



**Responses to Inquiries  
RFP 14-04  
Audit Services**

1. How many audit adjusting entries were proposed by the prior auditors, if any, and what was the nature of those entries?

**Answer:** In FY2013, there was one audit adjusting entry proposed by the prior auditors. The amount was \$300,000 and the adjustment related to death benefit payments that were approved in FY2013, but not paid until FY2014. The payments were not accrued in FY2013.

2. Please provide the approximate annual hours spent by the prior auditors.

**Answer:** 2,350 hours were billed for the audit ending 6/30/2012 and 3,067 hours were billed for the audit ending 6/30/13 by SBoA.

3. Have there been any significant changes in personnel, internal control or operations since the previous audit? If so, please describe.

**Answer:** There have been no significant changes in personnel or internal control to date, however, the CFO plans to retire in May. In terms of Operations, a new retirement system was implemented in FY2014.

4. What is the date that all account reconciliations are complete, books are closed and the entity is ready for audit fieldwork to begin?

**Answer:** August 4<sup>th</sup> is when the financial statements are anticipated to be available; however, work can begin on reviewing reconciliations as they become available beginning July 17<sup>th</sup> when the ledger closes.

5. Have there been any compliance issues, investigations, etc., in the past three years?

**Answer:** No, material issues.

6. Please describe the process for coordinating fieldwork with the various departments and program contacts, i.e., does the entity prefer to coordinate all of this centrally, or do the auditors contact departments directly?

Answer: Internal Audit works as a liaison between INPRS and the external auditor. Requests made by external auditor are run through IA and monitored for follow-up and completion. IA has permitted the external auditor to contact the various departments and contacts directly as long as IA is carbon copied on communication and request items. IA does not participate directly in testing or fieldwork that is to be performed by the external auditor.

7. Is there an internal audit function and do they normally participate in the external audit process?

Answer: See response to question #6.

8. How does the entity monitor the fair values for the private equity, real estate and other investments that are not traded on active markets?

Answer: For non-public investments, INPRS compares the 12/31 audited valuations to the 12/31 unaudited valuations (used by our custodian).

9. Have there been any audit issues relating to investment valuations over the past 3 years.

Answer: No.

10. Is there a master custodian of the investments, i.e. one master trustee that is custodian for all the assets even though there are several different investment managers?

Answer: Yes, Bank of New York Mellon has served as INPRS' master custodian since July 1, 2011.

11. Are there complete records at the Plan for census data for all active, inactive and retired employees receiving benefits?

Answer: Employers are responsible for maintaining and inputting demographic data for active members into the INPRS system, while INPRS uses an internally controlled system to maintain demographic data for retired members.

12. Are there processes and controls in place to ensure the census data of all participants is accurate and up-to-date?

Answer: Controls are utilized to ensure the data sent to actuaries is complete on a control total basis. INPRS utilizes a number of validations to check incoming member data from the employer. Employers are responsible for maintaining and inputting demographic data for active members into the INPRS system, while INPRS uses an internally controlled system to maintain demographic data for retired members. However, this is subject to change due to the new AICPA recommendations regarding census data.

13. Have you developed the allocation percentages by employer and will you provide a schedule of employers and their respective allocation percentages.

Answer: INPRS is currently developing allocation percentages by employer. INPRS plans to provide a schedule of employers and their respective allocation percentages.

14. INPRS administers several plans. Are the assets legally segregated for one or more plans or are they all available to pay the benefits of all plans?

Answer: In accordance with Indiana Code 5-10.5-2-6, each of the public pension or retirement funds administered by INPRS is a separate fund and all assets are segregated by plan for accounting purposes and all liabilities remain separate obligations of such plan. However, the assets among the plans are commingled for purposes of investing.

15. How soon after year-end are all contractually required contributions typically received from participating employers? Does the Plan have a legally enforceable right to these contributions and are they reflected as receivables at year end? Are any employers on installment plans and are those reflected in the receivable balances?

Answer: Most contributions are received within 7 days of the end of the year. The Plan has a legally enforceable right to these contributions and they are reflected as receivables at year-end. Currently there is one employer on an installment plan for a service purchase and it is set-up as a receivable. Payments are made on a quarterly basis.

16. Are there any special funding situations?

Answer: Yes, there is one special funding situation.

17. Does the Plan have a deferred retirement option program (DROP)? How are the assets of the DROP held?

Answer: The DROP assets for the 1977 Fund are part of the 1977 Fund DB assets and the DROP assets for the EG&C Plan are part of the EG&C Plan DB assets.

18. Are there many cases of employees moving from one plan to another? If so, what is the process to transfer between plans?

Answer: Members who have service in both PERF and TRF transition between those plans at the time of retirement, i.e. they select from which retirement fund they wish to retire. There were approximately 500 of these transfers completed for the fiscal year ended June 30, 2013. At the time of retirement, INPRS will move the applicable service credit, employment history, reserves, and member's ASA balance to the fund from which they elected to retire. See chart below for the number of active and inactive members in each plan.

In addition, there are some provisions under Indiana law that allow a member who becomes inactive in a plan, to transfer and/or purchase service credit earned towards the new plan in which they are participating, e.g. PERF to '77 Fund. In these cases the proper amount of monies are transferred between plans to cover the cost of the service transfer.

Fiscal Year Ended June 30, 2013					
Retirement Plans	Active Members	Retirees, Disabilitants, & Beneficiaries	Terminated Vested Inactive Members	Terminated Non-Vested Inactive Members With Balance	Total Members
PERF	137,937	75,950	23,504	51,057	288,448
TRF	70,414	53,010	6,417	11,693	141,534
1977 Fund	13,287	3,491	129	796	17,703
JRS	365	321	67	32	785
EG&C Plan	473	193	4	87	757
PARF	210	95	83	162	550
LEDB Plan	24	68	9	-	101
LEDC Plan	167	-	-	58	225
<b>Total INPRS</b>	<b>222,877</b>	<b>133,128</b>	<b>30,213</b>	<b>63,885</b>	<b>450,103</b>

19. As for the standard contract agreement, there are some provisions of the contract you indicated are non-negotiable that are inconsistent with professional standards of the AICPA and GAO. Are you willing to modify those provisions so that they are consistent with industry standards?

**Answer: INPRS is willing to entertain a proposed revision to a contract term, so long as consistent with Indiana law. Indiana law prohibits INPRS from providing any indemnification to a vendor.**

20. Are stand-alone financial statements issued or just the CAFR?

**Answer: No, stand-alone financial statements are not issued.**

21. Who prepares the financial statements and/or the financial section of the CAFR?

**Answer: The INPRS Finance staff prepares the financial statements and the financial section of the CAFR.**

22. Has INPRS been audited by an external public accounting firm in the past or has it only been audited by the state auditor? If it has been audited by an external public accounting firm in the past, then when was it?

