



# REQUEST FOR PROPOSAL

---

San Joaquin County Employees' Retirement Association  
6 So. El Dorado Street, Suite 400  
Stockton, California 95202  
Phone: (209) 468-2163 FAX: (209) 468-0480  
[www.sjcera.org](http://www.sjcera.org)

Request for Proposal No. 2017-01

## **AUDITING SERVICES**

**For Calendar Years Ending**

**December 31, 2017 through December 31, 2019**

## KEY DATES AND OTHER INFORMATION

Request for Proposals (RFP) issued:	June 9, 2017
Notice of Intent to Proposal & Written Questions Due:	June 23, 2017
Responses to Written Questions Posted on Website:	June 30, 2017
Due date for submission of proposals:	August 25, 2017, 4:00 p.m. Pacific
Evaluation of proposals:	August 28 – September 15, 2017
Finalists Notified of Interviews, if needed:	September 18, 2017
Possible Finalist Interviews with Audit Committee:	September 25 - 29, 2017
Estimated Board Approval and Contract Execution:	October 6, 2017

### Notice of Intent

Each interested party should send a brief Notice of Intent to Propose to this RFP only via e-mail to [AuditRFP@sjcera.org](mailto:AuditRFP@sjcera.org) on or before 5:00 p.m. on Friday, June 23, 2017. The Notice must include the title of the RFP to which you intend to respond, the single point of contact at your firm responsible for the RFP response and the telephone, fax, and e-mail information for this individual.

### Written Questions

Written questions will be accepted only via e-mail at [AuditRFP@sjcera.org](mailto:AuditRFP@sjcera.org). All questions must identify the RFP section and page number to which the question refers. Questions and responses thereto will be posted on the SJCERA web site. Written questions to the above e-mail address will be accepted until 5:00 p.m. on Friday, June 23, 2017. Written responses will be posted on the SJCERA web site by 5:00 p.m. on Friday, June 30, 2017.

### Confidentiality

All responses to this RFP become the property of SJCERA and will be kept confidential until such time as recommendation for award of a contract has been announced. Thereafter, proposals are subject to public inspection and disclosure under the California Public Records Act. If a proposer believes that any portion of its proposal is exempt from public disclosure, such portion may be marked "confidential." SJCERA will use reasonable means to ensure that such confidential information is safeguarded but will not be held liable for inadvertent disclosure of such materials, data and information. Proposals marked "confidential" in their entirety will not be honored and SJCERA will not deny public disclosure of all or any portion of proposals so marked.

By submitting information with portions marked "confidential", the proposer represents it has a good faith belief that such material is exempt from disclosure under the California Public Records Act and agrees to reimburse SJCERA for, and to indemnify, defend and hold harmless SJCERA, its officers, fiduciaries, employees and agents from and against: (a) any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to SJCERA's non-disclosure of any such designated portions of a proposal if disclosure is deemed required by law or court order. Additionally, SJCERA may request that the bidder directly defend any action for disclosure of any information marked confidential.

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>I. INTRODUCTION</b>	<b>4</b>
A. General Information	
B. Term of Engagement	
<b>II. ENTITY DESCRIPTION</b>	<b>4</b>
A. Background Information	
B. Accounting and Reporting	
C. Information Systems	
D. Actuarial Information	
E. Plan Information	
<b>III. STATEMENT OF WORK</b>	<b>7</b>
A. Audit	
B. Auditing Standards	
C. Scope of Work	
D. Reports to Be Issued	
E. Government Finance Officers Association Certificate of Achievement	
F. Working Paper Retention and Access to Working Papers	
G. Entrance Conferences, Progress Reporting and Exit Conferences	
<b>IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION</b>	<b>10</b>
A. Assistance during Fieldwork	
B. Statements and Schedules	
C. Work Area, Telephone, Photocopying and FAX Machines	
<b>V. PROPOSAL REQUIREMENTS</b>	<b>10</b>
A. Questions	
B. Minimum Qualifications	
C. Proposal Format	
D. Dollar Cost Bid	
<b>VI. EVALUATION PROCEDURES</b>	<b>16</b>
A. Evaluation Committee	
B. Review of Proposals	
C. Evaluation Criteria	
D. Oral Presentations	
E. Right to Reject Proposals	
F. Incomplete Proposals	
<b>VII. TERMS AND CONDITIONS</b>	<b>17</b>
A. General Terms and Conditions	
B. Limitations	
C. Terminations	
D. Errors and Admissions	
E. Contract Approval	

