



Dave Yost • Auditor of State

Request for Proposals
For the audit of:

Ohio Public Employees Retirement System
Franklin County
277 East Town Street
Columbus, OH 43215

January 1, 2012 through December 31, 2015
Contract # A16AA-EB914
Tier 1

August 27, 2012

Pre-proposal date: September 5, 2012

Public Office Contact: Greg Januszewski

Submit proposal to: civollmer@ohioauditor.gov

Proposal Bid Deadline Date: September 19, 2012

Prior Audit Information:

2010 contract hours were 777; actual hours were 814, for a total audit cost of \$120,000.

2011 contract hours were 790; actual hours were 821, for a total audit cost of \$120,000.

Rev. February 2012

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NOTICE – This Request for Proposals has undergone substantial changes and your proposal should also be modified. The scoring process has also substantially changed. Of the 100 points available, 95 will be awarded by the Auditor of State of Ohio (AOS) and up to 5 “Preference Points” will be awarded by the Ohio Public Employees Retirement System and added to the AOS scores. For the subjective sections of the proposal only one firm will be awarded the highest number of points. As such, your proposal should be re-structured as needed so the AOS reviewer can easily identify that your firm has a thorough understanding of the scope and that your assigned staff possess the expertise, experience and training that is directly applicable to this Public Office.

Take note that 70 of those 95 points will directly relate to the information submitted in your firm’s proposal, including 10 points associated with costs. Your firm will be required to provide detailed information about the individuals who will be assigned to this audit (their role in relation to the segments identified, the number of hours assigned, and their qualifications to carry out the work, the scope of the audit and cost), and other information which demonstrates how your firm will fulfill the requirements of the RFP. The remaining 25 AOS points relate to your firm’s past record of submitting high quality audit reports on time. This includes a new 5-point category which addresses capacity, looking at each firm’s current report backlog to guard against awarding new work to a firm that lacks capacity to deliver current reports on a timely basis. This score is a real time computation of each IPA firm’s current backlog based on the total percentage of reports submitted on or before the Estimated Completion Date (ECD). The total percentage of reports past due for each IPA is calculated using all audits with an ECD within the 12 months, plus any reports beyond the last 12 months which are currently past the ECD but not yet received by the Auditor of State.

I. INTRODUCTION

Background - The Auditor of State of Ohio relies on the assistance of and contracts with Independent Public Accountants (IPA) to satisfy his obligation to perform statutorily required audits of each Public Office. Accordingly, the principal client under these contracts is the Auditor of State on behalf of the citizens of the State of Ohio. The professional responsibility of the IPA accepting such an engagement is to the Auditor of State.

There is, however, some involvement and collaboration by the Ohio Public Employees Retirement System throughout the structured competitive bidding process designed to obtain the highest quality service at the lowest possible cost. The Auditor of State develops each Request for Proposals (RFP) with assistance from the Ohio Public Employees Retirement System. However, ultimate and final IPA selection will in all cases be made by the Auditor of State. All contract documents will be prepared by the Auditor of State to be executed by the IPA, Ohio Public Employees Retirement System, and the Auditor of State.

Organization of the IPA proposal is critical to receiving the highest possible score on the evaluation forms prepared by the Auditor of State. Evaluators are instructed to locate each of the various evaluation elements and to only award points where the element is clearly addressed.

Evaluators are also instructed to reward concisely presented and Ohio Public Employees Retirement System-specific information. Boiler plate and data dumps regarding qualifications and experience will be scored lower than information directly related to the Ohio Public Employees Retirement System type in question and the requirements of this particular RFP. As such, IPA firms are expected to familiarize

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themselves with the requirements of this Request for Proposals and the background of the Ohio Public Employees Retirement System.

A. MANDATORY ELEMENTS

The following elements must be included at the beginning of each submitted proposal and are pre-requisites to the proposal's further evaluation. **Failure to include these required elements will result in the disqualification of the proposal.**

1. *Required Affirmations*

To be considered, **each proposal must first include each and every one the elements below.** Where these are not addressed, proposals will be considered non-responsive to the RFP and will not be further evaluated.

