



VCERA

VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

1190 S. VICTORIA AVENUE, SUITE 200

VENTURA, CA 93003-6572

WWW.VCERA.ORG

Request for Proposal

Professional Auditing Services

December 2017

Table of Contents

SECTION 1: INTRODUCTION 3

SECTION 2: BACKGROUND 3

SECTION 3: NATURE OF SERVICES REQUIRED 4

SECTION 4: ASSISTANCE TO BE PROVIDED TO AUDIT FIRM 5

SECTION 5: VCERA’s POINT OF CONTACT 6

SECTION 6: VENDOR QUESTIONS REGARDING RFP 6

SECTION 7: GENERAL PROPOSAL SUBMISSION REQUIREMENTS 6

SECTION 8: DETAILED PROPOSAL REQUIREMENTS 7

SECTION 9: REVIEW AND EVALUATION OF PROPOSALS 9

SECTION 10: RIGHT TO REJECT PROPOSAL..... 9

SECTION 11: INCOMPLETE RESPONSES 9

SECTION 12: TIMELINE REQUIREMENTS 10

SECTION 13: ADDENDA 10

SECTION 14: NOTICE REGARDING THE CALIFORNIA PUBLIC RECORDS ACT AND THE BROWN ACT..... 10

APPENDIX A: ORGANIZATIONAL CHART 12

APPENDIX B: PROPOSER GUARANTEES AND WARRANTIES 14

APPENDIX C: SAMPLE FEE STRUCTURE..... 16

SECTION 1: INTRODUCTION

The Ventura County Employees' Retirement System (VCERA or System) is issuing this Request for Proposal to solicit proposals from qualified professional auditing services firms to perform the annual audit of VCERA's financial statements in conformity with auditing standards generally accepted in the United States (please refer to Section 3: Nature of Services Required for Scope of Work). VCERA expects to enter into a three-year contract with an option for a one-year extension, with the contract term beginning with the audit for the year ending June 30, 2018.

SECTION 2: BACKGROUND

The Ventura County Employees' Retirement System (VCERA) is a public retirement system established in 1947 that provides service retirement, disability, death, and survivor benefits, administered in accordance with the County Employees Retirement Law of 1937 (Government Code Section 31450, et seq.) and the California Public Employees' Pension Reform Act (Government Code Section 7522 et seq.) to its members. There are approximately 18,000 members served by VCERA, of which over 6,700 are retirees. Net assets as of June 30, 2017 were \$5.0 billion. VCERA, like most public sector plans, offers a defined benefit retirement plan, which provides its members with guaranteed lifetime income benefit as well as certain benefits for designated beneficiaries upon the member's death.

VCERA also provides a disability retirement benefit for members who become permanently incapacitated from performing their usual and customary duties (whether the disability was caused or related to providing service or not), subject to certain eligibility requirements, as well as death benefits.

VCERA funding is provided by three sources: employer contributions, member contributions by active employees, and investment earnings.

VCERA is governed by the Board of Retirement which consists of nine members and three alternate members. Five members of the Board of Retirement, one of which is an alternate, are appointed by the County of Ventura Board of Supervisors, four members are elected by the active members of VCERA, one of which is an alternate member, two members, one being an alternate, are elected by the retirees, and the County Treasurer serves as an ex-officio member. The Board of Retirement is responsible for establishing policies, regulations and guidelines for the investment of the assets of the pension fund. VCERA is legally and fiscally independent of the County of Ventura.

VCERA is a cost-sharing multiple-employer, defined benefit pension plan consisting of the following participating plan sponsors:

- The County of Ventura
- Ventura County Courts
- Ventura County Air Pollution Control District
- Ventura Regional Sanitation District
- Ventura County Employees' Retirement System

Plan retirement benefits are tiered based upon date of VCERA membership. Tier I members who were hired prior to September 21, 1979 use their highest twelve months of earnings to determine their retirement allowance, receive a cost of living adjustment ("COLA") on their retirement allowance. Tier II members hired on or after September 21, 1979 and on or before January 1, 2013, have a lower benefit formula than Tier 1, use their highest thirty-six months of earnings to determine their retirement allowance, and do not have a COLA except as may be permitted by regulation and collective bargaining agreements. Employees hired after January 1, 2013 are entitled to retirement benefits under the California Public Employees' Pension Reform Act, which also uses a thirty-six month final average compensation measurement period for determining their retirement allowance, places a cap on pensionable compensation, and does not have a COLA except as permitted by regulation and collective bargaining

agreements.

