

THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

REQUEST FOR PROPOSAL

#715-18-1002

INTERNAL AUDITING SERVICES – PROCESS/CONSULTING AUDITING

The Board of Trustees of the Teachers' Retirement System of Oklahoma (TRS or the "System") is considering the selection of an accounting firm and/or a firm that provides internal auditing services, to provide internal process auditing services (also known as consulting auditing) on a contractual basis.

This RFP provides information on the System and establishes the specifications and requirements for submitting a proposal. The term "Vendor" as used in this Request for Proposals (RFP) shall mean the company submitting proposals for consideration.

TRS reserves the right to reject any or all proposals submitted. There is no express or implied obligation for TRS to reimburse Vendors for any expenses incurred in preparing proposals in response to this RFP. In the event that none of the proposals are satisfactory to TRS, no selection will be made. Proposals submitted in response to the RFP become the property of TRS and are subject to public inspection. TRS reserves the right to modify the RFP contents and requirements at any time prior to the submission deadline.

This Request for Proposal is comprised of three sections, and eleven (11) pages total, as follows:

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I. PROPOSAL COVER SHEET

(Must be signed, notarized and returned)

Proposal Number	Agency Requisition Number	Proposal Deadline
# 715-18-1002 (Contractual Internal Process/Consulting Auditing Services)		must be received by October 27, 2017

Vendor Identification:

Name of Firm:	_____
Address:	_____
City/State/Zip Code:	_____
Telephone Number:	_____
Facsimile Number:	_____

VENDOR'S AFFIDAVIT

STATE OF _____)
) SS:
 COUNTY OF _____)

_____ (Print Name), of lawful age, being first duly sworn, on oath says that:

1. (S)he is the duly authorized agent of _____, the vendor submitting this proposal which is attached to this statement for the purpose of certifying the facts pertaining to the existence of collusion among vendors and between vendors and state officials or employees, as well as facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the letting of any contract pursuant to the proposal to which this statement is attached;
2. (S)he is fully aware of the facts and circumstances surrounding the making and submitting of this proposal and has been personally and directly involved in the proceedings leading to the submission of such proposals; and
3. Neither the vendor nor anyone subject to the vendor's direction or control has been a party: a) to any collusion among vendors in restraint of freedom of competition by agreement to propose a fixed price or to refrain from submitting a proposal; b) to any collusion with any state official or employee as to quantity, quality or price in the prospective contract, or as to any other term of such prospective contract; nor, c) in any discussions between vendors and any state official concerning exchange of money or any other thing of value for special consideration in the award of this prospective contract; d) to paying, giving or donating or agreeing to pay, give or donate to any officer or employee of the State of Oklahoma, any money or other thing of value, either directly or indirectly, in procuring this prospective contract.
4. The information contained in this proposal is true, correct and accurate as presented.

Name/Title

Subscribed and sworn to before me this _____ day of _____, 20 ____.

Notary Public (seal)

My commission expires: _____

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA CONTRACTUAL INTERNAL AUDITING SERVICES RFP

II. SUMMARY DOCUMENT

The Board of Trustees ("Board") of TRS is considering retaining a firm to provide internal auditing services. Specifically, the Board is seeking a firm to provide process or consulting audits. This document will serve as a Request for Proposal (RFP) and an invitation to bid on providing such services. The initial contract period will cover a six month period beginning January 1, 2018. Thereafter the contract may be renewed by the Board annually on July 1 for five (5) additional one-year contract periods. The Board reserves the right to terminate the contract upon 30 days notice, with or without cause. (The Board is seeking by a separate RFP an internal auditing firm to do continuous sampling of TRS transactions.)

The following provides a brief description of TRS, information regarding the scope of services to be provided, the criteria which will be considered in the selection process, and the mandatory requirements for submitting a response.

