

# **THE FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

## **REQUEST FOR PROPOSAL**

### **FOR**

## **PROFESSIONAL AUDIT SERVICES**

December 3, 2015

Request for Proposal Deadline: Proposals must be received in the offices of the Fresno County Employees' Retirement Association (FCERA) by 3:00 p.m., PST, **January 6, 2016**. Proposals must be in a sealed envelope addressed to:

Fresno County Employees' Retirement Association  
1111 H Street  
Fresno, California 93721-2515

Attention: Becky Van Wyk, CPA,  
FCERA Assistant Retirement Administrator

**PROPOSALS RECEIVED AFTER THIS DEADLINE WILL BE REJECTED REGARDLESS OF POSTMARK DATE.**

General Terms and Conditions, Specifications, and Signature Sheet are enclosed. Please read carefully and follow the instructions.

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**Request for Proposal for Professional Audit Services**

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EXHIBIT A: FCERA MEMBER BENEFITS HANDBOOK

EXHIBIT B: FCERA RETIRED MEMBER RETIREMENT HANDBOOK

EXHIBIT C: FCERA INVESTMENT OBJECTIVES AND POLICY STATEMENT

EXHIBIT D: FCERA INVESTMENT PERFORMANCE REPORT FOR 6/30/15

EXHIBIT E: FCERA REPORT ON ACTUARIAL VALUATION

EXHIBIT F: COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

## SECTION 1

### INTRODUCTION

#### 1.1 GENERAL INFORMATION

It is the intent of this Request for Proposal (“RFP”) to secure the services of a qualified vendor to audit the accounts and records of the Fresno County Employees’ Retirement Association (“FCERA”), as described more fully herein.

The purpose of the audit of the accounts and records is to enable the auditor to express an opinion on the fairness of the presentation of the Comprehensive Annual Financial Report (CAFR) of FCERA for the fiscal year ended June 30, 2016, and to provide certain specific audit-related assessments and opinions regarding FCERA reports, practices and operations. This audit is to be conducted in accordance with generally accepted auditing standards (“GAAS”) and generally accepted accounting principles (“GAAP”) applicable to the operation of governmental entities, as established by appropriate federal and state regulatory bodies.

A three year contract with annual optional extensions for up to two years, subject to: (a) the annual review and recommendation of FCERA staff and the Audit Committee of the FCERA Board of Retirement; (b) the approval of the FCERA Board of Retirement (the “FCERA Board” or “FCERA Board of Trustees”); and (c) the satisfactory negotiation of terms (including a price acceptable to both FCERA and the selected firm).

In accordance with the auditing and reporting requirements established by the State of California Controller’s Office manual titled “Minimum Audit Requirements and Reporting Guidelines for California Public Retirement Systems,” the firms or individuals submitting a proposal must:

- Have sufficient knowledge and training to enable them to comply with GAAS.
- Have an adequate knowledge of government accounting.
- Have sufficient knowledge of pension accounting and actuarial science.

In addition, firms or individuals submitting a proposal must have conducted within the last five years, at least two governmental audits of a defined benefit plan, and/or have performed at least one audit of a defined benefit plan governed by the County Employees Retirement Law of 1937, California Government Code Section 31450 et seq. (the “1937 Act”).

#### 1.2 BACKGROUND

FCERA is a cost sharing multiple employer, governmental defined benefit retirement plan, organized under and governed by the 1937 Act. The principal employer covered by the plan is

the County of Fresno. The Fresno County Superior Courts, the Fresno Madera Area Agency on Aging, Fresno Mosquito and Vector Control District and Clovis Veterans Memorial District are participating employers in the plan as well.

FCERA is an independent governmental entity, separate and distinct from the County of Fresno. FCERA's actuarially determined financial data is included in the County of Fresno's CAFR within the Required Supplementary Information and the Notes to the Financial Statements as a pension trust fund. FCERA is governed by a nine member Board of Trustees. FCERA collects, deposits, invests and manages the plan's retirement trust funds solely in the best interest of, and for the exclusive purpose of providing the following benefits to FCERA members and their beneficiaries:

- Service Retirement Benefits
- Disability Benefits
- Survivors' Benefits
- Cost Of Living Benefits
- Supplemental Retirement Benefits

FCERA staff, under the general supervision of the FCERA Board, is responsible for the daily operations of the plan, including the administration of benefits, accounting functions, and systems management. In certain cases, such services are performed by the appropriate department of the County of Fresno pursuant to an ongoing working relationship with FCERA. FCERA employs a staff of 32, which includes a Retirement Administrator who serves as the chief executive officer of FCERA.