## **ATTACHMENTS**

- A. Dollar Cost Bid
- B. Comprehensive Annual Financial Report, Fiscal Year Ended December 31, 2015

## I. INTRODUCTION

### A. General Information

The San Joaquin County Employees' Retirement Association (SJCERA) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for three years beginning with year-end December 31, 2017, with two (2) optional one (1) year extensions.

There is no expressed or implied obligation on the part of SJCERA to reimburse firms for any expenses incurred in preparing proposals in response to this request.

All material submitted in response to this RFP will become the sole property of SJCERA. SJCERA expressly reserves the right to utilize any and all ideas submitted in the proposals received unless covered by legal patent or proprietary rights.

Any inquiries concerning the request for proposals should be addressed to Auditing Services RFP 2017-01 at [AuditRFP@sjcera.org](mailto:AuditRFP@sjcera.org).

During the evaluation process, SJCERA may request additional information or clarifications from proposers, as needed.

Submission of a proposal indicates acceptance by the firm of the terms and conditions contained in this request for proposals, unless exceptions are clearly and specifically noted in the proposal. Any objections to any term(s) in the RFP must be submitted in writing, to [AuditRFP@sjcera.org](mailto:AuditRFP@sjcera.org). Identify each objection, propose language for each modification and include the reasons for the modification.

### B. Term of Engagement

A contract with an initial term of three (3) years is contemplated, with up to two (2) one (1) year extensions at SJCERA's option. The decision to exercise a contract extension will be subject to review by SJCERA management, and satisfactory negotiation of terms (including a price acceptable to both SJCERA and the selected firm).

## II. ENTITY DESCRIPTION

### A. Background Information

The San Joaquin County Employees' Retirement Association (SJCERA) is a public, defined benefit pension plan, located in Stockton, California, established and governed under the provisions of the County Employees' Retirement Law of 1937 (California Government Code, Title 3, Division 4, Part 3, Chapter 3, Section 31450 et seq.).

SJCERA is a cost-sharing multiple-employer, defined benefit pension plan covering the employees of the County of San Joaquin and other participating agencies. Participating agencies include the County of San Joaquin, San Joaquin County Superior Court, Local Agency Formation Commission, Lathrop-Manteca Rural Fire Protection District, Waterloo-Morada Rural Fire Protection District, Tracy Public Cemetery District, San Joaquin County Mosquito & Vector Control District, San Joaquin County Historical Society & Museum, Mountain House Community Services District, and San Joaquin

County Law Library. The system was established on April 29, 1946, to provide retirement, disability, death and survivor benefits for covered employees.

SJCERA operates as an independent governmental entity separate and distinct from the County of San Joaquin and is a component unit of the County of San Joaquin. SJCERA's basic financial statements are included in San Joaquin County's basic financial reports as a pension trust fund. The Board of Retirement includes nine members, four are appointed by the County's Board of Supervisors, four are elected by the members of SJCERA, and San Joaquin County's Treasurer is an ex-officio member. As of December 31, 2016, SJCERA's membership included approximately 7,000 active and deferred members and approximately 5,400 retired members.

As of December 31, 2016, net assets totaled approximately \$2.5 billion, invested in the following asset classes:

- Global Equity
- Private Appreciation/Real Estate
- Stable Fixed Income
- Credit
- Risk Parity
- Crisis Risk Offset

The Board of Retirement and SJCERA management are responsible for collecting, depositing, investing and managing trust funds for the purpose of providing benefits to participants and their beneficiaries. SJCERA management and staff are responsible for administering Post Employment Healthcare Plans for participant. SJCERA management and staff are responsible for daily operations involving the administration of retirement, disability and death benefits, investments, member services, accounting, and information system management. As of December 31, 2016, SJCERA budgeted for 20 positions. Additional information regarding SJCERA's financial condition, investment policies and portfolio composition, and organization can be found in its 2015 Comprehensive Annual Financial Report, provided as Attachment B.