A. Description of TRS

The TRS Plan is a qualified governmental defined benefit plan established under Internal Revenue Code Section 401(a) and 70 Oklahoma Statutes §§17-101 et seq. TRS administers a retirement plan for public education employees in the State of Oklahoma. All public school teachers and other classified school personnel are required to be TRS members. Support personnel, such as school secretaries, are optional members and may choose to join TRS. TRS has over 600 participating employers statewide, including all public two and four year universities. Certain employees of Oklahoma State University and the University of Oklahoma, upon hire, may elect to either participate in TRS or the alternative retirement plan sponsored by each university. Currently, TRS has over 89,000 active clients, 60,000 retired clients, 10,000 inactive vested clients, and 11,000 inactive vested clients.

The TRS Plan is funded by mandatory employer and employee contributions, as well as certain dedicated revenues from the State of Oklahoma. All employees participating in TRS must contribute 7% of their annual compensation to the Plan. Employers must contribute 9.5% of the employee's annual compensation for all public school employers, and 8.55% for all higher education employers.

The TRS Plan benefit structure for all participants is based upon a formula which includes years of service, final average compensation calculated as either the average of the highest three years on which contributions were made for members who joined TRS prior to July 1, 1992, or the average of the salaries for five consecutive years on which contributions were made for members who joined TRS after July 1, 1992, and a multiplier of 2% for each year of service credit. The TRS Plan allows certain purchases of service credit at actuarial cost and allows the repayment of withdrawn service at the refunded employee contribution amount plus payment of 10% interest. TRS also oversees a 403(b) Plan that is fully outsourced to Voya Financial.

TRS is administered by a Board of Trustees composed of 14 voting members including the State Superintendent of Public Instruction, the Director of the Oklahoma Department of Career and Technology Education, the Director of the Office of Management and Enterprise Services, the State Treasurer, or their designees, six members appointed by the Governor, two members appointed by the Speaker of the House of Representatives, and two members appointed by the President Pro Tempore of the State Senate. One nonvoting member is appointed by one of two statewide retired educator associations. Three committees (Investment, Audit, and Governance) composed of members of the Board meet and report to the Board periodically.

Investments in the Plan are invested through professional investment managers and are held by the System's master custodian, The Northern Trust Company. The Board also uses the services of an investment consulting firm and an actuarial consulting firm. Eide Bailly, LLP currently serves as TRS independent external audit firm and has provided their unqualified opinion on the financial statements the System as of June 30, 2016.

Member information is maintained and processed on an in-house, .Net based computer system that is still under active development. Contributions to the System are processed by the State of Oklahoma or other participating entities and remitted monthly or more frequently to TRS. Administrative functions for TRS, including purchasing, payroll, and personnel are handled internally and processed through the State of Oklahoma systems.

TRS has an authorized staff of 57 employees but currently employs less than 40. The Executive Director is the chief administrative officer of the System. TRS also employs a General Counsel, Chief Financial Officer, and Chief Investment Officer. TRS employed an in-house internal auditor until FY 2013 at which time the Board voted to out-source the internal audit function. The internal audit function has been completely out-sourced since that time.

B. Scope of Services To Be Provided

The firm selected should provide a full range of process/consulting internal auditing services including:

Phase One – Risk Assessment to be completed by April 1, 2018 (if required by TRS)

- A comprehensive risk assessment and definition of the audit universe
- Preparation of a preliminary audit plan for a one-year period, subject to staff and Audit Committee approval, correlating the findings of the risk assessment, including agreed to audit scope, key objectives, and estimated hours

Phase Two – Performance of and reporting on internal auditing procedures

- Performance of and completion of audits in accordance with the approved plan
- Submission of written reports on completed audits including procedures performed, results of testing, and recommendations for improvements

The contractual internal auditing arrangement would be one of oversight by the Audit Committee or, as they may delegate or direct, by the senior staff of TRS. It is anticipated that the agreed upon procedures would be performed on a periodic basis, but no less often than quarterly. The extent of the services to be performed is dependent upon the results of the risk assessment and would be mutually agreed to between TRS and the selected firm prior to the beginning of any testing. It is anticipated that the total number of required auditing hours for a one-year period would range from 500 to 1,000 hours depending on the results of the comprehensive risk assessment. However, TRS reserves the right to increase or decrease this estimate based on results of the risk assessment, the audit plan, and discussions with the selected firm.