As of June 30, 2015, FCERA had **17,020** participants, broken down as follows:

Active Members	<b>6,969</b>
Deferred Members	<b>1,437</b>
Terminated non-vested	<b>1,771</b>
Retirees & Beneficiaries	<b>6,843</b>

The FCERA Board is responsible for all investments of FCERA and, in conjunction with FCERA staff, oversees the investment activities of thirty-one external investment advisors and partnership. FCERA does not manage any funds internally. FCERA utilizes the services of a custodial bank, which holds all assets of FCERA, excluding real estate, certain co-mingled investment funds, and funds held and managed by the County Treasurer as part of the County's Treasurer Pooled funds. FCERA retains an investment consultant – Verus – to assist the FCERA Board and staff in carrying out its investment responsibilities.

As of June 30, 2015, the FCERA trust fund had approximately \$4.032 billion in assets, invested in the following asset classes:

- Domestic Equity
- International Equity

#### Fixed Income

- Domestic Fixed Income – Core Bonds
- Domestic Fixed Income – High Yield
- Domestic Fixed Income – Bank Loans
- International Fixed Income
- Global Sovereign Debt

Private and Alternative Markets (including Hedge Funds)

Real Estate

Infrastructure

Commodities

Cash and Cash Equivalents

The plan is funded from three sources: employer and employee contributions, and investment earnings. An actuarial study is conducted annually along with a triennial experience study.

FCERA retains an independent actuarial firm – The Segal Company – to provide annual actuarial valuations of the plan’s funding status. The valuation utilizes the entry age funding method for determining plan liabilities and a five-year smoothing of asset values. The last annual valuation of the plan was performed as of June 30, 2014, and at that time the actuary determined the plan’s funding status to be **78.4%**.

FCERA’s Board of Trustees annually adopts the operating budget for the administration of FCERA. The administrative expenses are funded by employee and employer contributions.

FCERA’s general ledger software, Microsoft Dynamics NAV, is hosted in-house by the County of Fresno, ITSD. FCERA’s pension administration system, Arrivos, is hosted by an outside vendor, Tegrit. All retirement contributions and a portion of the distributions are made through a system controlled by the County Auditor and run on a network system. Distributions to retirees, terminated members, and fundings to investment managers are made through FCERA's bank, Northern Trust. FCERA uses the “smoothed market value” basis of accounting and the financial statements are prepared on an accrual basis.

FCERA utilizes the services of Reed Smith, LLP to represent FCERA on fiduciary issues. In addition, FCERA utilizes Fresno County Counsel to represent FCERA for disability cases and divorces. FCERA also utilizes a number of other outside attorneys for investments, litigations, and administrative matters, as the need arises. FCERA also retains other specialized professionals, as needed.

More descriptive information on the FCERA defined benefit plan, investment program, actuarial status and financial statements are provided in Exhibits A-E.

### **1.3 APPROXIMATE DECISION TIMELINE**

To the extent achievable, FCERA plans to follow the schedule below with respect to the review and evaluation of proposals and the awarding of a contract. However, FCERA reserves the right to modify the dates below in accordance with its review process.

<u>Activity</u>	<u>Estimated Completion Date</u>
Issuance of the Request for Proposal:	December 3, 2015
Deadline for bidders to submit questions:	December 28, 2015
Closing Date for the Request for Proposal:	January 6, 2016
Review of RFP Responses by the Audit Committee and Staff:	January 13th-27th, 2016
Audit Committee's recommendation to the FCERA Board for appropriate action:	February 17, 2016
Estimated Contract Commencement:	April 2016

## **SECTION 2**

### **SCOPE OF WORK**

#### **2.1 AUDIT PERIOD(S)**

FCERA is soliciting the services of a qualified vendor to audit its financial statements for the fiscal years July 1, 2015 through June 30, 2018, and to provide certain specific audit-related assessments and opinions regarding FCERA reports, practices and operations as described herein. It is contemplated that the engagement will continue for two subsequent fiscal years, with annual options for an additional two years, contingent on: (a) an annual review and recommendation of FCERA staff and the Audit Committee of the FCERA Board; (b) the approval of the FCERA Board of Trustees; and (c) the satisfactory negotiation of terms (including a price acceptable to both FCERA and the selected firm).

#### **2.2 AUDIT STANDARDS**

This audit is to be conducted in accordance with generally accepted auditing standards

("GAAS") as set forth by the American Institute of Certified Public Accountants (AICPA) and the "Minimum Audit Requirements and Reporting Guidelines for California Public Retirement Systems" issued by the California State Controller. In addition, the audit shall utilize and evaluate FCERA's compliance with generally accepted accounting principles ("GAAP") applicable to the operation of governmental entities, as established by appropriate federal and state regulatory bodies.

