

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OF MISSISSIPPI**

REQUEST FOR PROPOSALS

FOR

PROFESSIONAL AUDITING SERVICES

JUNE 30, 2016

JUNE 30, 2017

JUNE 30, 2018

REFERENCE NUMBER – RFP #AUD2015-1618

DATED: NOVEMBER 13, 2015

Public Employees' Retirement System of Mississippi
Public Employees' Retirement System Building
429 Mississippi Street
Jackson, Mississippi 39201-1005

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MISSISSIPPI
REQUEST FOR PROPOSALS TABLE OF CONTENTS**

I. INTRODUCTION	4
A. GENERAL INFORMATION	4
B. TERM OF ENGAGEMENT	5
II. NATURE OF SERVICES REQUIRED	5
A. GENERAL	5
B. SCOPE OF WORK TO BE PERFORMED	5
C. AUDITING STANDARDS TO BE FOLLOWED	6
D. REPORTS TO BE ISSUED	6
E. SPECIAL CONSIDERATIONS	7
F. ACCESS TO WORKING PAPERS	8
III. DESCRIPTION OF THE GOVERNMENT	8
A. NAME AND TELEPHONE NUMBER OF CONTACT PERSONS/ORGANIZATIONAL CHART/LOCATION OF OFFICES	8
B. BACKGROUND INFORMATION	9
C. FUND STRUCTURE	9
D. BUDGETARY BASIS OF ACCOUNTING	9
E. PENSION PLANS	9
F. COMPONENT UNITS	9
G. JOINT VENTURES	9
H. INTERNAL AUDIT FUNCTION	9
I. AVAILABILITY OF PRIOR AUDIT REPORTS AND WORKING PAPERS	9
IV. TIME REQUIREMENTS	9
A. PROPOSAL CALENDAR	9
B. NOTIFICATION AND CONTRACT DATES	10
C. DATE AUDIT MAY COMMENCE	10
D. SCHEDULE FOR THE 2016 FISCAL YEAR AUDIT	10
1. Interim Work	10
2. Detailed Audit Plan	10
3. Fieldwork	10
4. Draft Reports	10
5. Management Letter	10
E. CONFERENCES, PROGRESS REPORTING AND EXIT CONFERENCE	10
F. DATE FINAL REPORT IS DUE	11
V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION.....	11
A. ADMINISTRATIVE STAFF	11
B. INTERNAL AUDIT STAFF ASSISTANCE	12
C. ELECTRONIC DATA PROCESSING (EDP) ASSISTANCE	12
D. WORK AREA, PHOTOCOPYING, AND FAX MACHINES	12
E. FINANCIAL STATEMENT PREPARATION	12
F. PRIOR AUDITS	12

VI. PROPOSAL REQUIREMENTS	12
A. GENERAL REQUIREMENTS	12
1. Inquiries	12
2. Submission of Proposals	12
B. TECHNICAL PROPOSAL	13
1. General Requirements	13
2. Independence	14
3. Indemnification	14
4. License to Practice in Mississippi	14
5. Firm Qualifications and Experience	15
6. Partner, Supervisory and Staff Qualifications and Experience	15
7. Prior Engagements with PERS	16
8. Similar Engagements with Other Government Entities	16
9. Specific Audit Approach	16
10. Identification of Anticipated Potential Audit Problems	17
11. Report Format	17
C. SEALED DOLLAR COST BID	17
1. Total All-Inclusive Maximum Price	17
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each	17
3. Out-of-Pocket Expenses Included in the Total All-Inclusive Maximum Price and Reimbursement Rates	18
4. Rates for Additional Professional Services	18
5. Manner of Payment	18
D. BACKGROUND INFORMATION TO BE PROVIDED	18
VII. EVALUATION PROCEDURES	19
A. AUDIT COMMITTEE	19
B. REVIEW OF PROPOSALS	19
C. EVALUATION CRITERIA	20
1. Mandatory Elements	20
2. Technical Qualifications: (Maximum Points - 65)	20
3. Price: (Maximum Points - 35)	21
D. ORAL PRESENTATIONS	21
E. FINAL SELECTION	21
F. RIGHT TO REJECT PROPOSALS	21
G. CONTRACT APPROVAL	21
APPENDIX A, ORGANIZATION CHART	22
APPENDIX B, LIST OF KEY PERSONNEL, OFFICE LOCATIONS AND TELEPHONE NUMBERS	23
APPENDIX C, BIDDER GUARANTEES	24
APPENDIX D, BIDDER WARRANTIES	25
APPENDIX E, SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE FISCAL YEAR 2016, 2017, AND 2018 FINANCIAL STATEMENTS	26
APPENDIX F, PROPOSED CONTRACT.....	27

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MISSISSIPPI
REQUEST FOR PROPOSALS**

I. INTRODUCTION

A. General Information

The Public Employees' Retirement System of Mississippi (PERS) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending June 30, 2016, June 30, 2017, and June 30, 2018. This audit is to be performed in accordance with generally accepted auditing standards as adopted and approved by the American Institute of Certified Public Accountants (AICPA), the Governmental Accounting Standards Board (GASB), and the standards for financial audits set forth in the U.S. General Accounting Office's (GAO) Government Auditing Standards as well as the following additional requirements:

1. Special items or reports prescribed by the State Auditor's office, copies of which will be furnished from the State Auditor.
2. Compliance with applicable state laws.

There is no expressed or implied obligation for PERS to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, five (5) copies of a proposal, four hard copies and one soft copy provided on a CD, must be received by Mr. Greg Gregory at the Public Employees' Retirement System, 429 Mississippi Street, Jackson, Mississippi 39201-1005 by 4:00 P.M. on December 18, 2015. The cost component of the proposal must be in a separate sealed envelope clearly marked "SEALED DOLLAR COST BID". The Public Employees' Retirement System reserves the right without prejudice to reject any or all proposals submitted. Proposals submitted will be assessed by an evaluation team made up of PERS staff.

During the evaluation process, PERS reserves the right, where it may serve PERS' best interest, to request additional information or clarifications from bidders, or to allow corrections of errors or omissions. At the discretion of PERS' evaluation team, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

PERS reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals and proposed contract (Attached hereto as Appendix F), unless clearly and specifically noted in the proposal submitted and confirmed in the contract between PERS and the firm selected.

It is anticipated the selection of a firm will be completed by February 23, 2016. Following the notification of the selected firm and approval by the State Auditor's Office, it is expected a contract will be executed between PERS, the State Auditor's Office, and the firm by the week of March 15, 2016.

B. Term of Engagement

The State Auditor has given PERS the authority to solicit bids for up to a three year period that includes fiscal years 2016-2018 audits.

II. NATURE OF SERVICE REQUIRED

A. General

PERS is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the fiscal years ending June 30, 2016, June 30, 2017, and June 30, 2018. The services will include compliance with the latest GASB pension standards. This audit is to be performed in accordance with the provisions contained in this document and the contract.

B. Scope of Work to be Performed

1. PERS desires the auditor to express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles.
2. The auditor is not required to audit management's discussion and analysis and supporting schedules. However, the auditor is to provide an "in-relation-to" report on the analysis and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements.
3. The auditor shall also be responsible for performing certain limited procedures involving management's discussion and analysis and required supplementary information required by the GASB.
4. The auditor will provide a report and opinion on the schedule of employer allocations and schedule of collective pension amounts for the cost-sharing plan as prescribed in the GASB pension standard and as mandated by generally accepted auditing standards of the AICPA.
5. The auditor shall provide an examination engagement report over selected management's assertions related to census data maintained by the System for all plans. This includes procedures to test completeness and accuracy of census data for employers of the cost-sharing plan, agent-multiple employer plans, and single employer plans as required by the AICPA.
6. The auditor will provide a report on both the schedule as a whole and on each employer column for the schedule of changes in fiduciary net position by employer for the agent-multiple employer plans.
7. The auditor shall perform any additional procedures such as reviewing note disclosures and actuarial work in connection with supporting the implementation of GASB pension standards.

