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**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

November 30, 2018

ADDENDUM NO. 1

To

Employees' Retirement System of the State of Hawaii
Request for Proposals
for
Internal Audit Services
RFP 2019-01
Issued October 31, 2018

OFFERORS:

In accordance with 1. Administrative Overview, Section 1.7 Communication and Questions with the ERS of the Request for Proposals 2019-01 the Employees' Retirement System of the State of Hawaii (ERS) is providing the following responses to questions from potential offerors:

1) **QUESTION:**

All financial audits of state and county agencies must comply with Yellow Book standards. Under the Yellow Book, auditors must maintain independence of mind and appearance, meaning that they can perform the audit without being affected by influences that compromise professional judgment or circumstances that would cause a reasonable and informed third party, having knowledge of the relevant information, to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the audit team had been compromised.



Employees' Retirement System
of the State of Hawaii

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The Yellow Book defines threats to independence, including the self review threat, familiarity threat, and management participation threat. The Scope of Work defines the work to be done by the selected vendor as assist and continuing to implement and perform an internal audit function, including determinations as to whether the ERS' internal controls over financial and operating data and information are adequate and effective to provide reasonable assurance that such data and information is accurate, reliable, and secure, and to assist ERS in developing and documenting controls where they are non-existent or lacking.

Since the assessments of the ERS and payments to the ERS are a component of the CAFRs of each government agency in the State, the question is whether the selected vendor will then be prevented from doing CAFR work for any state or county agency because in doing its work for the ERS, it is causing self-review, familiarity, and management participating threats as a result of its participation in assuring the accuracy and adequacy of the ERS data that is being audited in the CAFR?

RESPONSE:

This is for each offeror to determine.

2) **QUESTION:**

To what extent is this RFP (IT portion) managed pursuant to the State of Hawaii's IT Governance processes described in the links below?

<http://ets.hawaii.gov/it-governance/>

<http://ets.hawaii.gov/governance/it-governance-forms/>

RESPONSE:

All ERS's IT operations falls under the State of Hawaii's IT Governance.

3) **QUESTION:**

If IT Governance Forms have been filled out, will bidders be able to review them to assess the scope of the IT portion of this project?

RESPONSE:

No. The IT Governance forms represent only a small portion of the ERS's Internal Audit function. Forms are purchase specific approvals of hardware, software, and/or services.

4) **QUESTION:**

In addition to Office of Enterprise Technology Services policies, standards and guidelines (<http://ets.hawaii.gov/policies/>), have the Information Security Requirements already been enumerated (business, operational and regulatory) by the Department?

- a. If "YES", can we obtain a copy?
- b. If "NO", is finalizing the information security requirements within the scope of work?

RESPONSE:

No. The level of involvement is to be determined.

5) **QUESTION:**

Is the IT infrastructure supporting business continuity, backup and data recovery all State-owned or vendor owned/managed?

RESPONSE:

A combination.

6) **QUESTION:**

Regarding "Go-Live Readiness Assessment – Oracle Financials"

- a. What is the current status of this upgrade?
- b. What version is ERS upgrading from and to?
- c. Is this scope meant to function in the capacity of Independent Verification and Validation (IV&V)?
- d. Is this also meant to oversee compliance with accounting requirements?

RESPONSE:

The project is scheduled to start in March 2019. The ERS signed a contract for the vendor to research, develop, plan and implement the upgrade of Oracle E-Business Suite Financials from version 11 to 12. Yes. Yes.

7) QUESTION:

What is the budget for this project?

RESPONSE:

\$380,000 per year.

8) QUESTION:

In Section 4 of the RFP, (page 22: 4.3 Phases – Phase 1—Evaluation of Mandatory Requirements), minimum requirement #4 states that “Offeror must have an office in Hawaii...” Would you be willing to amend the mandatory requirement that qualified offerors must have an office located in Hawaii and replace it with a requirement for demonstrated experience performing work in Hawaii?

RESPONSE:

No.