Rate Groups are a collection of members who are or were employed by plan sponsors that offer similar pension benefit formula(s). Rate Groups exist for the purpose of risk- pooling. The contribution rates developed by the actuary for each Rate Group should, in the long-term, fairly and accurately reflect the benefit plan offered/promised to members in each group. Rate Groups are determined by employer, bargaining unit and benefit plan. VCERA has six active rate groups that offer a total of six different benefit plan formulas. For more information about VCERA Rate Groups please refer to the VCERA Comprehensive Annual Financial Report (CAFR) at <https://www.vcera.org/sites/main/files/file-attachments/2016cafr.pdf>

Staff

The Finance Department, headed by the Chief Financial Officer, is responsible for all the financial records and reporting. These responsibilities include the preparation of the CAFR, monthly financial statements, and the annual operating budget. The department also maintains VCERA's system of internal controls, records and reconciles retirement payroll and contributions, reconciles investment portfolios and processes all invoices for goods and services.

In addition to the Finance Department, the audit team will interact with the Chief Investment Officer, Member Services Department, the Information Technology Department, and other staff members.

For additional staffing information, please see the Organizational Chart in Appendix A.

Financial Reporting

VCERA has implemented all applicable Governmental Accounting Standards Board (GASB) Statements in its June 30, 2017 financial statements.

Technology-Software Conversion

VCERA recently implemented a new Pension Administration System Solution (V3) in April 2016 with a web-based portal for our members to be implemented during the first six months of 2018.

Availability of Prior Reports

Prior VCERA CAFRs can be obtained at its website, www.vcera.org. For the year ended June 30, 2017, VCERA's auditor's opinion stated the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States.

SECTION 3: NATURE OF SERVICES REQUIRED

A. General

VCERA is soliciting the services of qualified firms of certified public accountants to audit its financial statements for a three-year term commencing with the year ending June 30, 2018 and continuing for the next two years ending June 30, 2019 and June 30, 2020. VCERA shall have the right, at its sole option, to renew the contract for an additional one-year period. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America and the provisions contained within this request for proposal.

B. Scope of Audit

The selected independent auditor will be required to perform the audit with the objective of expressing an opinion about whether VCERA'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. In conjunction with the financial statement audit, the

auditor will be required to perform an audit of schedules related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27*, with the objective of expressing an opinion about whether these schedules are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.

As part of the audit engagement, the auditor will be required to present a report on the fair presentation of the financial statements and the GASB 68 schedules to the full Board of Retirement. The auditor will also be expected to communicate findings of any significant deficiencies and material weaknesses in internal controls in a management letter. The auditor will be expected to present the results of the financial audit to the Board of Retirement. The auditor may be requested to attend additional Board of Retirement meetings, if needed.

C. Auditing Standards to be Followed

To meet the requirements of this request for proposal, the audit shall be performed in accordance with auditing standards generally accepted in the United States of America. The auditor will utilize all applicable components of these standards in auditing, preparing and reporting on the financial statements of VCERA.

D. Working Paper Retention

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 by VCERA of the need to extend the retention period. The auditor will be required to make working papers available to VCERA upon request. 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.

E. 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 the VCERA's Retirement Board.

F. Special Considerations

VCERA participates in the GFOA's Certificate of Achievement for Excellence in Financial Reporting program. The auditor will review VCERA's CAFR for compliance with the program. VCERA may also require additional services or advice to ensure new Government Accounting Standards Board (GASB) reporting requirements are properly applied.

G. Other

All terms, conditions, requirements and procedures included in the RFP must be met for a response to be qualified as responsive. A submission that fails to meet any material term, condition, requirement or procedure of this RFP may be disqualified. VCERA reserves the right to waive or permit cure of non-material errors or omissions. VCERA reserves the right to modify, amend, or cancel the terms of the RFP at any time. All responses must be submitted in accordance with the specific terms of this RFP. The submission requirements for this RFP are set forth below. A proposal shall constitute an irrevocable offer for 120 business days following the deadline for submission. Reference to a certain number of days in this RFP shall mean business days unless otherwise specified.