The audit firm shall also perform the following procedures at the request of the State Auditor:

1. Examine the June 30 GAAP reporting packages and underlying records for completeness and accuracy for inclusion in the State of Mississippi's comprehensive annual financial report.
2. Review adjusting entries to the trial balances prepared by the Department of Finance and Administration (DFA) based on PERS' GAAP packages in order to adjust the trial balances.
3. Obtain the prior year's notes to the statewide financial statements related to PERS. The CPA firm should: a) "update" and "fill in" current year amounts and information and provide supporting documentation to support these amounts and, b) review the notes for compliance with applicable GASB statements and notify the State Auditor's authorized representative of noncompliance and errors.
4. Perform extensive audit work pertaining to GASB Statement 40 - *Deposit and Investment Risk Disclosures, an amendment to GASB Statement 3*. The CPA firm will be required to: a) review in accordance with GASB Statement 40 all deposits and investments of the agency being audited in the notes to the statewide financial statements and, b) provide sufficient documentation to support the disclosures of the risks pertaining to these deposits and investments.
5. Prepare management letters in accordance with instructions provided by the State Auditor's Office.
6. Conduct an exit conference (upon giving prior notice to the State Auditor's Office).
7. Obtain a plan of corrective action from PERS in accordance with instructions provided by the State Auditor's Office.
8. Submit to the State Auditor's Office a letter of representation.

C. Auditing Standards to be Followed

To meet the requirements of this request for proposals, the audit shall be performed and all reports prepared in accordance with:

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants and the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards.
2. Special items or reports prescribed by the State Auditor's Office, copies of which will be furnished from the State Auditor.
3. Compliance with applicable state laws.

D. Reports to be Issued

Following the completion of the audit of the financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.

2. A report on any deficiencies in the design or operation of the internal control structure which could adversely affect PERS ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. In addition, the auditor will report significant opportunities for improvements in internal control or increased efficiencies requiring action by PERS management or the Board.
3. Control deficiencies that were not considered significant enough to be communicated as significant deficiencies or material weaknesses shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.
4. Management Letter
 - a. In accordance with Government Auditing Standards, the firm will also issue a management letter to communicate violations of provisions of contracts or abuses that have an effect on the financial statements that is less than material but more than inconsequential that comes to their attention. The management letter will detail audit findings and recommendations regarding financial statements, internal controls, accounting, information systems, legality of actions, instances of noncompliance with laws and regulations, and any other material matters the auditor believes to be of potential benefit to the entity or has been requested to communicate.
 - b. The management letter will be reviewed in draft form with the Internal Auditor, Deputy Administrator, Administrative Services, and other appropriate management in order to determine that the observations reflect an accurate understanding of PERS' policies and procedures.
5. The auditor will immediately prepare a written report to the PERS Executive Director of any material irregularities and/or illegal acts or indications of illegal acts of which they become aware.
6. Auditors shall review the following information fully with PERS management and also assure themselves that the PERS Audit Committee is informed of each of the following:
 - a. The auditor's responsibility under generally accepted auditing standards
 - b. Significant accounting policies
 - c. Management judgments and accounting estimates
 - d. Significant audit adjustments
 - e. Disagreements with management
 - f. Any material irregularities and/or illegal acts
 - g. Major issues discussed with management prior to retention
 - h. Difficulties encountered in performing the audit

E. Special Considerations

1. The financial statements of PERS are included as a component unit of the financial statements of the State of Mississippi. The auditor will be required to provide special assistance to the State of Mississippi's auditors.

2. PERS will send its Comprehensive Annual Financial Report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. PERS received a Certificate of Achievement for fiscal years ended 1987 through 2014. It is PERS' objective to retain the Certificate. The auditor will be required to provide all reasonable assistance to PERS to meet the requirements of that program.
3. The report on internal control over financial reporting is not to be included in the Comprehensive Annual Financial Report, but is to be issued separately.
4. PERS has implemented the Oracle Pension Solution. The solution includes the following:
 - a. Oracle People Soft ERP which includes Human Capital Management (HCM), Financial Supply Chain Management (FSM), Customer Relationship Management (CRM);
 - b. Oracle Business Intelligence (Enterprise Performance Management or EPM);
 - c. Oracle Electronic Content Management (ECM);
 - d. Oracle People Soft Portal;
 - e. Oracle Fusion Middleware; and
 - f. Oracle Financial Modules which include General Ledger, Receivables, Payables and Banking.

PERS would prefer to engage a firm that is knowledgeable of Oracle software and is experienced in auditing in an environment of comprehensive change.

F. Access to Working Papers

All work papers and reports will be retained, at the firm's expense for a minimum of five years unless the firm is notified in writing by PERS of the need to extend the retention period. The firm will be required to make the work papers available upon request of representatives of federal and state agencies, including the State Auditor's Office, and of PERS. In addition, the firm will respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. Name and Telephone Number of Contact Persons/Organizational Chart/Location of Offices

The auditor's principal contact with PERS will be Mr. Greg Gregory, 601-359-2217 or a designated representative, who will coordinate the assistance to be provided by PERS to the auditor.

An organization chart (Appendix A) and a list of key personnel with the location of their principal offices (Appendix B) are attached.

B. Background Information

Background information and details of programs administered by PERS can be found in the 2014 Comprehensive Annual Financial Report. This information can be found on the PERS website at www.pers.state.ms.us. Detailed procedural information can be found in departmental policies and procedures manuals located in the PERS offices. Please contact Mr. Greg Gregory for access to these documents. Phone: 601-359-2217; GGregory@pers.ms.gov

C. Fund Structure

PERS uses the following fund types and account groups in its financial reporting:

<u>Fund Type</u>	<u>Number of Individual Funds</u>	<u>Number With Legally Adopted Annual Budgets</u>
Pension Trust Funds	4	1
Agency Funds	1	---

D. Budgetary Basis of Accounting

Annual budgets are legally adopted on a modified cash basis for the administrative expenditure portion of the pension trust funds.

E. Component Units

PERS is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Using these criteria, component units are not included in the PERS financial statements.

F. Joint Ventures

PERS does not participate in joint ventures with other governments.

G. Internal Audit Function

PERS has maintained an internal audit function for the past twenty eight (28) years. The internal audit function reports to the Audit Committee of the Board of Trustees and the Executive Director and is staffed by two (2) employees.

H. Availability of Prior Audit Reports and Working Papers

Interested bidders who wish to review prior years' audit reports and management letters should contact Mr. Greg Gregory at 601-359-2217.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for proposals issued	November 2, 2015
Due date for notification of interest	November 20, 2015 by 5:00 p.m.
Due date for proposals	December 18, 2015

B. Notification and Contract Dates

Committee Evaluation of firms completed	February 12, 2016
Recommendation to Audit Committee	February 23, 2016
Notification to Audit Firm	February 24, 2016
Contract date	March 15, 2016

C. Date Audit may Commence

For June 30, 2016, PERS will have the general ledger closed and fiscal year-end GAAP reports drafted on or about August 26, 2016. Preliminary audit procedures for the audit of June 30, 2016 may begin no earlier than April 18, 2016; however, key management personnel will be available to meet with the firm's personnel at any time after the selection of the firm. Dates for preliminary audit procedures to begin will be set each year no less than thirty (30) days prior to the start date as agreed to by PERS and the firm.

D. Schedule for the 2016 Fiscal Year Audit

Each of the following shall be completed by the auditor no later than the dates indicated.

1. Detailed Audit Plan -The auditor shall provide PERS and the State Auditor's Office by June 6, 2016, both a detailed audit plan and a list of all schedules to be prepared by PERS.
2. Interim Work - The auditor shall complete all interim work by June 30, 2016.
3. Fieldwork - The auditor shall complete all fieldwork by October 3, 2016.
4. Draft Reports - The auditor shall have a preliminary draft of the audit report available for review by PERS Finance Director and the State Auditor's Office by November 21, 2016.
5. Management Letter - The auditor shall have a preliminary draft of the management letter available for review by PERS' management by November 11, 2016.