**Answer: The annual audit has only been conducted by SBoA in the past.**

23. Is the audit firm required to also issue a report on the internal controls of the organization?

Answer: For any audit, the auditors will be responsible for analyzing internal controls and providing some form of communication on the scope of their internal control work along with any internal control findings that they identify during the course of the audit.

24. The RFP allows out-of-state accounting firms to propose on the work; however, is it your desire to hire an in-state firm?

Answer: INPRS plans to hire the most qualified firm based on the evaluation criteria set forth in Section 4.3 of the RFP.

25. Our firm has a policy of not subcontracting any audit work to other firms for quality purposes. So will not having a MBE/WBE/VOSB subcontractor put us at a disadvantage?

Answer: The existence or lack of a subcontractor relationship will not put the respondent at a disadvantage.

26. What is the expected length of the contract for providing audit services?

Answer: A three year contract is requested with two annual renewal options.

27. Is the RFP for complete outsourcing of audit? 1.3.4 says “services being solicited in RFP are intended to **either replace or supplement** the external audit services previously performed by the SBoA”

Answer: This RFP is not intended to replace the Internal Audit function. INPRS intends to replace or supplement the audit of (i) financial statements/CAFR and (ii) GASB statement 68.

28. In the RFP, 1.3.1 says INPRS administers 7 plans, but 3.1 item 2 adds up to 12 plans/funds. What is the correct number?

Answer: The total is 12 plans/funds. In fiscal year 2014 (July, 2013 through June, 2014), PERF becomes a multi-employer cost-sharing (from an agent plan) defined benefit pension plan and TRF is split into two multi-employer cost-sharing defined benefit pension plans (TRF Pre-1996 and TRF 1996). Therefore, there are: 4 multi-employer cost-sharing defined benefit pension plans, 4 single employer defined benefit pension plans, one defined contribution plan, two other employment benefit plans (death benefit funds) and one investment trust fund.

29. What specific characteristics are you looking for in your audit firm?

Answer: INPRS prefers a firm with experience auditing public pension systems and has an in depth knowledge of GASB 67 and its impact on the financial statements, as well as, knowledge of GASB 68 and expected implementation timing and procedures.

30. Please provide perspective regarding the completion of the audit and due date of the Independent Auditor’s Report on the System of September 30<sup>th</sup> each year as stated in the RFP vs. the November report dates for each of the last two years’ audits.

Answer: The SBoA opinion dates were in November because current year actuarial information required for note disclosure was not available. INPRS expects all field work to be completed by 9/30 unless the actuarial data is delayed.

31. Please clarify the timing of the oral report to the INPRS Board of Trustees upon completion of the audit.

Answer: This has historically been completed at the first scheduled board meeting following the completion of the audit. Typically this board meeting is scheduled in November or December.

32. Section 3.1 Item 2 – page 12 of RFP states that there are 4 multiemployer cost sharing DB plans and 4 Single Employer DB plans. The CAFR (page 42) states that PERF is an agent multiemployer DB plan.
- a) Please confirm the status of PERF as well as how that determination has been made because audit guidance differs for cost-sharing versus agent plans.

Answer: In fiscal year 2014 (July, 2013 through June, 2014), PERF becomes a multi-employer cost-sharing (from an agent plan) defined benefit pension plan and TRF is split into two multi-employer cost-sharing defined benefit pension plans (TRF Pre-1996 and TRF 1996). PERF becomes a cost-sharing defined benefit pension plan as the plans assets are no longer legally separated by employer and any assets of the plan can be legally used to pay the benefits of any employer's members.

33. Section 3.1 Items 6-9: Does the State Board of Accountants (SBoA) plan to participate in the planning stages of the audit process? Does SBoA plan to approve the audit plan? Does SBoA plan to review audit work papers before issuance of the audited financial statements? Does the SBoA intend to refer to the System's auditors or take responsibility in the opinion in the State's CAFR under the Clarity Standards?

Answer: The audit should be planned by those performing it. The plan should however be prepared with the understanding that: The independent auditor and INPRS acknowledge the oversight responsibilities of the SBoA for the State and Quasi Agency audits. The selected firm will follow the minimum audit requirements as presented in the "Guidelines for the Audit of State and Local Governments by Authorized Independent Public Accountants" (available at: <http://www.in.gov/sboa/3087.htm>) ("Guidelines for Audit").

The SBoA does not plan to approve the audit plan. The audit plan is the auditor's responsibility.

The SBoA reserves the right to review audit work papers before issuance of the audited financial statements. The independent auditor and INPRS must acknowledge the oversight responsibilities of the SBoA for the State and Quasi Agency audits. The selected firm will follow the minimum audit requirements as presented in the "Guidelines for the Audit of State and Local Governments by Authorized Independent Public Accountants" (available at: <http://www.in.gov/sboa/3087.htm>) ("Guidelines for Audit").

The SBoA would refer to the other auditor in the audit opinion on the CAFR. The wording would be similar to how it appears in the 2013 State CAFR report for other component units that are audited by other CPAs. The 2013 CAFR is posted on the State Auditors website (available at: <http://www.in.gov/auditor/2535.htm>).

34. Can you describe what Plan management's internal control structure/process is/will be for the completeness and accuracy of participant census data?

Answer: Controls are utilized to ensure the data sent to actuaries is complete on a control total basis. INPRS utilizes a number of validations to check incoming member data from the employer. Employers are responsible for maintaining and inputting demographic data for active members into the INPRS system, while INPRS uses an internally controlled system to maintain demographic data for retired members. However, this is subject to change due to the new AICPA recommendations regarding census data.

35. Section 3.2 GASB 68 Services: Can you please describe the allocation methodology for Recognizing Proportionate Share of Collective Pension Amounts for Employers and how the Schedule of Proportionate Share will reconcile back to the financial statements?

Answer: GASB Statement No. 68 is not effective for employers until fiscal year ends beginning after June 15, 2014, so INPRS has not finalized plans. On a **preliminary** basis we are considering using employer reported covered payroll as the basis for the proportionate share calculations and perhaps a combination for TRF Pre-1996 (which also involves a special funding situation) by also using actual benefits paid. On a **preliminary** basis we are planning to provide the calculated proportionate amounts to our employers for the following: net pension liability, deferred outflows/inflows of resources (excluding the employer specific change in proportionate share and differences between employer contributions and proportionate share of contributions), pension expense (excluding the impacts of the employer specific deferrals) and notes to the financial statements (amortization of net deferrals (excluding the employer specific deferrals) and discount rate sensitivity).

36. Section 2.4 Fees— Please describe the historical total hours dedicated to the external audit process. Please describe the SBoA staffing model.

Answer: See response to question #2.

37. Section 2.4 – Does INPRS desire a single year audit quote or multi-year? If multi –year, how many years?

Answer: Submit an annual fee based on a three year contract with two annual renewal options.