The Brown Armstrong Corp. has been SJCERA's financial auditor since 2007.

**B. Accounting and Reporting**

The financial statements are prepared on a calendar year basis, January 1 through December 31, using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and with the Governmental Accounting Standards Board (GASB) statements on financial reporting such as: GASB Statement No. 67, Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25, and GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB No. 26; GASB Statement No. 72, Fair Value Measurement and Application; GASB Statement No. 82, Pension Issues, an amendment of GASB Statement No. 67, No. 68 and No. 73; GASB No. 28-Accounting and Financial Reporting for Securities Lending Transactions; GASB No. 40-Deposit and Investment Risk Disclosure; and, GASB No. 43- Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans.

The accrual basis of accounting has been applied in both the current and comparative years, including the Notes to the Basic Financial Statements and the Required

Supplementary Information.

**C. Information Systems**

1. CORE-37: CORE-37 is a comprehensive retirement system written for the 1937 Act Law. It is an integrated pension and benefits administration system written at SJCERA by IG, Inc. The CORE-37 modules include all management and processing of member records, disbursements and reporting. The system houses over 20,000 member records and various statistics to assist staff. Modules include AMS-37 (Active Management System) for administering active and deferred member contributions, accounts, service purchases, reciprocity, domestic relations orders, disability applications, terminations/refunds, demographics, actuary valuation/statistics and calculating retirement estimates and benefits. AMS-37 receives bi-weekly data from the San Joaquin County's PeopleSoft payroll system. This data includes all employees processed by county payroll, member status changes, salaries, service purchase deductions, etc; RMS-37 (Retirement Management System) is used for retirement benefit payments, insurance, beneficiaries, deaths, vendors, state/federal taxes and demographics; and OMS-37 (Office Management System) for administrative processes including internal budget, claims and receipts, inventory, staff payroll, and Retirement Board agendas and minutes.
  
2. Financial Systems: The Northern Trust Company (NT) serves as SJCERA's master custodian and maintains records of all investment transactions. SJCERA's accounting division reconciles SJCERA records with NT records monthly. The San Joaquin County Auditor-Controller's office processes all non-investment related transactions (revenue and expense). SJCERA currently uses Excel for general ledger recording and San Joaquin County's PeopleSoft for accounts payable. However, within the next six months, SJCERA has plans to evaluate the financial entry and reporting system.

**D. Actuarial Information**

SJCERA has engaged an independent actuarial firm, Cheiron, Inc., to conduct an annual valuation to monitor funding status. The latest valuation was performed as of December 31, 2015. The funded ratio of the actuarial assets to the actuarial accrued liability is 65.0 percent. The valuation assets total \$2.6 billion and the actuarial accrued liability is \$4.0 billion. Summary information and assumptions are outlined below.

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll with Separate Amortization Periods for Extraordinary Actuarial Gains or Losses
Remaining Amortization Period	2008 Extraordinary Actuarial Loss – 23 years; Remaining UAL as of January 1, 2014 – 17 years; Subsequent Unexpected Changes in UAL after January 1, 2014 – 15 years; Single Equivalent Period as of January 1, 2016 – 19 years
Nominal Rate of Return	7.40 percent
Wage Growth	3.15 percent
Long-term Inflation	2.90 percent

## **E. Plan Information**

SJCERA is a cost sharing, multiple-employer defined benefit plan for San Joaquin County and nine participating agencies located in San Joaquin County. Coverage begins the first day of employment.

