

05/8/2026

TO: ALL OFFERORS

FROM: Scott G. Sipple, Jr.
Deputy State Auditor

SUBJECT: ADDENDUM TO RFP
CONTRACT NO. AOA26-CPA01-DHIN

Delaware Health Information Network
Professional Services

ADDENDUM #1

This addendum is to address the questions and answers for the current Request for Proposal. All other terms and conditions remain the same. If you have any questions, please contact me at 302-269-7218 or Scott.Sipple@delaware.gov

Question: Please provide a typical timeline for prior audits, including: (1) interim work, (2) year end fieldwork, (3) draft financial statements, (4) final issuance, and (5) any required presentations.

Response:

Interim work – July/August
Year-End Fieldwork – August
Draft Financial Statements – September
Exit Conference (Presentation of Results) - October
Final Issuance – October 23

Question: What is the earliest that final fieldwork can typically begin (i.e., how soon after year end are the books closed and available for audit)?

Response: DHIN plans to close its books by the end of July so fieldwork can start in August.

Question: Has the DHIN received or expected to receive federal funds during the year ended June 30, 2026? If so, what is the dollar amount expected to be expended as of June 30, 2026?

Response: The current understanding is DHIN was allocated approximately \$1.5 million from the federal Department of Health and Human Services - Community Project Funding/Congressionally Directed Spending - Non-Construction grant. As

of June 30, 2025, \$990,305 has been spent. While the remainder of the grant would be under the annual \$1 million threshold for performing a Uniform Guidance audit, there may be extensions and/or new awards for this grant or DHIN may secure additional federal funding from other sources.

If, during the course of the engagement, the firm determines that a Uniform Guidance Audit is required based on federal expenditure thresholds, the firm must notify AOA immediately. Any Single Audit work would need to be added through a formal contract amendment, and no costs related to a Single Audit should be included in the current proposal.

Question: What is the DHIN's anticipated budget for the financial statement audit for the year ended June 30, 2026?

Response: In keeping with our standard procurement practices, the anticipated budget for the financial statement audit for the years ending June 30 will not be disclosed during the RFP process.

Question: Has the DHIN performed any analysis of the impact of GASB 103 and other new pronouncements effective for the year ended June 30, 2026?

Response: DHIN reviews the impacts of the GASB statements from issuance through the implementation date with its contracted CPA firm.

Question: How has the auditor–DHIN relationship functioned in previous engagements, and are there any particular areas in which the DHIN is seeking improvement (e.g., communication, timing, management letter content)?

Response: DHIN established a professional relationship with the contracted auditor when explaining the documentation necessary to present its financial statements fairly, in all material respects. Communication from the auditor to DHIN was considered regular from entrance conference to final issuance.

Question: Under what conditions has the DHIN historically not renewed audit contracts?

Response: In accordance with 29 Del. C. § 2906(c), the Auditor of Accounts (AOA) has sole responsibility for selecting the certified public accountant who performs the audit. Historically, the AOA typically renews audit contracts when the engagement is running smoothly, and the firm remains able to meet the specialized requirements of governmental auditing.

However, AOA also reserves the right not to renew when circumstances change, such as when a firm experiences key leadership transitions, shifts in practice focus, or otherwise determines it cannot continue the engagement. Also, a lack of communication with the auditee and AOA over significant audit matters, lack of

knowledge of the subject matter, or failure to comply with the Yellow Book & AICPA standards and/or GASB statements would jeopardize renewal options.

AOA may not renew contracts with vendors for a number of reasons including, but not limited to, failure to meet reporting deadlines.

Question: Are you looking for a change from the incumbent?

Response: AOA respects the RFP process to select an auditor to provide services in accordance with procurement rules. AOA will review RFPs from all qualified bidders.

Question: Has there been any turnover in key financial or accounting personnel at the DHIN in the past year?

Response: There has been no significant turnover of key financial or accounting personnel.

Question: Are there any known challenges or planned changes related to the DHIN's accounting systems or internal controls that the auditor should be aware of?

Response: There are no known challenges or planned changes related to the Corporation's accounting systems or internal controls.

Question: Does the DHIN use any third party service providers (e.g., payroll processing, or other significant financial processes), and if so, for which functions?

Response: DHIN uses a payroll service to run payroll regularly.

Question: Are there specific expectations regarding onsite versus remote work for the audit, or may the auditor exercise discretion so long as the DHIN's expectations are met?

Response: The auditor may exercise discretion regarding onsite versus remote work for the audit as long as the Corporation's expectations are met and AOA's timeline is met.

Question: Does the DHIN regularly consult with any other CPA firms on accounting, reporting, or compliance matters?

Response: DHIN does not regularly consult with any other CPA firms on accounting, reporting, or compliance matters.

Question: Please indicate whether any major system changes or upgrades are planned during the contract term.