### **2.3 AREAS TO BE REVIEWED**

The audit will involve review and the performance of appropriate testing of, at a minimum, the following areas:

1. Retirement Contributions
2. Benefit Payments and Calculations
3. Investment Account Balances
4. Investment Expenses
5. Investment Income
6. Administrative Expenses
7. Actuarial Reserves
8. Plan Funding
9. Potential or Pending Liabilities

### **2.4 GENERAL DESCRIPTION OF SCOPE OF WORK**

The auditor must express an opinion on the fair presentation of the FCERA financial statements in conformity with GAAP. The auditor will be responsible for performing certain limited procedures involving supplementary information required by the Governmental Accounting Standards Board ("GASB") as mandated by GAAS.

The auditor will review the basic internal control structure of the FCERA, will evaluate FCERA's compliance with GAAP, GASB and other relevant accounting standards and will assist in the preparation of the footnotes to the financial statements.

FCERA implemented GASB 67 at June 30, 2014. This Statement replaces the requirements of GASB 25 and GASB 50 as they relate to pension plans administered through trusts. The result of implementation is improved financial reporting and increased transparency regarding the measurement of pension liabilities. The GASB 67 required disclosures are contained in the Notes to the Financial Statements of the CAFR. FCERA requires Audit firms respondent to this RFP have direct knowledge and experience advising and auditing organizations that have implemented the new GASB standards.

Employer Plan Sponsors to FCERA will implement GASB 68 as of June 30, 2015. This Statement improves the accounting and financial reporting by local governments for pension plans. The Statement replaces GASB 27 and GASB 50, as they relate to pension benefits provided through pension plans that are administered as trusts. FCERA has contracted with its Actuary to provide

required GASB 68 disclosures and schedules to FCERA's five Employer Plan Sponsors. The respondent Audit firms are expected to provide a separate engagement for review of the GASB 68 disclosures and schedules provided by our contracted Actuary.

FCERA issues a Comprehensive Annual Financial Report ("CAFR") and the auditor will assist in the preparation of the CAFR. The CAFR will be filed with the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. The auditor will not be required to audit the supporting schedules contained in the CAFR, however, the auditor will provide an "in relation to" opinion on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements. The auditor is not required to audit the statistical section of the CAFR.

## **2.5 SPECIFIC REPORTS TO BE ISSUED**

### **1. Report on Examination of Financial Statements**

- a. Following the completion of the audit of each fiscal year's financial statements, the auditor shall issue a report on the fair presentation of the financial statements in conformity with GAAP.
- b. The audit report shall contain an opinion regarding the fairness of the financial statements as enumerated by the State Board of Accountancy, Rule 58.
- c. The audit report shall comment on any occurrences of noncompliance with legal requirements and qualify or disclaim the audit opinion if necessary.
- d. The audit report, as part of all customary disclosures, shall contain the footnote disclosures and supplementary information in accordance with GASB Statement Numbers 3, 28, 34, 40, 51, 63, 67, 68, 72 and other pertinent Statements and Technical Bulletins.
- e. A separate audit report based on the review of the actuary provided data for GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment to GASB Statement No. 27

### **2. Management Letters**

- a. The auditor shall prepare a separate report on FCERA's internal controls that addresses the following elements:
  - (1) The scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk.

- (2) FCERA's significant internal controls or control structure, including the controls established to ensure compliance with laws and regulations that have a material impact on the financial statements and results of the financial-related audit.
- (3) Reportable conditions found during the audit. Per Statement on Auditing Standards Number 60, a reportable condition is a significant deficiency in the design or operation of the internal control structure which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified in the report.
- (4) Non-reportable conditions discovered by the auditor shall be reported in a separate letter to management that shall be referred to in the report on internal controls.

- b. The auditor shall prepare a separate report documenting any observed opportunities for economies in operations and the effectiveness of the organization's utilization of available resources.

### 3. Irregularities and Illegal Acts

- a. The auditor shall make an immediate written report to the Chairperson of the FCERA Board, the Chairperson of the Audit Committee and the FCERA Retirement Administrator of all irregularities and illegal acts or indications of illegal acts of which the auditor becomes aware.

## 2.6 WORKING PAPER RETENTION AND ACCESS

All working papers and reports must be retained, at the auditor's expense, for a minimum of three years after completion of fieldwork, unless the auditor is notified in writing by FCERA of the need to extend the retention period. The auditor will be required to make the working papers available, upon request, to FCERA. In addition, the auditor shall respond to the reasonable inquires of any successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

## 2.7 ASSISTANCE PROVIDED TO THE AUDITOR

FCERA will provide year-end closing entries, draft financial statements and all required supplementary schedules. FCERA, with the input and assistance of the auditor, will prepare the footnotes.

## **2.8 ENTRANCE AND EXIT CONFERENCES**

### **1. Entrance Conference**

Prior to commencing fieldwork, the auditor will attend an entrance conference with the FCERA Board Audit Committee and FCERA staff. The purpose of this meeting will be to establish and discuss the following:

- a. Objectives and scope of the audit.
- b. Audit plans, duties and responsibilities of the auditor.
- c. The overall liaison for the audit.
- d. Any anticipated audit problems.
- e. FCERA responsibilities and information required.
- f. Any special areas of concern identified by the FCERA Board or staff.
- g. The timetable for the performance of work.
- h. Arrangements for work space and other needs of the auditor.