CPA Licensure Laws

Each proposal must include an affirmative statement that the firm (and subcontractor, if applicable) are licensed by the Ohio Accountancy Board to do business in Ohio and will remain in compliance with Ohio CPA licensure laws and rules.

CPE requirements

Each proposal must include an affirmative statement that the firm and all assigned key professional staff (and subcontractor, if applicable) are and will remain in compliance with governmental qualification standards, including governmental continuing education requirements.

Peer Review

Each proposal must include an affirmative statement that the firm has undergone an external quality control peer review, conducted in accordance with generally accepted government auditing standards, within the last three years and received an unqualified report. Each proposal must also include a copy of your most recent peer review letter. For new firms that have not yet undergone a peer review, the proposal must include an affirmative statement that the firm is scheduled to undergo an external quality control peer review and the date scheduled.

Ohio Ethics Laws

Each proposal must include an affirmative statement that the firm and all assigned key professional staff (and subcontractor, if applicable) are and will remain in compliance with the requirements of Ohio's Ethics Law, as applicable and found at § 2921.42 and in Chapter 102 of the Ohio Revised Code.

Rules and Laws Regarding Conflicts of Interest

Each proposal must include an affirmative statement that the firm and all assigned key professional staff (and subcontractor, if applicable) are and will remain in compliance with laws

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and rules regarding conflicts of interest. No officer, member, or employee of the Ohio Public Employees Retirement System; no member of its governing body; and no other public official of the governing body of the Ohio Public Employees Retirement System shall participate in any decision relating to the agreement which affects his/her personal interest or have any personal or pecuniary interest, direct or indirect, in this contract, any subcontract or assignment thereof, or in the proceeds thereof.

Unresolved Findings for Recovery

Each proposal must include an affirmative statement that the firm (and subcontractor, if applicable) are not subject to any unresolved finding for recovery issued by the Auditor of State under Ohio Rev. Code § 9.24, or that it has taken appropriate remedial steps required under R.C. § 9.24, or that otherwise qualifies under that section. The IPA agrees that if this statement is deemed to be false, the contract shall be declared “void ab initio” between the parties, and the Ohio Public Employees Retirement System will not be obligated to pay for goods or services rendered under the contract. Any funds paid under the contract shall be remitted by the IPA to the Ohio Public Employees Retirement System or an action for recovery of such payments may result.

GAO Rules Relating to Auditor Independence

Nonaudit Services

Each proposal must list and describe any and all nonaudit services that have been provided to Ohio Public Employees Retirement System over the previous five (5) years from the date of their proposal or are expected to be provided during the contract term.

If such services have not been provided, then each proposal must include an affirmative statement that the firm and all assigned key professional staff (and subcontractor, if applicable) are independent of the Ohio Public Employees Retirement System as defined by U.S. Government Accountability Office’s *Government Auditing Standards*, have not provided nonaudit services affecting the audit periods that involved performing management functions or making management decisions for the Ohio Public Employees Retirement System, and if selected, will not provide nonaudit services to Ohio Public Employees Retirement System during the term of the contract that would require the firm to perform management functions or make management decisions for the Ohio Public Employees Retirement System, or would lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the IPA would be auditing its own work.

If such services have been provided, then each proposal must list and describe these services and include an affirmative statement that the firm and all assigned key professional staff (and subcontractor, if applicable) are independent of the Ohio Public Employees Retirement System as defined by U.S. Government Accountability Office’s *Government Auditing Standards*, the firm and all assigned key professional staff (and subcontractor, if applicable) are and will remain in compliance with GAO rules relating to auditor independence and that in providing such nonaudit services, the IPA firm neither performed management functions, made management decisions for the Ohio Public Employees Retirement System or would lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the IPA would be auditing its own work.

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Personal and External Impairments

Each proposal must include an affirmative statement that the firm and all assigned key professional staff (and subcontractor, if applicable) have no Personal or External Impairments to Independence due to relationships with Ohio Public Employees Retirement System, and must list and describe the firm's (and proposed subcontractor, if applicable) professional relationships that could affect its impartiality or the appearance of impartiality involving the Ohio Public Employees Retirement System or any of its [agencies/agencies or component units/agencies, component units or oversight unit] for the past five (5) years from the date of the proposal. Where appropriate the proposal should include a statement explaining why such relationships do not constitute an independence issue relative to performing the proposed audit.