Response: There are no known major system changes or upgrades planned during the contract term.

Question: Please confirm whether a current or prior year provided by client (PBC) list can be made available to the successful offeror.

Response: Confirmed, per AICPA standards, AOA directs the successful offeror to contact the predecessor auditor to discuss the engagement and obtain any documentation necessary to plan the audit.

Question: Were there any disagreements with the prior auditor related to accounting principles, proposed adjustments, audit scope, audit procedures, or other significant matters. If so, please provide.

Response: There were no disagreements with the prior auditor related to accounting principles, proposed adjustments, audit scope, audit procedures, or other significant matters.

Question: Were there any material audit adjustments identified during the prior year's audit? If so, please provide.

Response: There were two material audit adjustments identified during the prior year's audit, both of which resulted in financial statement findings.

DHIN did not update its Governmental Accounting Standards Board (GASB) Statement No. 96 subscription-based information technology arrangement (SBITA) calculations during the years ended June 30, 2025 and June 30, 2024.

DHIN recognizes revenue in the period in which its performance obligations are satisfied. During the year ended June 30, 2023, the service periods stated on certain customer invoices did not accurately reflect the timing, in which performance obligations were satisfied. As a result, revenue was recognized in an incorrect reporting period.

Question: Do you anticipate needing a single audit for FY2026?

Response: The current understanding is DHIN was allocated approximately \$1.5 million from the federal Department of Health and Human Services - Community Project Funding/Congressionally Directed Spending - Non-Construction grant. As of June 30, 2025, \$990,305 has been spent. While the remainder of the grant would be under the annual \$1 million threshold for performing a Uniform Guidance audit, there may be extensions and/or new awards for this grant or DHIN may secure additional federal funding from other sources.

If, during the course of the engagement, the firm determines that a Uniform Guidance Audit is required based on federal expenditure thresholds, the firm must notify AOA immediately. Any Single Audit work would need to be added through a formal contract amendment, and no costs related to a Single Audit should be included in the current proposal.

Question: Does DHIN expect any changes in grant funding through year-end June 30, 2026?

Response: The current understanding is DHIN was allocated approximately \$1.5 million from the federal Department of Health and Human Services - Community Project Funding/Congressionally Directed Spending - Non-Construction grant. As of June 30, 2025, \$990,305 has been spent. While the remainder of the grant would be under the annual \$1 million threshold for performing a Uniform Guidance audit, there may be extensions and/or new awards for this grant or DHIN may secure additional federal funding from other sources.

If, during the course of the engagement, the firm determines that a Uniform Guidance Audit is required based on federal expenditure thresholds, the firm must notify AOA immediately. Any Single Audit work would need to be added through a formal contract amendment, and no costs related to a Single Audit should be included in the current proposal.

Question: Does the County use third-party grant administrators or fiscal agents?

Response: AOA does not provide a response to this question as the RFP does not refer to DHIN as a County.

Question: What is the typical timing and length of the single audit fieldwork.

Response: The timing and length of the single audit fieldwork is directly related to the Compliance Supplement – 2 CFR Part 200 Appendix XI requirements for each federal major program.

Question: Please explain confirm that FY2025 and FY2024 reports were issued simultaneously. If so, please explain why.

Response: The FY2025 and FY2024 reports were issued simultaneously. DHIN was behind schedule in its financial reporting due to systemic issues regarding its accounting for significant matters related to its operations. Those issues appear to be resolved as DHIN is current in its financial reporting.

Question: Please explain what delays have occurred in the past as FY2023 was issued in October 2024 and FY2025 and 2024 were issued in April 2026. Specifically, please explain how the timeline is expected to change based on the timing requirements detailed in the RFP.

Response: The FY2025 and FY2024 reports were issued simultaneously. DHIN was behind schedule in its financial reporting due to systemic issues regarding its accounting for significant matters related to its operations. Those issues appear to be resolved as DHIN is current in its financial reporting. Thus, the timeline as stated in the RFP is the expected timeline as follows:

Interim work – July/August
Year-End Fieldwork – August
Draft Financial Statements – September
Exit Conference (Presentation of Results) - October
Final Issuance – October 23

Question: Are you able to provide the fees paid for audit services for each fiscal years 2024 and 2025, if known? Please indicate if there were any billings above contracted amounts for “out-of-scope” or additional services not contemplated at contract award.

Response: In keeping with our standard procurement practices, the anticipated budget for the financial statement audit for the years ending June 30 will not be disclosed during the RFP process.

Question: Is the incumbent firm allowed to propose?

AOA respects the RFP process to select an auditor to provide services in accordance with procurement rules. Any CPA firm can respond to RFPs, and AOA will review RFPs from all qualified bidders.