38. Section 2.4 - Fees - Related to services outlined in Section 3.2 GASB 68 Services – you have asked for a separate bid. The scope of services could vary greatly depending on what INPRS plans to do relative to implementing of GASB 67/68. In addition, the level of testing and the number of employers/contributing entities to be audited as suggested by recent guidance will impact the scope of the plan auditor's testing and significantly impact the fees. Therefore, it would be difficult to provide a fixed price. Would you accept a range of fees or a rate per hour quote?

Answer: The implementation of GASB 68 has yet to be decided due to the fact that the direction provided by regulators has not been finalized. The basis for the scope of services could be acceptable based upon a range or per hour quote.

39. Please provide management's implementation plan as it relates to GASB 67/68 and its current status. In your response please address (among others) management's interpretation and conclusion regarding:

- a) defined benefit versus defined contribution,
- b) cost sharing versus agent multiple-employer,
- c) special funding situations,
- d) actuarial valuations,
- e) methodology for determining proportionate share, changes in internal control over demographic data, etc.

Answer: For GASB Statement No. 67, INPRS is working closely with actuaries, investment firms, etc. to ensure any necessary changes are made and we have all required information. We are in process of rewriting and adding schedules to the CAFR for fiscal year 2014 and plan to be ready by the end of June 2014. GASB Statement No. 68 is effective for employers for fiscal years beginning after June 15, 2014, so we are in the early stages of our plans. INPRS is working with our actuaries to prepare the information for our employers. We have preliminary schedules which we plan to provide to our employers (to be audited and opined) and we have a preliminary basis for determining the proportionate shares for the cost-sharing plans. We issued our first newsletter to employers (jointly with the Indiana State Board of Accounts) in January 2014, and we are scheduled to have our first *Employer Communication Team* meeting on March 19<sup>th</sup> to plan how best to communicate and educate our employers over the next approximate 15 months.

For a. above, based on the GASB Statement No. 67 definition for defined contribution (DC) pension plans, we have determined there is only one plan that qualifies as a DC plan and the remaining 8 pension plans are Defined Benefit (DB) pension plans.

For b. above, in 2014 PERF becomes a cost-sharing plan instead of an agent plan, as PERF's assets can be used to pay benefits of any employer's member. In 2014, there will be 4 cost-sharing multi-employer DB pension plans and 4 single employer DB pension plans.

For c. above, the TRF Pre-96 cost-sharing multi-employer DB pension plan is a special funding situation. The State of Indiana is legally responsible for any liability associated with the TRF Pre-96 plan.

For d. above, INPRS works closely with both actuaries (PWC and Nyhart) and plan to have the actuarial valuations completed in a timely manner for the audit. Actuarial valuations are performed on an annual basis.

For e. above, as mentioned above INPRS has a preliminary basis for determining proportionate shares for the cost-sharing plans.

40. Please provide any communications made between INPRS and its contributing entities related to GASB 67/68 previously made by INPRS.

Answer: In January 2014, the Indiana State Board of Accounts and INPRS issued a joint newsletter communicating changes that would be impacting employers in 2015 ([http://www.in.gov/inprs/files/ERLetter\\_GASBstmtJan2014.pdf](http://www.in.gov/inprs/files/ERLetter_GASBstmtJan2014.pdf)) due to GASB Statement No. 68.

41. Section 1.3.4 Internal audit: Please describe the role of internal audit in the external audit process? Please describe what areas of the internal audit plan and work product were used historically or can be utilized in the future to support audit evidence objectives? Are internal audit hours dedicated to the external audit? If so, please describe the role and interactions between external audit and internal audit?

Answer: See question #6. In addition, typically 300 hrs of internal audit resources have been utilized in the past to act as a liaison. Internal Audit reports and findings have been utilized by SBoA in the past to leverage against their own work.

42. Please provide the timing as to when the final trial balance, financial statements, notes and CAFR would be available for the auditor's review and test work. Will the auditor be able to perform any interim procedures? How soon after 6/30 will information be available for the auditor to begin performing the year-end fieldwork? What is the ideal timing of the external audit process?

Answer: The final trial balance and financial statements for the CAFR are anticipated to be available 8/4/14. The majority of the notes for the financial section of the CAFR will be available by mid to late August. The ledger is scheduled to close July 17<sup>th</sup>, which will allow for earlier review of extract files, payment reconciliations, etc.

43. Regarding the implementation of GASBs 67 and 68 and the request for opinions to be issued under AU-C 805 on the respective schedules, please provide the following:

a) Please confirm management intends to prepare notes for each of the schedules

Answer: Yes, management will prepare notes for each of the schedules, which are required and/or deemed to be appropriate.

b) Please confirm the timing as to when the schedules will be available for the auditor's review

Answer: For FY2014, the schedules will be available by 12/31/14.

c) Is it management's understanding that the System's auditors will be performing audit procedures at the contributing employers/entities in order to opine on these schedules or does management anticipate that the employers/contributing entities will provide the System's auditors with Agreed Upon Procedures reports or reports from other Attest Engagements to support the audit?

Answer: With the recent AICPA guidance on GASB 68 audit procedures, INPRS is still in the planning process on how to implement this portion. Please include as part of the proposal the range of fees assuming that your firm would perform these audits or if the INPRS auditors would perform these reviews.

- d) If the System's auditors are to perform the procedures noted in item (c) above, please confirm that it is management's expectation that the auditor will conduct such testing on site at each employer/contributing entity selected for testing.

Answer: With the recent AICPA guidance on GASB 68 audit procedures, INPRS is still in the planning process on how to implement this portion. Please include as part of the proposal the range of fees assuming that your firm would perform these audits or if the INPRS auditors would perform these reviews.

- e) Has management engaged a CPA firm to perform a SOC 1 Type II engagement for the agent multiple employer plan, if applicable?

Answer: In fiscal year 2014, PERF becomes a cost-sharing pension plan (no longer is an agent plan), so INPRS has not engaged a CPA firm to perform a SOC1 Type II engagement.

44. For private equity and real estate investments, the financial statements disclose that the fair value as of June 30<sup>th</sup> is based on valuations provided by the General Partners at March 31<sup>st</sup> adjusted for cash transactions through June 30<sup>th</sup>.

- a) Are the investments audited annually and if so, what is the financial statement date of the audits?

Answer: Yes, the limited partnerships provide INPRS annually audited financial statements as of their fiscal year end (usually Dec 30).

- b) When is fair value of the investments as of June 30<sup>th</sup> available from the General Partners?

Answer: The fair value of (i) hedge fund is available 30 days; (ii) private equity 75-90 days; and (iii) private equity real estate 75-90 days, after June 30.

- c) Does management evaluate fair value as of June 30<sup>th</sup> for consideration of material adjustments?

Answer: Yes, INPRS ensures any capital calls or distributions are adjusted as of June 30.

- d) Who performs the appraisals on the real estate investments? Are the appraisals done annually?