In addition, the firm shall give the Ohio Public Employees Retirement System and the Auditor of State written notice of any professional relationships entered into during the period of this agreement, relative to parties connected to this proposed engagement that could affect its impartiality or the appearance of impartiality. Prior to entering into any new agreement to provide any nonaudit service to Ohio Public Employees Retirement System during the term of the contract, the IPA must notify the Auditor of State through completion of the IPA Nonaudit Service GAO Independence Notification / Evaluation (Exhibit E). By filing this form, the firm asserts that the non-audit service does not impair their independence.

Inappropriate Public Office Contact

Each proposal must include an affirmative statement that the firm and all assigned key professional staff (and subcontractor, if applicable) have not made and will not make any contact with personnel of the Ohio Public Employees Retirement System other than [contact], [title], regarding this request for proposal, as allowed by Section I. C. of this RFP.

Irrevocable Offer

Each proposal must include an affirmative statement that their proposal submitted is a firm and irrevocable offer for 90 days.

2. *Other Required Elements*

To be considered acceptable, **each proposal shall also include the following elements immediately following the written affirmations.** Where these items are not properly addressed or not included in the proper order, proposals will be considered non-responsive to the RFP and will not be further evaluated.

Timely RFP

To be considered, all proposals must be received in the proper format by the deadline established in this RFP.

Public Office, Contract Period, and Scope

Each proposal must properly identify the public office name, contract period, and the overall scope and objective of the services to be provided for this public office. Elements of the scope

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may include audit of the financial statements, single audit, agreed-upon procedures, separate component units audited as part of this contract, etc.

Required Reports

Each proposal must properly identify each report required to be issued related to their services provided to the Ohio Public Employees Retirement System for each year of the contract.

Engagement Timetable

Each proposal must include an engagement timetable which meets the requirements stated in the RFP and allows for completion of all required reports by the stated deadlines. The Office of the Auditor of State must receive written notification should the timetable submitted require modification. Changes in the timetable may be made only with the written consent of the Auditor of State, as outlined in Section IV. E. of this RFP.

Communication

Each proposal shall include information regarding the IPA's intended process of communication with the Ohio Public Employees Retirement System throughout the engagement. The firm shall also identify the timing of all required meetings and other formal communications.

Proposal Length

Technical proposals submitted in response to the RFP should be limited to no more than 40 PDF pages.

Firm Contact

The proposal should clearly state the partner or other party of the firm responsible for the services to the public office. The name, title, address, phone number, and e-mail address of this responsible party should be included in the proposal.

B. **Legal Authority**

Ohio Rev. Code § 117.11(C)(1) requires the Auditor of State (Auditor) to identify any Public Office which he will be unable to audit once every two years as required by division (A) of Ohio Rev. Code § 117.11, and to provide immediate written notice to the clerk of the legislative authority or governing board of the Public Office so identified. Ohio Rev. Code § 117.11(C)(2) further provides that when the fiscal officer of a Public Office notifies the Auditor of State that an audit is required prior to the next regularly scheduled audit by the Auditor of State, the Auditor of State shall either cause an earlier audit to be made or to engage audit services from an Independent Public Accountant (IPA).

Ohio Rev. Code § 117.43 provides that no state agency shall contract with an IPA for audit services without the approval of the Auditor, except with funds derived from nonpublic sources.

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The purpose of this Request for Proposal (RFP) is to obtain proposals for the audit of Ohio Public Employees Retirement System, a Public Office under the laws of the state of Ohio, in accordance with Ohio Rev. Code § 117.11(C), 117.43, and Ohio Admin. Code Chapter 117-3, in satisfaction of the requirements of Ohio Rev. Code Chapter 117 and of any other requirements which the Auditor of State determines will be necessary.

Procedures for engagement services shall be performed in accordance with Ohio Rev. Code § 117.12. The Auditor of State shall approve the scope of the engagement as required by Ohio Rev. Code § 117.11(C)(3). Additional scope requirements are detailed in this RFP.