There are two types of memberships:

1. Safety Members – Permanent employees engaged in the performance of active law, including probation officers and fire suppression employees, are considered Safety Members and are not generally covered by Social Security.
2. General Members – All other eligible employees not classified as Safety Members are considered General Members and are covered by Social Security

A member's eligibility for retirement is as follows:

Tier I - A Tier I member may retire for service at age 50 or older with five years of service credit, and at least 10 years have elapsed since the date of membership. A General Member may retire at any age with 30 or more years of service. A Safety Member may retire at any age with 20 or more years of service.

Tier II - PEPPRA mandated a new, lower benefit structure for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. A Tier II member may retire for service with five years of service credit upon attaining the minimum retirement age: age 52 for General Members and age 50 for Safety Members.

Any member of SJCERA, regardless of benefit tier, may retire at age 70 with no minimum service credit requirement.

## **III. STATEMENT OF WORK**

### **A. Audit**

The auditor will express an opinion on the fair presentation of SJCERA's general purpose financial statements in conformity with generally accepted accounting principles. The auditor shall also perform procedures involving required supplementary information required by the GASB as mandated by generally accepted governmental auditing standards.

### **B. Auditing Standards**

The audit is to be performed in accordance with generally accepted auditing standards (GAAS) as set forth by the American Institute of Certified Public Accountants (AICPA), the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards (i.e., generally accepted governmental auditing standards, or GAGAS), and the Minimum Audit Requirements and Reporting Guidelines for Public Retirement Systems, issued by the State of California, Office of the Controller, which can be accessed at <http://www.sco.ca.gov/ard/local/locprep/retirement/audreqs.pdf>.

It is anticipated that the selected firm will utilize the applicable sections of the AICPA's Audit and Accounting Guide entitled "Audits of Employee Benefit Plans" to assist in preparing, auditing, and reporting on the basic financial statements of SJCERA.

SJCERA implemented GASB Statement No. 67 effective December 31, 2015, and implemented GASB Statement No. 82 effective December 31, 2016. SJCERA requires Audit firms respondent to this RFP have direct knowledge and experience in advising and auditing organizations that have implemented the new GASB standards.

The selected firm shall meet all applicable professional standards when performing the audit and must maintain compliance with the professional standards and applicable federal and state laws and regulations.

**C. Scope of Work**

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

**D. Reports to be Issued**

Following the completion of the audit of the financial statements, the auditor shall issue five (5) signed copies of the following reports:

Independent Auditor's Report A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles for the current period in relation to the preceding period. The final report is required on or before May 31 of each year covered by the contract.

Letter to Management The auditor shall communicate in a letter to management any reportable conditions to the extent they come to the auditor's attention during the audit. A reportable condition shall be defined as 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 as such in the report.

Required Supplementary Information including schedule of funding progress on the six years ending December 31, 2017; and schedule of contributions from the employers and other contributions for the six years ending December 31, 2017.

Required Governmental Accounting Standards Board (GASB) Disclosure Statements

Irregularities and Illegal Acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of

which they become aware to SJCERA's Chairperson of the Board of Retirement and the Retirement Administrator.

Reporting to the Board of Retirement. Auditors shall assure that the Board of Retirement is informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Consultation with other accountants
8. Major issues discussed with management
9. Difficulties encountered in performing the audit
10. Fees from management advisory services
11. Independence
12. Other issues deemed necessary by the auditor

**E. Government Finance Officers Association Certificate of Achievement**

SJCERA will send its Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association (GFOA) for review in their Certificate of Achievement for Excellence in Financial Reporting program. The auditor will be required to review each CAFR for consistency and reasonableness and against the guidelines of the GFOA's Certificate of Achievement for Excellence in Financial Reporting program.

**F. Working Paper Retention and Access to Working Papers**

All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by SJCERA of the need to extend the retention period. The auditor will be required to make working papers available, upon request by SJCERA. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

**G. Entrance Conferences, Progress Reporting and Exit Conferences**

Prior to the start of fieldwork, the auditor will attend an entrance conference at SJCERA's offices to discuss key staff and points of contact during the audit, arrangements for work space and other needs of the audit team, identification of audit issues and scheduling of

interim and year-end work to be performed. The auditor shall also provide SJCERA with a detailed audit plan and a list of all schedules to be prepared by SJCERA staff.