Due dates for the remaining years covered under this proposal will be established annually.

E. Conferences, Progress Reporting and Exit Conference

At a minimum, the following conferences are to be conducted with PERS Internal Audit, Deputy Administrator of Administrative Services, Finance Director, other PERS personnel as needed, and a representative of the State Auditor's Office. Conferences shall be communicated a minimum of ten (10) calendar days before they are scheduled.

1. Entrance conference, should be prior to interim work
2. Exit conference at conclusion of interim work
3. Entrance conference at beginning of fieldwork
4. Progress conferences as requested during fieldwork
5. Exit conference at end of fieldwork
6. Conference when draft copy of management letter is prepared
7. Final exit conference and presentation of management letter to the Executive Director and Board, if requested

The final exit conference is with the Audit Committee, the Executive Director, Internal Audit, and an authorized representative of the State Auditor's Office and shall be held within thirty (30) days after the completion of all fieldwork. The purpose of this meeting is to summarize the results of the fieldwork, to review significant findings and review the Auditor's Report.

F. Date Final Report is Due

For the fiscal year ending June 30, 2016, PERS staff shall prepare draft financial statements by September 14, 2016 and GAAP packages by August 26, 2016. PERS staff will provide required supplementary schedules including notes to these schedules by November 16, 2016. The auditor shall provide all recommendations, revisions and suggestions for improvement to the staff by November 18, 2016. These dates are contingent on the timely receipt of actuarial information from the consulting actuary.

The PERS Finance Director and Internal Audit will complete their review of the preliminary draft as expeditiously as possible. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit report. Once all issues for discussion are resolved, the final signed report shall be delivered to the PERS Executive Director within twenty (20) working days. It is anticipated that this process will be completed and the final report delivered by November 30, 2016.

Due dates for the remaining years covered under this proposal will be established annually.

A copy of the final report should be delivered to Mrs. Pat Robertson, Executive Director, at 429 Mississippi Street, Jackson, Mississippi.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Administrative Staff

PERS staff will be available during the audit to assist the firm by providing information, documentation, and explanations. The Accounting Department will be available to assist in the preparation of statements, schedules, and analytical reviews.

B. Internal Audit Staff Assistance

The PERS internal audit staff will be available to assist the auditor in performing audit tests. The Internal Auditor will serve as the liaison between the firm, agency staff and the Audit Committee.

C. Electronic Data Processing (EDP) Assistance

The Director of MIS will be available to provide systems documentation and explanation.

D. Work Area, Photocopying, and FAX Machines

PERS will provide the auditor with reasonable work space. The auditor will also be provided with access to photocopying facilities, and a FAX machine.

E. Financial Statement Preparation

PERS Finance Director is responsible for preparing all financial statements and supporting schedules. These will be included in the Financial Section of each year's Comprehensive Annual Financial Report.

F. Prior Audits

KPMG LLP conducted the audit of the financial statements for the fiscal years ended June 30, 2008 through 2015. Prior to KPMG, Horne LLP conducted the audit of the financial statements for the fiscal years ended June 30, 2005 through 2007.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the request for proposals must be made to:

Mr. Greg Gregory
PERS Building
429 Mississippi Street
Jackson, Mississippi 39201-1005
601-359-2217
ggregory@pers.ms.gov

CONTACT WITH PERSONNEL OF PERS OTHER THAN GREG GREGORY
REGARDING THIS REQUEST FOR PROPOSALS MAY BE GROUNDS
FOR ELIMINATION FROM THE SELECTION PROCESS.

2. Submission of Proposals

The following material is required to be received by December 18, 2015, for a proposing firm to be considered:

- a. A master copy (so marked) of a Technical Proposal, three (3) photo copies, and one (1) soft copy provided on a CD to include the following:

(1) Title Page

Title page showing the request for proposals' subject; the firm's name; the name, address and telephone number of a contact person; and the date of the proposal.

(2) Table of Contents

(3) Transmittal Letter

A signed letter of transmittal briefly stating the bidder's understanding of the work to be done, the commitment to perform the work within the time period, a statement as to 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 two (2) months.

(4) Detailed Proposal

The detailed proposal should follow the order set forth in Section VI. B. of this request for proposals.

(5) Executed copies of Bidder Guarantees and Bidder Warranties, attached to this request for proposals (Appendix C and Appendix D).

- b. The bidder shall submit an original and three (3) copies of a dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID
PROPOSAL
FOR
PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR
PROFESSIONAL AUDITING SERVICES
JUNE 30, 2016
JUNE 30, 2017
JUNE 30, 2018

- b. Bidders should send the completed proposal consisting of the two (2) separate envelopes to the following address:

Mailing Address
Mr. Greg Gregory
PERS Building
429 Mississippi Street
Jackson, Mississippi 39201-1005

B. Technical Proposal

1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of PERS in conformity with the requirements of this request for proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for proposal requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The technical proposal should address all the points outlined in the request for proposals and cover letter (excluding any cost information which should only be included in the sealed dollar cost bid). The proposal should be prepared simply and economically, providing a straightforward, concise description of the bidder's capabilities to satisfy the requirements of the request for proposals. While additional data may be presented, the following subjects, item Nos. 2 through 11 must be included. They represent the criteria against which the proposal will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of PERS as defined by generally accepted auditing standards.

The firm also should provide an affirmative statement that it is independent of the State of Mississippi and any other component units of that entity, as defined by those same standards.

The firm should also list and describe its professional relationships involving PERS for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give PERS written notice of any professional relationships entered into during the period of this agreement.

3. Indemnification

The firm should provide an affirmative statement that it agrees to indemnify, defend, save, and hold harmless the Office of State Auditor and the System its Board of Trustees, officers, employees, agents, and representatives from and against all claims, demands, liabilities, suits, actions, damages, losses, and costs of every kind and nature, whatsoever including without limitation, court costs, investigative fees and expenses, and attorney's fees, arising out of or caused by the bad faith, fraud, negligence, or willful misconduct of the firm, and/or its partners, principals, agents, employees and/or subcontractors in the performance of or failure to perform this Contract.

4. License to Practice in Mississippi

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

5. Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental 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 on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

If the bidder 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 the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

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.

6. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Mississippi. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

The firm should 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. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

The firm will provide a statement describing the firm's commitment to develop, implement, and maintain an affirmative action program.

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

Consultants and firm specialists mentioned in response to this request for proposals can only be changed with the express prior written permission of PERS, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the bidder provided that replacements have substantially the same or better qualifications or experience.

7. Prior Engagements with PERS

The firm should list separately all engagements within the last five (5) years, ranked on the basis of total staff hours, for PERS by type of engagement (i.e., audit, management advisory services, other). For each engagement, the firm should 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.

8. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five (5) years that are similar to the engagement described in this request for proposals. These 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.

9. 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 in Section II of this request for proposals. In developing the work plan, reference should be made to such sources of information as the PERS' Comprehensive Annual Financial Report and related materials, organizational charts, manuals and programs, and financial and other management information systems.

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

- a. Proposed segmentation of the engagement
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement
- d. Extent of use of automated software in the engagement
- e. Type and extent of analytical procedures to be used in the engagement
- f. Approach to be taken to gain and document an understanding of PERS' internal control
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work

- h. Approach to be taken in drawing audit samples for purposes of tests of compliance

10. 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 PERS.

11. Report Format

The proposal should include sample formats for required reports.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

C. Sealed Dollar Cost Bid

1. Total All-Inclusive Maximum Price

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

PERS will not be responsible for expenses incurred in preparing and submitting the technical 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:

- a. Name of firm.
- b. 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 PERS.
- c. A Total All-Inclusive Maximum Price for each year of the three-year contract period. A schedule similar to the following should be provided:

Fiscal Year	Maximum Price
2016	
2017	
2018	
Total	=====

2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix E) that supports the total all-inclusive maximum price.

