

**DPERS FINANCIAL STATEMENT AUDITOR RFP**  
**OMB20126-FINANCIAL**  
**QUESTIONS AND ANSWERS**

1. Why is DPERS going out for proposal?  
The contract terms expired on the existing contract.
2. Were there any adjustments proposed by the auditors for FY 2018 or FY 2019?  
These details will be shared with the vendor who is awarded the contract. The auditor's report contained no material misstatements during these periods.
3. When did the interim fieldwork occur? How many auditors were out in the field during interim?  
For how many days?  
The auditors' schedule in prior years is closely aligned with the Time Requirements outlined in Section 6 of the RFP. It is the CPA firm's discretion as to how these time requirements are met.
4. When did final fieldwork occur? How many auditors were out in the field during final fieldwork?  
For how many days?  
The auditors' schedule in prior years is closely aligned with the Time Requirements outlined in Section 6 of the RFP. It is the CPA firm's discretion as to how these time requirements are met.
5. If DPERS could change one thing about the audit process what would that be?  
This question is not applicable to the RFP.
6. What is DPERS' expectation of the audit process, such as length of time the audit team would spend on site for interim and final fieldwork?  
The expectation of the audit process is aligned with the Time Requirements outlined in Section 6 of the RFP. It is the CPA firm's discretion as to how these time requirements are met.
7. What controls are in place to monitor and record calls and distributions for real estate and private equity investments? (internal or outside consultants?)  
Details regarding DPERS' processes will be discussed once a vendor is awarded a contract.
8. What reconciliation procedures are performed between the different investment managers and custodian and how often?  
Details regarding DPERS' processes will be discussed once a vendor is awarded a contract.
9. Are there going to be any significant changes to the system that would significantly change its investment vehicles or benefits provided? If so, what are they?  
Details regarding DPERS' processes will be discussed once a vendor is awarded a contract.
10. What are the key qualities that DPERS is expecting from their auditors?  
DPERS expects the proposing CPA firms to comply with the Minimum Requirements outlined in Section 9.3 of the RFP.
11. Are any of the hard to value investments audited financial statements prepared in a basis of accounting other than US GAAP?  
There are some investments that are more difficult to value than those who prepare US GAAP financial statements; however, they are likely not material to the CAFR.

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12. Page 7 of 49, section 5.3 references the DPERS Trust, is there a separate audit performed on that trust or would that be included as a part of this audit?  
*All of the investment assets of the Plans and Funds, with the exception of the Delaware Volunteer Firemen’s Fund (which is a length of service award plan), are pooled and invested in a common Master Trust.*

13. Page 9 of 49, section 6.5 discusses the reporting packages, does that include the GASB 68 and 75 allocation reports? Is there a different timeline or expectation for those reports if different from the financial statements?  
*The timeline in Section 6.5 does not include the timeline for the GASB 68 and 75 allocation reports. The timeline for these reports is as follows:*

<i>Segment</i>	<i>Draft Report to Management</i>	<i>Draft Report to Audit Committee</i>	<i>Final Report Due</i>
<b>For the Fiscal Year Ended June 30, 2020</b>			
GASB 68	May 07, 2021	May 21, 2021	June 04, 2021
GASB 75	May 07, 2021	May 21, 2021	June 04, 2021
<b>For the Fiscal Year Ended June 30, 2021</b>			
GASB 68	May 06, 2022	May 20, 2022	June 03, 2022
GASB 75	May 06, 2022	May 20, 2022	June 03, 2022
<b>For the Fiscal Year Ended June 30, 2022</b>			
GASB 68	May 05, 2023	May 19, 2023	June 02, 2023
GASB 75	May 05, 2023	May 19, 2023	June 02, 2023

14. Page 13 of 49, section 9.3(g) and page 20 of 49, section 12.3 (g) reference use of third-party service providers are not allowed, many pricing services used to price investments are considered be a third party service provider. Would those arrangements be acceptable under this agreement with that understanding?  
*Pricing services would not be considered a third-party service provider.*

15. Does DPERS have a policy to have an independent actuary re-perform the actuary calculation? If so, how often and when was the last one performed?  
*DPERS engaged Gabriel, Roeder, Smith & Company to complete an actuarial audit in 2019.*

16. With regard to the Schedule of Employer Allocations, does the DPERS anticipate any material differences in the employer allocation percentages between 2019 and 2020?  
*We do not anticipate any material differences between 2019 and 2020.*

17. Does the DPERS receive payments made by employers that are identified by the plan terms as plan member contributions (pickups)?  
*Yes, payments made by employers are considered plan member contributions pursuant to the provisions of §414(h)(2) of the United States Internal Revenue Code.*

18. How many insurance companies are premiums paid to for the OPEB plan?  
*Approximately two vendors receive payment on a regular basis for health benefits.*

19. For the Delaware Local Government OPEB Investment Trust, how many additional entities have

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been added?

