



**Santa Barbara County Employees' Retirement System**

**Request for Proposal**

**PROFESSIONAL AUDITING SERVICES  
FOR FISCAL YEARS 2019-2023**

**Proposals must be submitted no later than:**

**5:00 p.m. PDT, Friday, November 2, 2018.**

Santa Barbara County Employees' Retirement System  
3916 State Street, Suite 100  
Santa Barbara, CA 93105  
(805) 568-2940  
*www.sbcers.org*

# SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM

## REQUEST FOR PROPOSAL – AUDITING SERVICES

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# SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM REQUEST FOR PROPOSAL – AUDITING SERVICES

## SECTION I. INTRODUCTION

### A. General Information

The Santa Barbara County Employees' Retirement System (SBCERS) is requesting proposals from qualified firms of certified public accountants (Auditors) to audit its financial statements for five years beginning with the fiscal year ending June 30, 2019, with the option of extending the contract for one additional five-year period, at SBCERS's sole discretion. The contract may be canceled at any time.

These audits will 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, known as "GAGAS") and the "*Minimum Audit Requirements and Reporting Guidelines for California Public Retirement Systems*" issued by the California State Controller.

Clarifications of or requests for additional information to this Request for Proposal should be submitted to [kroth@sbcers.org](mailto:kroth@sbcers.org) by 5PM PST Monday, October 1, 2018. E-mail is the preferred method of communication. All written questions must include the name of the firm and person submitting the question(s). A compilation of all questions and responses, along with any RFP addenda, will be posted on SBCERS's website, [www.SBCERS.org](http://www.SBCERS.org), by 5PM PST Monday October 15, 2018.

### B. Term of Engagement

A five-year (5) contract is contemplated, subject to satisfactory negotiation of terms. The term of the original contract may be extended for an additional five year period upon SBCERS's sole discretion. SBCERS will administer the contract that will result from this Request for Proposal.

### C. Qualifications of the Auditor

In accordance with State Controller Guidelines, firms submitting a proposal must:

- Have sufficient knowledge and training to enable them to comply with generally accepted auditing standards.
- Have adequate knowledge of government accounting.
- Have sufficient knowledge of pension accounting and actuarial science.

The above audit requirements are not intended to be an all-inclusive comprehensive audit program or check list of things to be completed during a retirement system audit. The minimum requirements for the audit is to enable SBCERS conformance with implementing Sections 7501-7504 of the Government Code.

## **SECTION II. DESCRIPTION OF ENTITY AND RECORDS TO BE AUDITED**

### **A. General Background**

SBCERS is governed by the Board of Retirement (Board) under the County Employees Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). SBCERS is a contributory defined benefit plan (the Plan) initially organized under the provisions of CERL on January 1, 1944. It provides benefits upon retirement, death, or disability of members. SBCERS operates as cost-sharing, multiple-employer defined benefit provision plan that covers substantially all of the employees of the Santa Barbara County (the County) and nine other plan sponsors which include seven special districts a joint powers authority and the Superior Court of Santa Barbara County.

The participating plan sponsors include:

- County of Santa Barbara
- Superior Court of Santa Barbara County
- Carpinteria Cemetery District
- Carpinteria-Summerland Fire Protection District
- Goleta Cemetery District
- Oak Hill Cemetery District
- Mosquito & Vector Management District of Santa Barbara County
- Santa Barbara County Air Pollution Control District
- Santa Barbara County Association of Governments
- Santa Maria Cemetery District
- Summerland Sanitary District

The management of SBCERS is vested with the Board. The Board consists of eleven trustees. Of the eleven members, two are alternates. Four trustees are appointed by the County Board of Supervisors; four trustees (including the Safety alternate) are elected by SBCERS active members; two trustees (including one alternate) are elected by the retired membership. Board members serve three-year terms, with the exception of the County Treasurer who is elected by the general public and serves during his tenure in office. The Board is responsible for establishing policies, regulations and guidelines for the investment of the assets of the Plan. SBCERS is legally and fiscally independent of the Santa Barbara County.

SBCERS, with its own governing Board is an independent governmental entity, separate and distinct from the County. However, employees of SBCERS are considered employees of Santa Barbara County. Costs of administering the Plan are funded through employer contributions, member contributions of active employees, and investment earnings.

