



REQUEST FOR PROPOSALS

Issue Date: February 2, 2018

INTERNAL AUDIT SERVICES

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REQUEST FOR PROPOSAL

CONTRACTUAL INTERNAL AUDITING SERVICES

The Board of Trustees of the Fresno County Employees' Retirement Association (FCERA or the Plan) is considering the selection of a certified public accounting firm to provide internal auditing services on a contractual basis.

This Request for Proposal (RFP) provides information on the Plan and establishes the specifications and requirements for submitting a proposal. The term "Vendor" as used in the RFP shall mean the company submitting proposals for consideration.

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I. INTRODUCTION

The Board of Trustees (“Board”) of FCERA is considering retaining a certified public accounting firm to provide internal auditing services. This document will serve as a Request for Proposals (RFP) and an invitation to bid on providing such services. The initial contract period will cover a **three-year period beginning July 1, 2018**. The Board may renew the contract annually for two (2) additional one-year contract periods. The Board reserves the right to terminate the contract upon 30-day notice, with or without cause.

The following provides a brief description of FCERA, information regarding the scope of services to be provided, the criteria that will be considered in the selection process, and the mandatory requirements for submitting a response.

A. Description of FCERA

FCERA is a multiple employer, defined benefit, pension plan serving approximately 17,600 employees and retirees of five participating government agency employers. Located in Fresno, California, FCERA is established and governed under applicable federal law, the provisions of the County Employees’ Retirement Law of 1937 (the ’37 Act, California Government Code, §§ 31450-31898), the California Pension Protection Act of 1992 (California Constitution, Article 16, § 17), and the California Public Employees’ Pension Reform Act of 2013 (PEPRA, California Government Code, §§ 7522-7522.74). FCERA has over \$4 billion in assets in trust for the benefit of members. FCERA currently has five plan sponsors and a staff of 34 employees. In addition to the administrative office, the organization has three divisions: Benefit Services, Accounting and Information Technology. The Board has considered adding an internal auditor position. After research and discussion, the Audit Committee authorized this RFP for contracting for internal audit services.

The plan uses the services of an investment consultant and an actuarial consulting firm. FCERA hires professional money managers for specific mandates of the asset allocation detailed in the Investment Policy Statement. The Plan’s master custodian and distribution processor is The Northern Trust Company. Brown Armstrong Accountancy currently serves as FCERA’s independent external audit firm. Brown Armstrong provided their unmodified opinion on the financial statements as of June 30, 2017. Member information is stored and processed on a hosted pension administration database and a separate software application is used for general ledger accounting. Contributions to the plan are processed by participating employers (plan sponsors) and are remitted within 14 days after the close of the pay period. Administrative functions, such as payroll and personnel, are through the County of Fresno.

FCERA is administered by a Board of Trustees. The Board is composed of nine (9) members and one (1) alternate. There are five (5) standing and two (2) ad-hoc committees, comprised of members of the Board, which periodically meet and report to the Board.

B. Scope of Services To Be Provided

The firm selected should provide a full range of internal auditing services including:

Phase One – Risk Assessment to be completed by September 30, 2018

- In conjunction with key staff, perform a risk assessment of operations to prioritize the areas for continued internal audit work;
- From this assessment, propose a multi-year internal audit schedule with estimated hours; and
- Perform a review of the entity-wide internal control environment.

Phase Two – Performance of and reporting on internal auditing procedures

- Perform internal audits of agreed upon divisions/processes each year according to the prioritized schedule;
- Have capacity to review other areas as deemed necessary or as requested by the Board of Trustees;
- Provide recommendations for strengthening internal controls in order to lower identified risks;

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- Provide recommendations for implementing “best practices” in instances where policies, procedures and processes do not exist or need improvement/revision;
- Perform operational reviews of key business practices to identify deficiencies
- Work closely with external auditors and FCERA staff to ensure minimal duplication of effort;
- Performance of and completion of audits in accordance with the approved plan; and
- Submit audit findings/reports to FCERA management and the Board of Trustees at regularly scheduled meetings.