The selected firm will be expected to perform all of the procedures set forth in the approved plan. TRS staff will provide access to requested documents and respond to questions that may arise during the performance of the procedures. The firm will be expected to draft audit reports and provide them to designated TRS staff for response, prior to finalization of the reports. The firm will be expected to meet with the Audit Committee at least annually.

The selected firm will be expected to design procedures that do not duplicate those performed by TRS' external auditors. To the extent possible, coordination of efforts and sharing of information between TRS' external and internal auditing firms is desirable.

C. Selection Criteria

The Audit Committee and TRS staff will evaluate the proposals received based on the information provided in response to the attached questionnaire and other information that the firm may choose to provide. Local and regional firms are encouraged to respond. This evaluation will include consideration of:

- The firm's ability to assess the needs of TRS in developing an internal audit plan and approach focusing on key TRS internal processes.
- The firm's approach to performing efficient and effective process/consulting internal auditing procedures on a contractual basis.
- 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.
- 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.
- 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.

D. Mandatory Requirements for Submitting a Bid

1. Proposals must be received by the deadline only at the following address:
Teachers' Retirement System of Oklahoma

Internal Auditing Services Proposal
ATTN: Sam Moore, CFO
P.O. Box 53524
Oklahoma City, OK 73152

2. The deadline for receipt of complete proposals is **4:30 p.m.** Central Time, on **Friday, October 27, 2017**. Proposals submitted to the incorrect address or location or received after this date and time will be rejected and will not be considered.

3. The Original Proposal must contain the Proposal Cover Sheet, fully completed, signed and notarized. The Vendor shall submit an original proposal, four (4) copies of the original, and two (2) electronic versions of the complete response on CDs in PDF format. The CDs must be clearly marked with the Vendor's name and proposal number.

The original proposal, the proposal cover sheet, four (4) copies and the CDs must be submitted together in one completely sealed package, box, or envelope. It must be clearly marked "Internal Auditing Services" on the outside face of the package containing the proposal in order that the receiving agent can identify it without opening the package.

4. Proposals may be either mailed or hand-delivered. If the proposal is sent by mail or express delivery service, the responding Vendor shall be responsible for actual delivery of the proposal to the proper address before the deadline. All timely proposals become the property of TRS.

5. All proposals, once opened, are considered to be a public record and shall be available for viewing and reproduction by any person.

6. In submitting this proposal, the Vendor must agree to an audit which provides that books, records, documents, accounting procedures, practices or any other items of the service provider relevant to the proposal and performance of the contract are subject to examination by the System, the Oklahoma State Auditor and Inspector, and the State Purchasing Director.

7. In an effort to clarify any issues in this RFP, TRS will respond only to questions that are presented through e-mail. Questions should be submitted to Sam Moore at Sam.moore@trs.ok.gov. All questions and answers will be consolidated into a single Q&A document. All questions must be received by 5:00 p.m. CST on Friday, October 6, 2017. The Q&A document will be posted on the TRS web site at www.TRS.ok.gov on or after Friday, October 13, 2017. This will be the only distribution method for the Q&A document.

8. It is the responsibility of the Vendor to ensure compliance with all requirements and deadlines. Proposals which are not in compliance with the RFP requirements may be rejected. All proposals will be reviewed to determine if they satisfy the mandatory criteria in this RFP. Proposals not satisfying the mandatory criteria will be rejected.

9. All costs of preparation and presentation associated with a response to this RFP will be the responsibility of the Vendor. Vendors may be asked to make a presentation before the Board if selected as a finalist.