SBCERS collects, deposits, invests, and manages retirement trust funds solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries. As of June 30, 2017 SBCERS's membership included approximately 4,299 active members, 1,463 deferred members and 4,375 benefit recipients. SBCERS acts as

fiduciary agent for the accounting and control of employer and member contributions and investment earnings. The Plan's net assets were \$2.8 billion as of June 30, 2017.

The general management of SBCERS is the responsibility of the Board. SBCERS staff are responsible for daily operations involving the administration of retirement, disability and death benefits, member services, accounting functions, compliance, legal, information systems management, and investment portfolio administration. SBCERS is budgeted for approximately 21 employee positions.

SBCERS is the administrative agent for a 401(h) Other Post Employment Benefit plan established by the County of Santa Barbara to provide for a health insurance cost subsidy to benefit recipients. The 401(h) plan was closed to new employees of the County in December 2017 and will be closed to new employees of all other plan sponsors as of December 31, 2018. The 401(h) plan is reported as a separate column in SBCERS basic financial statements.

**B. Investments**

The Board is responsible for all investments of SBCERS and oversees the investments of 21 external investment managers. Internally, SBCERS has a two-member investment team to oversee the investments and outside consultants, the team reports to the Chief Executive Officer. The Board also uses the services of outside investment consultants RVK Inc., Hamilton Lane, and ORG Portfolio Management, LLC. SBCERS does not currently manage any investments internally and employs the Bank of New York Mellon as its Custodian. SBCERS engages in a securities lending program through the custodian.

**C. Financial Reporting**

SBCERS implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, in the June 30, 2014 financial statements.

Certain SBCERS's member districts implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in their June 30, 2015 financial statements.

SBCERS implemented GASB Statement No. 72, *Fair Value Measurement and Application* in the June 30, 2016 financial statements.

SBCERS implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* in the June 30, 2017 financial statements.

Prior SBCERS Comprehensive Annual Financial Reports (CAFR) are available on our website: [www.SBCERS.org](http://www.SBCERS.org). For the year ended June 30, 2017, our Auditors' opinion stated the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States.

For more information, please refer to the FY2017 CAFR at:

<http://cosb.countyofsb.org/uploadedFiles/sbcers/2017-2016%20SBCERS%20CAFR%202017.pdf>

**D. Systems Applications**

The following is an overview of SBCERS's existing systems applications and environment:

**1. Accounting and Cash Management Applications**

SBCERS uses the County of Santa Barbara Treasurer's Investment Pool for its operational banking needs. SBCERS connects with its custodian and County of Santa Barbara Treasurer's Investment Pool online platforms for cash deposits, transfers, wires, ACH, and EFT transactions. SBCERS uses Microsoft Dynamics GP (Great Plains) accounting as its general ledger for financial reporting but relies on the Santa Barbara County Financial Information Network for detailed reporting on additions and deductions.

**2. Benefit Applications**

SBCERS uses Pension Gold to maintain member accounts and historical data, calculate and process benefit payroll, disbursements, and 1099-R tax reporting. Pension Gold applications are based on Microsoft SQL database technology.

**E. Administrative Expenses**

SBCERS's Board annually adopts the operating budget for the administration of SBCERS. The administrative expenses are recovered through an administrative rate calculated by the SBCERS consulting Actuary and are limited to twenty-one hundredths of one percent of the accrued actuarial liability of SBCERS, pursuant to Government Code Section 31580.2. The total of SBCERS's administrative operating budget for fiscal year 2017 is approximately \$3.3 million. The operating budget includes capital outlay costs for hardware, software, and equipment, which are capitalized upon purchase and expensed over their useful lives.

**F. Actuarial Services and Information**

SBCERS engages an independent actuarial firm, Chieron Inc., to conduct annual actuarial valuations to monitor SBCERS's funding status. On a triennial basis, these valuations are updated for economic and non-economic assumptions as required by the California Government Code. The last triennial experience study was prepared as of June 30, 2016. The most current annual actuarial valuation was prepared as of June 30, 2017 and determined SBCERS's funding status to be 75.7%.