3. Out-of-Pocket Expenses Included in the Total All-Inclusive Maximum Price and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging and subsistence) will be reimbursed at the rates used by PERS for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented in the sealed dollar cost bid in the format provided in the attachment (Appendix E). All expense reimbursements will be charged against the total all-inclusive maximum price submitted by the firm.

In addition, a statement must be included in the sealed dollar cost bid stating the firm will accept reimbursement for travel, lodging and subsistence at the prevailing PERS rates for its employees.

4. Rates for Additional Professional Services

If it should become necessary for PERS to request the auditor to render any additional services to either supplement the services requested in this request for proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between PERS, the State Auditor's Office, and the firm. Any such additional work agreed to between PERS, the State Auditor's Office, and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. 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 dollar cost bid proposal. Interim billings shall cover a period of not less than a calendar month. Ten percent (10%) will be withheld from each billing pending delivery of the firm's final reports and submission to the State Auditor's authorized representative all requested memoranda, notes and adjustments, if any, as identified in Section II B.

The State requires the firm to submit invoices electronically throughout the term of the agreement. Vendor invoices shall be submitted to the state agency using the processes and procedures identified by the State. Payments by state agencies using the Mississippi Accountability System for Government Information and Collaboration (MAGIC) shall be made and remittance information provided electronically as directed by the State. These payments shall be deposited into the bank account of the firm's choice. The firm understands and agrees that the State is exempt from the payment of taxes. All payments shall be in United States currency.

D. Background Information to be Provided

1. Is there any pending or settled litigation against your firm relating to accounting, auditing, tax or other services within the last five years?
2. Does your firm have any current or previous clients who are or were under investigation by any federal or state regulatory, governing or oversight entity within the past five years?

3. Provide documentation of the number of professional staff by department and classification as of April 1, 2015 and as of the current date. Briefly explain staff reductions, if applicable.
4. Has your firm received notice of any request to appear or respond to inquiries of the State Board of Public Accountancy concerning your firm or any of your clients during the past five years? If so, please provide information on the nature of these inquiries.

VII. EVALUATION PROCEDURES

A. Audit Committee

Proposals submitted will be evaluated by a evaluation committee made up of PERS staff. That evaluation committee will make a recommendation and provide a summary evaluation to a six (6) member Audit Committee made up from members of the PERS Board of Trustees.

B. Review of Proposals

The evaluation committee will use a point formula during the review process to score proposals. Each technical proposal will be scored according to the criteria described in Section VII C below. This score will then be converted to a true score by use of the following formula:

$$\frac{\text{Technical points of firm's proposals (item 2)}}{\text{Highest technical points of all proposals}}$$

The above percentage will then be multiplied by 60.

The evaluation committee will combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and a price score will be established by use of the following formula:

$$\frac{\text{Lowest price of all proposals}}{\text{Price of firm's proposals}}$$

The above percentage will then be multiplied by 40.

The technical score and the price score will be added together to determine a total score for each proposal. The evaluation committee will submit the total score for each proposal and make a recommendation to the Audit Committee for their review and approval. The firms with the highest technical score will receive primary consideration for a contract.

The price will also be an important factor since PERS wants the highest qualified firms at the lowest possible price. On this basis, PERS reserves the right to negotiate with any firm.

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

C. Evaluation Criteria

Proposals will be evaluated using three (3) 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 which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Mississippi
- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two (2) years
- c. The firm has no conflict of interest with regard to any other work performed by the firm for PERS or the State of Mississippi
- d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work
- e. The firm adheres to the instructions in this request for proposals on preparing and submitting the proposal

2. Technical Qualifications: (Maximum Points – 60)

- a. Expertise and Experience: (Maximum Points - 30)
 - (1) The firm's past experience and performance on comparable government engagements
 - (2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation
 - (3) The firm's past experience and performance on audits of governmental pension funds
 - (4) The firm's knowledge of Oracle software and experience in auditing in an environment of comprehensive change
- b. Audit Approach: (Maximum Points - 30)
 - (1) Adequacy of proposed staffing plan for various segments of the engagement
 - (2) Adequacy of sampling techniques
 - (3) Adequacy of analytical procedures

(4) Adequacy of audit plan for review of the IT function

(5) Adequacy of review procedures relating to actuarial results

3. Price: (Maximum Points - 40)

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION

D. Oral Presentations

During the evaluation process, the evaluation committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions PERS' staff may have on a firm's proposal.

E. Final Selection

The PERS Board of Trustees will select a firm based upon the recommendation of the Audit Committee.

It is anticipated that a firm will be selected by the week of February 24, 2016. Following notification of the firm selected, it is expected a contract will be executed between all parties by the week of March 15, 2016.

F. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between PERS and the firm selected.

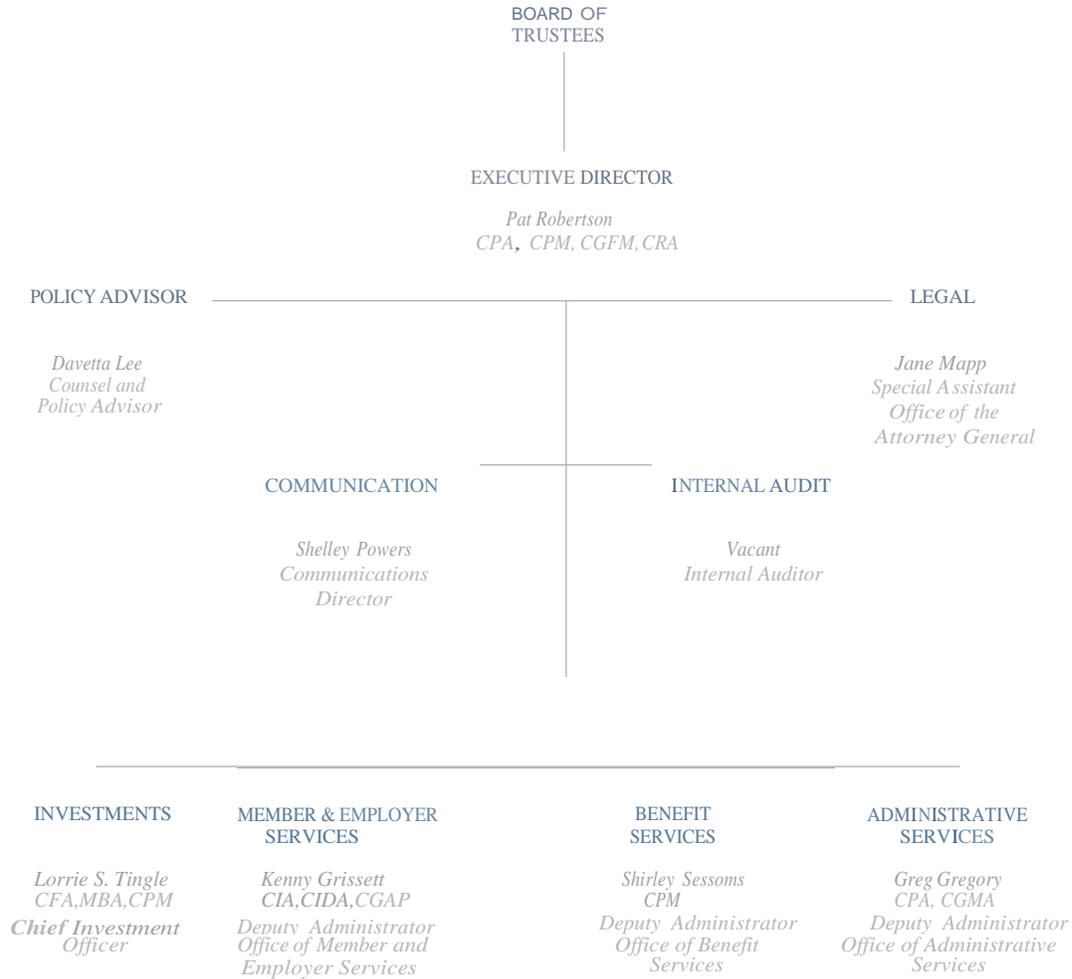
G. Contract Approval

The PERS Board of Trustees reserves the right without prejudice to reject any or all proposals. There is no contract prior to the execution and signing of a contract by PERS, the State Auditor's Office, and the bidder.