Answer: During INPRS' due diligence, INPRS reviews the valuation policy for private real estate funds to ensure an external appraisal is provided at least every three years.

- e) Has management contracted with an external third party to evaluate real estate valuations?

Answer: INPRS has not sought external valuation of the real estate portfolio; however, INPRS has engaged 3rd party valuation of the building owned at 1 N. Capitol (i.e., INPRS' headquarters)

f) Please describe internal controls over fair value of these investments.

Answer: For non-public investments, INPRS compares the 12/31 audited valuations to the 12/31 unaudited valuations (used by INPRS' custodian).

45. Please confirm that Bank of New York Mellon is the custodian and/or record keeper all the investments of the plans.

Answer: Bank of New York Mellon is the custodian for all investments (Defined Benefit and Annuity Savings Accounts) and they are the record keeper for the defined benefit assets.

46. Please provide the record keeper (as well as custodian, if applicable) for the Annuity Savings Accounts.

Answer: Bank of New York Mellon is the custodian and Xerox Business Services, LLC (formerly known as Affiliated Computer Services, Inc.) is the recordkeeper for the Annuity Savings Accounts.

47. Please confirm there were no changes in key service providers during the year – i.e. actuaries, custodians, record keeper, etc. or projected in the near future.

Answer: There were no changes in key service providers during the year and none are projected in the near future.

48. How is member data received from the various employers/contributing entities?

Answer: Information is provided via the Employer Reporting and Maintenance (ERM) software (as described in question #54) and uploaded by the employer.

49. How are elections for enrollment in the ASA Only plan being tracked?

Answer: Enrollment elections are entered by either the employer or member. The elections (or default) are stored electronically in INPRS' database. INPRS can extract the number of eligible members who qualified for the ASA Only plan and their final disposition.

50. Please confirm that all benefit payment calculations are performed by Xerox. If not, please provide more information about the benefit payment process including calculations as well as payments.

a) Please confirm Xerox provides a SOC 1 Type II report.

b) How is information provided to Xerox to calculate the benefits?

Answer: Xerox does not calculate the benefits for members or their survivors. The calculations are performed by Operations within the INPAS system. Data is communicated to Xerox through the weekly and monthly extract files. Xerox does provide a SOC 1 Type II report.

51. What types of investments are held in the Absolute Return and the Risk Parity categories?

Answer: The Absolute Return portfolio holds 19 commitments to hedge funds generally structured as limited partnerships. The Risk Parity portfolio holds three commitments to funds structured as either limited partnerships or Cayman limited companies (AQR GRP EI Fund, LP; Bridgewater All Weather Portfolio II Ltd.; and First Quadrant Essential Bet Fund Ltd.).

52. Who is responsible for calculation the per unit value of the Pooled Investment Unit Trust Accounting? How is the accounting maintained for the units by fund?

BNY Mellon provides the per unit value for the Pooled Investment Unit Trust. The Net Asset Value (NAV) calculation is performed on a daily basis and, if applicable, the valuations are submitted on a daily basis to Xerox for ASA/DC accounting. Total pooled assets are reconciled to the total unit trusts on a daily and monthly basis.

53. Any significant or material alternative investments that do not receive audited financial statements?

Answer: None.

54. Accounting and ERP Systems – Please describe what systems are utilized by each of the plans that are considered to be financially significant? How are these systems periodically tested by management?

Answer: INPRS' accounting platform is running on Oracle's Electronic Business System R12. ERM is an Oracle Based Custom Designed system for receiving all wage/contribution and member data from the employers. INPAS is a PeopleSoft Pension system. Both were significantly tested during implementation. However, since the systems are relatively new, they have not been tested post-implementation. Internal Audit is in the planning stages for such an engagement.

55. Accounting and ERP Systems - Please describe the extent of written documentation that exists for IT systems and key business processes, and accounting and financial reporting policies and procedures.

Answer: There are written procedures for key processes and controls.

56. Accounting and ERP Systems – Please describe how information from Bank of New York Mellon, and any other custodians, as well as any other subsidiary systems, flow into the general ledger system.

Answer: BNY Mellon provides custodial and accounting services to the organization. A monthly accounting feed is generated from BNY Mellon's subsystem and the data is mapped into INPRS' general ledger. Manual journal entries are prepared to record amounts in the general ledger.

57. Please describe the pension administration system (that supports actuarial valuations versus benefit payments) as well as any test work and related results over both IT general controls and system application controls over the pension administration system.

Answer: See response to question #54.

58. Does INPRS expect any significant changes in the benefits, eligibility of benefits, or plan changes that would significant impact scope of work in the near future?

Answer: None are anticipated. However, this is subject to future legislation changes.

59. Does INPRS expect any significant near term changes in investments that would impact the scope of work?

Answer: No significant investment changes are expected at this time. However, INPRS will launch an asset allocation study in FY2015 and there is always the possibility that asset allocations may change.

60. Please provide the System's Travel Policies and Procedures

Answer: See the Travel Policy at the end of this document.

61. Please provide copies of the prior year SAS 114 and 115 letters.

Answer: See the SBoA letter at the end of this document.

62. How many adjustments (including nature and magnitude) have been identified during the last two years audits?

Answer: In FY2013, there was one audit adjusting entry proposed by the prior auditors. The amount was \$300,000 and the adjustment related to death benefit payments that were approved in FY2013, but not paid until FY2014. The payments were not accrued in FY2013.

There were no adjustments for FY2012.

63. Will internal audit or other outside entities be involved in testing employers' census data?

Answer: See response to question #43(c) and #43 (d).

64. How many of those employers represent more than 5% of total contributions?

Answer: For PERF there currently is only one employer more than 5% and there are two employers more than 5% for the 1977 Fund. For TRF Pre-96 and TRF 1996, there are no employers more than 5%.

65. How many employers are anticipated to be included in GASB 68 allocation?

Answer: The estimated number of employers:

PERF	1,196
TRF Pre-96	343
TRF 1996	360
1977 Fund	256

66. What are the IT systems that will have an impact on the audit?
- Are they developed in-house?
  - Are there any plans to update this system in the near future?

Answer: See response to question #54.

67. If any service organizations are used, do they have a SOC1 report and will they be Type 2?

Answer: INPRS currently outsources investment custody, securities lending and related services applicable to the processing of investment transactions and supporting accounting applications to BNY Mellon Asset Servicing. BNY Mellon Asset Servicing provides a Type 2 SOC1 report on a quarterly basis in compliance with SSAE 16. INPRS outsources recordkeeping services to Xerox. Xerox also provides Type 2 SOC1 reports.

68. How will we gain access to records (electronic/paper – are there staff to pull supporting documentation)?

Answer: INPRS accounting records are maintained both electronically and in paper form. All requested information will be provided by INPRS staff. In addition, online access to the various administrative systems will be provided either directly or via a one on one meeting with applicable department representatives.

69. Due to the 90 day turnaround from year end, when will staff be ready for the audit?

Answer: See response to question #42.

