



**Responses to Inquiries
RFP 24-05
Audit Services**

October 18, 2024

1. Given the 6/30 year end and Nov 30th due date for the ACFR audit, what has been the timing of the audit work?

Answer: Kickoff and planning meetings typically begin in April, prelim fieldwork takes place during April & May, final fieldwork is generally over the summer and the audit is issued during November/December. The final GASB 68 reports (four cost sharing plans) are issued by external auditor to INPRS by mid/late January of following year.

2. Is INPRS open to the audit work being done remotely?

Answer: Yes, remote has worked well with the assistance of a secured document sharing platform. The current audit is a hybrid of remote and on-site work and meetings.

3. What were the previous year's audit fees for the services within the scope of this RFP?

Answer: Fiscal year 2024 fees were \$465,400.

4. Were there any significant changes in operations in the past fiscal year?

Answer: No.

5. Have there been any management letters issued in the last two years?

Answer: No.

6. How many audit adjustments were there in the last audited fiscal year and what were the nature of these audit adjustments?

Answer: There were no audit adjustments last year.

7. What assistance if any does management need from the auditors to write the ACFR or GASB 68 schedules and footnotes so we can include them in the pricing analysis?

Answer: Prepared internally by INPRS staff.

8. Does management request and review audited financial statements for alternative investments and those measured at NAV?

Answer: Yes.

9. In what ways can your previous audit experience be improved?

Answer: Our current experience is satisfactory.

10. What do you enjoy most about your relationship with your current firm?

Answer: Professionalism.

11. What is important to you in the team that serves you?

Answer: Timely communication and professionalism.

12. What are your biggest concerns for the upcoming year?

Answer: Receipt of SOC reports in timely manner from key third party vendors.

13. Regarding section 2.3.3.iii, our firm is a partnership and is therefore not required to have audited financial statements. Will INPRS accept un-audited summary financial statements instead?

Answer: INPRS understands the tradition of accounting partnerships not to conduct audits of their financial statements and will rely on other documents that the firm can provide to access the stability and reputation of the firm.

14. Section 2.2.4 requires proof of authorization to sign the cover letter. As a partnership, all partners are authorized to sign forms and bind the firm. Will a statement to this effect be sufficient?

Answer: Yes, such a statement is acceptable.

15. Section 3.2.2 – requires “an independent review of the actuarial assumptions...in accordance with GAAP and ASOP.” Does INPRS require any type of written assurances on this?

Answer: Nothing outside of standard required audit communications and issuance of ACFR opinion.

16. Section 3.1.8 – mentions findings of noncompliance. Is this audit required to be performed under Government Auditing Standards?

Answer: The selected firm will follow the minimum audit requirements as presented in the “Uniform Compliance Guidelines For Audit Of Hospitals And State And Local Governments By Authorized Independent Public Accountants” (available at: <https://www.in.gov/sboa/library/private-examiner-manuals/uniform-compliance-guidelines-for-audit-of-hospitals-and-state-and-local-governments>) (“Guidelines for Audit”).

17. Section 3.1.8 states the independent auditor will perform any required review of compliance for laws, regulations and the “Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies” and as stated in the Guidelines for Audit. Which entity type does INPRS follow for the uniform compliance guidelines manual?

Answer: We are a Quasi state agency.

18. How does INPRS monitor their compliance with the uniform compliance guidelines manual?

Answer: We do not monitor this specifically but do ensure our statements are in compliance with all GAAP/GASB requirements.

19. Could you provide budgeted hours for the previous independent auditor broken out by audit scope?

Answer: Not available, this is managed by external auditor.

20. Attachment A and B to the RFP are blank – was something supposed to be included?

Answer: No. Attachment A and B are part of the Sample Contract for Services in Appendix A and will be completed during contract negotiations.

21. Is the current auditor precluded from bidding on the next contract?

Answer: No.

22. When are the GASB 68 valuations available each year?

Answer: Actuarial Valuations usually available by the end of October, GASB 68 schedules are normally available approximately two weeks later.

23. Does INPRS prepare the GASB 68 reports along with the financial statements?

Answer: GASB 68 reports are normally prepared closer to the end of the process of issuing the final ACFR report. ACRF and GASB 68 reports are prepared internally.

24. When is a trial balance available to begin auditing for final fieldwork?

Answer: This year, the initial “final” pre-alternative investment lag adjustment 6/30 TB was provided 8/1. Final post lag adjustment TB was provided 9/20. The only difference between the two TB’s is the lag adjustment made to record the alternative investment values.

25. Do you have a preference regarding on-site, remote or hybrid fieldwork?

Answer: Remote has worked well with the assistance of a secured document sharing platform. The current audit is a hybrid of remote and on-site work and meetings.

26. Are the level 3/NAV investments valued as of June 30 or are they rolled forward from an earlier date?

Answer: Level 3/NAV assets are valued as of 6/30.

27. Does INPRS perform census/payroll audits on the contributing employers or has the audit firm performed testing of various employers? If the auditor has historically done this, how many employer site audits or visits have been performed on an annual basis?

Answer: Both INPRS and External Audit perform these each year. External Auditor performs approx. 50 employer audits annually.