Question: Section 4.4b on page 7 of the RFP notes that engagement workpapers are the property of AOA and that the contracted firm will provide an electronic copy of all support documents and workpapers related to the engagement to AOA. The AICPA notes that workpapers are the property of the CPA firm performing the audit and are not required to be provided to the client with the exception of “adjusting or closing entries not otherwise available to the client.” Will the AOA consider updating this requirement to match the AICPA’s guidance?

Response: Title 29 Chapter 29, Section 2906(c) states “The Auditor has sole responsibility for the arrangements under which a state agency audit is conducted and for selecting a certified public accountant who makes the audit.” AOA’s interpretation is the CPA firm selected to perform the audit services is an extension of AOA’s responsibility. AOA is not considered a client in this relationship. AOA is involved in monitoring the contract for audit services rendered in all phases: planning, fieldwork, and reporting, as conducted by the firm selected to perform audit services.

Question: What are the expectations for performance of the fieldwork? Any preference as to whether the work is performed remotely, on-site, or a hybrid model?

Response: The auditor may exercise discretion regarding onsite versus remote work for the audit as long as the Corporation's expectations are met and AOA's timeline is met.

Question: Will DHIN be receiving and expending over \$1M of federal funds in FY26 in order to be required to undergo a Uniform Guidance audit?

Response: The current understanding is DHIN was allocated approximately \$1.5 million from the federal Department of Health and Human Services - Community Project Funding/Congressionally Directed Spending - Non-Construction grant. As of June 30, 2025, \$990,305 has been spent. While the remainder of the grant would be under the annual \$1 million threshold for performing a Uniform Guidance audit, there may be extensions and/or new awards for this grant or DHIN may secure additional federal funding from other sources.

If, during the course of the engagement, the firm determines that a Uniform Guidance Audit is required based on federal expenditure thresholds, the firm must notify AOA immediately. Any Single Audit work would need to be added through a formal contract amendment, and no costs related to a Single Audit should be included in the current proposal.

Question: What general ledger package does DHIN use?

Response: DHIN uses Quickbooks as its general ledger package.

Question: When does DHIN prefer interim and year-end fieldwork to be performed?

Response: Historically, interim and year-end fieldwork for DHIN was performed after fiscal year end. For FY2026 and forward, AOA expects the timeline for audit services to be performed as follows:

Interim work – July/August
Year-End Fieldwork – August
Draft Financial Statements – September
Exit Conference (Presentation of Results) - October
Final Issuance – October 23

Question: Is there anything about your current audit process that you would like changed in the future?

Response: DHIN has been behind in its financial reporting in recent years. AOA is looking forward to a normalized audit process for FY2026 and forward.

Question: What are the three biggest challenges affecting the DHIN?

Response: DHIN had two financial statement findings in FY2024/FY2025:

DHIN did not update its Governmental Accounting Standards Board (GASB) Statement No. 96 subscription-based information technology arrangement (SBITA) calculations during the years ended June 30, 2025 and June 30, 2024.

DHIN recognizes revenue in the period in which its performance obligations are satisfied. During the year ended June 30, 2023, the service periods stated on certain customer invoices did not accurately reflect the timing in which performance obligations were satisfied. As a result, revenue was recognized in an incorrect reporting period.

DHIN involves highly skilled technical personnel and computerized systems to navigate the challenges of day-to-day operations.

Question: Have there been any disagreements between management and your independent auditor during the prior three engagements?

Response: There were no disagreements with the prior auditor related to accounting principles, proposed adjustments, audit scope, audit procedures, or other significant matters.

Question: Is there an expectation of the entrance and exit conference to be on-site or remote?

Response: The auditor may exercise discretion regarding onsite versus remote work for the audit as long as the Corporation's expectations are met and AOA's timeline is met.

Question: To help us ensure we can provide adequate cybersecurity insurance, could you please clarify how much PII our team is expected to handle as part of this engagement? (Page 23-24, Section I. Insurance)

Response: AOA reviews all contracting details with the vendor selected for award from the Request for Proposal process with assistance from the Department of Justice Deputy Attorney General to ensure compliance with State law.

Question: The AICPA requires its members to be free of any and all influences that might compromise their objective judgment, which could be tainted if required without adequate safeguards to pay for the wrongdoings of a client. Based on that, would AOA consider updating the indemnification language to read, "Contractor agrees to indemnify and hold harmless the client and its appointed and elected officials, agents, and employees, for, from, and against all liabilities, claims, and damages to the client arising out of or resulting from any negligent or intentionally tortious acts or omissions in connection with the professional services performed

under this Agreement, to the extent caused by the Contractor, its employees, agents, or subcontractors. Contractor is not obligated to indemnify the client for the negligent acts of the client or any of its officials, agents, or employees.” or something similar? (Pages 19-20, Section e. Indemnification)

Response: AOA reviews all contracting details with the vendor selected for award from the Request for Proposal process with assistance from the Department of Justice Deputy Attorney General to ensure compliance with State law.