10. The Board reserves the right to award all, part, or none of this contract.

11. The Vendor shall be bound by the information and representations contained in any proposal submitted. The proposal is deemed to be a binding offer on the part of the Vendor.

12. Submission of a proposal in response to this RFP evidences the Vendor's acceptance of the terms and conditions contained within the RFP.

13. TRS prohibits the payment of a finder's fee in any form. The Vendor must certify that no finder's fee or finder's commission has been paid or shall be paid to any individual or organization from the establishment of this investment relationship with TRS.

14. All Vendors must:

- a. Agree that any resulting contract and services will be subject to and interpreted by Oklahoma law.
- b. Agree that this RFP and the Vendor's response will be incorporated by reference to any resulting agreement.
- c. **Answer, to the best of its abilities, all questions in this RFP in the order presented. Do not add appendices to the end of the RFP unless specifically asked to do so.**
- d. Fully disclose any proposed subcontracting of any of the required services.

E. Communication with TRS

In an effort to clarify any issues in this RFP, TRS will respond only to questions that are presented as described in Section D(7) above. Telephone questions will not be accepted.

TRS policy prohibits direct contact between prospective service providers and TRS Board members, consultants, or staff during this RFP process. This does not include communication with any of TRS' incumbent service providers for normal business not related to this selection process. From the date of release of this RFP until a Vendor is selected and a contract is executed and approved, all contacts and communications regarding this RFP are restricted to the Q&A process. Exceptions include communications with TRS staff during negotiations, presentations, and contract award and execution. Violation of these conditions may result in rejection of a Vendor's proposal.

All Vendors who have submitted a proposal will be notified of the Board's decision after the final selection has been made. This notice of final selection may be the only communication between the System and the Vendors. Telephone or other inquiries concerning this proposal after the proposal deadline are discouraged.

F. General Terms and Conditions

1. Applicable Laws and Courts

This solicitation and any resulting contract shall be governed in all respects by the laws of the State of Oklahoma, and any litigation with respect thereto shall be brought in the District Court of Oklahoma County, Oklahoma. The Vendor shall comply with all applicable federal, state and local laws, rules and regulations.

2. Ethics in Public Contracting

By submitting bids or proposals, Vendors certify that their bids/proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other Vendor, supplier, manufacturer or subcontractor in connection with their bid/proposal. Vendors must further certify that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of value, in exchange for procuring this contract.

3. Qualifications of Vendors

TRS may make such reasonable investigations as deemed proper and necessary to determine the ability of the Vendor to perform the services/furnish the goods, and the Vendor shall furnish to TRS all such information and data for this purpose as may be requested. TRS reserves the right to make a site visit at the offices of the Vendor prior to award to satisfy questions regarding the Vendor's capabilities. TRS further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such Vendor show that the Vendor is not properly qualified to carry out the obligations of the contract and to provide the services and/or furnish the goods contemplated therein.

4. Business Continuity

The Vendor must indicate any recent or anticipated changes in its corporate structure such as mergers, acquisitions, new venture capital, stock issue, etc. The Vendor agrees to present to TRS a business continuation plan for this program in the event of natural or other disaster.

5. Assignment of Contract

A contract shall not be assignable by the Vendor in whole or in part without the written consent of TRS.

6. Confidentiality

The Vendor is expected to comply with provisions of Oklahoma statutes regarding confidentiality of membership data and agrees not to disclose confidential membership information to other parties without TRS' prior authorization and approval.

7. Period of Contract

It is anticipated that the initial contract shall be for a six (6) month period commencing on January 1, 2018. Thereafter, the contract may be renewed by the Board annually on July 1 for five (5) additional one-year contract periods. The Board of Trustees reserves the right to terminate the contract upon 30 days' notice, with or without cause.