Both the triennial and annual valuations use the entry age normal method, market value of assets and five-year direct rate smoothing. The current valuation uses a 7.00% investment rate of return assumption, and an average 3% salary increase assumption.

## **G. Membership Plans**

SBCERS provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Santa Barbara or participating agencies become members of SBCERS effective on the first day of the first full pay period after employment. Part-time employees in permanent positions must work at least 40 hours a bi-weekly pay period in order to be a member of SBCERS. There are separate retirement plans for General and Safety member employees.

SBCERS provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the Los Angeles Metro Area is capped at 3.0% for most plans and 2% for General PEPRAs and General Plan 7. Members in PEPRAs for sponsors that did not adopt General Plan 7 receive a 3% cost-of-living-adjustment. General Plan 2 does not provide a COLA.

Santa Barbara County and participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SBCERS's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of July 1, 2018 for the fiscal year beginning July 1, 2018 (based on the June 30, 2017 valuation) was 39.14% of compensation. Members are required to make contributions to SBCERS regardless of the retirement plan or tier in which they are included. Member contributions are determined on a plan and entry age basis for all plans except for PEPRAs, which are flat rate plans.

Respondents are encouraged to review Appendix C of the June 30, 2017 SBCERS Actuarial Valuation for a description of plan provisions. This document can be located at:

<http://cosb.countyofsb.org/uploadedFiles/sbcers/Actuarial%20Valuation%206302017.pdf>

## **SECTION III. QUALIFICATIONS REQUIRED OF AUDITORS**

### **A. Minimum Qualifications for Auditors**

Firms submitting proposals must meet all minimum qualifications set forth in the State Controller Guidelines. In addition, the following is a list of minimum qualifications that the proposing firm must meet in order to be given further consideration. Failure to satisfy any of the minimum qualifications will result in the immediate rejection of the proposal.

1. The firm must be an independent public accounting firm licensed by the State of California under the Accountancy Act, Article 4, Section 5070.
2. The firm must have an established office within the United States and be a legal business entity licensed to do business in California.
3. The firm must have conducted, within the last five years, at least two audits of defined benefit pension plans with assets that exceed \$1 billion dollars, and/or have performed at least two audits of defined benefit pension plans falling under

California's County Employees Retirement Law of 1937 (California Government Code Section 31450 et seq., "the 1937 Act").

4. The firm must have experience in auditing the following classes of investments: equity securities (domestic, global & international, real estate investment trust (REIT), public market commingled funds, fixed income securities/ bonds (liquidity, held in equity portfolios, high yield), real assets – risk diversifying, real estate, alternative investments (private equity, private credit funds) and securities lending.
5. The Principal/Partner (Engagement Partner) responsible for the SBCERS account, and the partner who signs the audit opinion (if different), must have at least ten 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.
6. The Audit Manager (Engagement Manager) responsible for the SBCERS account must have at least five 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.
7. The On-Site Audit Supervisor (Engagement Supervisor) responsible for the SBCERS account must have at least three 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.
8. The Engagement Manager and Engagement Supervisor must be available for consultations throughout the year.

**B. Additional Qualifications of Auditors**

1. The firm, Engagement Partner, Engagement Manager and Engagement Supervisor, must not currently (i) be a defendant in any State or federal court action (in the United States or in any county in which the Bidder is doing business) for fraud, malpractice, misrepresentation, or negligence, or (ii) be the subject of any investigation, examination, complaint, disciplinary action or other proceeding before any state or federal governmental agency (in the United States or any country in which the Bidder is doing business) licensing or regulating the accounting profession or any profession in which the firm's clients are engaged.
2. The Auditor (firm) must not be the subject of any investigation, examination, complaint, disciplinary action, judicial, administrative, or other proceeding relating to or affecting the Auditors ability to perform its duties under contract with SBCERS. Except as otherwise required by law, SBCERS shall maintain the confidentiality of all such information until the investigating entity makes the information public.

**SECTION IV. NATURE OF SERVICES REQUIRED - Scope of Work**

SBCERS requires the Auditor to audit and express an opinion on the fair presentation of the financial statements in conformity with generally accepted accounting principles. The Auditor shall be responsible for performing certain limited procedures involving required supplementary information required by the GASB as mandated by generally accepted auditing standards.

The Auditor will review the basic requirements of internal controls for SBCERS.

