feeds to the Financial Statements is being retrieved from the proper areas and that the Financial Statements are accurate, adequate and materially correct" would appear to be outside of the scope of the IT internal controls identification and review engagement detailed elsewhere in the RFP. Will the OSA consider removing this paragraph from the RFP?

   Part II, Section C 2nd paragraph on Page 8 and Attachment A. under A. Engagement Services Schedule under Application Controls (l) on Page 26 of the RFP is being replaced with the following language.

   The report should also offer assurance on the adequacy of the controls in place to ensure that data the General Ledger feeds to the Fund Level reports is being retrieved from the proper areas and is complete.

8. Part II, Section C – Requirements on page 8 of the RFP states "DFA's assertions will be available prior to the start of the project." Does the State have an estimated date that DFA's assertions will be available to the contractor? Will these be made available prior to the proposal submission due date (January 22, 2015)?

   The Office of the State Auditor (OSA) does not have an estimate of the date that DFA's assertions will be available. OSA will be working with DFA/MMRS and the Department of Information and Technology Services (ITS) to make every effort possible to have the assertions available before the proposal submission date of January 22, 2015.

9. Part IV, Section 2 – Instructions to Proposers on page 11 states "Individually list any current employees who have previously been employed by the State of Mississippi and local government within the last five years". Is this requirement intended to capture only project team members or anyone within the entire firm who meets this criteria?

This requirement would apply only to the Project Team Members.

10. Attachment A, Section A – Engagement Services Schedule, Planning and General Controls #2-c states "Review computer services to address physical security, operational procedures, systems software, telecommunications and disaster recovery/business continuity planning." Does this procedure refer to only a review of physical security, operational procedures, systems software, telecommunications and disaster recovery/business continuity planning in place over the IBM z196-504 mainframe and applicable servers?

Yes. However, the mainframe and some supporting servers reside at ITS. Therefore, any testing of related controls will have to be performed with coordination with ITS.

11. Attachment A, Section A – Engagement Services Schedule, Planning and General Controls #2d states "Review information security procedures to address security administration, access control, data security and program security. "Has DFA, MMRS or ITS updated all information security policies and procedures for the MAGIC implementation?

This information would be provided to the selected Contractor prior to the start of the project.

12. Attachment A, Section A – Engagement Services Schedule, Application Controls #2-a states "Review applications development of the MAGIC system to address system development, project management, implementation and evaluation.' Is development performed by DFA, MMRS or ITS employees, or is development outsourced to external consultants?

We are still awaiting a response from DFA to this specific inquiry.

13. Attachment A, Section A – Engagement Services Schedule, Application Controls #2-f states "Offer an opinion as to whether functionality is being used within MAGIC that should not be used in relation to potential fraud." Will the State consider rewording this procedure to "Offer recommendations for remediation of any control weakness or MAGIC functionality that poses a risk of potential fraud?"

Yes. The original line in the RFP which states, "Offer an opinion as to whether functionality is being used within MAGIC that should not be used in relation to potential fraud," is replaced with the following wording:

Offer recommendations for remediation of any control weakness or MAGIC functionality that poses a risk of potential fraud.

14. Attachment A, Section A – Engagement Services Schedule, Application Controls #2-g states "Evaluate current work assignments of personnel in relation to potential issues regarding segregation of duties." Does this procedure relate to evaluation of DFA, MMRS and ITS work

assignments for potential segregation of duties issues, or does the scope include evaluation of users at agencies for potential segregation of duties issues arising from their use of MAGIC?

This procedure would relate to evaluation of DFA, MMRS and ITS work assignments for potential segregation of duties issues.

15. Attachment A, Section A – Engagement Services Schedule, Application Controls #2-i states "Ensure that all systems that feed information into MAGIC (i.e. MDOT) do so in an accurate and proper manner." For engagement scoping and planning purposes, can the OSA provide a list of all systems that interface with MAGIC that would be in scope for the examination resulting from this RFP?

We are still awaiting a response from DFA to this specific inquiry.

16. Attachment A, Section A – Engagement Services Schedule, Application Controls #2-k states "Also, this report should provide recommendations for any control strengths identified that could be expanded to provide greater assurance of data security and accuracy. Present each finding to management to obtain an informal response for each finding."

No response is being provided because no specific question was asked by the proposer.

17. Attachment B, Section A – Competency Schedule states, "In addition, the certifying officer and senior level staff assigned to the engagement should meet the following additional verifiable requirements:
    - A minimum of four (4) years' experience in IT auditing (Required)
    - A minimum of four (4) years' experience in financial auditing (Required for at least one staff member assigned to the examination)
    - Certified Public Accountant (Required of Certifying Officer)
    - Certified Information System's Auditor (Required for at least one staff member assigned to the examination)"

The third bullet point explicitly states that the certifying officer must be a Certified Public Accountant (CPA.) Does the first bullet point in this section infer that the certifying officer must have a minimum of four (4) years' experience in IT auditing, or senior level staff assigned to the engagement?

The first bullet point should be considered to relate to the senior level staff assigned to the engagement.

18. Attachment A, Section A- Engagement Services Schedule, #2: "Identify, review and document the general controls and significant application controls related to MAGIC. Identify control weaknesses, the types of potential misstatements that could occur and the State's policies and procedures for preventing or detecting these misstatements." Will controls that have already been identified by DFA, MMRS and ITS be provided to the Contractor?

Yes. Any controls that have been identified by DFA/MMRS and ITS will be available to the Selected Contractor at the start of the project.

19. Will July 1, 2014 through the project date be the period of time subject to testing?

    Yes.

20. Are the references within the RFP to the "Financial Statements" intended to reference the State's consolidated financial statements or statements at the agency level?

    The words Financial Statements used throughout the RFP Document are intended to reference statements at the fund level within an agency.

21. Are examples available from the State with respect to expected deliverables to be produced at the end of the engagement or prescribed format?

    No.

22. Is the contractor who conducts the examination detailed in RFP No. 14-12-01-OSA precluded from possible subsequent contracts to remediate any control weaknesses identified?

    No. The Office of the State Auditor is not aware of any reason or circumstances that the Contractor would be precluded from possible subsequent contracts to remediate any control weaknesses identified.

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