8. Ownership of Data and Work Product

There is a presumption that all work product generated for TRS under this contract, as well as all data compiled by the Vendor while performing this contract, shall become the sole property of TRS. TRS must be given reasonable access to all such work product or data compiled by the Vendor in the performance of this contract.

9. Limitation of Liability, Hold Harmless Clauses & Indemnity

The State of Oklahoma and its agencies are prohibited from holding a private entity harmless from liability or providing indemnity to a private entity. TRS will not agree to limit the liability of a private Vendor. The contract between the successful Vendor and TRS will not have any such terms.

G. Timeline

Distribution of RFP	September 22, 2017
Deadline for questions submitted by email	October 6, 2017
Date for answers to be posted on TRS website	October 13, 2017
Proposals Due (no later than 4:30pm CST)	October 27, 2017
Finalist presentations (if necessary)	December 13, 2017
Award business (subject to contract negotiation)	December 13, 2017
Estimated contract start date	January 1, 2018

III. QUESTIONNAIRE

A. Organization

1. List the firm's name, address, and year founded.
2. Describe the firm's organizational structure and size.
3. Describe the structure, size, and location of the firm's office which would provide the requested services including professional certifications.
4. Provide a copy of the firm's most recent quality control peer review report.

B. Background (for the firm's resources which would provide services to TRS)

1. Describe your firm's experience in providing internal audit services on a contract basis.
2. Describe your firm's knowledge of and experience with the operational aspects of defined benefit plans.
3. Describe your firm's knowledge and experience with the operational aspects of a State Agency, including such areas as purchasing, travel reimbursements, and payroll.
4. Provide a listing of your firm's clients for whom services of the nature requested have been performed within the last five years and provide three references relevant to this RFP, including contact name and phone number.

C. General

1. Provide a description of the process you would employ to work with the Audit Committee and/or the staff to determine the procedures and frequency of work to be performed.
2. Describe your firm's methodology as it would relate to control risk assessment of the operational areas and processes of the Plan and the correlation to the procedures to be performed.
3. Describe your firm's policies and procedures regarding documentation of procedures performed. Include a description of your approach to documenting risk assessment, key internal controls, and the timing, frequency of internal audit work, and the procedures performed.
4. Describe your firm's suggested reporting format to the Audit Committee/staff which would include the purpose, scope and results of the procedures performed

including findings, conclusions and recommendations and, also, the suggested frequency of such reports.

5. Describe your firm's definition of work product and work papers and describe in detail any limitations that you propose placing upon access and use of these documents.
6. Describe any and all limitations you would propose to be placed upon use of the information or reports provided in connection with this contract.

D. Staffing

1. Provide a schedule showing the staffing for the engagement, including the experience levels, professional qualifications and location of the individuals who would be included on the engagement team for the Plans.

E. Fees

1. TRS prefers that the fees be proposed on an hourly basis and be inclusive of all costs and expenses anticipated to be associated with the engagement. This hourly fee amount should be the same for the risk assessment (if required by TRS) as well as all other internal audit work, meetings with TRS staff, the Audit Committee, or the Board of Trustees.

The total time required by the firm to perform the internal auditing procedures is subject to the results of the Risk Assessment (if required) and agreement between the selected firm and TRS as to the scope of the work. Fees should be presented for a range of from 500 to 1,000 hours which may be required to perform the agreed upon procedures. The fees should be quoted separately for the initial term of six (6) months from January 1, 2018 through June 30, 2018 (Year 1) and five (5) annual periods (July through June) thereafter (Year 2 – 6). Invoicing and payment: Payment terms will be Net 45.

Hourly Fee for Internal Auditing Services	Hourly Dollar Amount \$
Year 1 (partial year)	\$
Year 2	\$
Year 3	\$
Year 4	\$
Year 5	\$
Year 6	\$

2. Describe any other fee arrangements which you would propose for this relationship.
3. Provide a description of the billing and expense rates that would apply to any special work requested outside the scope of the agreed to internal auditing procedures.