SECTION 4: ASSISTANCE TO BE PROVIDED TO AUDIT FIRM

A. Staff Availability

VCERA accounting and finance personnel will be available to the audit team. Staff will prepare reports and documents as requested by the audit team on a timely basis. VCERA-prepared schedules and reports will include, but are not limited to, the following:

1. Preliminary Trial Balance and Financial Statements
2. Reconciled subsidiary ledgers and accounts
3. Bank Reconciliations
4. Confirmations
5. Analytical review
6. Note Disclosures

B. Work Area

VCERA will provide the audit team with a functional work area with necessary equipment and read-only access to the relevant systems applications.

C. Report Preparation

The preparation and detail review of the CAFR will be completed by the finance staff. VCERA intends to engage a graphic design firm to produce the CAFR which will be printed and digitally published.

SECTION 5: VCERA POINT OF CONTACT

From the date of issuance of this RFP until the selection of a vendor is completed and announced, vendors are not permitted to communicate, for any reason, with any VCERA staff member or Board Member regarding this procurement, except through the Point of Contact named herein. For violation of this provision, VCERA shall reserve the right to disqualify the offending vendor from further participation in this procurement.

The Point of Contact for questions and all matters relating to this RFP is:

Name:	Chris Ayala
Title:	Program Assistant
Address:	1190 S. Victoria Ave, Suite 200 Ventura, CA 93003
Telephone:	(805) 339-4261
Email:	Chris.Ayala@VCERA.org

Proposals are due by **5:00 PM PST** on **Wednesday, January 31, 2018**, and are to be received by VCERA, marked to the attention of the above-listed Point of Contact, within this timeframe. It is the responsibility of the vendor to ensure that the proposal arrives on or before the time and date written herein. Failure to comply with this provision will result in disqualification of the RFP response.

SECTION 6: VENDOR QUESTIONS REGARDING RFP

Vendors may submit questions regarding this RFP in writing to the Point of Contact named in Section 5 through **5:00 PM PST** on **Tuesday, January 16, 2018**. E-mail is the preferred method of communication. All written questions must include the name of the firm and the person submitting the question(s). A compilation of all questions and answers, along with any RFP addenda, will be posted on VCERA's website, www.VCERA.org, no later than **5:00 PM PST** on **Monday, January 22, 2018**.

SECTION 7: GENERAL PROPOSAL SUBMISSION REQUIREMENTS

Respondents to this RFP should make a single submission of their proposal in the following manner:

1. An original proposal and four hard copies on standard 8.5 x 11 inch paper. All pages should be numbered and identified sequentially by section. Proposals must be bound, tabbed and indexed in accordance with the information requested in *Section 8 Detailed Proposal*

Requirements.

2. One (1) CD ROM containing all required elements of the proposal as specified in Section 8 of this RFP, files should be either in Microsoft Word or Adobe Acrobat PDF format.
3. Responses must be received on or prior to the deadline listed in Section 5.

Note that vendor responses will be subject to disclosure to the public upon written request under the California Public Records Act. See *Section 14: Notice Regarding the California Public Records Act and the Brown Act* below for additional information.

A standard format for proposal submission is provided herein. Adherence to this format will help ensure a fair and objective analysis of submitted proposals. The requested information is organized into individual sections, which should correspond to individual sections in the submitted proposals. Proposals must respond to each topic in the order presented, and responses should be numbered as stated in Section 8 of this RFP. VCERA reserves the right to declare as nonresponsive and reject any proposals in which information is requested and is not furnished or when a direct or complete answer is not provided.

SECTION 8: DETAILED PROPOSAL REQUIREMENTS

General Requirements:

A. Letter of transmittal

The letter should be addressed to the point of contact in Section 5. The letter should include the audit firm's point of contact name and title, address, telephone number, and email address.

B. Firm Qualifications

- The proposing audit firm should provide a brief profile of the firm, including the types of services offered, form of the organization (corporation, partnership, sole proprietorship), number of offices, size and location of the firm and the size of the firm's governmental audit staff.
- Provide information about the firm's technical resources and participation in state and national accounting and auditing industry groups.
- The firm should be licensed to practice in the state of California and be in good standing with the state.
- The firm should have governmental accounting experience. Experience auditing pension funds would be favorable, but not required.

