

Teachers' Retirement System of Oklahoma

Responses to Vendor Questions

RFP No. 18-1001 – Internal Auditing Services – assurance and transaction sampling auditing

September 25, 2018

1. Does TRS have an existing process that you prefer the selected firm use in the execution of the risk assessment, or are you seeking a new process for completing the internal audit risk assessment and audit plan development?

TRS does not currently have a preferred process for the risk assessment and will look to the awarded vendor to provide their recommendations for the process.

2. Can you provide the approximate annual hours and costs for the internal audit function for the previous three years?

FY 2015	1,740 hours	\$188,443.73
FY 2016	790 hours	\$85,458.12
FY 2017	993 hours	\$107,244.00

3. Who was the IA provider when services were outsourced after 2013?

Stinnett & Associates was hired in 2013 to perform the outsourced internal audit function. The majority of the audits conducted by Stinnett have been process/consulting internal audits. In addition to this current transaction sampling internal audit RFP, TRS anticipates issuing an RFP for process/consulting internal auditing within the next 30 days.

4. Is TRS moving away from the current provider? If so, why?

TRS' contract with our current internal audit provider ends December 31, 2017, which is the end of the term of the original RFP issued in 2012 and awarded in 2013. As stated in the answer to question 3, TRS will be issuing an additional internal auditing RFP in the near future, as well as the current internal audit RFP. Our current provider is welcome to respond to either RFP provided they meet the minimum qualifications.

5. What is the estimated duration of the average audit (if 1,000 hour audit plan, how many audits would that be?)

We are unsure of the answer to this question. This will be dependent upon the proposed audit plan which will be developed by the internal auditor with consultation with the Audit Committee and staff.

6. Who would the selected vendor report to (organizationally) on a day-to-day basis?

The vendor would report to the Chairman of the Audit Committee, while also coordinating and communicating day-to-day with the Executive Director.

7. Does TRS have an active compliance department/function?

TRS has an outsourced internal audit function. TRS has an in house General Counsel who advises on select compliance issues.

8. Can we obtain an organizational chart?  
**An organizational chart is available on the TRS website at the following link:**  
<https://www.ok.gov/TRS/documents/Org%20Chrt%20-%20Peacher%202017-09-08.pdf>.
9. Does TRS currently perform individual school audits that could be leveraged (eligibility and time/service testing)?  
**TRS doesn't currently audit its participating schools and employers. TRS' external auditor does some census data testing for member schools for GASB 67/68 purposes but we doubt the amount and level of data tested from the select schools would be useful for the internal auditor.**
10. While the RFP states that .Net is maintained and processed in-house, is it a purchased app or internally developed from the ground up?  
**TRS' pension administration system was/is developed and currently maintained by a third-party vendor.**
11. While .Net is still in the development phase, are there other administrative systems in use or has all business/data been fully ported?  
**In addition to our pension administration system, we have various other systems currently in use: a general ledger accounting system, PeopleSoft systems used for a variety of tasks state agency wide, and an old pension administration system that we intermittently use to verify legacy data.**
12. The RFP states that the internal auditor will be performing "on-going transaction sampling and assurance". Are there specific, agreed upon procedures that you will require periodically, or would you expect these services to be delivered as part of the overall internal audit program?  
**The creation of the agreed upon procedures will be a joint effort. TRS will have a rough draft of those procedures available as a starting point for discussion but will expect input from the successful firm.**
13. Will the Teacher's Retirement System provide internal audit programs for the outsourced internal audit provider, or will the provider be expected to create their own?  
**The internal auditor will be expected to provide a proposed audit plan to be reviewed and approved by the Audit Committee and staff. The specific agreed upon procedures will be developed as described in the answer to #12 above.**
14. Page three, summary section, states that the contract will begin January 1<sup>st</sup>, 2018 for a six month period, and then can be extended for five additional one year contracts. Page nine, number seven indicates the additional terms will be for four years, and page 11, item 1 of section E says five years. Could you please clarify the contract term?  
**The reference to four years on page nine is in error. The initial contract term will be for 6 months with five possible one year extensions.**

15. Can you provide a listing of the internal audits completed in the last three years?  
 Client Services, Accounts Payable/P-Card, Audit Migration, Employer Portal, Financial Reporting, Cyber Security and currently pending are Retirement Reconciliation, Investments, and Human Resources.
16. How many hours, on average, have been spent on internal audit efforts annually during the last three years?
- |         |       |
|---------|-------|
| FY 2015 | 1,740 |
| FY 2016 | 790   |
| FY 2017 | 993   |
17. How often does your current internal audit function meet with the audit committee?  
 The internal auditor reports to the Audit Committee Chairman once a month to update him or her on the status of the internal audit function. The internal auditor meets with the audit committee by telephone prior to any audit report being submitted to the Board and on an as-needed basis.
18. Page 11, numbered item 6 of section D indicates that the Vendor must agree to an audit of their books and records relevant to the proposal and the performance of the contract. Would this audit require access to the CPA firm's books and records or only to the workpapers relevant to the outsourced internal audit project?  
 Any audit of the Vendor would only apply to any TRS related information.
19. Is there a requirement to be a licensed CPA firm in Oklahoma to be awarded the contract (pg. 5, section C)?  
 Yes. Any firm responding to and awarded this RFP must be a licensed CPA firm.
20. Will the Vendor provide support to the external auditor? If so, will the external auditor rely on the internal auditor's work and/or assist with projects related to implementing GASB standards?  
 Historically, the out-sourced internal audit function has needed to provide little support to the external auditor. It is possible that with the type of internal audit services covered by this RFP that the external auditor might rely on some of the internal auditor's work but it wouldn't necessarily be related to GASB standards.
21. What are the specific attributes TRS values the most in an outsourced internal audit function?  
 Previous internal audit experience with Oklahoma state agencies, especially those that are similar to TRS, credentials and experience of personnel assigned to this engagement, and experience with financial institutions.

22. Are there weights/percentages for each of the selection criteria listed on page 5 of the RFP?

The selection criteria and their weights/percentages are as follows:

- The firm's ability to assess the needs of TRS in developing an internal audit plan and approach. (15%)
- The firm's approach to performing efficient and effective internal auditing procedures on a contractual basis. (20%)
- The firm's experience with and knowledge of organizations similar to TRS, including knowledge of defined benefit plans and knowledge of the State of Oklahoma procedures that may relate to TRS, such as purchasing and personnel. (20%)
- The professional qualifications of the firm and the individuals who would be assigned to the engagement and the accessibility of those individuals to TRS on an on-going basis. (20%)
- Fees quoted for performance of the engagement. It is TRS intention to consider the fees in their selection process based on competitive pricing and value added commensurate with costs. (25%)