During fieldwork, the auditor shall conduct weekly status meetings at SJCERA's office with the accounting division and other SJCERA staff as necessary, to review and discuss the progress of the audit, results of substantive testing, and other audit issues.

The auditor shall attend one or more exit conferences, as determined necessary by SJCERA, to summarize the results of the fieldwork and to review significant findings. If requested by SJCERA from time to time, the auditor shall discuss findings and recommendations with the Board of Retirement or make presentations to the Board of Retirement and its committees as required.

The final report, five (5) signed copies, and one (1) electronic copy should be delivered to SJCERA at 6 S. El Dorado, Suite 400, Stockton, CA 95202.

#### **IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION**

##### **A. Assistance during Fieldwork**

The accounting and finance division staff and other management and technical personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of SJCERA. Mailing of confirmation letters will be the responsibility of the Auditor.

##### **B. Statements and Schedules**

SJCERA will prepare closing entries, draft financial statements, and documentation necessary to aid in the preparation of required supplementary schedules. As noted in the Statement of Work, Entrance Conferences, Progress Reporting and Exit Conferences, the auditor shall provide SJCERA with a detailed audit plan and a list of all documentation needed of SJCERA staff prior to and during fieldwork. Upon receipt of the audit report, SJCERA will compile the audited financial statements, required supplementary statements and schedules, and statistical data required for inclusion in the CAFR.

#### **V. PROPOSAL REQUIREMENTS**

##### **A. Questions**

Questions regarding the Request for Proposal must be submitted via email, no later than 5:00 p.m. on Friday, June 23, 2017 to [AuditRFP@sjcera.org](mailto:AuditRFP@sjcera.org).

SJCERA will provide the questions submitted with SJCERA's response thereto by 5:00 p.m. Friday, June 30, 2017 on its website ([www.sjcera.org](http://www.sjcera.org)).

Proposer's should not contact SJCERA Board Members, officers, or employees. Questions regarding this Request for Proposal must be in writing, as specified previously, at [AuditRFP@sjcera.org](mailto:AuditRFP@sjcera.org).

## **B. Minimum Qualifications of Auditor**

Firms submitting proposals must meet minimum qualifications set forth in the State Controller Guidelines at <http://www.sco.ca.gov/ard/local/locprep/retirement/audreqs.pdf>. In addition, the firm and the principal persons assigned to the engagement must meet the following minimum qualifications. A proposal that does not include the information required below may be deemed non-responsive and will be subject to rejection.

In setting forth its qualifications, each proposer shall provide, in concise but adequate detail, proof of the information sought below. Responses shall be limited to 10 single-sided pages (not including resumes). Each firm is requested to provide a copy of its Affirmative Action Policy as an appendix to its proposal. This appendix will not count against the page limit restriction.

1. The firm must be a professional public accounting firm, organized on at least a regional basis that provides audit and other attest services. The firms must be independent, licensed by and in good standing with the State of California under the "Accountancy Act" (California Business and Professions Code, Division 3, Chapter 1, Article 4, Section 5072).
2. The firm must have conducted audit(s) of defined benefit pension plans similar to SJCERA within the last five (5) years.
3. The engagement partner responsible for the SJCERA account and the partner who signs the audit opinion (if different) must be located within the United States and have at least ten (10) years of experience in public accounting. Such experience must include audits of defined benefit pension plans. This person must be a Certified Public Accountant licensed by and in good standing with the State of California.

The engagement manager responsible for the SJCERA account must be located within the United States and have at least five (5) years of experience in public accounting. Such experience must include audits of defined benefit pension plans. This person must be a Certified Public Accountant licensed by and in good standing with a state in the United States.

The engagement supervisor directly overseeing the SJCERA account must be located within the United States and have at least three (3) years of experience in public accounting. Such experience must include audits of defined benefit pension plans. This person must be a Certified Public Accountant licensed by and in good standing with a state in the United States.