Expected Outcomes and Deliverables

- Risk assessment of operations
- Proposal for multi-year internal audit schedule with estimated hours required
- Report on assessment of entity-wide control environment
- Recommendations, when applicable, for improving operations, internal controls and reducing risks
- Quarterly reports and annual presentation to the board on work performed
- Proposed timelines for upcoming audits
- Copies of work papers used to develop audit reports

FCERA staff will:

- Administer regular meetings with vendor to determine areas of interest
- Assist vendor when/if additional expertise, knowledge or information is necessary
- Be primary contact for vendor regarding audit requests
- Implement and monitor recommendations
- Regularly report the progress and direction of the Internal Audit Process to the Board of Trustees
- Reserve the right to perform quality assurance on the audit files

The contractual internal auditing arrangement would be one of oversight by the Audit Committee, or as they may delegate or direct, by the senior staff of FCERA. It is anticipated that the agreed upon procedures would be performed on a periodic basis, but no less than quarterly. The extent of the procedures performed is dependent upon the results of the risk assessment and would be mutually agreed to between FCERA and the selected firm prior to the beginning of any testing. The total number of required auditing hours anticipated for a one-year period would depend on the results of the comprehensive risk assessment. FCERA will establish a cap for auditing hours and reserves the right to modify the contracted hours based on the risk assessment, the audit plan, and discussion with the selected firm.

The selected firm will be expected to perform all of the procedures set forth in the approved plan. FCERA staff will provide access to requested documents and respond to questions that may arise during the performance of the procedures. The firm will be expected to draft audit reports and provide them to designated FCERA staff for response, prior to finalization of the reports. The firm will meet with the Audit Committee or Board of Retirement at least annually.

C. Selection Criteria

The Evaluation Committee, comprised of the Audit Committee and FCERA staff, will evaluate the proposals received based on the information provided in response to the attached questionnaire and other information that the firm may choose to provide. Local and regional firms are encouraged to respond. This evaluation will include consideration of:

- The firm’s ability to assess the needs of FCERA in developing an internal audit plan and approach.
- The firm’s approach to performing efficient and effective internal auditing procedures on a contractual basis.
- The firm’s experience with and knowledge of organizations similar to FCERA, including knowledge of defined benefit plans, and knowledge of the Federal or State Codes that may relate to FCERA.
- The professional qualifications of the firm and the individuals who would be assigned to the engagement and the accessibility of those individuals to FCERA on an on-going basis.

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- Fees quoted for the performance of the engagement. FCERA will consider the fees in the selection process based on competitive pricing and value added commensurate with costs.

D. Mandatory Requirements for Submitting a Proposal

1. Proposals must be received by the deadline at the following address:
Fresno County Employees' Retirement Association
Internal Auditing Services Proposal
Attn: Doris Rentschler
7772 N Palm Ave
Fresno, CA 93711
2. The deadline for receipt of complete proposals is **4:00 p.m. PST on Friday, March 30, 2018**. Proposals submitted to an incorrect address or location or received after this date and time will be rejected and will not be considered. FCERA, in the exercise of its exclusive discretion, may permit the proposer to correct any error or omission.
3. The Original Proposal must contain the Proposal Cover Sheet, fully completed and signed. The Vendor shall submit four (4) printed copies and one (1) electronic (PDF) proposal as follows:
 - One (1) copy of the proposal **unbound**, (i.e. no binder covers, comb bindings, etc...) containing original signatures, marked "**MASTER COPY**".
 - Three (3) remaining copies **may be bound** and organized for ease of review.
 - An electronic copy of the completed proposal in PDF, read-only format.
 - All copies must be submitted in a sealed package and clearly marked: "**INTERNAL AUDITING SERVICES**" on the outside face of the package.
4. Proposals may be either mailed or hand-delivered. If the proposal is sent by mail or express delivery service, the responding Vendor shall be responsible for actual delivery of the proposal to the proper address before the deadline.
5. FCERA is a public agency and, as such, subject to laws regarding disclosure. Per the California Public Records Act (CA Gov. Code 6250 *et seq.*), FCERA will make available to the public the submitted proposal and all correspondence and written questions submitted during the RFP process. However, such disclosures may not be made prior to the date on which FCERA publishes a final Board action regarding award of the contract. Except as otherwise required by law, FCERA will not disclose trade secrets or proprietary financial information submitted in response to the RFP. Any such trade secrets or proprietary financial information, which Vendor believes should be exempt from disclosure, shall be specifically identified and marked as such. Blanket-type identification by designation of whole pages or sections shall not be permitted and shall be invalid. The specific information must be clearly identified as such. FCERA reserves the right to determine if any claimed proprietary information shall be withheld from disclosure.
6. In submitting this proposal, the Vendor must agree to an audit that provides that books, records, documents, accounting procedures, practices or any other items of the service provider relevant to the proposal and performance of the contract are subject to examination by FCERA, Fresno County Auditor or other government entity as needed.
7. In an effort to clarify any issues in this RFP, FCERA will respond only to questions that are presented through email. Submit questions to drentschler@co.fresno.ca.us. All questions must be received by 5:00 p.m. PST on Friday, March 2, 2018. The Questions & Answers will be posted on the FCERA website at www.fcera.org on or after Friday, March 9, 2018. This will be the only distribution method for the Q&A document.

