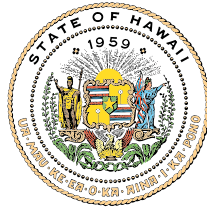


JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

KALBERT K. YOUNG
EXECUTIVE DIRECTOR

KARL J. KANESHIRO
INTERIM DEPUTY EXECUTIVE
DIRECTOR

October 19, 2026

ADDENDUM NO. 2 to
Request for Proposals
RFP 2027-01
Internal Audit Services for
Employees' Retirement System
Issue Date: October 2, 2026

OFFERORS:

In accordance with Section 1 of the Request for Proposals (RFP), the Employees' Retirement System of the State of Hawaii (ERS) is providing the following responses to questions from potential offerors:

1. **QUESTION:** Is the internal audit function currently outsourced?

RESPONSE: YES

If so:

- a. **QUESTION:** When does the current contract expire?

RESPONSE: January 30, 2027

- b. **QUESTION:** What were the annual hours and fees under this contract?

RESPONSE: 3,000 hours/annually

- c. **QUESTION:** What are the main factors driving the RFP?

RESPONSE: Contract expiration



Employees' Retirement System
of the State of Hawaii

2. **QUESTION:** The RFP references the Risk Assessment Re-Evaluation & Audit Plan currently in progress, with estimated completion in October 2026. Will ERS provide the approved Risk Assessment and Internal Audit Plan as part of the proposal process, or following contract award?

RESPONSE: Following contract award.

3. **QUESTION:** Does ERS have internal audit staff in-house (e.g., a Chief Audit Executive and team to perform a portion of the activities)? If so, what role will they have in relation to the contractor?

RESPONSE: The ERS has a single position, chief compliance officer, which will administrate the contract and services of the internal audit firm.

4. Section 3.10 requires pricing based on 2,600 hours annually.

- a. **QUESTION:** Is 2,600 hours intended to include all activities such as annual risk assessments, audit planning, Audit Committee presentations, follow-up activities, consulting projects, and administrative activities, or are certain activities expected to be billed separately as ancillary services?

RESPONSE: They should be included.

- b. **QUESTION:** If the annual risk assessment identifies new risk areas or special initiatives, how will ERS address situations where the estimated 2,600 hours may not be feasible?

RESPONSE: They would either re-allocate hours or negotiate for contract amendment.

- c. **QUESTION:** Would we be allowed to leverage our offshore team as a portion of the 2,600 hours planned?

RESPONSE: Yes.

5. **QUESTION:** Can ERS clarify whether it intends to award a single contract for all services described in the RFP, or whether ERS may engage multiple providers for specific audit, advisory, or specialized subject matter areas?

RESPONSE: Single contract.

6. **QUESTION:** Are the Exhibit A projects intended for Year 1, or are they illustrative only?

RESPONSE: Some are current projects already underway or intended projects. Presented largely for illustrative purposes.

7. **QUESTION:** Exhibit A includes consulting projects such as assisting ERS with writing information security policies and implementing prior audit recommendations. How does ERS view the balance between these projects and the contractor's independence when later auditing the same or similar areas?

RESPONSE: The level and degree of assistance provided to the ERS would not be substantial enough to compromise the auditor's independence.

8. **QUESTION:** Exhibit A references IDEA-based continuous monitoring activities. Is ERS expecting the selected contractor to maintain and enhance existing analytics routines, or to develop new continuous monitoring capabilities from the ground up?

RESPONSE: Current routines are still very new. So, the extent of the activities should be expected to require significant refinement but not building from the ground-up.

9. **QUESTION:** In determining a fee estimate, what percentage should be IT/cybersecurity specialist hours (e.g., Cloud Risk and Security Assessment), versus internal audit professionals?

RESPONSE: Between 5-10%.

10. **QUESTION:** Historically, what has ERS found to be the optimal balance between in-person and remote participation by the engagement team? EY maintains a team of professionals based in Honolulu and can support onsite activities as needed; however, certain specialized resources and subject matter specialists are often domiciled outside of Hawaii and are used to supplement the local team in bringing the right experience and expertise to the engagement. Does ERS have any concerns with this approach, and whether virtual meetings may be acceptable for subject matter specialists located outside of Hawaii? The internal audit function is largely responsive to the ERS Board of Trustees and requires engagement with administrative staff of the ERS.

RESPONSE: Both functions expect physical in-person interaction for a portion of the overall work. However, that time would be monthly (i.e. 1 board meeting per month).

11. **QUESTION:** Would AI applications be considered if it brings efficiency to the project?

RESPONSE: Yes.

12. **QUESTION:** Can ERS provide additional information regarding its expectations for audit reporting deliverables, including required content and format? Are you looking for our work product to be branded as Internal Audit or with our Firm's name? Additionally, does ERS have an established risk rating methodology to classify audit observations and overall engagement results, that the selected contractor will be expected to follow?

RESPONSE: All materials can be provided after a contract is awarded. Risk framework, methodologies, etc. are mostly publicly published on the ERS Board of Trustees website as committee or board meeting materials. Your work product can be branded with your Firm's name as the internal auditor.

13. **QUESTION:** How frequently does the Administrative & Audit Committee meet per year, and what level of contractor participation is expected? Are these meetings held in-person or virtual?

RESPONSE: The Committee is scheduled to meet 6 times per year. Usually, it is every other month. Attendance by the internal auditor is usually expected in person, however, the meeting is arranged with virtual attendance option as well. Board meetings with an agenda item relevant to the internal auditor are similarly expected to be in person, but there is virtual attendance options as well.

14. **QUESTION:** Will the contractor be given access to ERS's Optro instance (formerly AuditBoard) to document work, or should offerors propose their own platform? (Our Firm has an existing alliance with Optro).

RESPONSE: Yes.

15. **QUESTION:** Attachment A, paragraph 26 provides that all material developed under the contract is a "works made for hire" owned by the State. Does this extend to the contractor's audit working papers and pre-existing methodologies and tools, given Section 3.6.3 asks offerors to describe their own workpaper ownership policies?

RESPONSE: No. Work papers would not be considered work product deliverable to the State.

16. **QUESTION:** Section 3.8.3 states ERS requests access to the offeror's audit resources. Could ERS clarify which resources are intended (e.g., thought leadership, training, methodology tools)?

RESPONSE: Those are the type of resources the ERS contemplates, related to best practices or industry standards.

17. **QUESTION:** Will ERS consider proposed modifications to the indemnification and limitation-of-liability provisions in Attachment A? We have a history of successfully contracting with other State of Hawaii business units leveraging similar modifications.

RESPONSE: To some extent. The indemnification and liability provisions are standard contract requirements of the State of Hawaii.