### **Exit Conference**

The auditor will attend one or more exit conferences with the FCERA Board Audit Committee and FCERA staff to review the Report of Examination of Financial Statements and the Management Letters. The purpose of this meeting will be to establish and discuss the following:

- a. Discuss the annual financial statements.
- b. Review audit findings and response by FCERA Administration.
- c. Decide on recommendations of annual financial statements to the Board of Retirement.

## **SECTION 3**

### **GENERAL PROVISIONS AND INFORMATION FOR BIDDERS**

#### **3.1 REQUEST FOR PROPOSAL DEADLINE**

One (1) original and eight (8) bound copies of the proposal must be received in the FCERA offices by 3:00 p.m. PST on January 6, 2016. The proposal must be in a sealed envelope, box, or appropriate package, with the name and address of the bidding party clearly marked on the outside. In addition, an electronic version must be submitted with the proposal.

**PROPOSALS RECEIVED AFTER THIS DEADLINE WILL BE REJECTED REGARDLESS OF POSTMARK DATE.**

The copies of the proposal must be mailed or delivered to:

Fresno County Employees' Retirement Association  
1111 H Street  
Fresno, California 93721  
Attention: Becky Van Wyk, CPA,  
FCERA Assistant Retirement Administrator

#### **3.2 INTERPRETATION OF REQUEST FOR PROPOSAL**

A bidding party must carefully examine the specifications, terms and conditions expressed in this RFP and become fully informed as to the requirements set forth herein.

If a potential bidding party finds discrepancies or omissions in the proposal, or has any doubt as to the true meaning of any provision of this RFP, the party may request – in writing – an interpretation or correction thereof up to seven working days before the proposal closing date. No further requests for clarification or corrections to the proposal will be accepted or considered after this date. The potential bidder may: (a) FAX such requests to the attention of Becky Van Wyk, CPA, FCERA Assistant Retirement Administrator, at (559) 457.0318; (b) mail such correspondence to the address noted in paragraph 3.1 above; or (c) e-mail such requests to [bvanwyk@co.fresno.ca.us](mailto:bvanwyk@co.fresno.ca.us).

FCERA's response to a timely filed request for clarification will be posted on FCERA's website.

All inquiries must be directed to the designated FCERA contact shown above. Bidding party contact with any other FCERA personnel or FCERA Board member is prohibited. Failure to comply with this request may be considered cause for rejection of the bid.

### **3.3 GENERAL PROVISIONS**

1. FCERA reserves the right to reject any and all proposals.
2. FCERA reserves the right to waive any technical defect or clerical error in any proposal.
3. All proposals shall remain firm for at least ninety days after the proposal closing date.
4. Proposals shall be based on the material contained in this RFP. Bidders are instructed to disregard any prospective oral representations they may have received prior to the issuance of this RFP.
5. The cost for developing and preparing a proposal is solely the responsibility of the bidder whether or not any award results from this solicitation. Further, the cost of developing and preparing responses to this RFP will not be allowed as direct or indirect charges under any resulting contract.
6. All proposals and accompanying documentation submitted by bidders shall become the property of FCERA and will not be returned.

### **3.4 DISCUSSION WITH RESPONSIVE BIDDERS AND REVISIONS TO PROPOSAL**

FCERA reserves the right to have discussions with a bidder or bidders who submit proposals determined to be responsive and that have the potential of being selected for an award, for the purpose of clarification or to assure full understanding of, and responsiveness to, the solicitation requirements. FCERA, in its sole discretion, reserves the right to allow revisions to a proposal, after submission but prior to award, for the purpose of obtaining best and final offers. In conducting any such discussions, no information derived from proposals submitted by competing bidders will be disclosed to anyone outside the FCERA evaluation committee.

All bidders submitting a proposal agree that they will be willing to enter into negotiations for a final contract based on their proposal. Any such negotiated changes will not materially change the scope of work. Nothing in this RFP shall be construed to prohibit either party from proposing additional terms and conditions during negotiation of the resulting contract.

### **3.5 FINAL CONTRACTUAL AGREEMENT**

The successful bidder will be required to enter into a final contract with FCERA that incorporates this RFP, the bidder's response to this RFP (including any authorized revisions to the response), and any other negotiated terms and conditions agreed to by FCERA and the successful bidder. In the event of any conflict between the final contract, the RFP and the

bidder's response to the RFP, first the final contract and then the RFP will govern. However, FCERA reserves the right to clarify any contractual provision in writing with the concurrence of the contractor, and such written clarification shall govern in case of conflict with the applicable requirements stated in the RFP or the responsive proposal.