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8. It is the responsibility of the Vendor to ensure compliance with all requirements and deadlines. Proposals not in compliance with the RFP requirements may be rejected. All proposals will be reviewed to determine if they satisfy the mandatory criteria in this RFP. Proposals not satisfying the mandatory criteria will be rejected.
9. All costs of preparation and presentation associated with a response to this RFP will be the responsibility of the Vendor. Vendors may be asked to make a presentation before the Board, if selected as a finalist.
10. It is the policy of FCERA to solicit proposals with a bona fide intention to award a contract. However, FCERA reserves the right to reject any or all proposals, to waive defects, to alter or modify the requirements of this RFP and to award no contract. FCERA will determine the appropriate range of service(s) to be procured. FCERA shall not be liable to anyone, including but not limited to Proposers, in the event FCERA does not award a contract as a result of this process.
11. The Vendor shall be bound by the information and representations contained in any proposal submitted. The proposal is deemed a binding offer on the part of the Vendor.
12. Submission of a proposal in response to this RFP evidences the Vendor's acceptance of the terms and conditions contained in the RFP.
13. FCERA prohibits the payment of a finder's fee in any form. The Vendor must certify that no finder's fee or finder's commission has been paid or shall be paid to any individual or organization from the establishment of this relationship with FCERA.
14. All Vendors must:
 - a. Agree that any resulting contract and services will be subject to and interpreted by California law.
 - b. Agree that this RFP and the Vendor's response will be incorporated by reference to any resulting agreement.
 - c. **Answer, to the best of its abilities, all questions in this RFP in the order presented. Do not add appendices to the end of the RFP unless specifically asked to do so.**
 - d. Fully disclose any proposed subcontracting of any of the required services.
 - e. Notify FCERA in writing in the event that a conflict of interest or possible conflict of interest is discovered regarding the provision of these services.
 - f. Not knowingly employ in any capacity any FCERA employee or fiduciary (Interested Persons) who either could influence the award of this agreement or any competing agreement, or who does or will have any direct or indirect financial interest in this agreement, or any spouse or economic dependent of any interested person.

E. Communication with FCERA

In an effort to clarify any issues in this RFP, FCERA will respond only to questions that are presented as described in Section D(7) above. Telephone questions will not be accepted.

FCERA policy prohibits direct contact between prospective service providers and FCERA Board members, consultants, or staff during this RFP process. This does not include communication with any FCERA's incumbent service providers for normal business not related to this selection process. From the date of release of this RFP until a Vendor is selected and a contract awarded, all contacts and communications regarding this RFP are restricted to the Q&A process. Exceptions include communications with FCERA staff during negotiations, presentations, and contract award and execution. Violation of these conditions may result in rejection of a Vendor's proposal.

All Vendors who have submitted a proposal will be notified of the Board's decision after the final selection has been made. This notice of final selections may be the only communication between the Plan and the Vendors. Telephone or other inquiries concerning this proposal after the proposal deadline are discouraged.

F. General Terms and Conditions

1. Applicable Laws and Courts

This solicitation and any resulting contract shall be governed in all respects by the laws of the State of California, and any litigation with respect hereto shall be brought in the Superior Court of Fresno County, California. The Vendor shall comply with all applicable federal, state and local laws, rules and regulations.

2. Ethics in Public Contracting

By submitting bids or proposals, Vendors certify that their bids/proposals are made without collusion or fraud and that, they have not offered or received any kickbacks or inducements from any other Vendor, supplier, manufacturer, or subcontractor in connection with their bid/proposal. Vendors must further certify that they have not conferred on any public employee, having official responsibility for this procurement transaction, any payment, loan, subscription, advance, deposit of money, service or anything of value, in exchange for procuring this contract.