The Auditor may be asked to provide technical assistance in the preparation of certain footnotes to the financial statements.

The Auditor will evaluate SBCERS's compliance with GAAP, GASB and other relevant accounting standards and may be asked to provide implementation guidance on upcoming GASB statements.

SBCERS prepares its own CAFR internally. The Auditor will review the CAFR for consistency and reasonableness. The Auditor will not be required to audit the supporting schedules contained in the CAFR, unless required by auditing standards. However, the Auditor is to 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 investment, actuarial, and statistical sections of the report.

In conjunction with the financial statement audit, the Auditor will perform an audit of schedules prepared by SBCERS's actuary related to GASB Statement No. 68, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, to accumulate sufficient audit evidence necessary to provide an unmodified opinion for cost sharing multiple-employer plans whose auditors opine/report on the Schedule of Employer Allocations and the Schedule of Pension Amounts as a whole rather than by each employer.

In conjunction with the financial statement audit, the Auditor will perform an audit of schedules prepared by SBCERS's actuary related to GASB Statement No. 75, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, to accumulate sufficient audit evidence necessary to provide an unmodified opinion for cost sharing multiple-employer plans whose auditors opine/report on the Schedule of Employer Allocations and the Schedule of Employer Other Post Employment Benefit amounts as a whole rather than by each employer.

As part of the audit engagement, the Auditor will be required to present a report on the fair presentation of the financial statements and separately, if necessary, the GASB 68 and GASB 74 schedules to the Board.

The Auditor will be expected to communicate findings of any significant deficiencies, and material weaknesses in internal controls in a management letter. Auditor will be expected to attend at least one Board meeting. The Auditor may be requested to attend additional meetings if needed.

**A. Governmental Finance Officers Association Award**

SBCERS participates in the GFOA's Certificate of Achievement for Excellence in Financial Reporting program. The Auditor will review SBCERS's CAFR for compliance with the program. SBCERS may also require additional services or advice to ensure new GASB reporting requirements are properly implemented.

**B. Professional Standards/Laws and Regulations**

The audit shall be performed in accordance with Generally Accepted Auditing Standards (GAAS) as set forth by the AICPA, the standards for financial audits set forth in the U.S. General Accounting Office's Governmental Auditing Standards and with the "Minimum Audit Requirements and Reporting Guidelines for California Public Retirement Systems (State Controller Guidelines)," issued by the California State Controller.

The Auditor shall meet all applicable professional standards when performing the attest audit including, but not limited to, GASB, GAAS, Generally Accepted Governmental Auditing Standards (GAGAS), American Institute of Certified Public Accountants (AICPA), etc. The Auditor must maintain compliance with the professional standards and/or applicable Federal and State laws and regulations, as promulgating bodies may revise and/or change the professional standards, laws, and regulations from time to time.

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

All working papers and reports must be retained, at the Auditor's expense, during the term of the engagement and for a minimum of five (5) years thereafter, unless the firm is notified in writing by SBCERS of the need to extend the retention period or unless written permission is given by SBCERS to dispose of any such materials prior to this time. The Auditor will be required to make working papers available, upon request, to SBCERS, or its designees. The Auditor shall respond to the reasonable inquiries of successor Auditors and allow successor Auditors to review working papers relating to matters of continuing accounting significance.

**SECTION V. REPORTS TO BE ISSUED**

**A. Report on the Examination of Financial Statements (Independent Auditor's Report)**

1. Following the completion of the audit of each calendar year's financial statements, the Auditor shall issue a report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
2. The audit report shall contain an opinion whether SBCERS's financial statements are fairly represented, in all material aspects, in conformity with auditing standards generally accepted in the United States of America and all applicable federal and state laws, regulations, and rules.
3. The audit report shall comment upon any occurrences of noncompliance with legal requirements and qualify or disclaim the audit opinion if necessary.

4. The audit report, as part of all customary disclosures, shall contain the required footnote disclosures and supplementary information in accordance with all applicable GASB and other pertinent Statements and Technical Bulletins.

