

NEIL ABERCROMBIE
GOVERNOR



STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

November 20, 2012

ADDENDUM NO. 1
To
REQUEST FOR PROPOSALS
FOR
INTERNAL AUDIT SERVICES

RFP 2012-03

Issued November 14, 2012

Offerors:

Please replace the following pages with attached revised (Revised 11/20/2012) pages.

Page 3

Page 17

Exhibit A, ERS Internal Audit Work Plan

All other terms and conditions remain unchanged.

A handwritten signature in blue ink, appearing to read "Wesley Machida".

Wesley Machida
Administrator



Employees' Retirement System
of the State of Hawaii

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1.6 Procurement Timetable

Activity	Scheduled Date*
RFP Announcement	November 14, 2012
RFP Available to Prospective Offerors	November 14, 2012
Deadline for Questions	November 26, 2012
ERS Response to Questions	December 4, 2012
Proposals Due	December 14, 2012
Determination of Priority-Listed Offerors	January 10, 2013
Evaluation of Priority-Listed Offerors	January 10 - 14, 2013
Contractor Selection and Award	January 14, 2013
Agreement Start Date	February 1, 2013

*Best Estimates at this time.

1.7 Offerors' Questions

Questions will be accepted and responded to only if submitted in writing no later than 4:30 p.m. HST on December 4, 2012. Formal responses will be provided in writing. ERS responses to offerer questions will be sent to all persons obtaining a copy of the RFP.

1.8 Submission of Proposals

Offerors must carefully examine the RFP, amendments or addenda (if any), required contract forms, and other documents, laws and rules, as necessary, before submitting a proposal. The submission of a proposal shall be considered a warranty and representation that the offeror has made a careful examination and understands the work and the requirements of this solicitation.

SECTION 4 PROPOSAL EVALUATION

4.1 Introduction

The evaluation of proposals received in response to this RFP will be conducted comprehensively, fairly, and impartially.

4.2 Evaluation Organization

A Selection Committee will review and evaluate all proposals submitted by the deadline specified in this RFP.

4.3. Phases

The evaluation will be conducted in three phases:

Phase 1 -- Evaluation of Mandatory Requirements: During this phase, each proposal will be evaluated to determine whether it is sufficiently responsive to the mandatory requirements described in Section 3 to permit a complete evaluation. To meet the mandatory requirements, the offeror must submit a proposal that includes all of the items described in Section 3, including responses to all of the questions in subsections 3.4 through 3.9. Only those proposals that meet the minimum mandatory requirements will be classified as “potentially acceptable or acceptable” and shall be considered in Phase 2 for the priority list.

Phase 2 – Establishment of Priority List of Offerors: All offerors who pass Phase 1 are eligible for the priority list. If there are more than three (3) acceptable or potentially acceptable offeror’s proposals, the evaluation committee shall evaluate and rank all the proposals for the priority list. Based on the numerical ranking order with number 1 being considered to be the highest-ranked proposal, at least three (3) but not more than five (5) offerors shall be considered as the Priority-Listed Offerors. If only two (2) acceptable offers are received, they shall be on the priority list.

Phase 3 – Discussions with Priority-Listed Offerors: The Selection Committee may contact Priority-Listed Offerors by telephone during the Evaluation Period specified in the Procurement Timetable.

EXHIBIT A
ERS INTERNAL AUDIT WORK PLAN

INFORMATION SYSTEMS

1. Access Controls Review

Review access controls of select applications (V3, Oracle Financials) and/or records to ensure (1) only authorized individuals are permitted to request or approve access; (2) access provided aligns with job responsibilities; and (3) individuals are disabled or removed from the system when they no longer require access.

2. Privacy Review

Evaluate ERS's privacy program and controls using Generally Accepted Privacy Principles (GAPP). The review will focus on providing recommendations to better align the organization with the ten privacy principles.

3. Monitoring Implementation of V3 Changes

Monitor the development and implementation of V3 change requests (i.e., legislative changes) and provide an evaluation of the progress, quality and attainment of project objectives at defined milestones within the project. Monitoring to include documentation review, communications with the project team and Audit Committee, and additional consulting as needed.

4. Information Security Management Review

Assess the effectiveness of the information security management function. Evaluate the scope of the information security management initiatives within the organization and determine whether essential security functions are being addressed effectively.

ENROLLMENT, CLAIMS & BENEFITS

1. Data Collection & Maintenance Review

Assess the design and operating effectiveness of internal controls over data collection, validation, verification, and data entry, specifically relating to employer-provided payroll and personnel data. Where appropriate, follow-up on the progress of implementing recommendations from third-party studies (i.e., Wechsler's Efficiency Study).

2. Unclaimed Member Accounts Review

Evaluate ERS's compliance with internal policies and procedures and Federal and State laws, rules, and regulations relating to minimum distribution requirements and unclaimed property. Test the design and operating effectiveness of the controls over inactive and unclaimed member accounts and provide efficiency and effectiveness recommendations.

3. Member Retirement Application & Eligibility Review

Review and evaluate the design and operating effectiveness of the internal controls over retirement application processes. On a limited basis, evaluate compliance with retirement eligibility rules and requirements.

ADMINISTRATION

1. Governance & Ethics Review

Review and evaluate the design and operating effectiveness of the ERS's ethics-related programs, code of conduct activities, and related processes to ensure effective governance and accountability throughout the ERS. Required review under the Institute of Internal Auditors International Professional Practices Framework.

2. Development of ERS' Policy Framework

Assist in identifying the universe of policies relevant to the ERS that provides sufficient coverage of all key areas and activities of the organization. Perform a gap analysis and provide recommendations to establish a comprehensive, organized set of policies, resulting in a Policy Framework for the ERS.

3. Function Administration Reporting, Communication, and other Administration

- a. Risk Assessment Re-evaluation & Audit Plan for FY 13-14 (update)
- b. Risk Assessment & Audit Plan for FY 14-15/FY15-16

INVESTMENT OFFICE

1. Investment Manager Selection & Evaluation Review

Evaluate the design and operating effectiveness of internal controls over the selection, monitoring, and evaluation of investment managers. Assess the Investment Office's compliance with the ERS's Investment Policy to ensure due diligence procedures are being followed, and where appropriate review investment managers' compliance with the restrictions and requirements outlined in the respective investment manager agreements.

INVESTMENT OFFICE/ACCOUNTING

Review of Investment Monitoring & Reporting

1. Review and evaluate performance measurement and reporting processes to ensure information is adequate to 1) support effective performance monitoring and evaluation and 2) make informed investment decisions. Assess the design and operating effectiveness of internal controls and test compliance with policies and procedures where applicable.

ACCOUNTING

Benefit Disbursement Review

1. Review and evaluate the design and operating effectiveness of internal controls over disbursements of benefit payments to retirees and members. Test the accuracy and completeness of disbursements made to eligible retirees and members and provide efficiency and effectiveness recommendations where appropriate.

ORGANIZATION-WIDE

1. ACL Audit Tool Development

Design a continuous control monitoring tool utilizing ACL to analyze and query financial and investment-related transactions and member and retiree data to assess the effectiveness of the respective functions.

2. Monitoring Development & Implementation of a Disaster Recovery Program and Business Continuity Program

Monitor the development and implementation of the ERS's Disaster Recovery Program (DRP) and Business Continuity Plan (BCP), and provide additional support including documentation review and recommendations on the adequacy of control design. Additional consulting will be provided as needed.