C. Staff Qualifications and Experience

- The firm should identify the principal supervisory and management staff and other supervisors and specialists who would be assigned to the engagement and indicate whether each person is licensed to practice as a certified public accountant in California.
- The firm should provide its policy regarding the rotation of partners on financial statement audits.
- The firm should provide information on the governmental auditing experience of each person—including information on relevant continuing professional education for the past three (3) years. Include a biography or resume for each individual identified.
- The firm should also indicate how the quality of staff over the term of the agreement will be assured.
- 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 also change for other reasons with the express prior written permission of VCERA. However, in either case, VCERA retains the right to approve or reject the replacement staff.

D. Proposer Guarantees and Warranties

The proposer will guarantee to provide the services set forth in *Section 3: Nature of Services Required* and warranty their compliance with this *Section 8: Detailed Proposal Requirements*. See Attachment B.

Technical Requirements

E. Standard Professional Services Contract

Provide a copy of your firm's standard professional services contract.

F. Three (3) business references of other audit clients similar in size and need. Each reference should include the following:

- Client's name, address, and phone number
- Principal client contact name, title, email and phone number
- A brief statement indicating the scope of work

G. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required as stated in Section 3. 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
- Type and extent of sampling techniques to be used in the engagement

H. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from VCERA staff.

I. Report Format

The proposal should include sample formats for required reports.

Fees and Hour Rates

J. Total All-Inclusive Maximum Price

- The flat fee proposal should contain all pricing information relative to performing the audit engagement as described in this RFP, including the initial three (3) year contract and the additional one-year period. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs, including out-of-pocket expenses.
- The costs associated with the GASB 68 audit work, if any, should be included as a separate line item in the fee proposal.
- VCERA will not be responsible for expenses incurred in preparing and submitting the technical proposal or the bid. Such costs should not be included in the proposal.
- The fee proposal should include a certification that the person signing the proposal is

entitled to represent the firm, empowered to submit the bid, and authorized to enter a contract with VCERA.

K. Hourly Rates of Staff

- The fee proposal should include a schedule of professional fees and expenses that supports the all-inclusive maximum price.
- The schedule should include rates by staff level (partner, manager, supervisory and staff) times the number of hours anticipated for each.
- See Appendix C—Schedule of Professional Fees and Expenses for an example of fee proposal. A similar schedule should be completed for each year of the contract term.

L. Out-of-Pocket Costs

- All estimated out-of-pocket expenses to be reimbursed should be presented in the cost bid. Out-of-pocket costs should be listed by type, meals and lodging, transportation, etc. See Appendix C—Schedule of Professional Fees and Expenses for an example.

SECTION 9: REVIEW AND EVALUATION OF PROPOSALS

VCERA will convene a review panel to evaluate all proposals and develop recommendations to the Board of Retirement. Proposals will be evaluated on the quality of responses to all the items included in Section 8. The following weighted factors will be considered when evaluating the responses:

- | | |
|---|-----|
| • Fee Proposal | 25% |
| • Firm’s experience, capabilities and references | 20% |
| • Quality and experience of assigned professional personnel | 20% |
| • Communication, understanding of scope and quality of proposal | 20% |
| • Schedule, estimation of hours and audit approach | 15% |

The review panel will make a selection and recommend a finalist to the Board of Retirement in **February 2018**. The review panel will make their selection based on the quality and responsiveness of the information provided in the written proposal.

SECTION 10: RIGHT TO REJECT PROPOSAL

By submitting a proposal, vendors acknowledge that they have read this RFP, understand it, and agree to be bound by its requirements unless clearly and specifically noted in the response submitted. VCERA reserves the right without prejudice to reject all responses. VCERA reserves the right to modify the terms and requirements of this RFP. Any such changes or corrections will be posted on VCERA’s website, available at www.vcera.org.

SECTION 11: INCOMPLETE RESPONSES

If the information in the firm’s response is deemed to be insufficient for evaluation, VCERA reserves the right to request additional information or to reject the submittal outright. False, incomplete or unresponsive statements in connection with a submittal may be sufficient for its rejection. The selection

of the fulfillment of the requirements will be determined by VCERA and such judgment shall be final.