**B. Management Letter**

The Auditor shall prepare a separate report on the internal control structure based on the Auditor's understanding of the control structure and assessment of control risk. The report shall communicate 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. SBCERS'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. A reportable condition are matters coming to the Auditor's attention that, in their judgment, should be communicated to the Board because they represent significant deficiencies 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 Auditors shall be reported in a separate letter to management, which shall be referred to in the report(s) on internal controls.

**C. Compliance Report**

The Auditor shall prepare a written report on its tests of compliance with applicable laws and regulations in accordance with U.S. General Accounting Office's Governmental Auditing Standards (known as GAGAS). This report must contain a statement of positive assurance on those items that were tested for compliance and negative assurance on those items not tested.

**D. Internal Control over Financial Reporting**

The Auditor shall prepare a written report on internal control over financial reporting in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements. The Auditor's report must address all matters of internal control over financial reporting and its operation that the Auditor considers a material weakness.

**E. Agreed Upon Conditions Report**

The Auditor shall prepare a written report to SBCERS Audit Committee to communicate certain matters found during the audit, that in the Auditors judgement are opportunities for strengthening internal controls and operational deficiencies. The report must contain the appropriate "Agreed Upon Condition", "Recommendation" and "Management Response".

**F. Irregularities and Illegal Acts**

Auditors will 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 the following parties: SBCERS Board of Retirement Chair Person, SBCERS General Counsel and the Chief Executive Officer of the Retirement System.

**G. Report Due Dates**

The following are estimated due dates for the required final reports concerning this RFP. Unless otherwise indicated below, 25 hard copies and one electronic copy of each report will be delivered to the Controller no later than December 10 of each year under contract.

SBCERS's management will complete their review of the draft report as expeditiously as possible. It is expected that this process should not exceed one week. During that period, the Auditor should be available for any meetings that may be necessary to discuss the audit reports. Auditor shall be available for presentation of the CAFR and other required reports at the January Board Meeting of each year under contract.

**SECTION VI. ASSISTANCE TO BE PROVIDED TO THE AUDITOR**

**A. Assistance During Engagement**

1. SBCERS Accounting staff will be available to the audit team. Staff will prepare and provide year-end closing entries, preliminary trial balance, draft financial statements, reconciliations of general ledger and bank accounts, confirmations, analytical review, and all required supplementary schedules on a timely basis.
2. SBCERS, with the input and assistance of the Auditor if required, will do the footnote preparation for the CAFR. The Auditor will provide to the Controller, all recommendations, revisions and suggestions for improvement to the financial statements no later than November 28 of each year or other mutually agreed upon date.
3. SBCERS will arrange for a functional work area with necessary equipment and read-only access to the relevant systems' applications.

**SECTION VII. ENTRANCE/ EXIT CONFERENCES AND STATUS MEETINGS**

**A. Entrance Conference**

Prior to commencing fieldwork for each annual audit, the Auditor will attend an entrance conference with SBCERS Audit Committee and management. The purpose of this meeting will be to establish and discuss the following:

1. The overall liaison for the audit.
2. Arrangements for work space and other needs of the Auditor.

3. Prior audit and/or anticipated audit questions/issues.
4. The timetable for year-end work to be performed.
5. SBCERS responsibilities and schedules required.
6. Any special area of concern recommended by the Board or SBCERS management.
7. Auditor responsibilities.

**B. Status Meetings**

During the time the Auditor is performing its fieldwork for each annual audit, the Auditor will conduct a status meeting at SBCERS’s office with the Accounting Manager and the Supervising Accountant and other staff as necessary, to review and discuss the progress of the audit and other issues pertaining to the audit.

**C. Exit Conference**

The Auditor will attend an exit conference(s) with SBCERS management to review the Independent Auditors Report on the Financial Statements, the Management Letter, the Report on Compliance and Internal Control over Financial Reporting, and the Agreed Upon Conditions Report to be communicated to the Audit Committee and any additional presentations to the Board as required.

**SECTION VIII. PROPOSAL SUBMISSION REQUIREMENTS**

**A. Critical Dates in RFP Process**

The following is a list of key dates in the proposal/contract process:

Request for Proposal issued	September 21, 2018
Date for submission of clarification questions	October 1, 2018
Date for response to clarification questions	October 15, 2018
Due Date for Proposal	November 2, 2018
Anticipated Interview with SBCERS staff	November 27, 2018
Anticipated presentation of recommended Firm to Board of Retirement	February 27, 2019
Contract Performance Begins (On or about)	June 30, 2019*

\*The selected Auditor may begin fieldwork upon execution of the contract. In subsequent years, fieldwork for the audit may begin at the Auditor’s discretion with concurrence by SBCERS management.