A minimum of three (3) business references for the proposer's most relevant project or programs within the past five (5) years must be provided. Each reference should include the following:

- i. Reference organization's name and purpose.
- ii. Reference organization's address, phone, and fax numbers.
- iii. Contact persons representing the reference organization, title, phone and fax numbers, and e-mail address. The reference contact persons must be familiar with the proposer and the proposer's relevant experience and performance.

- iv. Brief statement of the person's or organization's relationship to the proposer and the period of the relationship.
- v. Purpose of engagement, ie: name of project or program for which firm was retained.

Engagement partners, managers, other supervisory staff and specialists, directly assigned to the SJCERA Audit, may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written approval from SJCERA. SJCERA retains the right to approve or reject replacement staff. Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

**C. Proposal Format**

Proposers must submit one (1) original and four (4) copies and one (1) electronic version of their proposal in a sealed package **no later than 4 p.m. PDT on Friday, August 25, 2017**. Proposals received after this deadline will not be considered, nor will faxed proposals, whenever received. Proposals should be sent to:

Auditing Services RFP 2017-01  
San Joaquin County Employees' Retirement Association  
6 S. El Dorado Street, Suite 400  
Stockton, CA 95202  
AuditRFP@sjcera.org  
Telephone: (209) 468-2163

The proposer may withdraw at any time prior to the deadline upon presentation of a written request to SJCERA. After the submission deadline, proposals shall be firm and may not be withdrawn for a period of 180 days. Interviews of the top-qualifying firms may be conducted at SJCERA's discretion. If required, interviews are expected to take place the week of September 25, 2017. Once confirmed, all top-qualifying firms will be notified of interview date and time at least one week in advance.

The proposal should be submitted in a format that includes the following materials.

- 1. One (1) original (so marked) of the proposal and four (4) copies; one (1) electronic copy to include the following:
  - a. Title Page
  - b. Table of Contents
  - c. Transmittal Letter

A letter signed by an individual who is authorized to bind the firm contractually that summarizes the proposer's understanding of the work

to be done, the commitment to perform the work within the time period, and a statement that the proposal is a firm and irrevocable offer. At a minimum, the letter must include the following:

1. Proposer certifies that it can and will provide, and make available, at a minimum, all services set forth in Section III, Statement of Work.
2. Proposer warrants that it is willing and able to comply with State of California laws with respect to foreign (non-state of California) corporations.
3. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
4. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written approval from SJCERA.
5. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

d. Detailed Proposal

The purpose of the proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of SJCERA in conformity with the requirements of this request for proposals.

The proposal should provide a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, which represent the criteria against which the proposal will be evaluated, must be addressed:

Independence: The firm should provide an affirmative statement that it is independent of SJCERA as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards. The firm should also provide an affirmative statement that it is not currently in litigation with SJCERA, the County of San Joaquin or any other participating agencies or employee groups within the SJCERA plan.

License to Practice in California: An affirmative statement should be included that the firm and engagement partner are properly licensed to practice in California and are in good standing with such licensing agencies.

Firm Qualifications and Experience: The proposer should state the size of the firm, the size of the firm's audit staff, the location 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. If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately

identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of its most recent external quality control review and must identify in its RFP response any material issues raised by the review, or by any inquiry or investigation by governmental or professional authorities, and must state whether the quality control review included a review of specific engagements similar to the SJCERA engagement. The auditor will be required to deliver these materials once every five (5) years, or upon request by SJCERA, but not more than annually.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

Prior Engagements with SJCERA or County of San Joaquin: List separately all engagements within the last five years, ranked on the basis of total staff hours, for SJCERA or the County of San Joaquin, by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

Similar Engagements with Other Pension Plans: For the firm's office that will be assigned responsibility for the audit, list the most significant engagements that are similar to the engagement described in this request for proposal. The engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

Partner, Supervisory and Staff Qualifications and Experience: Identify the supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each such person is registered or licensed to practice as a certified public accountant in California. Provide information on the experience of each person in auditing defined benefit pension plans similar to SJCERA.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Liaison with Other Entities: The proposer shall describe arrangements or access that it has to offices of the state or federal government or other entities relevant to this engagement for the purpose of obtaining prompt

responses to inquiries on technical or procedural questions that may arise during the course of the examination.