For any audit period in which it is determined that the Ohio Public Employees Retirement System is required to, or otherwise chooses to have an audit conducted, rules have been promulgated by the Auditor of State to ensure that such audits are performed in accordance with generally accepted government auditing standards (GAGAS) and generally accepted auditing standards (GAAS).

C. General Information

The Ohio Public Employees Retirement System and Auditor of State are requesting proposals from IPA firms registered in accordance with Ohio Admin. Code 117-3-06 to perform audits of the Ohio Public Employees Retirement System's financial statements for the fiscal periods January 1, 2012 through December 31, 2015. Procedures are to be performed in accordance with Appendix A of this RFP.

Each IPA to whom the RFP has been submitted, who wishes to be considered for selection to perform the engagements, shall submit to the Auditor of State complete, concise, and comprehensible proposals in the form and manner specified in this RFP.

All IPA firms submitting proposals are required to separately state the terms and conditions under which they propose to perform engagements for **each** fiscal period.

Award of a contract to an IPA and execution or approval of such a contract on behalf of the Auditor of State may be made only by the Auditor of State's Office.

Any engagement work performed by an IPA prior to award and execution of a contract by the Auditor of State is unauthorized. Neither the Auditor of State nor the Ohio Public Employees Retirement System is responsible for any fees or costs attributable to such work.

There is no expressed or implied obligation for the Auditor of State or Ohio Public Employees Retirement System to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

A pre-proposal conference call for all the firms interested in submitting a proposal will occur at 10:00 on September 5, 2012 to answer questions about the engagement. While questions will be accepted at the call, it is recommended that written questions be sent to the Ohio Public Employees Retirement System in advance of the call to permit preparation of written responses.

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Contacts for the Auditor and Ohio Public Employees Retirement System follow. Inquiries concerning the request for proposals and the subject of the request for proposals must be made to individuals listed below. **EXCEPT AS AUTHORIZED BY AOS, CONTACT WITH OTHER PERSONNEL OF THE OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM REGARDING THIS REQUEST FOR PROPOSALS MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.**

Auditor:

Chuck Vollmer
Senior Audit Manager
Auditor of State
88 E. Broad St., 10th Floor
Columbus, OH 43215
(614) 728-8550
(866) 539-0009 (FAX)
civollmer@ohioauditor.gov

Public Office:

Greg Januszewski
Director – Internal Audit
Ohio Public Employees Retirement System
277 East Town Street
Columbus, OH 43215
(614) 222-0080
(614) 228-3833 (FAX)
gjanuszews@opers.org

To be considered, each proposal **MUST BE E-MAILED** as electronically signed (pdf) versions of the technical and cost proposals to the Auditor of State Contact as attachments to a single e-mail, which must be received by the Auditor of State Contact at the preceding email address on or before **1:00 p.m., September 19, 2012. ZIP files cannot be accepted.** If proposals are being submitted simultaneously in response to multiple RFPs, a separate e-mail must be submitted for each proposal.

No allowance will be made or deadline extended for IPA-related transmission delays or other technical difficulties associated with proposals that are submitted electronically but are not received by the Auditor of State Contact prior to the deadline. A confirmation of receipt will be returned from the Auditor of State Contact. **It is the responsibility of the IPA to ensure their bid is properly received by the stated deadline.**

The e-mail subject line should be titled “Technical and Cost Proposals for Ohio Public Employees Retirement System.” Separate technical and cost proposals should be named as follows: “OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM_IPA NAME_TECHNICAL PROPOSAL” and “OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM_IPA NAME_COST PROPOSAL.” Any proposal received after the specified time or improperly named will not be eligible for consideration and will be returned.

Upon submission of proposals and until the award and full execution of a Memorandum of Agreement, there should be **NO FURTHER COMMUNICATION BETWEEN THE IPA AND PUBLIC OFFICE** relating to any aspect of this Request for Proposals, except that, during the evaluation process, the Auditor of State reserves the right, where it may serve the best interest of the Ohio Public Employees Retirement System, to request additional information or clarifications from proposing firms or to allow corrections of errors or omissions. At the request of the Auditor of State or the Ohio Public Employees Retirement System with approval of the Auditor of State, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

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All proposals submitted in response to this RFP become public records. By submitting a proposal in response to this RFP, the proposing IPA expressly waives any confidentiality protection that would otherwise be applicable to the contents of their proposal. The Ohio Public Employees Retirement System and Auditor of State reserve the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submitting 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.