70. Is there potential to complete interim testing?
- If so, timing?

Answer: There should be potential to complete interim during June and July of 2014. In future years, interim testing could be completed earlier.

71. Are financial statements drafted by INPRS?
- If so, at what point in time will those be made available to auditor?

Answer: Yes, the financial statements are drafted by INPRS. They will be available on August 4<sup>th</sup>.

72. Regarding systems, there are many plans. Are the plans managed under one or multiple payroll systems throughout the state?

Answer: The employers use various payroll systems that feed payroll data into the INPRS ERM system.

73. There is a large portfolio of investments. How are investments managed, by an outside firm or firms, or in-house?

Answer: The assets administered by INPRS are invested in accordance with INPRS' Investment Policy Statement (available at: [http://www.in.gov/inprs/files/INPRS\\_IPS.pdf](http://www.in.gov/inprs/files/INPRS_IPS.pdf)). All assets are managed on a fully discretionary basis by outside investment managers; except, for certain real estate holdings, including the buildings located in Indianapolis at 1 N. Capitol and 143 West Market (i.e., INPRS' headquarters).

74. Are the actuarial services performed by an outside firm(s)?

Answer: Yes, the actuarial services are performed by Nyhart and PWC.

75. Will we have access to internal audit personnel to be able to work with our team?

a) If so how many and what level?

Answer: Previous reviews have dedicated one IA staff level member with 300 budgeted hours to act as liaison. See also the response to question #6.

76. What role do you anticipate the State Board of Accounts will play for the 2014 audit and thereafter?

Answer: The State Board of Accounts would be the "group" auditor. The INPRS auditor would be a component auditor. The "group" auditor needs to share with the "component" auditor certain information so that the "component" auditor can properly plan their audit. Some of these items include related parties, materiality levels, expected date of our report, and significant risks of material misstatement for the group audit.

The "component" auditor is then expected to keep the "group" auditor up to date on the items above.

77. Do you have a general description of the role of Internal Audit and the testing they perform on an annual basis? Is it anticipated that we will be able to rely on some of their work for our audit process?

Answer: IA has allowed SBoA in the past to utilize and leverage any audit reports created for the fiscal year being reviewed. A similar approach is expected this year.

78. What is the impact on INPRS of the Lottery employees becoming participants in terms of participant numbers and dollars?

Answer: There was no impact on INPRS when the Lottery employees became participants in INPRS – the PERF fund in particular. Any service earned while they were in the Lottery and therefore carried over as credible service into PERF was paid for in full by the Lottery.

79. When are you anticipating the next actuarial assumption experience study to be completed (appears to be every 3 to 5 years)?

Answer: We expect the next actuarial assumption experience to be completed during FY 2016 for use in the FY 2016 valuation.

80. How has the implementation of the new defined benefit administration system gone? Any major issues identified?

Answer: Overall the implementation of the new administration system has gone well. In general, we are able to process all transaction types. However, there are issues to address, which is common with any new system implementation, but none that have stopped processing and/or cannot be addressed with modified processing procedures.

81. Has INPRS been a party to significant litigation, as defendant or plaintiff, during the last 3 years? If so, please describe the nature and status of such litigation.

Answer: INPRS has no material litigation.

INPRS is routinely a party to various cases relating to its investments. Most frequently, INPRS participates in securities class actions as a passive class member. INPRS is a lead plaintiff in a securities class action case against SAIC in the Southern District of New York. INPRS is also a defendant in the Tribune matter, relating to INPRS' participation in the Tribune Co. LBO in 2007.

INPRS also routinely defends member appeals, following holdings by administrative law judges, relating to the administration of benefits.

82. Who prepares the CAFR? Can you please provide a description of the process by which the financial statements are prepared and the level of assistance that is required of the auditors.

Answer: The financial section of the CAFR is prepared by the INPRS Finance staff. There is no assistance required from the auditors.

83. On the GASB 68 schedules, will INPRS be preparing these? Are any external consultants being utilized to assist with these?

Answer: INPRS, in conjunction with our actuaries, will prepare the GASB 68 schedules.

84. Has the internal audit department been utilized in the audit process in the past? Would they be available to assist in the future? How many hours of assistance could we expect from internal audit?

Answer: See response to question #6. Approximately 300 hours is budgeted as IA assistance.

85. What is INPRS's preferred time frame for audit fieldwork?

Answer: Historically (May – September 30) for fieldwork.

86. The fee for audit services went from \$44,000 in 2012 to \$193,000 in 2013. Why was there a significant increase?

Answer: This is the result of only the Teachers Retirement plan (TRF) being direct billed for SBOA services in the past. INPRS is now billed for both PERF and TRF as a combined entity.

87. Will audited financial statements be available for the alternative investments held by the Plan? If so, will INPRS be responsible for obtaining these financial statements?

Answer: Yes, INPRS receives copies of the annual audited financial statements for alternative investments. For private equity and private equity real estate, financial statements are normally received between March and June for the prior calendar year.

88. Could you provide a general description of the payroll systems utilized in general by participating employers? It appears INPRS utilizes ADP for their payroll system.

Answer: The employers use various payroll systems that feed payroll data into the INPRS ERM system.

89. Has there been any significant fraud at INPRS within the last five years? If so, please provide a description of what occurred and the resolution of such activity.

Answer: No.

90. Was there a management letter issued in connection with the prior year audit? Is management aware of any material weaknesses, significant deficiencies or deficiencies?

Answer: See response to question #61.

91. On page 16 of the proposal, the criteria for selection of the audit firm is presented. Is there any weighting of these criteria as it relates to the selection process?

Answer: The criteria are not weighted. The proposals will be judged on their relative strengths and weaknesses as a whole.

92. Are there any MBE/WBE requirements?

Answer: If a subcontractor is being proposed, the respondent Contractor must visit the Indiana Department of Administration's Web site, which contains a list of subcontractors registered as Minority Business Enterprises and/or Women's Business Enterprises. If a subcontractor who performs services required under the contract is listed on the Web site, Contractor must give that subcontractor the opportunity to bid.

If Contractor's proposal does not contemplate a subcontractor to complete services, Contractor will be unaffected by any MBE/WBE requirements.

93. What were the approximate number of audit hours incurred for both the 2013 and 2012 audits?

Answer: See response to question #2.

94. Were any audit adjustments proposed by the auditors in the 2013 audit? If so, can you describe number and nature of the proposed adjustments?

Answer: See response to question #1.

95. Was a management letter issued in connection with the 2013 audit? If so, can a copy of the letter, along with a current status of the comments be provided for consideration?

Answer: Yes, see response to question #90.

96. Have there been any significant reductions in staff affecting the processes and internal controls over financial reporting?

Answer: No.

97. Can you describe the size of your investment department and procedures in place related to the due diligence and valuation of your alternative investment portfolio?