## **SECTION IX. GENERAL CONDITIONS OF SUBMISSION**

Each bidder shall observe the following in preparation and submission of a proposal:

1. All proposals submitted in response to this RFP shall become the exclusive property of SBCERS and shall be subject to public disclosure pursuant to the California Public Records Act (Cal. Govt. Code Section 6250 et. seq.). The Act provides that access to information concerning the conduct of the people's business is a fundamental and necessary right to every person in the state. Public records are defined as any writing related to the conduct of the public's business. Public records are open to inspection during normal business hours. SBCERS reserves the right to use any ideas in a proposal regardless of whether that proposal is selected. (Submissions will remain confidential until the selection process is completed and a contract is awarded.) Should a bidder wish to cancel, a written letter so stating must be received by SBCERS.

There are specific exceptions to the Public Records Act. In the event SBCERS receives a request for inspection of any proposal submitted pursuant to this RFP, it is the responsibility of the organization whose proposal has been requested to assert any right of confidentiality that may exist. SBCERS will not make that assertion on behalf of the bidder. Absent a judicial determination that the documents are exempt from disclosure, they will be subject to inspection.

2. Costs for developing and submitting proposals are entirely the responsibility of the bidder and will not be chargeable to or reimbursable by SBCERS.
3. A response to this RFP must be prepared and submitted according to the specifications set forth in this section, both for content and sequence. Failure to adhere to these specifications may be cause for rejection of the proposal. Any correction and/or resubmission of a proposal shall be submitted prior to the bid/submission deadline.
4. Submission of a proposal constitutes a complete waiver of any claims whatsoever against SBCERS, and/or its agents, trustees, officers, fiduciaries, or employees, that SBCERS has violated a bidder's right to privacy, disclosed trade secrets or caused any damage by allowing the proposal to be inspected.
5. All proposals shall be firm and may not be withdrawn for a period of 90 days following the date of submission of proposals. This includes pricing as well as nominated engagement staff.
6. Bidders will direct all communications to:

Katherine Roth, Controller  
Santa Barbara County Employees' Retirement Association  
3916 State Street, Suite 100  
Santa Barbara, CA 93105  
kroth@sbcers.org

On the outside of the sealed response package, clearly mark: “RESPONSE TO REQUEST FOR PROPOSAL – FINANCIAL AUDITS.”

**Please note that by participating in the RFP process, your firm agrees to abide by a “quiet period”. In short, the quiet period prohibits your firm from having contact with any SBCERS trustee for the duration of the period where your firm is under consideration. Violating the quiet period may result in disqualification. An exception is provided for any firm engaged to perform an audit of SBCERS fiscal year end June 30, 2018 financial statements to the extent that such communications are necessary for the completion of that audit.**

7. SBCERS reserves the right to contact current and former clients of the bidder for information at any time during the proposal process.
8. SBCERS reserves the right to accept or reject any or all proposals and may waive any requirements of this Request for Proposal if it deems this action is in the best interests of SBCERS.
9. SBCERS reserves the right to contact individual bidders for clarifying information at any time during the proposal process.
10. The bidders will submit one original, one electronic version and five hard copies of the proposal and any related information to **be received at SBCERS’s office by 5:00 PM Pacific Daylight Standard Time on Friday, November 2, 2018**. Proposals received after the submission deadline will not be accepted.

## **SECTION X. PROPOSAL CONTENTS**

To be eligible for evaluation, a proposal must adhere strictly to the format set forth below. Each of the required sections identified 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	Sealed Dollar (\$) Cost Bid
6	Additional Data and Attachments

Items 1 through 6 below contain brief descriptions of material that must be included in the proposal.

### **1. Cover Letter**

A one-page cover letter must be included. This page must include the (a) name of the bidder firm, (b) organizational structure of the firm (e.g., corporation, partnership, etc.), (c) address, telephone number, web site address, and facsimile

number of the firm's office nearest Santa Barbara, California, (d) name, telephone number, e-mail address and facsimile number of the firm's representative who is designated as primary liaison to SBCERS, (e) name, telephone number, e-mail address and facsimile number of the representative who is authorized to bind the firm in contract, and (f) date of the proposal.