### **3.6 PUBLIC DISCLOSURE**

Proposals received in response to this RFP will not be open for public review until the successful bidder and FCERA have entered into and executed a contract for the performance of the services described in this RFP. Thereafter, upon an official request in conformance with state law, FCERA will allow an unsuccessful bidder to view the proposals submitted by other bidders, with the exception of any information contained therein that has been previously and lawfully denominated as proprietary.

### **3.7 AMENDMENTS TO THE CONTRACT**

Any change in the contract, including the scope of work described herein, whether by modification or supplementation, must be accompanied by a formal contract amendment signed and approved by and between the contractor and FCERA. Any such amendment shall specify an effective date, any increases or decreases in the amount of the contractor's compensation if applicable, entitled as an "Amendment," and signed by the parties identified in the preceding sentence. The contractor expressly agrees that no other method and/or no other document, including correspondence, acts, and oral communications by or from any person, shall be used or construed as an amendment to the contract.

### **3.8 SUBSTITUTION OF PERSONNEL**

The bidder acknowledges that FCERA's agreement to enter into a contract with the bidder is predicated, in part and among other considerations, on the utilization of the specific individual(s) and/or personnel qualification(s) identified and/or described in the bidder's proposal. FCERA agrees that engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. The bidder agrees that these personnel may be changed for other reasons with the express prior written permission of FCERA. In all cases, however, the bidder agrees that any change or substitution of personnel must be equal to or better than originally proposed, and that FCERA retains the right to approve or reject replacements, provided that such approval shall not be withheld unreasonably.

### **3.9 CONFIDENTIALITY**

All materials or reports prepared by the auditor pursuant to this engagement shall be treated as confidential until formally presented to the FCERA Board. Any materials or work papers not presented to the FCERA Board shall remain confidential and shall not be disclosed to third parties except as required by law or as necessary to carry out responsibilities set forth in this RFP. The auditor agrees that if it is required by law to disclose such information to any third party outside

the normal and regular course of business, the auditor shall immediately notify FCERA of the nature and content of the disclosure and the party to whom it was disclosed unless the auditor is specifically prohibited by law from so doing.

### **3.10 INDEPENDENT CONTRACTOR**

It is expressly understood that in the performance of any services resulting from this RFP, the bidder is an independent contractor and is not an agent or employee of FCERA, and the bidder warrants that all persons assigned to the engagement are employees of the bidder. In the event the successful bidder shall employ others to complete or perform the services called for by this RFP, the bidder shall be solely responsible and shall hold FCERA harmless from all matters relating to the payment of such person(s).

It is mutually understood and agreed that no employer-employee relationship will be created by this RFP and that the successful bidder shall hold FCERA harmless and be solely responsible for withholding, reporting and payment of any federal, state or local taxes, contributions or premium imposed or required by workers' compensation, unemployment insurance, social security, income tax or other statutes or codes applying to the bidder, its employees, or its subcontractors, if any.

It is mutually agreed and understood that the bidder, its employees, and subcontractors, if any, shall have no claim under any contract that may result from this RFP or otherwise against FCERA for vacation pay, sick leave, retirement or social security benefits, occupational or non-occupational injury, disability or illness, or loss of life or income, by whatever cause.

### **3.11 SUBCONTRACTING**

The selected bidder will be fully responsible for all work performed under this solicitation and will be considered as the prime contractor. Any subcontracting or other legal arrangements made by the bidder are the sole responsibility of the bidder. Any bidder using subcontractors must explain the proposed use of subcontractors and list the names of all subcontractors providing work under this proposal.

### **3.12 CONFLICT OF INTEREST**

The bidder covenants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with its performance in response to this RFP. The bidder further covenants that if awarded a contract resulting from this RFP, it employs no person having any such interest nor shall such a person be employed in the future.

### **3.13 INDEMNIFICATION**

The successful bidder agrees to indemnify, defend, and hold harmless, FCERA, its Board of Trustees, and its employees and agents from any and all claims and losses arising out of the successful bidder's performance under this RFP, including any negligent act or omission

committed by any subcontractor or person employed by or under the supervision of the successful bidder in the performance of the work contemplated by this engagement.

### **3.14 INSURANCE**

The successful bidder shall obtain and maintain in full force and effect throughout the term of the contract, such insurance coverage, including professional liability and errors and omissions insurance, as would be carried by a reasonable and prudent entity operating in bidder's line of business and carrying out an engagement like that described in this RFP. In addition, FCERA shall be named as an additional insured.

### **3.15 LEGAL CONSIDERATIONS**

This RFP, the bidder's responsive proposal and any resulting contract between FCERA and the successful bidder will be construed according to the laws of the State of California.