28. Have there been changes to financially significant systems in the past year or planned for the next 5 years?

Answer: Starting in FY24, we are currently going through a modernization project and updating our non-financial systems. The total project will be executed in phases and is expected to last approximately 3 – 4 years. This project will NOT impact any financial function software or other sources used for the audit related items.

29. Are there any anticipated changes in key third party service providers in the next year (investment custodian, actuary, etc.)?

Answer: No.

30. Have there been any significant changes in the composition of members / census in the past year or anticipated in the next 5 years?

Answer: No.

31. What level of support is the internal audit department expected to provide to the annual financial statement audit process?

Answer: Internal Audit supports with systems / logistics / report gathering / communication / performance of additional employer audits.

32. Are there changes in investment policies or allocations anticipated in the next year?

Answer: No material changes anticipated.

33. Does management use third party specialists to assist with determining fair value for harder to value segments of their portfolio? If so, who and how frequently is the valuation performed?

Answer: Alternative investments (Private Markets, Real Assets, Absolute Return, and Risk Parity) are valued by the general partner/investment manager. The frequency of valuations depends on individual contract that governs the mandate and can range from monthly, quarterly, semi-annually, to annually.

34. Please describe the composition of the audit team (how many team members, what level) and how long they were in the field for each section of audit work and the time of year the work was performed.

Answer: Varies from year to year and is determined by the external auditor. Regarding timing, kickoff and planning meetings typically begin in April, prelim fieldwork takes place during April & May, final fieldwork is generally over the summer and the audit is issued during

November/December. The final GASB 68 reports (four cost sharing plans) are issued by external auditor to INPRS by mid/late January of following year.

35. Were there any audit adjustments, posted or waived for the most recent audits?

Answer: No.

36. Please describe the scope of census testing historically performed (approximate number of contributing employers, active members tested, etc.).

Answer: External Audit selects approximately 50 Employers. Samples percentage of employees from each employer to test census data.

37. The RFP has the Foreign Registration Statement form as a mandatory form to submit as part of Appendix B. Does this apply to companies already registered with the State of Indiana to do business?

Answer: If your firm is already registered to do business within the State of Indiana, you just need to state that in your business proposal, as described in Section 2.3.3.ii of the RFP.

38. Could you provide a general timeline of the audit process from previous years? Specifically, when is the audit typically ready to commence, and when are drafts of the financial statements generally available for review?

Answer: Kickoff and planning meetings typically begin in April, prelim fieldwork takes place during April & May, final fieldwork is generally over the summer and the audit is issued during November/December. The final GASB 68 reports (four cost sharing plans) are issued by external auditor to INPRS by mid/late January of following year. Drafts of financials are generally done in milestones with certain sections being made available based upon agreement between INPRS and external auditor.

39. Has INPRS typically had all requested items ready for the auditors when they first arrive for final fieldwork? If not, what areas are more difficult to prepare?

Answer: Yes, with one exception. We do not have the support for any alternative investment lag adjustment until mid-September. For example, this year, the initial "final" pre-alternative investment lag adjustment 6/30 TB was provided 8/1. Final post lag adjustment TB provided 9/20. The only difference between the two TB's is the lag adjustment made to record the alternative investment values. The audit plan is established with specific due dates for expected items and INPRS abides by this very closely.

40. Have there been any specific areas or items that have posed challenges to the audit timelines in previous years, such as obtaining supporting documentation for alternative investments or actuary reports?

Answer: As mentioned above, the alternative investments lag adjustment is normally not made until mid-September, the actuarial reports are generally provided 2 – 3 weeks later. That being said, the main item delaying issuance of the ACFR is waiting for vendor SOC reports normally received mid to late November.

41. What have been the biggest pain points in preparing for the annual audit?

Answer: Occasionally a reluctant or slow to respond Employer while conducting Employer audits.

42. Can you confirm whether INPRS is responsible for preparing the financial statements as well as the GASB 68 schedules?

Answer: Yes, both are prepared by internal staff.

43. What is INPRS's preference regarding remote versus in-person fieldwork?

Answer: Remote has worked well with the assistance of a secured document sharing platform. The current audit is a hybrid of remote and on-site work and meetings.

44. In recent years, has RSM provided any services to INPRS other than external audit services? If so, what were those services?

Answer: No.

45. Is RSM precluded from submitting a proposal to the RFP due to mandatory rotation or any other policy?

Answer: No.

46. The RFP specifies the issuance of the audit report by November 30th each year. However, the auditor's opinion for the fiscal year ending June 30, 2023, was dated in December. What factors contributed to the delay in issuance?

Answer: Timing of SOC report issuance from some of our primary vendors.

47. We are committed to adhering to all independence requirements as outlined by the American Institute of Certified Public Accountants (AICPA). To ensure compliance, we would need to propose certain modifications to the indemnification section of the sample contract to avoid any potential impairment of our independence. We would like to discuss these proposed modifications with INPRS. Is INPRS open to such a discussion?

Answer: Yes, however any changes to the indemnification provision must not require INPRS to indemnify the contractor. Proposed changes to the contractor's duty to indemnify INPRS will need to be evaluated by INPRS. Upon reviewing any proposed changes to the indemnification provision, INPRS will provide a response as to whether those changes are or are not acceptable.