SECTION 12: TIMELINE REQUIREMENTS

Deliverable	Date	Time
Release of RFP	12/29/2017	
Questions from vendors due	01/16/2018	5:00 PM PST
Answers to vendor questions posted	01/22/2018	
RFP Submission deadline	01/31/2018	5:00 PM PST
RFP evaluation by review panel	T.B.D.	
Recommendation and Award of Contract	02/26/2018	
Contract Execution (est.)	03/26/2018	

VCERA reserves the right to modify this schedule at any time.

SECTION 13: ADDENDA

VCERA may modify the RFP prior to the date fixed for submission by posting, mailing, emailing or faxing an addendum to the bidders known to be interested in submitting a proposal. If any bidder determines that an addendum unnecessarily restricts its ability to bid, it must notify VCERA in writing no later than three (3) days before the deadline for submitting proposals. Failure of a bidder to receive or acknowledge receipt of any addendum shall not relieve the bidder of the responsibility for complying with the terms thereof.

SECTION 14: NOTICE REGARDING THE CALIFORNIA PUBLIC RECORDS ACT AND THE BROWN ACT

The proposal your firm submits in response to this RFP will become the exclusive property of VCERA. It will not be returned to you, and it will be subject to public disclosure pursuant to the California Public Records Act (Cal. Gov. Code Section 6250 et. seq., the "Act") after a contract is awarded. The Act provides generally that all records relating to a public agency's business are open to public inspection and copying, unless specifically exempted under one of several exemptions set forth in the Act.

If you believe that any portion of your proposal is exempt from public disclosure under the Act, such portion must be marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY." VCERA will deny public disclosure of any portions so designated, provided that such designation is, in VCERA's reasonable discretion, in accordance with

applicable law. Proposals marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY" in their entirety will not be honored, and VCERA will not deny public disclosure of all or any portion of proposals so marked. By submitting a proposal with specifically selected portions marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY" you represent you have a good faith belief that such material is exempt from disclosure under the Act, and you agree to reimburse VCERA for, and to indemnify, defend and hold harmless VCERA, 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 VCERA's non-disclosure of any such designated portions of your proposal; and (b) any and all Claims arising from or relating to VCERA's public disclosure of any such designated portions of your proposal if VCERA reasonably determines disclosure is deemed required by law, or if disclosure is ordered by a court of competent jurisdiction.