Audit Approach: SJCERA desires a risk-based audit approach. The audit should be based on an overall understanding of SJCERA's strategic goals, core processes and business objectives. Audit procedures should be designed to concentrate on those areas where SJCERA is at risk of not meeting its stated business objectives or financial statement representations. Feedback from the audit should include suggestions for best practices, benchmarking and other improvements.

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, in performing the services required. In developing the work plan, reference should be made to sources such as SJCERA budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- Proposed segmentation of the engagement
- Level of staff and number of hours to be assigned to each proposed segment of the engagement
- Sample size and the extent to which statistical sampling is to be used in the engagement
- Extent of use of EDP software in the engagement
- Type and extent of analytical procedures to be used in the engagement
- Approach to be taken to gain and document an understanding of SJCERA's internal control structure
- Approach to be taken in determining laws and regulations that will be subject to audit test work

SJCERA Staff Requirements: The proposal should identify and describe what its expectation is for SJCERA staff in assistance with the audit.

Procedures Resolving Potential Audit Issues: The proposal should identify and describe any anticipated potential audit issues, the firm's approach to resolving problems should they arise and any special assistance that will be requested from SJCERA.

Disputed Audits and Other Issues: The proposal should identify each audit involving the engagement partner, engagement manager or engagement supervisor that has been the subject of litigation, arbitration, mediation or other dispute resolution mechanism within the past five (5) years and describe the outcome. The proposal should also identify any instances in the past five (5) years in which the firm or the engagement partner, engagement manager or engagement supervisor has been named as a defendant in any malpractice, misrepresentation, or professional negligence action and describe the outcome. The proposal should also identify any instances in the past five (5) years in which the

firm or the engagement partner, engagement manager or engagement supervisor has had a complaint filed against him or her with an association governing the accounting profession, or has been the subject of disciplinary proceedings by any association governing the accounting profession, and describe the outcome.

**D. Fee Proposal**

Fees must be submitted in U.S. dollars in the format prescribed in Exhibit A. The proposed fee must include all costs and expenses related to providing the services described in this RFP to SJCERA, including travel. Other unusual or extraordinary expenses may be allowed, but only if requested by the Auditor and authorized by SJCERA in advance. The proposed fee must be guaranteed for the initial three-year term of the contract. Once the successful Proposer is selected, the fees may be further refined depending on factors which may affect the proposed fee(s). In no event will the final fee be higher than the fee contained in the proposal.

**VI. EVALUATION PROCEDURES**

**A. Evaluation Committee**

An evaluation committee consisting of SJCERA staff will evaluate proposals submitted.

**B. Review of Proposals**

SJCERA reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

SJCERA may request clarification and/or request additional information from proposers if necessary. Such clarifications and/or additional information shall be submitted by the proposers as an Addendum to the Proposal upon request of SJCERA. However, since no additional input may be required, proposers are advised to submit complete information in the proposal.

**C. Evaluation Criteria**

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria that will be considered during the evaluation process.

1. Mandatory Elements
  - a. The audit firm is independent and licensed to practice in California.
  - b. The firm has no conflict of interest with regard to any other work performed by the firm for SJCERA.
  - c. The firm adheres to the instructions in this request for proposal on preparing and submitting the proposal.
  - d. The firm submits a copy of its last external quality control review report

and the firm has a record of quality audit work. Alternatively, the firm may state that it has received an unqualified report, which will be provided upon request.

2. Technical Qualifications and Price

The following factors will be considered by SJCERA:

- a. Audit planning/approach,
- b. Firm's experience and capabilities,
- c. Quality of assigned professional personnel, and
- d. Cost.