END

APPENDIX A, ORGANIZATION CHART

Organization Chart



**APPENDIX B, LIST OF KEY PERSONNEL, OFFICE
LOCATIONS AND TELEPHONE NUMBERS**

<u>Name and Title</u>	<u>Telephone</u>	<u>Room</u>
Pat Robertson, Executive Director	601-359-2241	423
Davetta Lee, Counsel and Policy Advisor	601-359-2321	426
Lorrie Tingle, Chief Investment Officer	601-359-2256	428
Greg Gregory, Deputy Administrator, Office of Administrative Services	601-359-2217	319
Kenny Grissett, Deputy Administrator, Office of Member and Employer Services	601-359-2251	259
Shirley Sessoms, Deputy Administrator, Office of Benefit Services	601-359-2257	249
Jane Mapp, Office of the Attorney General	601-359-3592	454

APPENDIX C, BIDDER GUARANTEES

I. The bidder certifies it can and will provide and make available, at a minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

APPENDIX D, BIDDER WARRANTIES

- A. Bidder 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.**
- B. Bidder warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of PERS.**
- C. Bidder 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 E, SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE
AUDIT OF THE FISCAL YEAR 2016, 2017, AND 2018 FINANCIAL STATEMENTS**

(PREPARE FOR EACH YEAR AND INCLUDE A SUMMARY SHEET FOR ALL THREE)

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners	_____	_____	_____	_____
Managers	_____	_____	_____	_____
Supervisory staff	_____	_____	_____	_____
Staff	_____	_____	_____	_____
Other (specify)	_____	_____	_____	_____

Out-of-pocket expenses:

Meals and lodging \$ _____

Transportation \$ _____

Other (specify): _____ \$ _____

Total all-inclusive maximum price for the three year period: \$ _____

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.

**APPENDIX F, PROPOSED CONTRACT FOR AUDIT
SERVICES OF FISCAL YEARS 2016, 2017 AND 2018**

This Contract, entered into as of this ____ day of _____, 2016, by and between the Public Employees' Retirement System of Mississippi, hereinafter referred to as the "PERS" the Office of the State Auditor hereinafter referred to as the "OSA", and _____ hereinafter referred to as the "Firm."

WHEREAS, PERS and the OSA desire to engage the Firm to render certain professional audit services.

NOW, THEREFORE, the parties hereto mutually agree as follows:

- I. PERS and the OSA hereby engages the Firm and the Firm hereby agrees to perform the professional services set forth in this Contract and in the attached Audit Services Schedule with respect to PERS's fiscal years 2016, 2017, and 2018 financial statements.
- II. Scope of Services. During the term of this Contract, the Firm shall satisfactorily perform the professional audit services hereinafter set forth:
 - A. The Firm is not required to audit management's discussion and analysis and supporting schedules. However, the Firm will provide an "in-relation-to" report on the analysis and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements.
 - B. The Firm will be responsible for performing certain limited procedures involving management's discussion and analysis and required supplementary information required by the Governmental Accounting Standards Board ("GASB").
 - C. The Firm will provide a report and opinion on the schedule of employer allocations and schedule of collective pension amounts for the cost-sharing plan as prescribed in the GASB pension standards and as mandated by generally accepted auditing standards of the AICPA.
 - D. The Firm will perform procedures to test completeness and accuracy of census data for employers of the cost-sharing plan, agent-multiple employer plans, and single employer plans as required by the American Institute of Certified Public Accountants ("AICPA").
 - E. The Firm will provide an examination engagement report over selected management's assertions related to census data maintained by the System for all plans. This includes procedures to test completeness and accuracy of census data for employers of the cost-sharing plan, agent-multiple employer plans, and single employer plans as required by the AICPA.

F. The Firm will perform any additional procedures such as reviewing note disclosures and actuarial work in connection with the implementation of GASB pension standards.

G. The Firm will perform the following procedures at the request of the OSA:

1. Examine the June 30 Generally Accepted Accounting Principles (“GAAP”) reporting packages and underlying records for completeness and accuracy for inclusion in the State of Mississippi’s comprehensive annual financial report.

2. Review adjusting entries to the trial balances prepared by the Mississippi Department of Finance and Administration (“DFA”) based on PERS’ GAAP packages in order to adjust the trial balances.

3. Obtain the prior year’s notes to the statewide financial statements related to PERS. The CPA firm should:

a. "update" and "fill in" current year amounts and information and provide supporting documentation to support these amounts, and

b. review the notes for compliance with applicable GASB statements and notify the State Auditor's authorized representative of noncompliance and errors.

4. Perform extensive audit work pertaining to GASB Statement 40- ‘Deposit and Risk Investment Disclosures, an amendment to GASB Statement 3, including:

a. review in accordance with GASB Statement 40 all deposits and investments of the agency being audited in the notes to the statewide financial statements, and

b. provide sufficient documentation to support the disclosures of the risks pertaining to these deposits and investments.

5. Prepare management letters in accordance with instructions provided by the OSA.

6. Conduct an exit conference upon giving prior notice to the OSA.

7. Obtain a plan of corrective action from PERS in accordance with instructions provided by the OSA.

8. Submit to the OSA a letter of representation.

J. Auditing services will be performed and all reports prepared in accordance with:

1. Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants and the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards.
 2. Special items or reports prescribed by the State Auditor's Office, copies of which will be furnished from the State Auditor.
 3. Compliance with applicable state laws.
- K. Following the completion of the audit of the fiscal year's financial statements, the Firm shall issue:
1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
 2. A report on any deficiencies in the design or operation of the internal control structure which could adversely affect PERS ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. In addition, the auditor will report significant opportunities for improvements in internal control or increased efficiencies requiring action by PERS management or the Board.
 3. Control deficiencies that were not considered significant enough to be communicated as significant deficiencies or material weaknesses shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.
 4. Management Letter
 - a. In accordance with Government Auditing Standards, the Firm will also issue a management letter to communicate violations of provisions of contracts or abuses that have an effect on the financial statements that is less than material but more than inconsequential that comes to their attention. The management letter will detail audit findings and recommendations regarding financial statements, internal controls, accounting, information systems, legality of actions, instances of noncompliance with laws and regulations, and any other material matters the auditor believes to be of potential benefit to the entity or has been requested to communicate.
 - b. The management letter will be reviewed in draft form with the Internal Auditor, Deputy Administrator, Administrative Services, and other appropriate management in order to determine that the observations reflect an accurate understanding of PERS' policies and procedures.

5. The Firm will immediately prepare a written report to the PERS Executive Director of any material irregularities and/or illegal acts or indications of illegal acts of which they become aware.
6. The Firm shall review the following information fully with PERS management and also assure themselves that the Audit Committee is informed of each of the following:
 - a. The auditor's responsibility under generally accepted auditing standards
 - b. Significant accounting policies
 - c. Management judgments and accounting estimates
 - d. Significant audit adjustments
 - e. Disagreements with management
 - f. Any material irregularities and/or illegal acts
 - g. Major issues discussed with management prior to retention
 - h. Difficulties encountered in performing the audit
- H. Because the financial statements of PERS are included as a component unit of the financial statements of the State of Mississippi. The auditor will be required to provide special assistance to the State of Mississippi's auditors.
- I. PERS will send its Comprehensive Annual Financial Report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. The Firm will provide all reasonable assistance to PERS to meet the requirements of that program.
- J. The Firm shall provide a draft copy of the 2016 audit report to PERS and OSA by November 21, 2016. This date may be extended by agreement of the parties due to delays which are not the fault of the Firm, including changes that may be necessary upon review of the Actuary's report. Upon the acceptance of the draft by PERS and OSA, the Firm shall deliver the original report to the Pat Robertson, Executive Director, and three copies to PERS Director of Finance at 429 Mississippi Street, Jackson, Mississippi by November 30, 2016. Draft copies of the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards and the management letter will be provided no later than November 11, 2016.

