



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

2815 West Washington Street | P.O. Box 19253 | Springfield, Illinois 62794-9253

R. Stanley Rupnik, Executive Director & Chief Investment Officer

<http://www.trsil.org>

877-927-5877 (877-9-ASK-TRS)

QUESTIONS/ANSWERS – RFP FOR INVESTMENT AUDIT SERVICES

1. Is there a budget available for this project, and what is it?

TRS will not be disclosing the budget for this project.

2. Have there been any previous investment audits of the private equity program, and if so please provide the report(s)?

There have been prior private equity audits; however, we do not release our audit reports.

3. In reference to Appendix D Item C: Please clarify if these clients may be contacted as references, then we would provide one (1) letter for each using the format of Appendix C: Reference Authorization Letter?

In Appendix D Item C, we would like you to list clients that you have provided services similar to those in this RFP and include a brief summary of the project that has been completed for each. Those clients can be the same as the references you provide reference authorization letters for TRS to contact in Appendix C.

4. How many people serve within the Teachers' Retirement System of the State of Illinois (the "System" or "TRS") internal audit department?

There are four individuals in the department.

5. Approximately how many hours are on the annual TRS internal audit plan?

There are approximately 6,250 hours on the annual internal audit plan.

6. What is the average, approximate number of hours dedicated to each audit?

The average number of hours for investment audits is approximately 750 hours.

7. Why is the TRS internal audit department requesting audit support to conduct the private equity audit and future investment co-source audits?

TRS Internal Audit would like to leverage a subject matter expert with experience conducting investment audits in a co-sourced manner with other pension funds to ensure investment audits are robust and inclusive of best practices. A

vendor/service provider with proven experience in this area would be expected to leverage their expertise to lead the audit and facilitate a knowledge transfer process.

8. To confirm, the private equity audit would be conducted solely by the vendor/service provider, correct?

No, the private equity audit would be conducted in a co-source manner with the vendor/service provider and TRS internal audit staff.

9. If yes to question #7, given the RFP states the engagement should be planned as a co-source and "knowledge transfer" process inclusive of the TRS internal audit department, will the vendor/service provider be able to leverage TRS internal audit department resources to complete the private equity audit and the investment co-source audits?

It is anticipated two TRS Internal Audit staff will work with the vendor/service provider to perform the private equity audit and future investment co-source audits.

10. The private equity audit has an expected audit period of up to two fiscal years. To confirm, the scope period is two fiscal years but the audit itself would be conducted once by the vendor/service provider, correct?

The expected scope/audit period is two years. The audit start date would depend on the availability of the vendor/service provider with the caveat the audit needs to be completed by June 30, 2025.

11. Given the private equity audit is to be performed in fiscal year 2025 between December 1, 2024, and June 30, 2025, would the scope period/audit period be from December 1, 2022, to November 30, 2024?

The audit start date could range from December 1, 2024, to mid-March 2025. If the start date is after January 1st, the scope period would likely be calendar year 2023 and 2024. If the audit started on December 1, 2024, the scope period could be October 1, 2022, to November 30, 2024. The scope period is generally two years.

12. Has a private equity audit been conducted in the past by the TRS internal audit department or a vendor/service provider? If so, were there any audit findings reported that have not been remediated by management and independently validated by the TRS internal audit department?

The TRS internal audit department conducted the last private equity audit. There are no outstanding audit findings from that audit that have not been addressed.

13. If a private equity audit has been conducted in the past by the TRS internal audit department or a vendor/service provider, will the prior audit documentation be made available?

Yes, prior audit documentation would be made available.

14. The private equity audit will focus on the front office aspects of private equity with a limited review of risk and investment accounting. Could you please elaborate on what is considered risk and investment accounting activities? Is this referring to asset allocation and determination of the investment policies? Is this referring to processing journal entries and completing monthly or quarterly reconciliations?

Investment Accounting activities include the following :

- Setting up new manager accounts with the custodian bank.
- Funding new and additional investments as well as disbursements.
- Performing daily/monthly cash reconciliations.
- Performing monthly reconciliations between the custodian bank and the investment managers.
- Reviewing performance numbers for investment managers.
- Tying out the custodian bank numbers for quarterly and annual financial statements.
- Calculating and verifying investment management fees.