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 the bidder's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer for 90 days following the date for submission of proposals.

4. **Technical Proposal**

a. **General Requirements**

The technical proposal should address all the points outlined in the RFP. The proposal should be prepared by providing a straightforward, concise description of the bidder's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the following subjects, Items (b) through (i) must be included. They represent the criteria for evaluating and analyzing material included in the proposal.

b. **Independence**

The bidder should provide an affirmative statement regarding its independence of SBCERS as defined by the U.S. General Accounting Office's Government Auditing Standards.

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. **Litigation or Disciplinary Actions**

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.

e. **Partner, supervisory, and staff 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 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 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 (2) 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 SBCERS for the period of the contract.

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. These personnel may be changed for other reasons with the express prior written permission of SBCERS. However, in either case, SBCERS retains the right to approve or reject replacements.

f. **Similar engagements with other public retirement systems**

For the bidder's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of three) performed in the last four years that are similar to the engagement described in this RFP. List prior engagements auditing public retirement systems first and experience with Santa Barbara County or other government units. 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. These references will be verified.

**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. 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 in **Sections III through V** of this RFP. The bidder should not necessarily limit the bid response to the performance of the services in **Sections III through V**, but should outline any additional services if the bidder deems them necessary to accomplish the audits. Additional services should be clearly marked as such, with their costs separately stated in the Sealed Dollar (\$) Cost Bid (**Section X.5** below).

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

1. Proposed timetable of the engagement
2. Level of staff and estimated number of hours to be assigned to each proposed time segment of the engagement
3. Proposed compliance with timing requirements set forth in **Section V.G** – Report Due Dates.
4. Type and extent of analytical procedures to be used in the engagement
5. Proposed supervisory review and direction
6. Approach to be taken to gain and document an understanding of SBCERS's internal control structure
7. Approach to be taken in determining laws and regulations that will be subject to audit test work

**NO FEES SHOULD BE DISCUSSED OR INCLUDED IN THE TECHNICAL PROPOSAL**

**i. Procedures for resolving potential audit problems**

The proposal should describe the bidder's approach to resolving potential problems that may be encountered during the performance of the audit, and any special assistance that may be requested from SBCERS.

**5. Sealed Dollar (\$) Cost Bid**

**a. Total not-to-exceed Maximum Price**

The sealed dollar (\$) cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposal. The total not-to-exceed maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

SBCERS 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 sealed dollar cost bid should include the following information:

1. Name of the firm
2. 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 SBCERS.
3. A Total Not-to-Exceed Maximum Price for each of the five years during the audit engagement (separately stated for each year).
4. A Total Not-to-Exceed Maximum Price for each of the five years during the GASB 68 audit engagement (separately stated for each year).
5. A Total Not-to-Exceed Maximum Price for each of the five years during the GASB 75 audit engagement (separately stated for each year).

**b. Rates by staff classification and anticipated hours**

The second page of the sealed dollar cost bid should include schedules of professional fees and expenses, presented in the sample format provided in the attachment (**Exhibit A**) 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 such as GASB 68 or GASB 75 should be prepared for each year's audit.

**c. Out-of-pocket expenses included in the total not-to-exceed maximum price and reimbursement rates**

All estimated out-of-pocket expenses to be reimbursed, if any should be presented, in the format provided in the sample attachment (**Exhibit A**). 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 SBCERS 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 SBCERS and the bidder. Any such additional work agreed to between SBCERS and the bidder will be performed at the same rates as set forth in the schedule of fees and expenses included in the sealed dollar (\$) cost bid.

e. **Manner of Payment**

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's cost bid proposal. Interim billings shall cover a period of no less than a calendar month. Final payment will be made after completion of the audit and audit report has been issued.