3. Qualifications of Vendors

FCERA may make such reasonable investigations as deemed proper and necessary to determine the ability of the Vendor to perform the services and the Vendor shall furnish to FCERA all such information and data for this purpose as may be requested. FCERA reserves the right to make a site visit at the offices of the Vendor prior to award to satisfy questions regarding the Vendor's capabilities.

4. Business Continuity

The Vendor must indicate any recent or anticipated changes in its corporate structure such as mergers, acquisitions, new venture capital, stock issue, etc. The Vendor agrees to present to FCERA a business continuation plan for this program in the event of natural or other disaster.

5. Assignment of Contract

A contract shall not be assignable by the Vendor in whole or in part without the written consent of FCERA.

6. Confidentiality

The Vendor is expected to maintain confidentiality of membership data and agrees not to disclose confidential membership information to other parties without FCERA's prior authorization and approval.

7. Period of Contract

The initial contract shall be for a three-year period commencing on July 1, 2018 through June 30, 2021. Thereafter, the Audit Committee or the Board may renew the contract annually for two (2) additional one-year contract periods. The Board of Trustees reserves the right to terminate the contract upon 30 days' notice, with or without cause.

8. Ownership of Data and Work Product

There is a presumption that all work product generated for FCERA under this contract, as well as all data compiled by the Vendor while performing this contract, shall become the sole property of FCERA. FCERA must be given reasonable access to all such work product or data compiled by the Vendor in performance of this contract.

9. Limitation of Liability, Hold Harmless Clauses and Indemnity

FCERA will not hold a private entity harmless from liability or provide indemnity to a private entity. FCERA will not agree to limit the liability of a private Vendor. The contract between the successful Vendor and FCERA will not have any such terms.

10. Insurance and Indemnification

The Vendor is required to carry general liability insurance and/or E&O insurance. The Vendor will be required to supply evidence of such coverage upon request.

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G. Timeline

TASK	DATE
Contact Name:	Doris Rentschler, CFP Assistant Retirement Administrator
Contact Address:	Fresno County Retirement Association 7772 N Palm Ave Fresno, CA 93711 drentschler@co.fresno.ca.us
Distribution of RFP	February 2, 2018
Deadline for questions submitted by email	March 2, 2018
Date for answers to be posted on FCERA website	March 9, 2018
Proposals due (no later than 4:00 p.m. PST)	March 30, 2018
Finalist Interviews/Presentations, if needed	April 18, 2018 subject to change
Contract start date	July 1, 2018

PROPOSALS RECEIVED AFTER THE FINAL FILING DATE AND TIME WILL BE REJECTED. LATE PROPOSALS WILL NOT BE ACCEPTED FOR ANY REASON.

How to obtain this RFP

This RFP may be downloaded from fcera.org. All addenda and notices related to this procurement will be posted on fcera.org. In the event this RFP is obtained through any other means, FCERA will not be responsible for completeness, accuracy, or timeliness of the final RFP document.

Right to reject proposals and reservation of rights

It is the policy of FCERA to solicit proposals with a bona fide intention to award a contract. However, FCERA reserves the right to reject any or all proposals, to waive defects, to alter or modify the requirements of this RFP, and to award no contract.

II. PROPOSAL COVER SHEET (must be signed and returned with proposal)

Proposal Name	Proposal Deadline
Contractual Internal Auditing Services	must be received by MARCH 30, 2018

Vendor Identification:

Name of Firm:	_____
Address:	_____ _____
City/State/Zip Code:	_____ _____
Telephone Number:	_____
Facsimile Number:	_____

