



STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

November 21, 2011

Addendum 5

Request for Proposals
for Internal Audit Services

Employees' Retirement System
of the State of Hawaii

RFP ERS 2011-02
Dated
October 6, 2011

OFFERORS:

In accordance with Section 1.7 of the Request for Proposals ERS 2011-02, the Employees' Retirement System of the State of Hawaii (ERS) is providing the following responses to questions from Offerors:

1. Question: What is the examination period (e.g. FYE 2011)?

Response: Current operations – i.e. operations as of the date of the examination.

2. Question: What is the budget appropriation for this RFP and the estimated completion date?

Response: Estimated total cost not to exceed \$200K. See Section 2.2.1 of the RFP for estimated completion date.

3. Question: What are the existing internal controls; are these documented?

Response: Detailed internal control documents do not exist. Although operating procedures for selected areas are available, the purpose of these procedures is not to identify internal controls that this RFP is expected to address.



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4. Question: The Comprehensive Annual Financial Report 2008 indicates that the current internal accounting controls are adequate (see Ex. 1), however the Scope of Work is requesting an evaluation of internal controls to determine whether or not they are adequate. What additional information can you provide about this?

Response: Internal Controls were reviewed for purposes of financial reporting at a high level. Purpose of this solicitation is to review internal controls at a more detailed level.

5. Question: Is the referenced report from KPMG available for review? (see Ex.2)

Response: Yes

Question: Would we have access to their work papers?

Response: No

Question: Have there been any internal control matters?

Response: No

Question: Has there been any management letters issued by the external auditors?

Response: Yes (please see attached letter dated: February 8, 2010)

6. Question: Which laws, regulations, contracts, grants, policies and procedures?

Response: As Applicable:

1) Constitution of the State of Hawaii

2) Hawaii Revised Statutes

A. Laws having general application

Chapter 26 – Executive and Administrative Departments

Chapter 27 – State Functions and Responsibilities

Chapter 91 – Administrative Procedure

Chapter 92 – Public Agency Meetings and Records

Title 7 – Public Officers and Employees

B. Laws relating to fiscal matters:

Chapter 29 – Federal Aid

Chapter 102 – Concessions of Public Property

Chapter 103 – Expenditures of Public Money and Public Contracts

Chapter 103D – Hawaii Public Procurement Code

Chapter 106 – Inventory, Accounting and Disposal of Government Assets

Chapter 171 – Public Lands, Management and Disposition
Title 5 – State Financial Administration
C. Laws relating to the Employees' Retirement System
Chapter 88 – Pension and Retirement Systems (Note: Parts III, IV, VI
and portions of Part I do not apply to the Employees' Retirement System)

3) Session Laws of the state Legislature affecting the financial transactions of the Employees' Retirement System.

4) Applicable rules, regulations, and administrative directives issued by the following agencies relating to the financial transactions, accounting systems, and internal controls:

- A. Employees' Retirement System
- B. Office of the Governor
- C. Department of Accounting and General Services
- D. Department of the Attorney General
- E. Department of Budget & Finance
- F. Department of Human Resources Development

5) Collective bargaining agreements affecting employees and/or members of the Employees' Retirement System.

Question: Are copies available for review?

Response: Yes

7. Question: Can you provide more information about the types of assets referred to?

Response: Primarily Cash & Investments

8. Question: Which operational areas will be subject to review; i.e., which branch of the ERS Org chart? (see Ex.3),

Response: All areas on Org Chart; most current org chart is attached.

Question: Is there an updated organization chart?

Response: The updated org chart is currently at Budget & Finance for approval.

9. Question: Have specific goals and objectives been established already?

Response: Updated Strategic Plan approved by the Board on 11/8/2011.

Question: Can we obtain a list?

Response: Strategic Plan is attached.

10. Question: Have any key business processes been identified yet, or is this to be determined based on results of risk assessment?

Response: To be determined based on the results of Internal Audit risk assessment and discussions with management.

11. Question: How many systems are utilized at the Department? (i.e.accounting, fixed asset, etc.)

Response: See table below:

Seq. #	Primary Applications	Primary Users
1	V3 Pension System: Vitech Systems, Inc.'s Proprietary Pension Management Information System. Includes Pension system, Imaging, Letter, Form generation & Queries.	ERS staff
2	Oracle Financials: ERS' Accounting System	Accounting, Admin & SSS
3	Altiris: ERS Helpdesk, Asset Management, Deployment and patch management system	Information systems branch and select ERS staff
4	Kofax: Software used to scan paper documents for input into V3	SSS

12. Question: Have tests of data transfer between systems been performed to ensure completeness and accuracy? (i.e., rejection of truncated or duplicate data)

Response: An initial test was done before V3 was operational in 2008. Reconciliations are performed to ensure the completeness and accuracy of information provided by employers. We recently purchased a tool to help monitor this, however it has not been implemented yet.

13. Question: Is there an approved Charter for the Employees' Retirement System (ERS) of the State of Hawaii Audit Committee? If so, can we receive a copy?

Response: Yes, please see attached.

14. Question: Could we obtain a copy of the 2011- 2015 Strategic Plan for the ERS, or the most recent approved version?

Response: The latest 2011 – 2015 Strategic Plan is attached.

15. Question: Is there a Fiscal Year 2012 ERS budget broken down by department? If so, could we obtain a copy? If not broken down by department, could we obtain a copy of the budget in the most format available?

Response: Yes, please see attached.

16. Question: Please provide a listing of the primary information technology applications and the primary groups of users (Accounting Branch, Enrollment Claims & Benefit Branch, Information Systems, Mortgage Services, Staff Support Services, Other).

Response: Please see response #11.

17. Question: Could we obtain a copy of the Efficiency Study by L.R. Wechsler, Ltd., presented to the Board of Trustees on September 12, 2011? If the entire document is not available, could we receive a summary of the major findings and recommendations?

Response: The Efficiency Study presented to the ERS Board of Trustees is attached.

18. Question: Why is an internal auditor important for HIERS now?

Response: An internal auditor is needed to help safeguard the ERS's \$11 billion investment portfolio and to ensure the integrity and accuracy of the significant number of enrollments, refunds, retirement and separation from service applications, pension benefit payments, and investment transactions for which the ERS is responsible. There are more than 112,000 members, retirees, and beneficiaries serviced by the ERS of which 40,000 are retirees and beneficiaries who received almost \$1 billion in the fiscal year ended June 30, 2011. In addition, there are thousands of investment transactions per year in the ERS's \$11 billion investment portfolio.

Very truly yours,



Wesley K. Machida
Administrator