Any legal proceedings brought against FCERA based on or with respect to this RFP, the bidder's responsive proposal and any resulting contract between FCERA and the successful bidder shall be brought in either Fresno County Superior Court in the State of California or the United States District Court with jurisdiction over matters arising in Fresno, California, as shall be elected by FCERA in its sole and absolute discretion.

The successful bidder shall comply with all local, state and federal laws and regulations related to the performance of the engagement contemplated by this RFP to the extent that the same may be applicable.

## **SECTION 4**

### **PROPOSAL FORMAT AND CONTENTS**

#### **4.1 GENERAL INFORMATION**

Each bidder shall submit a complete proposal, along with the appropriate number of copies, providing all information requested. The proposal must contain the requested information organized by the prescribed sections and titles. Failure to follow the prescribed format may result in rejection of your proposal.

A proposal may be rejected if it is conditional or incomplete, or if it contains any alteration of form or other irregularities of any kind. A proposal may be rejected if any such defect or irregularity constitutes a material deviation from the proposal requirements. The proposal must contain all costs required by this RFP.

Proposals must be clearly marked as stated herein and must be received by the date and time specified. Proposals not received by the specified date and time, and at the specified location, will be rejected.

Special bindings, colored displays, etc., are not necessary. A single bound document divided into sections by labeled tab index sheets is sufficient. Attachments that are not included in the document should be clearly labeled according to the sections and titles provided therein. The proposal should be as clear, complete and consistent with the proposal content requirements as possible.

#### **4.2 NUMBER OF COPIES TO BE SUBMITTED**

Please submit one (1) executed original copy of each sheet that must be signed and a total of eight (8) bound copies of the complete proposal. In addition, one electronic version of the complete proposal must be submitted.

#### **4.3 PROPOSAL FORMAT AND CONTENTS**

To be eligible for evaluation, a proposal must adhere strictly to the format set forth below. Each of the required sections must be addressed and must be specifically labeled. The content and sequence of the proposal will be as follows:

<u>Section:</u>	<u>Title:</u>
1	Cover Letter
2	Table of Contents
3	Executive Summary
4	Technical Proposal
5	Dollar Cost Bid
6	Background and Reference Checks
7	Additional Information and Attachments
8	Signature Sheet

The required content for each of the sections noted above is as follows:

##### **1. Cover Letter**

A maximum one-page cover letter must be included. This page must include: (a) name of the bidding firm; (b) the organizational structure of the firm (e.g., corporation, partnership, etc.); (c) the address, telephone number, and facsimile number of the firm's office that will be responsible for the audit; (d) the name, telephone number, e-mail address and facsimile number of the firm's representative who is designated as primary liaison to FCERA; (e) the name, telephone number, e-mail address and facsimile

number of the representative who is authorized to bind the firm in contract; and (f) the date of the proposal. The cover letter must be signed by a duly authorized representative of the bidder.

2. Table of Contents

Immediately following the cover letter, there should be a comprehensive Table of Contents of the material included in the proposal. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.

3. Executive Summary

This section should briefly state: (a) the bidder's understanding of the work to be done; (b) the commitment to perform the work within the time period determined by the parties; (c) a statement why the firm believes itself to be best qualified to perform the engagement; and (d) a statement that the proposal is a firm and irrevocable offer for ninety (90) days following the date for submission of proposals.

4. Technical Proposal

a. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firm seeking to undertake an independent audit of FCERA in conformity with the requirements of this RFP. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the RFP requirements.

The technical proposal should address all the points outlined in the RFP. The proposal should provide a straightforward, concise description of the bidder's capabilities to satisfy the requirements of the RFP. While additional information may be presented, the subjects noted in subsections 'b.' through 'i.' below must be addressed. They represent the criteria for evaluating and analyzing the material included in the proposal. No costs should be included in the Technical Proposal.

b. Independence

The bidder should provide an affirmative statement regarding its independence of FCERA as defined by the U.S. General Accounting Office's Government Auditing Standards. The bidder should also provide an affirmative statement that it is not in litigation with FCERA, the County of Fresno, Superior Courts of

California – Fresno County, Clovis Veterans Memorial District, Fresno Madera Area Agency on Aging or Fresno Mosquito & Vector Control District.

c. License to Practice in California

An affirmative statement should be included indicating that the bidder and all assigned key professional staff are properly licensed to practice in California.

d. Bidder's Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location and telephone number of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full or part-time basis.

The bidder should submit a copy of the report on its most recent external quality control review, with a statement as to whether the quality control review included a review of specific governmental audits.

e. Qualifications and Experience of Individuals Assigned to the Engagement

The bidder should identify the principal supervisory and management staff, including engagement partners, managers, supervisory seniors and specialists, who would be assigned to the engagement and indicate whether each person as applicable, is licensed to practice as a certified public accountant in California. The Partner and Audit Manager must have conducted, within the last five years, at least two governmental audits of a defined benefit plan, and/or have performed at least one audit of a defined benefit plan governed by the County Employees Retirement Law of 1937, California Government Code Section 31450 et seq. (the "1937 Act").