IV. Responsibilities of PERS.

- A. PERS management is responsible for preparing the financial statements and the contents of the statements are the assertions of management. PERS management is also responsible for the establishment and monitoring of the system's internal controls that provide reasonable assurance that the system's assets are safeguarded, fraud risks are identified and mitigated, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced.
- B. PERS shall provide the Firm with the following:
1. access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 2. additional information that the Firm may request from management for purposes of the audit; and
 3. unrestricted access to persons within the entity from whom the Firm determines it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, the Firm will make specific inquiries of management of PERS about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from certain members of PERS's management about these matters. The responses to the Firm's inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter the Firm will rely upon in forming an opinion on the financial statements.
- C. PERS is responsible for adjusting the financial statements to correct material misstatements and for affirming to the Firm in the representation letter that the effects of any uncorrected misstatements aggregated by the Firm during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole.
- D. To facilitate audit planning, in accordance with Government Auditing Standards, management of PERS agrees to identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to June 30, 2016.
- E. To be responsible for the distribution of the reports issued by the Firm.

- V. Term of Agreement. This Contract between the parties shall become effective March 15, 2016, and shall expire on March 30, 2019, or one hundred twenty (120) days after the delivery of the report on compliance and on internal control over financial reporting based on an audit of the June 30, 2018 financial statements performed in accordance with *Government Auditing Standards* and the management letter, whichever is later, so that any questions raised during the audit may be resolved.
- VI. Compensation.
- A. TBD
- B. The State of Mississippi requires the Firm to submit invoices electronically throughout the term of the Contract. Vendor invoices shall be submitted to PERS using the processes and procedures identified by the State. Payments by PERS using the statewide accounting system shall be made and remittance information provided electronically as directed by the State. These payments shall be deposited into the bank account of the Firm's choice. The Firm understands and agrees that the State is exempt from the payment of taxes. All payments shall be in United States currency.
- C. Payments by state agencies using the State's automated accounting system shall be made and remittance information provided electronically as directed by the State. These payments shall be deposited into the bank account of the Firm's choice. The State may, at its sole discretion, require the Firm to submit invoices and supporting documentation electronically at any time during the term of this Contract. The Firm understands and agrees that the State is exempt from the payment of taxes. All payments shall be in United States currency.
- D. The Firm's invoices will outline the work performed and the number of hours worked. PERS will pay ninety percent (90%) of each invoice and will retain the remaining ten percent (10%) until final payment is made. The Firm agrees to accept all payments in United State currency via the State of Mississippi's payment and remittance vehicle. PERS agrees to make payment in accordance with Mississippi law and "Timely Payments for Purchases by Public Bodies," which generally provides for payment of undisputed amounts by the agency within forty-five (45) days of receipt of invoice. (Miss. Code Ann. Section 31-7-301 et seq., 1972, as amended). The final payment, including retained amounts, subject to paragraph E of this section, shall be made after completion and acceptance of the audit services. In no instance will a payment be made in excess of the contract amount.
- E. The Firm acknowledges that PERS and OSA are relying on the timely completion of this contract in its scheduling and budgeting and that time is of the essence. If the Firm fails to meet the completion date prescribed herein, the Chairman of the Audit Committee and/or OSA may, at their option, reduce the agreed compensation by an amount not to exceed ten percent (10%) of the total contract amount as liquidated damages for

the failure to complete the contract by the completion date provided the failure to meet the report delivery deadline is not the result of System delays.

- VII. Progress Reports. If requested by PERS, the Firm shall submit a monthly progress report which details the work completed the preceding month to the Chairman of the Audit Committee of the PERS Board of Trustees, PERS's Internal Audit Department and the OSA authorized representatives. The report shall be delivered within ten (10) days after the end of the preceding month.
- VIII. Confidentiality. The Firm shall treat all PERS data and information to which it has access by its performance under this Contract as confidential and shall not disclose such data or information to a third party except as provided for in this Contract without specific written consent of PERS. The Firm shall protect such personal and confidential information against unauthorized use, disclosure, modification or loss. This provision shall survive the termination or completion of this Contract and shall continue in full force and effect and shall be binding upon the Firm and its agents, employees, successors, assigns, subcontractors or any party or entity claiming an interest in this Contract on behalf of, or under the rights of the Firm following any termination or completion of the Contract. Any breach of this provision may result in termination of the Contract and demand for return of all personal information. The Firm agrees to indemnify and hold harmless PERS for any damages related to Firm's unauthorized use of personal information.
- IX. Ownership of Documents and Work Products.
- A. All data collected by the Firm and all documents, notes, programs, data bases (and all applications thereof), files, reports, studies and/or other material collected and prepared by the Firm in connection with this Contract shall be the property of PERS upon termination of this Contract. The Firm is prohibited from the use of the above described information and/or materials without the express written approval of PERS.
- B. All work papers and reports including but not limited to, any financial records, supporting documents, statistical records, and all other records pertinent to the services performed under this contract in accordance with the Firm's policies and procedures or professional regulatory requirements will be retained at the Firm's expense for a minimum of five years unless the firm is notified in writing by PERS of the need to extend the retention period. The Firm will be required to make the work papers available upon request of representatives of federal and state agencies, including the State Auditor's Office, and of PERS. In addition, the firm will respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers relating to matters of continuing accounting significance.
- X. Modification or Amendment. Modifications, changes or amendments to this Contract may be made only upon mutual agreement of the parties hereto. However, any change,

supplement, modification or amendment of any term, provision or condition of this Contract must be in writing and signed by both parties hereto.

- XI. Assignment. The Firm shall not assign or otherwise transfer the obligations incurred on its part pursuant to the terms of this Contract without the prior written consent of PERS and the OSA. Any attempted assignment or transfer of its obligation without such consent shall be wholly void.
- XII. Compliance with Laws. The Firm understands that the State of Mississippi is an equal opportunity employer and therefore maintains a policy which prohibits unlawful discrimination based on race, color, creed, sex, age, national origin, physical handicap, disability, genetic information, or any other consideration made unlawful by federal, state, or local laws. All such discrimination is unlawful and the Firm agrees during the term of the agreement that the Firm will strictly adhere to this policy in its employment practices and provision of services. The Firm shall comply with, and all activities under this contract shall be subject to, all applicable federal, State of Mississippi, and local laws and regulations, policies and procedures as now existing and as may be amended or modified. PERS will assist the Firm in identifying the policies and procedures promulgated by the State of Mississippi or any agency or political subdivision thereof that impact the services.
- XIII. Indemnification. To the fullest extent allowed by law, the Firm agrees to indemnify, defend, save and hold harmless PERS its Board of Trustees, officers, employees, agents, and representatives from and against all claims, demands, liabilities, suits, actions, damages, losses, and costs of every kind and nature, whatsoever including without limitation, court costs, investigative fees and expenses, and attorney's fees, arising out of or caused by the bad faith, fraud, negligence, or willful misconduct of the Firm, and/or its partners, principals, agents, employees and/or subcontractors in the performance of or failure to perform this Contract. In the State's sole discretion, Contractor may be allowed to control the defense of any such claim, suit, etc. In the event the Firm defends said claim, suit, etc., the Firm shall use legal counsel acceptable to the State. The Firm shall be solely responsible for all costs and/or expenses associated with such defense, and the State shall be entitled to participate in said defense. The Firm shall not settle any claim, suit, etc. without the State's concurrence, which the State shall not unreasonably withhold.
- XIV. Insurance. Without limiting the indemnification obligations provided herein, for the duration of this Contract the Firm shall provide and maintain, at its own expense, errors and omissions/professional liability insurance policies that shall protect PERS against losses from negligent acts, errors, or omission of the Firm, workers' compensation insurance which shall inure to the benefit of all the Firm's personnel provided hereunder, and, where applicable, employee fidelity bond insurance, and shall provide evidence of such to the Board.
- XV. Severability. If any term or provision of this Contract is prohibited by laws of the State of Mississippi or declared invalid or void by a court of competent jurisdiction, the remainder

of this Contract shall not be affected thereby and each term and provision of this Contract shall be valid and enforceable to the fullest extent permitted by law.