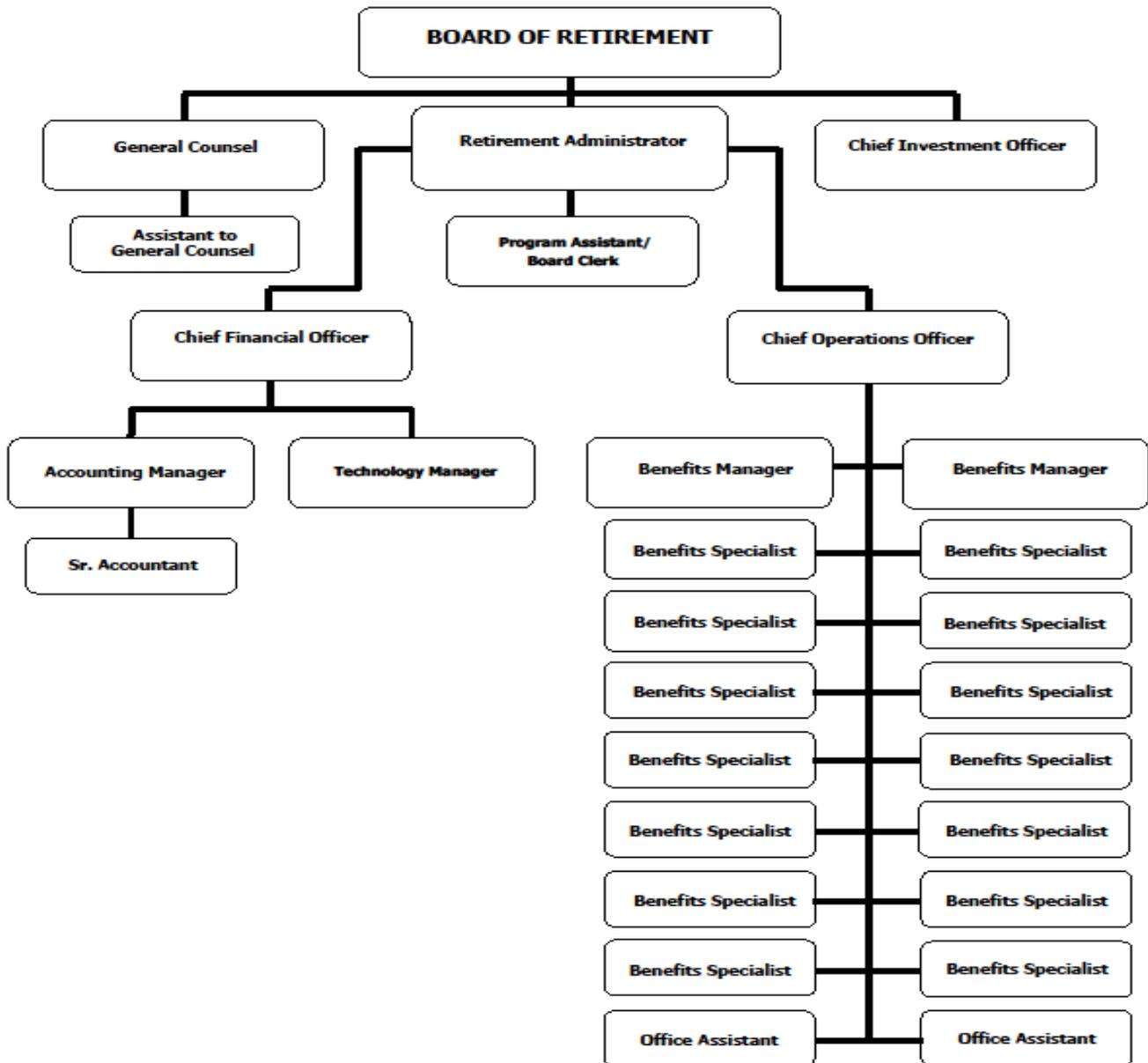
In addition to the foregoing, VCERA Board meetings are subject to California open-meeting requirements set forth in the Ralph M. Brown Act (Gov. Code §§ 54950-54962) (the "Brown Act"). Your proposal and/or contract (if your firm is selected) may be presented or discussed at a public meeting of the VCERA Board of Retirement. Among other things, that means that, regardless of whether you mark portions of your proposal as "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY," that information may be discussed or presented at a meeting that is open to the public under the Brown Act.

VCERA appreciates your time and looks forward to receiving your proposal.

All RFP packages should be submitted to:

Ventura County Employees' Retirement System
Attention: Chris Ayala, Program Assistant
1190 S. Victoria Ave., Suite 200
Ventura, CA 9300

APPENDIX A: ORGANIZATIONAL CHART



APPENDIX B: PROPOSER GUARANTEES AND WARRANTIES

Appendix B

Proposer Guarantees and Warranties

PROPOSER GUARANTEES

The proposer certifies it can and will provide and make available, as a minimum, all services set forth in Section 3, Nature of Services Required.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

PROPOSER WARRANTIES

1. Proposer warrants that it is willing and able to comply with State of California laws with respect to foreign (non-state of California) corporations.
2. 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.
3. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of VCERA.
4. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX C: SAMPLE FEE STRUCTURE

Appendix C

Schedule of Professional Fees and Expenses for the Audit of VCERA

Financial Statement Audit				
Staff	Hours	Standard Hourly Rate	Quoted Hourly Rate	Total
Partners	-	\$ -	\$ -	\$ -
Managers	-	-	-	-
Supervisory Staff	-	-	-	-
Staff	-	-	-	-
Other (specify)	-	-	-	-
Subtotal				\$ -
GASB 68 Audit				
Staff	Hours	Standard Hourly Rate	Quoted Hourly Rate	Total
Partners	-	\$ -	\$ -	\$ -
Managers	-	-	-	-
Supervisory Staff	-	-	-	-
Staff	-	-	-	-
Other (specify)	-	-	-	-
Subtotal				\$ -
Out-of-Pocket Expenses:				
Meals and Lodging			\$ -	
Transportation			-	
Other (Specify)			-	
Subtotal Out-of-Pocket Expenses:				\$ -
Total All-Inclusive Maximum Price for Audit				\$ -

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum price.