

**DEPARTMENT OF RETIREMENT SYSTEMS
REQUEST FOR PROPOSALS 16-05
ADDENDUM 1**

**Vendor Questions and Answers
August 31, 2016**

General Audit Questions

1. If DRS could change one thing about the audit process, what would that be?

DRS Response: DRS would prefer to have the CAFR/PEFI audits and GASB 68 census data testing performed by the same auditor.

2. What are the key qualities that DRS is expecting from their auditors outside of the regular audit?

DRS Response: DRS expects the auditor to provide guidance concerning best practices and to keep us updated on authoritative criteria changes that may be on the horizon.

Audit Timeline

3. When will the financial statements be available to the auditors for review?

DRS Response: DRS expects the content and format to be similar to historical documents that are currently available on our website at <http://www.drs.wa.gov/administration/annual-report/default.htm>. Preliminary drafts of the new CAFR with updated numbers may be available to the auditor by mid-September.

4. The RFP states that the CAFR draft will be provided to the auditor by October 6, 2017, and the audit must be completed and opinion delivered by October 13, 2017. Will a preliminary draft of the basic financial statements be provided by management prior to October 6, 2017?

DRS Response: DRS expects the content and format to be similar to historical documents that are currently available on our website at <http://www.drs.wa.gov/administration/annual-report/default.htm>. Preliminary drafts of the new CAFR with updated numbers may be available to the auditor by mid-September.

5. Are all DRS investments held by Washington State Investment Board (WSIB) and are these investments audited as part of the WSIB financial statement audit? If so, when are the WSIB audited financial statements made available?

DRS Response: The majority, but not all, of DRS investments are held by the WSIB, and are included in the WSIB financial statement audit. The WSIB preliminary financial statements are typically available by the end of September.

Census Data Testing

6. Were there any findings during the census data testing that were considered significant for 2014 and 2015? If so, how were the findings resolved?

DRS Response: No, there were no findings that were significant to the retirement plans.

7. How long did it take to perform the census data testing for 2015?

DRS Response: To support the 2015 PEFI, census testing was performed on 2014 data as the plans' actuarial valuations lag one fiscal year. The State Auditor's Office performed that testing and billed DRS for 2,802 hours of testing and 835 hours of administrative time.

8. How many entities were selected by the current auditor, DRS and SAO for census data testing during FY 2015 and FY 2016?

DRS Response: To support the FY 2015 PEFI, 75 employers were chosen for census data testing, and for the FY 2016 PEFI that number was reduced to 44.

9. Is it expected that the census testing would be performed onsite or is remote testing acceptable, assuming all data is transferred via a secure site?

DRS Response: The auditor is expected to determine the manner of testing that will be sufficient to allow for an opinion on the assertions.

10. Is the census data testing currently performed on-site at the selected employers' locations or is information provided securely to perform this testing centrally in Tumwater or elsewhere?

DRS Response: Currently, census data testing is performed on-site at the employers' locations, by the State Auditor's Office.

11. How much is expected of the auditor to assist and/or prepare the information communicated to the employers pertaining to the census audit?

DRS Response: If the testing is not performed by the State Auditor's Office, DRS expects to consult with the auditor concerning the information to be sent to employers selected for the audit. The initial communications will then be sent to the employers directly from DRS.

Fees

12. What were the fees paid for the Plan audit for 2014 and 2015 to the current auditor? What are the estimated fees for 2016?

DRS Response: For fiscal year 2016, the contracted fee for the CAFR audit is \$79,000. The CAFR fee for fiscal year 2015 was \$76,000, and for 2014 it was \$72,000.

13. What were the fees paid for the census data testing for 2014 and 2015?

DRS Response: For the testing of 2014 census data related to the FY 2015 PEFI, DRS paid \$328,373. The testing of 2015 census data related to the 2016 PEFI is over 90% completed and DRS has paid \$154,508 to date.

14. What are the current fees paid for the annual CAFR and PEFI audits?

DRS Response: For fiscal year 2016, the contracted fees are \$79,000 for the CAFR audit and \$56,500 for the PEFI audit.

Fieldwork

15. When did the interim fieldwork occur? How many auditors were out in the field during interim? For how many days?

DRS Response: Interim fieldwork was performed onsite during March/April, by three auditors working five days. During August, one auditor performed interim work offsite for an additional five days.

16. When did final fieldwork occur? How many auditors were out in the field during final fieldwork? For how many days?

DRS Response: Final fieldwork is expected to occur during September/October, probably involving two auditors for approximately five days.

17. How soon after year end can the auditors be in the field?

DRS Response: For census data testing, work could begin in August, because it lags one year behind the financial statements. For the CAFR audit, final fieldwork could begin in mid-September.

Operations

18. What areas of operations has the Internal Auditor been engaged during the fiscal year ended June 30, 2016?

DRS Response: Data sharing agreements.

19. Were there any adjustments proposed by the auditors for FY 2015?

DRS Response: No.

20. Does DRS contemplate updating/changing information technology systems that are integral to the financial statements of DRS during the period of performance? What systems are currently in place for accounting and recordkeeping?

DRS Response: A project is under way to replace the IT system currently in use to collect information from employers and bill employers for their contributions. (See <http://www.drs.wa.gov/employer/era/> for a description of the project.) A small group of early adopters will begin using the new system in April 2017, with the full rollout expected to be complete by mid-2018.

For accounting, DRS uses the state agency reporting system known as AFRS. There are no known plans to revise or replace that system in the near future.

Record keeping is performed by Empower Retirement.

PEFI

21. Does DRS envision any significant changes to the current format of the PEFI? For example, are there any plans to include a detailed Schedule of Pension Amounts by Employer in the future?

DRS Response: No. DRS intends to continue issuing the PEFI in its current format.

RFP

22. Section 2.2 of the RFP contains the estimated timeline and we see that the finalist interviews are potentially scheduled for October 24-26, 2016. These dates are in conflict with the Public Pension Financial Forum in Charleston, South Carolina. Is there flexibility on these dates, as our firm is a sponsor of the Forum? We are aware that the interviews may occur by telephone or other electronic communication method as discussed in Section 2.12, but would prefer to present in person.

DRS Response: DRS will amend the RFP Section 2.2 to state that interviews, if necessary, will be conducted October 19-21, 2016. See RFP 16-05 Amendment 1.

23. Section 5.2 Attachment B – Declarations, Question #3: “Are the individual auditors who will be planning, directing, conducting and reporting on the engagement free from personal and external impairments to independence?” Please clarify that the second paragraph should read:

“If yes, in a section of your proposal labeled as “Declarations Item 3,” provide a complete description of the potential impairment and the proposed mitigation.”

Or

“If no, in a section of your proposal labeled as “Declarations Item 3,” provide a complete description of the potential impairment and the proposed mitigation.”

DRS Response: 5.2 Attachment B - Declarations, contains an error. As published in RFP 16-05 Amendment 1, Question 3 is revised as follows:

“Are the individual auditors who will be planning, directing, conducting and reporting on the engagement free from personal and external impairments to independence?”

“If ~~(yes)~~ no, in a section of your proposal labeled as “Declarations Item 3,” provide a complete description of the potential impairment and the proposed mitigation.”