VENDOR'S AFFIDAVIT

_____ (Print Name), says that:

1. (S)he is the duly authorized agent of _____, the vendor submitting this proposal which is attached to this statement for the purpose of certifying the facts pertaining to the existence of collusion among vendors and between vendors and FCERA Trustees or employees, as well as facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the letting of any contract pursuant to the proposal to which this statement is attached;
2. (S)he is fully aware of the facts and circumstances surrounding the making and submitting of this proposal and has been personally and directly involved in the proceedings leading to the submission of such proposals; and
3. Neither the vendor nor anyone subject to the vendor's direction or control has been a party: a) to any collusion among vendors in restraint of freedom of competition by agreement to propose a fixed price or to refrain from submitting a proposal; b) to any collusion with any FCERA Trustee or employee as to quantity, quality or price in the prospective contract, or as to any other term of such prospective contract; nor, c) in any discussions between vendors and any FCERA Trustees or employees concerning exchange of money or any other thing of value for special consideration in the award of this prospective contract; d) to paying, giving or donating or agreeing to pay, give or donate to any FCERA Trustees or employees, any money or other thing of value, either directly or indirectly, in procuring this prospective contract.
4. The information contained in this proposal is true, correct and accurate as presented.

Name/Title

Date

III. QUALIFICATIONS QUESTIONNAIRE

A. Organization Background

1. List the firm’s name, address, and year founded.
2. Provide the names of all officers and associates of the firm.
3. Describe the firm’s organizational structure and size.
4. List the names and credentials of all current staff that could be assigned to the engagement.
5. How long has the firm provided internal audit services? How big is the internal audit practice?
6. Provide a copy of the firm’s most recent quality control peer review report.

B. Experience and Expertise

1. Describe your firm’s experience and expertise, focusing on internal audit engagements.
2. Provide a description of the processes employed to determine the procedures and frequency of work to be performed.
3. Describe the firm’s methodology, as it would relate to risk assessment and the correlation to procedures to be performed.
4. What are the challenges and benefits of outsourcing internal auditing functions?
5. Describe how you would integrate with the external audit service provider to maximize efficiency and ensure coordination of effort. Also, describe your firm’s position regarding the same firm providing both internal and external auditing services.
6. Provide samples of internal audit reports issued (identifying information redacted).
7. Disclose any relationships, both professionally and personally, with the following FCERA staff and Board of Trustees:

Title	Name
Retirement Administrator	Donald C. Kendig, CPA
Assistant Retirement Administrator	Doris L. Rentschler, CFP
Trustee, Chair	Nathan Magsig, MBA MS
Trustee, Vice Chair	Robert Dowell
Trustee	John Adams, MBA
Trustee	Dr. Rauden Coburn III, DDS
Trustee	Oscar J. Garcia, CPA
Trustee	Steven J. Jolly
Trustee	John Robinson
Trustee	Riley L. Talford, MA
Trustee	(Vacant Appointment)
Trustee - alternate	Maryanne Rogozinski

C. Litigation or Administrative Proceedings

1. State whether or not there is any pending litigation, criminal or administrative actions (including disciplinary matters) involving the firm or any employee of the firm arising from services provided by the firm/employee. If the answer is yes, please describe the nature and status of the litigation.
2. Please indicate whether any principals or partners of the firm have been suspended or terminated in the last five years and identify such individual by name and title.
3. Within the last five years, has your firm been involved in any litigation involving unauthorized releases of client confidential information? If so, please explain.

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D. References and Client List

1. Provide three client references, preferably in the public sector/government, where your firm provides contracted internal audit services. For each client listed include the length of time as your client, client name, address, name, title, and phone number of the contact person.
2. List two clients that have terminated services within the last two years and the reasons for the terminations. For each client listed include the length of time as your client, client name, address, name, title, and phone number of the contact person.
3. Are any of your clients public pension funds in California governed by the County Employees Retirement Law of 1937 (aka '37 Act)?

E. Fees

FCERA prefers that fees proposed be inclusive of all costs and expenses. If costs and expenses are not included in the fees quoted, an estimate of such expenses should also be set forth below, with the understanding that transportation and lodging, if applicable, will be reimbursed consistent with State/Federal Per Diem guidelines.

1. Provide fee amounts or rates

Proposed Fee for:	(\$) amount or Estimated # of hours and hourly rate
Comprehensive Risk Assessment	
Development of Audit Plan(s)	
Performance of Internal Auditing Procedures	
Report Preparation of Results	
Hourly Rate to Perform Special Work, if requested	
Meeting with Board of Trustees or Audit Committee (at least one meeting annually)	
Other	

2. Describe any other fee arrangements proposed for this relationship.
3. Assuming an agreement on the procedures to be performed and the timing thereof, for a one-year period, would your firm provide a maximum, not to exceed fee amount for such work?