XVI. Failure to Enforce. Failure of any party hereto, at any time, to strictly enforce any provision of this Contract shall not be construed as a waiver of any such provision. Such failure to enforce shall not affect the validity of the Contract or any part thereof or the right of any party to enforce any provision at any time in accordance with its terms.

XVII. Entire Agreement. This Contract, together with all attachments and addenda hereto, constitutes the entire agreement of the parties with respect to the subject matter contained herein and supersedes and replaces any and all prior negotiations, understandings, and agreements, written or oral, between the parties relating thereto. This Contract shall be binding on the parties, their successors, and assigns. The RFP for Professional Auditing Services and the Firm's technical proposal for professional services are hereby incorporated into and made a part of this Agreement.

A. The Contract made by and between the parties hereto shall consist of, and precedence is hereby established by the order of the following:

1. This Contract signed by the parties hereto;
2. RFP for Professional Auditing Services, and
3. The Firm's technical proposal, as accepted by PERS and the OSA, in response to RFP for Professional Auditing Services.

B. The intent of the above-listed documents is to include all items necessary for the proper execution and completion of services by the Firm. The documents are complementary, and what is required by one shall be binding as if required by all. A higher order document shall supersede a lower order document to the extent necessary to resolve any conflict or inconsistency arising under the various provisions thereof; provided, however, in the event an issue is addressed in one of the above mentioned documents, but is not addressed in another of such documents, no conflict or inconsistency shall be deemed to occur by reason thereof. The documents listed above are shown in descending order of priority, that is, the highest document begins with the first listed document ("1. This Contract") and the lowest document is listed last ("3. The Firm's Technical Proposal").

XVIII. Dispute Resolution and Governing Law. Any dispute concerning a question of fact arising under this contract shall be disposed of by good faith negotiation between duly authorized representatives of PERS, the OSA and the Firm. Such a resolution shall be reduced to writing and a copy thereof mailed or furnished to the Firm and shall be final and conclusive. If a resolution cannot be reached, the Firm shall mail or furnish to PERS and the OSA a written request for review. The Firm shall be afforded an opportunity to be heard and to offer evidence in support of its position on the issue in dispute and under review. The review will be handled under a three (3) person panel for arbitration composed of the

Deputy State Auditor, the Director of Technical Assistance and the Director of the Financial and Compliance Audit Division. The decision of the arbitration panel of the OSA on the review shall be final and conclusive unless determined by a court of competent jurisdiction in Hinds County, State of Mississippi, to have been fraudulent, capricious, or so grossly erroneous as necessarily to imply bad faith, or not be supported by substantial evidence. Pending final decision of a dispute hereunder, the Firm shall proceed diligently with the performance of the duties and obligations of the contract. In the event that PERS or the OSA has a dispute or claim with Firm's services, the parties shall participate in non-binding mediation prior to commencing litigation in a Hinds County, Mississippi court of competent jurisdiction. This Contract shall be construed and governed in accordance with the laws of the State of Mississippi and venue for the resolution of any dispute shall be Jackson, Hinds County, Mississippi. The Firm expressly agrees that under no circumstances shall PERS or OSA be obligated to pay attorney fees or the cost of legal action to the Firm.

XIX. Availability of Funds. It is expressly understood and agreed that the obligation of System to proceed under this Contract is conditioned upon the appropriation of funds by the Mississippi State Legislature and the receipt of state and/or federal funds. If the funds anticipated for the continuing fulfillment of the Contract are, at any time, not forthcoming or insufficient, either through the failure of the federal government to provide funds or of the State of Mississippi to appropriate funds or the discontinuance or material alteration of the program under which funds were provided or if funds are not otherwise available to PERS, PERS shall have the right upon ten (10) working days written notice to the Firm to terminate this Contract without damage, penalty, cost or expenses to PERS of any kind whatsoever. The effective date of termination shall be as specified in the notice of termination.

XX. Rejection of Services. PERS with the written consent of the OSA's authorized representative is empowered to accept or reject the services furnished by the Firm in compliance with the material provisions of this contract and the attached Audit Services schedule. However, any rejection of services must be based solely on the Firm's failure to comply with the material terms of this contract, and cannot be based on the nature of the Firm's opinion on the financial status of PERS in its audit report. However, prior to termination of this contract by PERS, PERS must provide written justification to the OSA documenting the reasons for requesting the contract be terminated. PERS must obtain written approval from the OSA prior to terminating the contract.

XXI. Termination.

- A. Termination for Cause. Upon the failure of either party to perform any obligation or observe any covenant required hereunder, the non-defaulting party, with the written consent of the OSA, shall have the right to send a written notice to the defaulting party specifying such failure and demanding cure within ten (10) days of

receipt of such notice. If the defaulting party has not remedied such failure within the cure period, or has not made substantial progress toward remedying such failure within the cure period, then the non-defaulting party may terminate the contract immediately by sending a written notice of termination to the defaulting party. However, prior to termination of this contract by PERS, PERS must provide written justification to the OSA documenting the reasons for requesting the contract be terminated. PERS must obtain written approval from the OSA prior to terminating the contract. In the event of termination for cause by PERS and/or the OSA, in addition to other remedies provided herein or available at law or in equity, the Firm shall bear all costs associated with the issuance of a new contract for audit services, including, but not limited to, the cost of reissuing another request for proposals and any additional costs resulting from an acceleration of services necessary for the timely completion of such auditing services.

- B. Termination by System. PERS with the written consent of the OSA may terminate this contract, with or without cause, by providing a thirty (30) day written notice of termination to the Firm. However, prior to termination of this contract by PERS, PERS must provide written justification to the OSA documenting the reasons for requesting the contract be terminated. PERS must obtain written approval from the OSA prior to terminating the contract.

In the event of termination, the Firm will be entitled to payment for services in an amount which bears the same ratio to the total compensation as the services actually performed bear to the total services of the Firm covered by the contract, less payments previously made. Subject to Section IX, all reports and letters delivered by the Firm to PERS or the OSA under this contract shall become the property of PERS.

- C. Termination by Firm. The Firm may terminate this contract, with or without cause, by providing a thirty (60) day written notice of termination to PERS and the OSA.

- XXII. Compliance with Mississippi Employment Protection Act (MEPA). If applicable, the Firm represents and warrants that it will ensure its compliance with the Mississippi Employment Protection Act of 2008, and will register and participate in the status verification system for all newly hired employees. See, Mississippi Code Annotated §§71-11-1, *et seq.* (1972, as amended). The term “employee” as used herein means any person who is hired to perform work within the State of Mississippi. As used herein, “status verification system” means the Illegal Immigration Reform and Immigration Responsibility Act of 1996 that is operated by the United States Department of Homeland Security, also known as the E-Verify Program, or any other successor electronic verification system replacing the E-Verify Program. The Firm agrees to maintain records of such compliance. Upon request of the State and after approval of the Social Security Administration or Department of Homeland Security when required, the Firm agrees to provide a copy of each such verification. The Firm further represents and warrants that any person assigned

to perform services hereafter meets the employment eligibility requirements of all immigration laws. The breach of which may subject the Firm to the following:

- A. termination of this Contract and ineligibility for any state or public contract in Mississippi for up to three (3) years with notice of such cancellation/termination being made public;
- B. the loss of any license, permit, certification or other document granted to the Firm by an Agency, department or governmental entity for the right to do business in Mississippi for up to one (1) year; or,
- C. both (A) and (B).