The bidder should provide a statement of the qualifications of the key individuals so identified, including their experience in the auditing of public retirement systems, other employee benefit plans, systems applications, governmental units, auditing in general, and any specialized expertise such individuals may have which is applicable to this engagement (i.e., that pertaining to pension accounting and actuarial science, cash management, investments, etc.).

Information should be included on total continuing professional education hours (divided into governmental and non-governmental) for the firm for the past two years, and on membership in professional organizations relevant to the performance of this audit.

The bidder should identify the extent to which partners, managers, supervisory staff, specialists and other staff will have continuity in their audits with FCERA for the period of the contract.

The bidder must have knowledge of the Governmental Accounting Standards and at least one year of experience conducting audits using Governmental Accounting Standards Board Statement No. 67 and Governmental Accounting Standards Board Statement No. 68 (GASB 67 and GASB 68).

f. Similar Engagements with Other Public Retirement Systems

List the most significant engagements (maximum of four) performed in the last five years that are similar to the engagement described in this RFP. List prior engagements auditing 1937 Act retirement systems first, then other public retirement systems and then experience with other governmental entities. Indicate the scope of the work, date, engagement partners, total hours and the name, e-mail address and telephone number of the principal client contact.

g. Liaison with Other Entities

The bidder should describe arrangements that it has with regard to liaison with or access to offices of the state and federal governments or other entities relevant to this engagement for the purpose of obtaining prompt responses to inquiries arising from technical or procedural questions developed in the course of the examination.

h. Bidder Disclosure

The bidder is required to provide information on the circumstances and status of any investigation, examination, complaint, disciplinary action or other proceeding commenced by any state or federal regulatory body or professional organization during the past three (3) years against the bidding firm.

The bidder is required to provide information on the circumstances and status of any pending litigation or litigation that has taken place against the bidding firm during the past three (3) years.

i. Specific Audit Approach

The proposal should set forth the bidder's understanding of the engagement requirements, and a work plan, including an explanation of the audit methodology to be followed, to perform the services required under this RFP. The bidder should not necessarily limit the bid response to the performance of the services described in Section 2 of this RFP, but should outline any additional services the bidder deems necessary to accomplish the audits. Additional services should be clearly marked as such, with their costs separately stated

pursuant to the directions set forth in the subsection titled 'Dollar Cost Bid,' below.

Bidders must provide the following information on their audit approach:

- Proposed segmentation of the engagement
- Level and number of staff and estimated number of hours to be assigned to each proposed segment of the engagement
- Proposed schedule for completion of the various segments of the audit
- Type and extent of analytical procedures to be used in the engagement
- Proposed supervisory review and direction
- Approach to be taken to gain and document an understanding of FCERA's internal control structure
- Approach to be taken in determining laws and regulations that will be subject to audit test work
- Estimation of the number of hours of FCERA staff time that will be involved in the various segments of the audit
- Any special assistance that will be requested from FCERA staff
- Identification and description of any anticipated or potential problems in conducting the audit and the firm's approach to resolving such problems
- Extent to which statistical sampling is to be used in the engagement and the general approach to the selection of statistical and non-statistical sample sizes. If the firm has a minimum sample size, please state what it is.
- An outline of the approach to be taken in drawing audit samples for purposes of tests of compliance.

5. Dollar Cost Bid

a. Total Not-to-Exceed Maximum Price

The dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this RFP. The total not-to-exceed maximum price must contain all direct and indirect costs including all out-of-pocket expenses.

FCERA will not be responsible for expenses incurred in preparing and submitting the proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the dollar cost bid should include the following information:

- Name of the firm.
- Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with FCERA.
- A Total Not-to-Exceed Maximum Price for each of three (3) years during the engagement (separately stated for each year).

b. Rates by Staff Classification and Anticipated Hours

The second page of the dollar cost bid should include schedules of professional fees and expenses that support the total not-to-exceed maximum price. A separate schedule should be prepared for each year's audit. If needed, a separate schedule of additional services should be prepared for each year's audit.

c. Out-of-Pocket Expenses Included in the Not-to-Exceed Maximum Price

The second page of the dollar cost bid should include all estimated out-of-pocket expenses to be reimbursed. All expense reimbursements will be charged against the total not-to-exceed maximum price submitted by the bidder.

d. Rates for Additional Professional Services

If it should become necessary for FCERA to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work will be performed as set forth in an addendum to the contract between FCERA and the bidder. Any such additional work agreed to between FCERA and the bidder will be performed at the same rates as set forth in the schedule of fees and expenses included in the dollar cost bid.