D. Terms of Engagement

1. Contract Term

The term contemplated by this Request for Proposals is a four-period contract for engagements of the periods January 1, 2012 through December 31, 2015, with an option to extend for ONE additional period, exercisable at the discretion of the Auditor of State and upon the satisfactory negotiation of terms prior to contract commencement including a price acceptable to both the Ohio Public Employees Retirement System and the selected firm.

2. Integrated Agreement

The contract, as defined herein, represents the entire and integrated agreement between the Ohio Public Employees Retirement System, the Auditor of State, and the IPA, and supersedes all prior negotiations, representations, or agreements, whether written or oral. This Request for Proposals, the selected proposal submitted, and Memorandum of Agreement executed by the parties constitute the contract agreement. The contract may be amended only by written agreement of the Auditor of State, the IPA, and the Ohio Public Employees Retirement System as addressed in the "Contract Modifications" section of this RFP.

Further, the terms of this contract are non-negotiable. Any attempt to add, subtract, or modify the terms as set forth in this Request for Proposals shall result in automatic **disqualification** from the bidding process.

3. Confidentiality

Matters relating to the engagement shall not be discussed with anyone other than officials of the Ohio Public Employees Retirement System, the Auditor of State, or the IPA without the express written consent of the Auditor of State. No opinions, reports, summaries, letters, or other documents prepared with respect to the engagement shall be released prior to release of the report by the IPA without the approval of the Auditor of State, except as required by state or federal law.

4. Indemnification

The IPA shall indemnify and hold harmless the Auditor of State and its officers, agents, and employees from and against all claims or suits asserted or prosecuted by third parties to the extent arising directly out of error, omission, or negligent act of the IPA or its subcontractor; and at its own expense, pay all attorney's fees, damages, court costs, and other expenses arising out of such litigation; and at its own expense, shall satisfy and cause to be discharged

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judgments as may be obtained against the Auditor of State or any of its officers, agents, or employees pursuant to such litigation.

The IPA shall be given written notice of the assertion of such claims or suits promptly after such matters are brought to the attention of the Auditor of State, and subject to the assent of the Attorney General, the Auditor of State shall be permitted to participate in the defense and settlement of any such suits or claims that impact the interest of the state. Nothing contained herein, however, is intended to confer on any third party any rights or benefits hereunder; nor is the foregoing indemnification obligation intended to alter or extend the IPA firm's liability for failure to comply with the terms of the contract or for professional negligence or misconduct.

5. Applicable Laws / Independent Contractor / Employment Taxes

The contract shall be construed, interpreted, and the rights of the parties determined, in accordance with the laws of the State of Ohio. If any provision of this contract or the application of any provision is held by an Ohio court of competent jurisdiction to be contrary to law, the remaining provisions of the contract shall remain in full force and effect. The parties irrevocably agree to submit to the jurisdiction of Ohio courts.

The IPA further shall obey or satisfy all lawful rules, regulations and requirements issued or promulgated under said respective laws by any duly authorized state or federal officials.

The IPA shall be and remain an independent contractor with respect to all services performed hereunder and shall accept full exclusive liability for the payments of, including but not limited to, any and all contributions or taxes for Social Security, unemployment benefits, pensions, and annuities now or hereafter imposed under any state or federal laws which are measured by the wages, salaries, insurance of every type and description, any business or personal taxes, or other remuneration paid to persons employed by the IPA for work performed under the terms of this agreement. The IPA shall indemnify and save harmless the Ohio Public Employees Retirement System and the Auditor of State from any contributions, taxes, or liability referred to in this article.

6. Workers' Compensation

The IPA shall be required at all times during the term of this agreement to subscribe to and comply with the Workers' Compensation laws of the State of Ohio and pay such premiums as may be required thereunder and to save harmless the Auditor of State and Ohio Public Employees Retirement System from any and all liability from or under said Workers' Compensation act. It shall also furnish, upon request, a copy of the official certificate or receipt showing the payments made as required by law.