Answer: INPRS' investment team is composed of 16 professionals and is supported by an external plan consultant, a private equity consultant and hedge fund consultant. The Private Equity team is led by a Director of Private Equity, with two private equity analysts. The Absolute Return team is led by a Director of Absolute Return with an analyst.

98. How does INPRS value its alternative investments for year -end financial reporting purposes?

Answer: See response to question #8.

99. In section 2.4 of the request for proposal, INPRS is asking for a fee quote for 1) the audit of the financial statements 2) the CAFR review, and 3) the audit of the GASB 68 schedules. Is it INPRS' intention to award all of these components to one firm or does INPRS intend to split them up among different firms?

Answer: INPRS intends to hire one external auditing firm. The rationale for requesting separate fee quotes is because the external audit firm may supplement OR entirely replace the services provided by SBoA. The audit of the financial statements and CAFR review are meant to be one engagement.

100. Would INPRS accept one quote for the audit of the financial statements and the CAFR review, as these two components are difficult to split?

**Answer:** Yes, see response to question #99.

101. It appears that INPRS has refined the PERF to be a cost-sharing rather than agent multiple employer plan. What methodology is INPRS using to allocate the collective pension amounts to the multiple employers, as defined under the new pension standards?

**Answer:** INPRS is currently defining the allocation methodology. It will likely be based on either current employer payroll or contributions.

102. Please clarify the requirements of form B.3 Application for Certificate of Authority of a Foreign Corporation. As a limited liability partnership, our firm would not be required to complete and submit this form, correct?

**Answer:** Before transacting business within Indiana, foreign limited liability partnerships (entities not created in the state of Indiana) are required to file a registration with the Indiana Secretary of State in accordance with IC 23-4-1-49(a)(2).



# STATE OF INDIANA

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302 WEST WASHINGTON STREET

ROOM E418

INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

## REPORT COMMUNICATING INTERNAL CONTROL

### RELATED MATTERS IDENTIFIED IN AN AUDIT

TO: THE OFFICIALS OF THE INDIANA PUBLIC RETIREMENT SYSTEM BOARD OF TRUSTEES

In planning and performing our audit of the financial statements of the Indiana Public Retirement System (INPRS) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered your internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal control. Accordingly, we do not express an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies,

significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a control deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

### **SEGREGATION OF DUTIES**

The Benefit Management System (BMS) and State of Indiana Retirement Information System (SIRIS) are the systems that maintain members' and employers' transactional data and processes benefit payments. Access to BMS and SIRIS is restricted through the use of user identification and passwords. INPRS reviewed all departments' users' roles in previous fiscal periods to determine user role conflicts. Some roles with conflicting roles have been removed, but some still remain. INPRS management has reviewed the remaining conflicts and determined they are necessary for job functions. Each department manager whose department has a role conflict signs off as to the necessity of the conflict and that they are aware a conflict exists. During our test of controls of the computer access for BMS and SIRIS, we identified areas of inadequate segregation of duties. Evidence of any compensating controls was not available in written form as supporting documentation. INPRS' management has indicated during this audit and in prior years they believe compensating controls are in place, however, these controls have not been documented in writing. Within BMS and SIRIS, sets of security rights are organized into various roles which can then be granted to user IDs, based upon each user's job functions. In the response that we received from the management of INPRS in previous years over this same issue, it was indicated that a new defined benefits system was being developed that would adequately document compensating controls for when role conflicts occurred. The implementation of the new system is scheduled for the last quarter of 2013.

Segregation of duties is achieved by separating job functions and computer access in order to prevent an individual from concealing errors or irregularities through the normal course of their authorized duties. When proper segregation of duties is compromised, it is management's responsibility to ensure that there are documented compensating controls in place to offset the risk of improper segregation of duties. Controls over user roles should be in place to determine if current and/or new users' roles conflict, and if compensating controls are needed in order to maintain adequate segregation of duties.

### **REFUND OF TRAILING CONTRIBUTIONS**

The last audit contained an internal control deficiency related to the refunding of trailing contributions. In following-up this audit period, we looked at member accounts who had a non-retirement

or lump-sum withdrawal during the fiscal year and still had an ASA balance at June 30, 2013. Our expectation was members generally would not have a balance if they had received a withdrawal unless a trailing contribution had been received and not yet refunded. From those members who had a received a non-retirement or lump-sum withdrawal and had an ASA balance, we judgmentally selected ten for testing. Of those ten selected for testing, we found six with an ASA balance due to trailing contributions received after the member left paid status. As of the date of our testing, the number of days these unrefunded trailing contributions had remained in the member's ASA ranged from 186 to 343 days.

The refunding of trailing contributions is a function Xerox performs on behalf of INPRS. Prior to March 2013, Xerox produced a monthly report of potential trailing contributions that were researched by INPRS personnel. As a result of the prior period deficiency, the monthly Xerox report parameters were changed to go back 90 days and pick up activity that could potentially be due to trailing contributions. In addition, Xerox produced a one-time retroactive report in March 2013 that picked up all potential historical trailing contributions not yet refunded. The six member accounts with un-refunded trailing contributions noted above were included on the retroactive report, but not on the monthly reports.

We believe INPRS has a fiduciary responsibility to more closely monitor contributions trailing a refund/withdrawal to ensure a refund to the member is issued in a timely manner.

### **ERRONEOUS PAYMENTS**

In comparing disbursement data from the Bank of New York Mellon (BNYM) to disbursement data from Xerox on an individual member basis, we noted one unusually large difference. The difference was that BNYM showed a disbursement and a reversal in 2013 (net effect \$0 disbursed), but Xerox showed a disbursement from the member's ASA of \$148,651.69. Further investigation revealed that during January 2013, the member received three checks totaling \$148,651.69. The member contacted INPRS and indicated the checks were not due to him as he had requested and received a rollover of his ASA when he retired in 2003. The checks were voided and BNYM reversed the disbursement.

This situation appears to have occurred because the employee processing the member's transaction in April 2003 erroneously changed the ASA option from FULL to INV. As a result, the Legacy system was prevented from executing a closeout transaction when the account status was changed from Estimated to Final on April 2, 2003. Because the closeout was not executed, the ASA in question was restored even though it was paid out on January 23, 2003.

If the member had not contacted INPRS but instead cashed the checks, the erroneous payments would not have been detected. Internal controls failed to prevent or detect this encoding error. As such, we were not able to determine if any other such erroneous payments occurred. The possibility exists that other encoding errors occurred many years ago which incorrectly restored ASA balances that were subsequently paid out to members who kept the payments without notifying INPRS. The risk of this type error is reduced for current retirements because the ASA payout amounts are not directly tied to the transactions in the Legacy systems as they were prior to Xerox becoming the record keeper and because INPRS performs quality reviews of 100% of new retirements.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, Officials of INPRS' Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Your written response to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 20, 2013



# Travel Policy

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## I. Policy

### A. Description

The policy provides the guidelines for the travel management of the Indiana Public Retirement System (INPRS) in order to achieve cost efficiency, provide fairness of travel reimbursements, and maintain appropriate controls for accountability.