There is one entity in the Delaware Local Government OPEB Investment Trust.

20. For the Delaware Local Government OPEB Investment Trust, do you anticipate a SOC 1 being performed at some point in the future?

No, we do not anticipate a SOC 1 in the future.

21. Did the previous auditor perform any census data testing at individual employers or was this done at DPERS or remotely?

Census data testing was performed onsite at the employers' locations as well as at the Office of Pensions.

22. Is DPERS open to the census data testing being performed remotely rather than going onsite to each employer?

DPERS is open to some remote testing; however, Government Auditing Standards state that examination of original documents is generally more reliable than examination of copies. For this reason and the added benefits of face-to-face communication, DPERS preference is that most testing is performed onsite.

23. How many employers were selected for census testing in the prior 2 years for each of the Pension and OPEB plans?

This information will be shared with the vendor awarded the contract through predecessor auditor communications.

24. Were there any errors noted in the census testing performed in the prior 2 years?

This information will be shared with the vendor awarded the contract through predecessor auditor communications.

25. In the past, has any internal audit work been used to reduce testing for the regular CAFR and OPEB audits or census testing for GASB 68 and 75?

Internal and external audit work closely together to achieve audit objectives in the most effective and efficient manner possible.

26. What were the audit fees for 2018 and 2019 for the following?

- a. CAFR
- b. OPEB audit
- c. Schedule on Employer Allocation and Pension Amounts by Employer/Census Data Testing
- d. Schedule of Employer Allocation and OPEB amounts by Employer/Census Data Testing

The audit fees paid for Fiscal Years 2017, 2018 and 2019 are as follows.

Fiscal Year	DPERS CAFR	GASB 68 Schedules	OPEB Audit and GASB 75 Schedules
2017	\$247,063	\$53,848	-
2018	\$ 240,782	\$49,025	\$49,016
2019	\$172,246	-	\$34,191

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Final billings for the OPEB audit and the GASB 68 and 75 schedules have not been received yet, but we anticipate the total cost to be comparable to 2019. Also, the OPEB Audit was not a stand-alone audit until Fiscal Year 2018. It was previously included in the Statewide CAFR audit.

27. How many employers were tested during the latest audit for active member census data testing?  
This information will be shared with the vendor awarded the contract through predecessor auditor communications.
28. What were the prior year audit fees?  
Please refer to the response in Question 26.
29. Does DPERS perform census/payroll audits on the contributing employers or has the audit firm traditionally gone to various employers to perform this testing? If the auditor has historically done this, how many employer site audits or visits have been performed on an annual basis?  
The external auditor typically performs employer site audits. The volume of employer site audits is dependent upon the auditor's professional judgment. Further information will be shared with the vendor awarded the contract through predecessor auditor communications.
30. Please describe management's and/or the internal auditor's procedures to determine the completeness and accuracy of employer census data for each plan. Does DPERS' current audit firm leverage work performed by the internal auditor or other internal controls performed at DPERS for census data testing?  
Please refer to the responses provided in questions 7 and 25 above.
31. Have the auditors historically been on-site to perform interim fieldwork? If so, what is the preferred timing? How long and how many auditors have historically been on site during interim fieldwork?  
Please refer to the response to question 3 above.
32. When has final fieldwork historically taken place? How long and how many auditors have historically been on site during final fieldwork?  
Please refer to the response to question 4 above.
33. What is the preferred audit timeline (pre-audit meeting, exit meeting, etc)?  
Any details beyond the timing requirements proposed in Section 6 of the RFP will be arranged with the OPen liaison upon contract.
34. Has there been any significant turnover in the accounting staff over the past year or any changes you'd expect would impact fieldwork as compared to prior years?  
There are no significant changes to our knowledge.
35. Why are you looking to switch auditors?  
Please refer to the response to question 1 above.
36. How long has your current audit firm been engaged by DPERS? Does DPERS have a mandatory rotation policy for audit firms?