7. Workpapers, Work Product, and Records Retention

The IPA will maintain all engagement documentation in segregated files. The IPA must agree to provide the Auditor of State unconditional access to examine and review engagement documentation created or obtained by IPA involving its performance under the contract. The IPA also will maintain and provide access to timesheets and expense reports that support the IPA's invoices under the contract. All such engagement documentation, timesheets, and

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expense reports shall be retained by the IPA for a period of five (5) years from the date of completion of the contract.

8. Cancellation, Termination, or Breach

At his own initiative or upon request of the Ohio Public Employees Retirement System, all rights and duties of the parties with respect to the engagement for any year may be terminated by the Auditor of State on or before the first day of the month two months prior to the scheduled start of field work for the period to be terminated.

In the event of termination by mutual agreement, the IPA shall be compensated for all productive hours worked, in the Auditor of State's sole judgment, at the specified contractual rate.

If the IPA fails to fulfill in a timely and proper manner obligations under the contract, the Auditor of State shall have the right to terminate the contract upon written notice to the IPA specifying the effective date of termination, except through acts of God, floods, fires, storms, strikes, lockouts, riot, insurrection, acts of the public enemy, war, or other like restrictions beyond the control of the parties rendering performance under the contract impossible.

The IPA shall not be relieved of liability to the Auditor of State or to the Ohio Public Employees Retirement System for damages sustained by virtue of any breach of the contract by the IPA. The Auditor of State may withhold or require withholding any payment to the IPA for the purpose of set-off until such time as the exact amount of damages due the Auditor of State and the Ohio Public Employees Retirement System is agreed upon or is otherwise determined.

The Auditor of State may reject the bid of any IPA firm when such firm, or any of its partners, principals, or members have been convicted of any felony, or crime of moral turpitude; are subject to an unresolved finding for recovery; have violated Ohio Ethics Law; have been reprimanded by the Ohio Ethics Commission; or have been sanctioned for any act discreditable, or for failure to comply with other professional ethics standards and rules promulgated by the Accountancy Board of Ohio within the last ten years. Listing of potential reasons for rejection of bids is neither all-inclusive nor exhaustive. The Auditor of State expressly does not waive the right to reject bids for any other appropriate and sustainable basis.

The Auditor of State may immediately terminate this contract for convenience on an immediate basis with written notice.

In the event of termination for whatever reason, all property, finished or unfinished documents, data, studies and reports prepared by the IPA shall be made available to the Auditor of State unconditionally. Nothing contained herein shall prevent the IPA from preparing and maintaining a complete set of documents relating to the engagement. The IPA shall maintain a copy of all documents and work papers relating to the engagement, at the IPA firm's expense, for a minimum of five (5) years from the date of cancellation or termination of the contract, unless the firm is notified in writing by the Auditor of State of the need to extend the retention period.

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In addition, the IPA shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance as appropriate in accordance with Statement on Auditing Standards #84 and #93. Any costs associated with this requirement will be the responsibility of the IPA.

9. Smoke and Drug-Free Workplace

IPA agrees to comply with all applicable state, local, and federal laws regarding smoke-free and drug-free workplace, and shall make a good faith effort to ensure that any IPA employees or permitted subcontractors, while working on public property, will not purchase, transfer, use, or possess illegal drugs or alcohol or abuse prescription drugs in any manner.

10. Nondiscrimination

The IPA shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, age, handicap, or national origin. The IPA will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, religion, sex, age, handicap, or national origin. Such action shall include, but not be limited to employment upgrading, promotion, demotion, termination, rates of pay, or other forms of compensation, and selection for training. The IPA agrees to post in conspicuous places, available to employees and applicants for employment, notices summarizing the provisions of this equal opportunity clause. The IPA shall, in all solicitations or advertisements for employees placed by, or on behalf of the IPA, state that it is an equal opportunity employer. The IPA shall also comply with Presidential Executive Order 11246, "Equal Employment Opportunity," as amended by Presidential Executive Order 11375, and as supplemented by 41 CFR Part 60.