In the event of such termination/cancellation, the Firm shall also be liable for any additional costs incurred by the State or PERS due to the cancellation of the Contract or loss of license or permit to do business in the State.

XXIII. Independent Contractor. The Firm shall, during the entire term of this contract, be construed to be an independent contractor. Nothing in this contract is intended to nor shall be construed to create an employer-employee relationship, or a joint venture relationship. The Firm represents that it is qualified to perform the duties to be performed under this contract and that it has, or will secure, if needed, at its own expense, applicable personnel who are qualified to perform the duties required under this contract. Such personnel shall not be deemed in any way, directly or indirectly, expressly or by implication, to be employees of PERS or the OSA. Any person assigned by the Firm to perform the services hereunder shall be the employee of the Firm, who shall have the sole right to hire and discharge its employees. The Firm shall pay when due, all salaries and wages of its employees and accepts exclusive responsibility for the payment of federal income tax, state income tax, social security, unemployment compensation and any other withholdings that may be required.

XXIV. No Waiver of Breach. No assent, expressed or implied, by the parties hereto to the breach of the conditions of this Contract shall be deemed or taken to be a waiver of any succeeding breach of the same or any other provision or condition and shall not be construed to be a modification of the terms of the Contract.

XXV. Transparency. This Contract, including any accompanying exhibits, attachments, and appendices, is subject to the "Mississippi Public Records Act of 1983," and its exceptions. See Miss. Code Ann. § 25-61-1 *et seq.*, (1972, as amended). In addition, this Contract is subject to the provisions of the Mississippi Accountability and Transparency Act of 2008. See, Miss. Code Ann. § 27-104-151, *et seq.* (1972, as amended). Unless exempted from disclosure due to a court-issued protective order, a copy of this executed Contract is required to be posted to the Department of Finance and Administration's independent Agency contract website for public access at <http://www.transparency.mississippi.gov>. Information identified by the Firm as trade secrets, or other proprietary information

including confidential vendor information or any other information which is required confidential by state or federal law or outside the applicable freedom of information statutes, will be redacted.

XXVI. Notice. Any notices required or authorized under this contract shall be delivered to the persons at the addresses designated in this paragraph. Each party may change the person and address designated by delivering written notice to the other party. Any notice shall be effective when actually delivered to the designated address.

For System:

Greg Gregory
Public Employees' Retirement System
429 Mississippi Street
Jackson, Mississippi 39201-1005
Telephone: (601) 359-2217
Facsimile: (601) 359-2285

For Firm:

For OSA:

Patrick Dendy
Director, Department of Audit
State Auditor's Office
501 North West Street, 801 Woolfolk Building
Jackson, MS 39201
Telephone: (601) 576-2673
Facsimile: (601) 576-2687

In witness whereof this contract has been executed.

SIGNED: _____

TITLE: Executive Director

AGENCY: Public Employees' Retirement System of Mississippi

DATE: _____

SIGNED: _____

TITLE: _____

FIRM: _____

DATE: _____

SIGNED: _____

TITLE: Director, Department of Audit

FIRM: State Auditor's Office

DATE: _____

AUDIT SERVICES SCHEDULE

Procedure:

The following procedures must be performed by the Firm after a contract has been awarded:

- If requested, hold an entrance conference with the Firm's auditor-in-charge, Audit Committee, Internal Audit Staff, Executive Director, and OSA's authorized representatives prior to commencement of any work in order to determine the scope of services, sample sizes and other related factors.
- Hold an entrance conference with all Deputy Administrators and key department heads (giving prior notice to the OSA's authorized representatives so that the OSA may have an opportunity to participate).
- Express an opinion on the fair presentation of PERS's financial statements in conformity with accounting principles generally accepted in the United States of America.
- Perform certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.
- Provide a copy of the Firm's most recent peer review report, as required by *Government Auditing Standards*.

The Firm shall perform the following procedures at the request of the OSA:

- Read and provide comments on the June 30, 2016 GAAP reporting packages and underlying records for completeness and accuracy for inclusion in the State of Mississippi's *Comprehensive Annual Financial Report*.
- Read and provide comments on adjusting entries to the trial balances prepared by the Department of Finance and Administration (DFA) based on PERS's GAAP packages in order to adjust the trial balances on DFA forms.
- Obtain the notes to the statewide financial statements related to PERS. The Firm should: a) read and provide comments on current year amounts and information and, b) read and provide comments on the notes for compliance with applicable GASB statements and notify the OSA's authorized representatives of noncompliance and errors.
- Perform audit work pertaining to GASB Statement 40 - Deposit and Risk Investment Disclosures, an amendment to GASB Statement 3. Upon request by OSA, the Firm will provide sufficient supporting documentation obtained during the Firm's audit of PERS to support the footnote disclosures related to GASB 40.

- Prepare management letters in accordance with instructions provided by the OSA.
- Conduct an exit conference upon giving prior notice to the OSA.
- Obtain a plan of corrective action from PERS in accordance with instructions provided by the OSA.
- Submit to the OSA a, completed “Request for Representations from Other Auditor.”
- Perform subsequent events testing between date of the auditor’s report and December 31, of each year, 2016, 2017, and 2018 and submit to OSA a memo detailing the results noted.

Following the completion of the audit of the fiscal year's financial statements, the Firm shall issue:

- A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.
- A report, *Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAGAS report), on the Firm’s consideration of internal control over financial reporting and tests of compliance made as part of its audit of the financial statements. Management of PERS is responsible for providing the Firm with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS report within 30 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report, the GAGAS report will indicate the status of management’s responses.

While the objective of the Firm’s audit of the financial statements is not to report on PERS’s internal control and the Firm is not obligated to search for material weaknesses or significant deficiencies as part of its audit of the financial statements, this report will include any material weaknesses and significant deficiencies to the extent they come to the auditor’s attention. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. This report will also include instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance;

noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives; or abuse that is material, either quantitatively or qualitatively. The report will describe its purpose and will state that it is not suitable for any other purpose.

- A Management Letter

In accordance with *Government Auditing Standards*, the Firm will also issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but warrant the attention of those charged with governance. The management letter will detail audit findings and recommendations regarding financial statements, internal controls, accounting, information systems, legality of actions, instances of noncompliance with laws and regulations, and any other matters the auditor believes to be of potential benefit to the entity or has been requested to communicate.

The management letter will be reviewed in draft form with the Internal Auditor and management in order to determine that the observations reflect an accurate understanding of PERS's policies and procedures.

- A report on fraud and illegal acts, if applicable

In accordance with *Government Auditing Standards*, the Firm is also required in certain circumstances to report fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the auditee.

Upon receipt of the final audit reports PERS's Audit Committee will:

- review the work,
- approve or reject the work,
- approve or reject final payment for services rendered.

Upon completion of the audit services, the audit conclusion memoranda and any other required reports should be submitted to the OSA's authorized representatives in accordance with the contractual provisions. All final documentation of services shall be submitted no later than the date specified.

System's Authorized Representatives:

Pat Robertson, Executive Director
Public Employees' Retirement System
429 Mississippi Street
Jackson, Mississippi 39201-1005
Phone: 359-2296

State Auditor's Authorized Representative:

The State Auditor has empowered the following to act as his duly authorized representative:

Patrick Dendy, CPA
State Auditor's Office
501 North West Street
801 Woolfolk Building
Jackson, MS 39201
Phone: 576-2672