### B. Purpose/Rationale

The policy is developed for INPRS to achieve cost savings and maintain efficient internal controls in travel management while accomplishing its mission.

### C. Applicability

**This policy affects all divisions of INPRS.**

The policy applies to the following personnel:

1. Board of Trustees
2. INPRS Employees
3. Non-INPRS and Supplemental Employees

### D. Risk Statement

INPRS is a public pension retirement system and the assets of this system must be prudently managed pursuant to and in accordance with laws and regulations governing the system and acceptable business practices. The inappropriate use of system assets for travel could lead to waste of system assets, ethics and other law violations, damage to the system's reputation and loss of trust of the system's membership.

## II. Definitions

Table 1 provides a list of terms and conditions used in conjunction with this policy.

**Table 1 – Policy Term Definitions**

<b>Term</b>	<b>Definition</b>
Business-Related Travel	A trip for business-related activities from an employees' residence or Primary Work Station to the destination of the event while performing official duties on behalf of INPRS. A trip commuting between an employees' residence and the Primary Work Station is excluded.
E-Staff Member	Executive Management Staff Member
Expense Report	<a href="#">Travel Expense Reimbursement Form</a>
INPRS	Indiana Public Retirement System
Non-INPRS Employee	Consultants, contractors, or prospective employees
Per Diem	Current federal per diem allowance, by destination, as published by the General Services Administration (domestic – <a href="http://www.gsa.gov">http://www.gsa.gov</a> ) or Department of State (international – <a href="http://aoprals.state.gov">http://aoprals.state.gov</a> )
Primary Work Station	The location where the employee spends the majority of his/her work time
WEX (formerly Wright Express Card)	Credit card for purchase of fuel and automotive services.

### **III. Policy**

#### **A. General Policies**

##### **1. Approved Travel Expenses**

Business-related travel expenses, including conference fees, transportation, meals and hotels, are reimbursable if they are approved on a [Request for Travel Approval Form](#). See *Section K Exceptions/Special Rules/Items Not Reimbursed* (below) for exceptions. See the [Request for Travel Approval](#) Procedure for guidelines on travel that does not require specific approval for reimbursement.

##### **2. Incidental Expenses**

Incidental expenses incurred by INPRS Employees will not be separately reimbursed as such expenses are included in the incidental portion of the Per Diem meal rate established for an employee's destination of travel. Incidental expenses include, but are not limited to, hotel tips and non-business related phone charges.

### **3. Duplicate Reimbursement**

Anyone reimbursed for travel expenses is not entitled to duplicate reimbursement from any other source. Reimbursement by any organization for expenses will be made payable to INPRS.

### **4. Spouse/Dependent Travel**

Travel expenses incurred by an employee's spouse and/or dependent(s) who accompany the employee on an authorized business trip will **not** be reimbursed.

### **5. Best Efforts**

Best efforts should be used to obtain the least expensive total travel costs and still allow for efficient use of employee resources. Airfare selection shall not be based on the traveler's membership in frequent flier or other bonus programs Enterprise Rent-A-Car is the preferred car rental agency, especially for in-state travel. Other car rental options are permissible with justification.

### **6. International Travel**

Travel expenses incurred during international business trips will be reimbursed based on the currency exchange rate for the receipt date or, if paid by credit card, the credit card settlement rate. If an employee could not provide receipt(s), the expenses will be reimbursed based on the average of the currency exchange rate for the first and last day of the trip in the country.

For receipts in foreign currencies, the amount reimbursed shall be calculated based on the applicable exchange rate. Documentation supporting the exchange rate used, such as a print out from the OANDA.com website or the credit card statements, must be attached to the Expense Report.

If renting a car that will be used in any International travel, the collision damage waiver insurance provided by the rental agency must be purchased. Our insurance coverage does not extend outside of the United States.

## **B. Retirement Service Consultants**

Retirement Service Consultants (RSC) that have access to a System-provided vehicle shall also receive a WEX Card for gasoline and maintenance expenses to be used for the System-provided vehicle only, and the RSC shall not be reimbursed for ground transportation.

For other Business-Related Travel, the RSC must follow the same policies as other employees under this Travel Policy.

## **C. Board of Trustees Travel**

### **1. Per Diem**

INPRS Board trustees are not entitled to Per Diem reimbursements.

### **2. Reimbursable Expenses**

INPRS Board trustees are entitled to receive reimbursement for necessary expenses actually incurred through service on the Board (See IC 5-10.5-3-6).

### **3. Request for Travel Approval**

A [Request for Travel Approval Form](#) must be completed and approved by the Executive Director prior to travel. This does not apply to anticipated travel to board meetings and retreats.

### **4. Expense Report**

An Expense Report with itemized original receipts or other supporting documentation, such as Mapquest.com distance maps, must be submitted for travel reimbursement.

## **D. Non-INPRS and Supplemental Employee Travel**

### **1. Per Diem**

Non-INPRS and supplemental employees are not entitled to Per Diem reimbursements.

### **2. Authorization of Travel**

Supplemental and prospective employees must have an approved ([Request for Travel Approval Form](#)) prior to travel.

### **3. Reimbursement**

Reimbursements for travel-related expenses such as mileage, meals, allowable incidentals, lodging, parking, and/or airfare, are based on the applicable executed contract or approved (Request for Travel Approval Form). Reimbursement for travel-related expenses for supplemental and prospective employees is at the discretion of the Executive Director or the Executive Director's designee.

An Expense Report with itemized original receipts or other supporting documentation, such as Mapquest.com distance maps, must be submitted for travel reimbursement.

## **E. Authorization of Travel**

Employees must follow the process detailed in the [Request for Travel Approval](#) procedure.

## **F. Travel Arrangement**

In order to be cost efficient, all travel arrangements, including transportation by common carrier, hotel accommodations and car rentals will be arranged by the designated travel coordinator(s).

## **G. Transportation and Mileage**

### **1. Ground Transportation**

#### **a. Personally owned vehicles used for approved business trips**

(1) Approved mileage is reimbursable at the current Indiana mileage rate published by the Indiana Department of Administration with supporting distance documentation from Mapquest.com.

(2) Mileage for a business-related trip in excess of 200 miles, or a trip with total costs in excess of \$500, must be approved by the appropriate E-Staff member and Executive Director or designee, prior to the trip using the [Request for Travel Approval Form](#).

(3) Any damage incurred during an approved business related trip using a personal vehicle is covered by the individual's private insurance, costs for which are included in the mileage reimbursement. The individual's private insurance will be the primary coverage in the event that any damages are sustained.

(4) Mileage reimbursements will be based on the distance traveled that exceeds the traveler's regular commute in both directions. The exception would be travel taking place on days other than the regular work schedule.