11. Subcontracting / Assignment / Liability

No assignment of the contract, or any portion thereof, shall be made without prior written approval of the Auditor of State.

The IPA shall be and remain solely responsible to the Ohio Public Employees Retirement System and the Auditor of State for the acts the IPA performs or faults of any subcontractor and of any subcontractor's officers, agents, or employees, each of whom shall, for this purpose, be deemed to be an agent or employee of the IPA to the extent of the subcontract. Each subcontractor shall jointly and severally agree that neither the Ohio Public Employees Retirement System nor the Auditor of State is obligated to pay or to be liable for the payment of any sums due any subcontractor.

The IPA shall indicate in its proposal, and if selected, in the appropriate section of the Memorandum of Agreement, the percentage of contract to be subcontracted in contemplation of contract performance. Following the award of the contract, no additional subcontracting will be allowed without the express prior written consent of the Auditor of State.

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E. Minority Participation

The Auditor of State has adopted a minority business enterprise participation policy. This policy requires that a qualified minority business enterprise (MBE) or Encouraging Diversity, Growth & Equity (EDGE) IPA firms, registered and approved by the Auditor of State and certified as such by the Ohio Department of Administrative Services, receives a RFP for jobs requiring 800 hours or fewer to complete on an annual basis. If the engagement is anticipated to require more than 800 hours to complete on an annual basis, at least fifteen percent of the contract dollar amount shall be set aside for a qualified MBE/EDGE firm. Where applicable, the winning firm will subcontract separately with the MBE/EDGE, as follows:

1. MBE/EDGE Participation

When MBE/EDGE participation is required, the IPA shall subcontract a portion of the engagement work to be performed for each fiscal period to be audited under the contract to a qualified IPA firm approved by the Auditor of State that is also a minority business enterprise (MBE) or Encouraging Diversity, Growth & Equity (EDGE) firm, registered as such with the Ohio Department of Administrative Services. Fees paid to the subcontractor by the IPA for each year shall not be less than 15 percent of the IPA firm's total fee for each year under the contract. Such subcontract shall, at a minimum, include:

- a. the name and business address of the minority business enterprise and registration number of the subcontractor;
- b. the number of hours of engagement work to be performed by the subcontractor and the average hourly rate to be paid for each fiscal period under the subcontract;
- c. the scope of nature of the engagement work to be performed by the subcontractor for each fiscal period under the subcontract;
- d. a provision incorporating into the subcontract Items II (E), II (G), I (C) (4) and I (D) of this "Request for Proposals" compliance therewith by subcontractors.

2. Notice of Agreement to Auditor of State

The IPA shall list details of the subcontract with a qualified IPA who is a minority business enterprise in the space provided in the Memorandum of Agreement.

In the event that the subcontractor is, for any reason, unable to perform, the IPA shall immediately complete and submit a contract Modification-Extension form, setting forth the reason for the inability of the subcontractor to perform and submitting for the Auditor of State's approval, a subcontractor who is a qualified minority business enterprise to serve as a replacement. The Auditor of State's approval shall not be unreasonably withheld or delayed.

II. NATURE OF SERVICES REQUIRED

A. General

The Auditor of State and Ohio Public Employees Retirement System are soliciting the services of IPA firms registered in accordance with Ohio Admin. Code § 117-3-06, to perform audits of the Ohio Public Employees Retirement System's financial statements as of and for the fiscal periods January 1, 2012 through December 31, 2015.

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B. Legal Review

The IPA shall obtain a review, by an attorney licensed to practice law in the State of Ohio, of all suspected illegal acts and non-compliance findings discovered by the IPA during the engagement which are incorporated in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* that have a direct and material effect on the determination of financial statement amounts. In this review, the attorney must determine whether there is sufficient evidence to support a written determination that the suspected illegal act or non-compliance occurred. This legal review shall be documented in the IPA firm's working papers.