6. **Additional Data and Attachments**

1. Please include a copy of your standard contract.

Material and data not specifically requested for evaluation, but which the bidder wishes to submit may be included, but only in the "Additional Data" section. The following are examples of the type of data that may be included in this section:

2. Standard sales brochures and promotional material with minimal technical content
3. Pictorial material i.e. examples of work product

## **SECTION XI – EVALUATION AND SELECTION PROCEDURES**

A. **General**

This section describes the guidelines to be used for analyzing and evaluating proposals. SBCERS reserves the right to evaluate all factors deemed appropriate, whether or not such factors have been stated in this section.

B. **Evaluation Committee**

Proposals submitted will be considered by SBCERS staff and General Counsel that includes Chief Executive Officer, Assistant Chief Executive Officers and Controller, the winning proposal will be presented to the full Board of Retirement for recommended approval and authorization for the Chief Executive Officer to enter into written negotiations.

C. **Review of Proposals**

Proposals are due November 2, 2018 and will be evaluated using a two-step process. Bidders must meet the mandatory criteria listed below; their proposals will then be evaluated and scored for technical qualifications and price.

The Evaluation Committee will evaluate the individual proposals using a scoring system. 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 meets the “Minimum Qualifications for Auditors” as stated in **Section III – Qualifications Required of Auditors**.
- 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.

**2. Technical Qualifications and Price**

**a. Audit Planning/Approach**

- Comprehensiveness of financial audit work plan
- Comprehensiveness of agreed-upon procedures work plan
- Completeness of deliverables
- Adequacies of proposed timetable
- Adequacy of proposed staffing plan
- Adequacy of supervisory review & direction
- Approach planned to gain and document an understanding of the internal control structure.
- Approach to determine relevant laws and regulations

**b. Bidder’s Experience and Capabilities**

- Relevant experience and technical skills
- Quality of bidder’s management support personnel to be available for technical consultation
- Financial stability

- References

c. **Assigned Professional Personnel**

- General experience
- Experience relevant to this engagement
- Professional and academic qualifications
- Adequate continuing professional education within the last two years

d. **Audit Cost**

- Hours
- Hourly rate
- Total not-to-exceed maximum price

**COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM.**

D. **Oral Presentations**

SBCERS management may request a firm or firms to make oral presentations. Such presentations will provide the firm(s) with an opportunity to answer any questions the Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations. The firm(s) recommended by SBCERS management for approval by may be requested to present at the February 27, 2018 Board of Retirement Meeting.

E. **Final Selection**

SBCERS's selection of one or more successful proposer(s) shall not be binding until it has been approved by the Board of Retirement. Firms will be notified of acceptance or rejection of their proposal by mail on or about February 28, 2019. Following notification of the firm selected, it is expected a contract will be executed between both parties during mid-March 2019.

F. **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 SBCERS and the firm selected.

**SBCERS reserves the right to reject any or all proposals without prejudice.**

**Exhibit**

A. Sample – Sealed Dollar Cost Bid schedule

<b>Sample Schedule of Professional Fees and Expenses For the Audit of SBCERS</b>				
<b>Financial Statement Audit</b>				
Staff	Hours	Standard Hourly Rate	Quoted Hourly Rate	Total
Partner	-	\$ -	\$ -	\$ -
Manager(s)	-	-	-	-
Supervisory Staff	-	-	-	-
Other (Specify)	-	-	-	-
<b>Subtotal</b>				<b>\$ -</b>
<b>GASB 68 Audit</b>				
Staff	Hours	Standard Hourly Rate	Quoted Hourly Rate	Total
Partner	-	\$ -	\$ -	\$ -
Manager(s)	-	-	-	-
Supervisory Staff	-	-	-	-
Other (Specify)	-	-	-	-
<b>Subtotal</b>				<b>\$ -</b>
<b>GASB 75 Audit</b>				
Staff	Hours	Standard Hourly Rate	Quoted Hourly Rate	Total
Partner	-	\$ -	\$ -	\$ -
Manager(s)	-	-	-	-
Supervisory Staff	-	-	-	-
Other (Specify)	-	-	-	-
<b>Subtotal</b>				<b>\$ -</b>
<b>Out-of-Pocket Expenses</b>				
Meals and Lodging			\$ -	
Transportation			\$ -	
Other (specify)			\$ -	
<b>Subtotal Out-of-Pocket Expenses:</b>				<b>\$ -</b>
<b>Total All-Inclusive Price for Audit</b>				<b>\$ -</b>