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The current audit firm is finishing a four-year term, which was the period of the audit contract. DPERS does not have a mandatory rotation policy, but generally follows the procurement process established in 29 Del. C. c. 69.

37. What, if anything, would DPERS like to see changed about their current audit process?  
This question is not applicable to the RFP.
38. Were there any journal entries proposed by the audit firm during 2018/2019 audit? Is there a list of these journal entries available?  
This information will be shared with the vendor awarded the contract through predecessor auditor communications.
39. Was a management letter issued during the 2018/2019 audit, if so, is this available for review?  
This information will be shared with the vendor awarded the contract through predecessor auditor communications.
40. Investments held by the plan – are audited financial statements available for any Real Estate investments and Alternative/Private Equities investments?  
Although there are some private equity investments who do not receive audited financial statements for various reasons (e.g. small in size, winding down), the majority of these investments have audited financial statements.
41. Will DPERS continue to utilize the same actuary it currently does for at least the first year of the scope of the audit work?  
The actuary contract is periodically put out for bid; however, DPERS does not have intention of changing its actuary in the near future.
42. As noted in section 4.3a, it is indicated that the engagement letter may not have any modifications or additions to the terms of the contract. Is there an opportunity to negotiate the terms with DPERS or is it expected that the audit firm awarded will sign a standard contract?  
The vendor selected for award of the contract will receive a draft contract and have the opportunity to provide comment or request modifications that are subject to DPERS' approval.
43. Was a management letter issued in the prior year?  
This information will be shared with the vendor awarded the contract through predecessor auditor communications.
44. What was the prior auditor's timing for completion of fieldwork?  
The auditors' schedule in prior years is closely aligned with the Time Requirements outlined in Section 6 of the RFP.
45. What audit adjustments were proposed by the auditor?  
This information will be shared with the vendor awarded the contract through predecessor auditor communications.
46. What was the prior year fee?  
Please refer to the response provided in Question 26.

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47. What is the current process for auditing census data for active plan members?
- a. Specifically, for the cost-sharing plans and the OPEB Plan, is the incumbent auditor performing visits to participating employers to test census information?
  - b. If so, about how many visits are they performing annually?
  - c. If not, how is the census data being audited?

Please refer to the responses provided in Questions 27 and 29 above.

48. For the investments measured at Net Asset Value (NAV) does the System obtain audited financial statements for all funds?
- d. Generally, what is the timing of the receipt of those audits?
  - e. For any funds not received before the books are closed, how does the fund estimate the fair value of those funds?

Financial statement audits are typically received for the year ending December 31<sup>st</sup> and are typically received by the end of April. Further details regarding Net Asset Value can be found in Note 4. Fair Value Measurements of the CAFR.

49. What is the timing of the update procedures for the pension actuarial valuations? When is it expected to be ready for auditors to review?

The Actuarial Valuation is typically released each January for the prior year ending June 30<sup>th</sup>. The most recent Actuarial Valuation was released January 2019 for the period ending June 30, 2018. A draft report is typically provided to the auditors around the end of August each year.

50. When is the next experience study expected to be performed?

The next experience study is expected to be performed in 2021 for the Fiscal Year Ended June 30, 2020.

51. What is the timing of the update procedures for the OPEB actuarial valuation? When is it expected to be ready for auditors to review?

The Postretirement Health Plan Actuarial Valuation Report generally follows the timing described in Question 49.

52. What are the historical fees for the last three years? Can you provide a breakdown of the fees by report deliverable?

- f. DPERS CAFR
- g. State Employees' Pension Plan GASB 68 Allocation Schedules
- h. Delaware County & Municipal Police/Firefighter Pension Plan GASB 68 Allocation Schedules
- i. Delaware County & Municipal Other Employees' Pension Plan GASB 68 Allocation Schedules
- j. Delaware Other Postemployment Benefits (OPEB) Fund Financial Statements
- k. Delaware OPEB Fund GASB 75 Allocation Schedules

Please see response to Question 26 above.