6. Background and Reference Checks

The bidder shall provide at least four business references including clients or persons knowledgeable of the firm's work performed within the last five years. References shall include the business name, address, a contact person, telephone number, fax number and e-mail address. At least two of the references shall be defined benefit pension

plans. References for two years of the same defined benefit pension plan audit will meet this requirement.

7. Additional Information and Attachments

Material and information not specifically requested for evaluation, but which the bidder wishes to submit may be included, but only in the 'Additional Information' section of the proposal.

8. Signature Sheet

An executed copy of the Signature Sheet must be attached.

## SECTION 5

### EVALUATION AND SELECTION PROCESS

#### 5.1 GENERAL

FCERA reserves the right to evaluate all factors deemed appropriate, whether or not such factors have been stated in this section.

FCERA reserves the right to reject any or all proposals or any part thereof, to waive any minor irregularities and to make an award on the basis of the suitability, quality of services to be supplied, and their conformity with the specifications of this RFP, all as determined in FCERA's sole and exclusive judgment.

FCERA's selection of a successful bidder will not be based on price alone, but will be based on FCERA's determination regarding the bidder that FCERA believes will bring the highest quality of professional skill and experience to the engagement while delivering the desired services at the most competitive cost.

Any proposal, which fails to meet the requirements of this RFP, or for which a fixed dollar amount cannot be precisely determined, will be considered a non-responsive proposal and may be rejected.

#### 5.2 EVALUATION COMMITTEE

An Evaluation Committee consisting of the FCERA Board Audit Committee and FCERA staff will evaluate proposals submitted.

#### 5.3 REVIEW OF PROPOSALS

Proposals will be evaluated using a two-step process. Bidders meeting the mandatory criteria listed below will then have their proposals evaluated and scored for technical qualifications and cost.

Each member of the Evaluation Committee will evaluate the individual proposals using a scoring system. The full Evaluation Committee will then convene to review and discuss these evaluations to arrive at a final score.

The evaluation criteria to be used in the selection process will include, but may not be limited to, the following:

1. Mandatory Elements
  - a. The bidder is independent and licensed to practice in California
  - b. The bidder has no conflict of interest with regard to any other work performed by the bidder
  - c. The bidder adheres to the instructions in this RFP

- d. The bidder submits a copy of its last external quality control review report and the firm has a record of quality audit work

2. Bidder's Technical Qualifications

a. Experience and Capabilities

- The bidder's past experience and performance on comparable government engagements
- The quality of the bidder's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation
- Reports from references

b. Audit Planning/Approach

- Comprehensiveness of financial audit work plan
- Comprehensiveness of agreed-upon procedures and work plan
- Completeness of deliverables
- Adequacy of proposed timetable
- Adequacy of proposed staffing plan
- Adequacy of supervisory review & direction
- Approach to be taken to gain and document an understanding of the internal control structure.
- Approach to determine relevant laws and regulation
- Adequacy of analytic procedures
- Adequacy of sampling techniques

c. Assigned Professional Personnel

- General experience
- Experience relevant to this engagement
- Professional and academic qualifications
- Adequacy of continuing professional education

3. Audit Cost

- Cost will not be the primary factor in the selection of an audit firm

**5.4 SELECTION OF FINALIST(S)**

The Evaluation Committee will recommend a minimum of two bidders to the FCERA Board of Trustees for final consideration for the engagement. The FCERA Board may, but need not, invite one or more of the recommended finalists to make an oral presentation to the FCERA Board. Any bidder or bidders selected to make such an oral presentation will be advised of the time and place for such presentations. Any bidder or bidders invited to make such a presentation should be prepared to discuss all aspects of their proposal. Proposals may not be modified at the oral presentation.

It is anticipated that the FCERA Board of Trustees will make its selection of the successful bidder at the FCERA Board Meeting on February 17, 2016. Negotiation of a contract will follow. Upon the successful conclusion of negotiations, all bidders will be notified of FCERA's selection of an auditor.

**SIGNATURE SHEET**

INDIVIDUAL/COMPANY:

\_\_\_\_\_

ADDRESS:

\_\_\_\_\_  
(P.O. Box/Street) (City) (State) (Zip)

CONTACT PERSON:

\_\_\_\_\_  
(Name) (Title)

\_\_\_\_\_  
(Phone Number) (E-Mail Address)

The undersigned hereby certifies that he/she is a duly authorized official of the organization and has the authority to sign on behalf of the organization and assures that all statements made in the proposal are true, agrees to furnish the item(s) and/or service(s) stipulated in this Request for Proposal at the price stated herein, and will comply with all terms and conditions set forth, unless otherwise stipulated.

\_\_\_\_\_  
(Name) (Title)

\_\_\_\_\_  
(Signature) (Date)

Business License No. \_\_\_\_\_

Professional License No. \_\_\_\_\_