**D. Finalists Interviews**

During the evaluation process, one or more of the proposers may be identified as finalists and have an interview with the Board of Retirement, a committee of the Board, or SJCERA management. All firms that are invited for an interview will be notified of the proposed interview date and time at least one week in advance. If required, interviews are currently planned for the week of September 25, 2017.

**E. Right to Reject Proposals**

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between SJCERA and the firm selected. SJCERA reserves the right without prejudice to reject any or all proposals.

**F. Incomplete Proposals**

If the information in a firm's proposal is deemed to be insufficient for evaluation, SJCERA reserves the right to request additional information or to reject the proposal outright.

**VII. TERMS AND CONDITIONS**

**A. General Terms and Conditions**

The general terms and conditions listed below are in addition to those specified in the standard agreement and will be incorporated into the final agreement.

- 1. The legal authority of the signed contract will include the RFP, the proposer's response and any other documents that are submitted as part of the response evaluation or contractual negotiation process, and the contract document.
- 2. Payment is only made after the submission of an authorized invoice to SJCERA. SJCERA will pay its invoices within 45 days of receipt, unless they are formally contested. Interim billing shall cover a period of not less than a full calendar month.
- 3. Reimbursement for travel and subsistence will not be paid by SJCERA for any consultant staff or subcontractor engaged by virtue of this contract.

4. The consultant must keep detailed records for all billings. The consultant must agree that these records may be subject to audit by SJCERA.
5. The following changes must be approved in writing:
  - a. any changes to the project schedule that will add more than a total of 5 business days to the project
  - b. any changes in the specification
  - c. any Change Orders that may arise from the project
  - d. all invoices submitted by the consultant
  - e. all project deliverables (note: the passage of time does not convey approval of any deliverable on the part of SJCERA)
6. No change order will be valid without the signatures of both the SJCERA and the proposer.

**B. Limitations**

1. This RFP does not commit SJCERA to award a contract, pay any costs incurred in the preparation of a response, or procure or contract for services of any kind whatsoever. SJCERA reserves the right, in its sole discretion, to accept or reject any or all responses as a result of the RFP, to negotiate with any or all firms considered, or to cancel this RFP in whole or in part.
2. A proposing firm may be required to participate in negotiations and to submit any price, technical or other revisions to its proposal which may result for such negotiations.

**C. Termination**

Agreement will include termination provisions including the right by either party to terminate the agreement upon thirty (30) days written notice to the other party.

**D. Errors and Omissions**

If a Proposer discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, please immediately notify SJCERA in writing at [AuditRFP@sjcera.org](mailto:AuditRFP@sjcera.org) of such error and request clarification or modification of the document.

Should SJCERA find it necessary, modification to the RFP will be made by addenda. Such modifications may be given by written notice to all parties who have furnished an RFP or a written Notice of Intent to Propose.

If the Proposer fails to notify SJCERA of a known error or an error that reasonably should have been known prior to the final filing date for submission, the Proposer shall assume the risk. If awarded the contract, the Proposer(s) shall not be entitled to additional compensation or time by reason of the error or its late correction.

**E. Contract Approval**

SJCERA's selection of a successful Proposer shall not be binding until it has been approved by SJCERA's Board of Retirement.

**EXHIBIT A**

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
REQUEST FOR PROPOSAL No. 2017-01  
FOR  
AUDITING SERVICES**

**FEE PROPOSAL**

---

**NAME OF PROPOSER**

Fees must be submitted in U.S. dollars in the format prescribed below. The proposed fee must include all costs and expenses related to providing full-service auditing services as described in this RFP to SJCERA, including travel. Other unusual or extraordinary expenses may be allowed, but only if requested by the Auditor and authorized by SJCERA in advance. The proposed fee must be guaranteed for the initial three-year term of the contract.

Annual Contract Term	Proposed Fee
Year 1	\$ _____
Year 2	\$ _____
Year 3	\$ _____
<b>TOTAL</b>	<b>\$ _____</b>

---

Signature

---

Date

---

Printed Name

---

Title