#### **b. Rental Vehicles**

(1) Compact or midsize vehicles should be rented. Enterprise Rent-A-Car is the preferred vendor, as a special purchase agreement exists with the state.

(2) The Collision Damage Waiver (CDW) is only required in the instance of international travel. INPRS insurance policy covers our owned/leased/rented vehicles within the United States. All INPRS employees utilizing a rental vehicle should carry, or have access to, the Proof of Insurance for our carrier.

(3) Proof of insurance is attached to this policy as Attachment 1.

**c. Other forms of ground transportation**

(1) Reasonable taxi fares, shuttle bus, or limousine services and tips are reimbursable with the original receipt(s).

(2) Reasonable tolls and parking expenses incurred on an authorized business trip are reimbursable with the original receipt(s), but moving and parking violations will not be reimbursed.

(3) The maximum reimbursement for long term airport parking at the Indianapolis International Airport is the daily/weekly rate for the business class long term open lot. If the facility charges airport fees and gas surcharges, these expenses may be reimbursed with proper documentation.

**2. Air Transportation**

a. Coach class services will be reserved unless the Executive Director grants prior approval for upgrades. An employee may choose to fly first class or business class if the employee pays the difference.

b. All employees shall use the least expensive airfare, including options such as non-refundable and penalty fares, use of alternate airports, routes that entail a connection, booking flights well in advance and other promotional flights, as is reasonable and considering the necessity of overnight accommodation.

c. Air carrier selection cannot be biased by the employee's frequent flyer affiliation.

d. Any voucher, bonus or compensation acquired by any individual as a result of travel either paid or reimbursed by INPRS is the property of INPRS, with the exception of frequent flier miles. Vouchers in the name of the individual shall be submitted to INPRS for later Business-Related Travel.

e. Baggage charges will be reimbursed.

**H. Lodging and Conference Fees**

**1. Government Rate**

Based on approved travel request, travel coordinator(s) should make reservations requesting a government rate for standard accommodations in reasonably priced, commercial-class hotels and motels unless a less expensive option is available.

## 2. **Reimbursable Expenses**

Employees should be reimbursed for the allowable lodging expenses, plus taxes. If lodging expense is above the Federal Per Diem lodging allowance guidelines, employees shall explain the reasoning and deviations from the Federal Per Diem lodging allowances on the [Request for Travel Approval Form](#). Business telephone calls and internet access fees are allowable in addition to the above Per Diem.

Employees will not be reimbursed for expenses not paid by the employee. When another party offers to pay for business travel and lodging, contact the System's Compliance Officer to discuss the offer.

## 3. **Registration and Conference Fees**

Registration and conference fees are paid through the System's financial system by using the procurement card or [Request for Check Form](#), but may also be reimbursed on the Expense Report.

# I. **Meals**

## 1. **Per Diem**

Employees on approved business trips are entitled to meal allowances which are reimbursed on a per diem basis at the current Per Diem rates established for the destinations of travel.

## 2. **Furnished Meals**

Meal(s) furnished by System-paid lodging, seminars/training, or conferences, including full continental breakfast, will be considered reimbursed and the corresponding Per Diem meal allowance should be deducted from that day's Per Diem allowance.

## 3. **Receipts**

No receipts are required for Per Diem allowances. Print the related Per Diem schedule, highlight the applicable destination and attach it to the Expense Report.

## 4. **Reimbursement Schedule**

An employee will be reimbursed for breakfast if the employee is in travel status before 6 a.m. and dinner if the employee is in travel status after 6 p.m.

## 5. **One Day Travel**

Single day trips involving airfare will be reimbursed for the full daily Per Diem rate of meals and incidental expenses.

## 6. **Full Days of Travel**

An employee will be reimbursed for the full daily Per Diem rate of meals and incidental expenses for full days during the trip.

## **J. Travel Advances**

### 1. **Approval**

Travel advances may be obtained by completing the Cash Advance line of the [Request for Travel Approval Form](#).

### 2. **Availability**

Travel advances are only available for INPRS employees.

### 3. **Exception**

Travel advances will not be issued to an employee who has not fully accounted for earlier travel advances.

### 4. **Expense Report**

A final settling of travel advances must be accounted for on a final Expense Report.

## **K. Exceptions/Special Rules/Items Not Reimbursed**

### 1. **Exceptions to the General Policy**

Exceptions to the general policy may be granted at the Executive Director's discretion on a case-by-case basis. Written approval for exceptions should be signed by the E-Staff member and the Executive Director and accompany the Expense Report.

### 2. **Alternate Means of Transportation**

Alternate means of transportation that are not the least expensive mode may be used if the employee chooses to pay the actual cost and be reimbursed based on the least expensive travel arrangements, subject to approval of the Executive Director or designee.

### 3. **Significant Savings**

If significant net savings can be documented, employees may be encouraged to extend an authorized business trip, with the approval of the Executive Director or designee.

### 4. **Not Normally Reimbursed**

The following items are not normally reimbursed:

- a. Airline, rental car, or hotel club fees

- b. Airline upgrades
- c. Alcoholic Beverages
- d. Business or first-class airfares
- e. Books, Magazines, Newspapers
- f. Child-care, babysitting, house-sitting, pet-sitting kennel charges
- g. Commuting between home and the office
- h. Costs incurred by employee's failure to cancel transportation or hotel reservations in a timely fashion
- i. Evening-wear rentals
- j. Formal wear expenses
- k. Flowers
- l. Gifts
- m. Haircuts and personal grooming
- n. Laundry and dry-cleaning (An exception may be made for extended travel greater than 3 business days with receipts)
- o. Passports and visas (Unless cost is incurred for INPRS authorized travel)
- p. Personal entertainment expenses including in-flight movies, headsets, hotel pay-per-view movies, in-theatre movies, social activities, and related incidental costs
- q. Shoeshine services
- r. Travel accident insurance premiums and/or purchase of additional travel insurance (Except Collision Damage Waiver)
- s. Other expenses not directly related to the performance of the travel assignment

## **L. Travel Expense Reporting**

### **1. Expense Report**

Upon completion of the business trip, INPRS employees and Non-INPRS employees must submit an Expense Report within thirty days to Accounts Payable for entry in Oracle EBS for the responsible E-Staff member approval. Further approvals may be necessary based on the dollar amounts as represented in the Expense Report Approval Process workflow for INPRS. Finance will provide reimbursement within fourteen days of receipt of the fully completed and approved Expense Report.

## 2. **Requests for Reimbursement**

Requests for reimbursement include the following:

- a. Expense Report;
- b. Original payment receipts for approved, but not directly billed, travel expenses;
- c. Any applicable supporting documents; and
- d. [Request for Travel Approval Form](#) (if applicable).

## **IV. Policy Approval**

This policy is to be used in conjunction with all relevant statutes, regulations, and board resolutions.

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Executive Director

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Date (*mm/dd/yyyy*)