Investment Risk activities include the following:

- Serving in a support capacity for the risk system and other investment performance or data for ongoing investment monitoring.
- Serving as a check to ensure that proper process, documentation, due diligence, and risk evaluation is completed thoroughly for new investment underwriting.
- Preparing risk reports focused on ex-post and ex-ante risk measurements at the asset class level. These reports are presented at investment oversight committees on a quarterly basis.
- Presenting a high-level risk report to the Board of Trustees on a quarterly basis.
- Generating an investment manager watch list based on defined criteria.

15. To confirm, the review of associated legal documents within the private equity audit is to validate the documents are executed and updated timely, correct? The vendor/service provider is not expected to review and provide a legal opinion on the nature and provisions of the documents, correct?

Correct, the review of associated legal documents within the private equity audit is to validate the documents are reviewed and executed in a timely manner. The vendor/service provider would NOT be expected to review and provide a legal opinion on the nature and provisions of the document.

16. We understand the audit services can be performed through a combination of onsite and virtual work. Does TRS have a preference or percentage of time allocation desired?

TRS Internal Audit would expect the vendor/service provider to be onsite for interviews with staff and for closing meetings. TRS Internal Audit and the vendor/service provider can work together to determine what works best for the risk assessment, audit program development and audit testing.

17. In conducting the risk assessment, approximately how many interviews with staff/stakeholders is anticipated for both the private equity audit and the future investment co-source audits?

There could be approximately 8 to 10 interviews depending on the audit area. The length of the interview could vary depending on the role of the individual.

18. Will the TRS internal audit department assist the vendor/service provider in setting up meetings and identifying the right stakeholders to participate in the private equity and future investment co- source audits?

Yes, TRS internal audit would assist in identifying the right individuals, setting up and attending the meetings.

19. Can you elaborate on the legal document review and what are the expectations referenced in the RFP?

As mentioned in the response to question #12, the review of associated legal documents within the private equity audit is to validate the documents are reviewed and executed in a timely manner. The review is limited to ensuring Legal due diligence was completed as required and the summary of the legal due diligence was included in the presentation to the oversight committee and the Board of Trustees, if applicable.

20. Will the vendor/service provider be required to adhere to the TRS internal audit department's methodology for conducting test of design and test of operating effectiveness procedures?

Yes. The audit will need to be performed in conformance with the Standards promulgated by the Institute of Internal Auditors. TRS Internal Audit procedures are based on these Standards.

21. Will the vendor/service provide be required to utilize TRS internal audit department templates throughout the audit?

There is some flexibility in the templates utilized provided they document the work in conformance with the IIA Standards.

22. Do you have a defined sampling methodology that would be used or are vendor/service providers expected to provide their own sampling methodology?
TRS Internal Audit would anticipate working with the vendor/service provider to determine the most appropriate sampling methodology based on the initial risk assessment. TRS Internal Audit does not utilize a statistical methodology based on materiality, confidence level, etc.
23. Will the vendor/service provider leverage the TRS internal audit department audit report template?
There is flexibility in the report format. TRS Internal Audit would expect the audit report to include at a minimum background, scope, audit objectives, conclusions, and any identified findings.
24. Will the report be on TRS letterhead of the vendor/service provider letterhead?
TRS Internal Audit would expect the report to be on the vendor/service provider letterhead noting the auditors from TRS Internal Audit that worked on the audit with the vendor/service provider.
25. Would TRS want the vendor/service provider to present the final private equity audit and the future investment co-source audits to the Board of Trustees?
Yes.
26. How will TRS and the vendor/service provider exchange information? Will TRS provide System issued laptops or will TRS expect the vendor/service provider to have a secured portal accessible by both parties to transfer files?
TRS Internal Audit would prefer the vendor/service provider have a secured portal accessible by both parties to transfer files. However, it could likely be worked out for TRS to provide laptops for the vendor/service provider.
27. Does the TRS internal audit department have an audit tool where the audit procedures are required to be documented?
No.