The legal review may be performed by the IPA firm's in-house attorney(s) or by subcontract with an attorney not employed by the IPA. If the IPA wishes, the legal review may be performed by the Auditor of State's Legal Division at the cost of \$.40 per annual contract hour multiplied by the number of annual contract hours 1 through 250; plus \$.20 per annual contract hour multiplied by the number of annual contract hours for hours 251 through 500; plus \$.10 per annual contract hour multiplied by the number of annual contract hours in excess of 500. Such cost is to be borne by and billed to the IPA. If the IPA wishes to use the Auditor of State's Legal Division for the legal review, the IPA must notify the Auditor of State **in writing** of its intent to do so. The written notification must be sent to:

William J. Owen, Esq.
Chief Legal Counsel
Auditor of State
88 East Broad Street, 9th Floor
Columbus, Ohio 43215

It is the responsibility of each IPA firm to allow sufficient time to **write to** and make arrangements with the Auditor of State's Legal Division for the legal review. The Auditor of State's Legal Division will **not** perform any legal reviews prior to a written agreement for the review being made between the IPA and the Auditor of State.

If the Auditor of State's Legal Division is used for the legal review, the IPA acknowledges and agrees that: (1) the attorney employed by the Auditor of State is merely performing a statutorily-required review of the alleged illegal acts and/or non-compliance findings discovered by the IPA during the engagement and is not providing legal advice or counsel to the IPA; and (2) the attorney represents the Auditor of State and not the IPA and that no attorney-client relationship is created between the attorney and the IPA.

In addition to the report(s) to management which applicable audit standards may require, the IPA shall be required to immediately report all illegal acts or indication of illegal acts of which it becomes aware to Cynthia Klatt, Chief Auditor, State Region at (614) 466-3402.

C. Review of Reports and Working Papers - Access to / Retention Thereof

Upon completion of the engagement, the IPA will issue the reports thereon and provide an electronic portable document format (pdf) file to the Auditor of State at the following address:

ipareport@ohioauditor.gov

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In addition, the IPA shall prepare and submit to the above e-mail account the electronic audit report distribution spreadsheet in accordance with AOS Bulletin 2009-013. Please note, the report is not considered “submitted” until all required information is received by the Auditor of State at the e-mail address above.

The Auditor of State’s Center for Audit Excellence will perform desk reviews of all released reports. At the conclusion of the reviews, notification of the results of such reviews will be sent to the IPA and the Auditor of State’s Regional Office for appropriate authorization regarding release of IPA remaining fees. The Auditor of State reserves the right to delay the release of fees and require corrective action if the engagement is not performed in accordance with the required professional standards and OMB Circular A-133, when applicable.

In addition to such desk report review, some engagements will be judgmentally selected to undergo working paper reviews. The IPA will receive notice of such reviews.

Should the reviews of reports or working papers indicate performance under this agreement is not in accordance with applicable professional standards or OMB Circular A-133, the Auditor of State, in his sole judgment, may require performance of additional work, including possible report revisions, by the IPA in accordance with the fee provisions incorporated within the contract as originally endorsed by the parties thereto.

Costs associated with the Auditor of State contract administration and quality review processes will be borne by the Ohio Public Employees Retirement System.

All engagement documentation and reports will be made available to the Auditor of State’s office **unconditionally**, and must be retained, at the IPA firm’s expense, for a minimum of five (5) years from the date of approval of the final reports, unless the firm is notified in writing by the Auditor of State or Ohio Public Employees Retirement System of the need to extend the retention period.

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 as appropriate in accordance with Statement on Auditing Standards #84 and #93.

D. Scope of Work to be Performed

The scope of work and other requirements related to the engagement shall be governed by Appendix A of this RFP.

If the IPA becomes aware that the Ohio Public Employees Retirement System is subject to requirements that may not be encompassed in the terms of the contract, it shall communicate this situation immediately to the Auditor of State, that in accordance with the established contract, certain relevant legal, regulatory, or contractual requirements may not be met.

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III. DESCRIPTION OF THE PUBLIC OFFICE

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

The IPA firm's principal contact with the Ohio Public Employees Retirement System will be Greg Januszewski, Director – Internal Audit, or a designated representative, who will coordinate the assistance to be provided by the Ohio Public Employees Retirement System to the IPA.

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

B. Background Information

The Ohio Public Employees Retirement System's fiscal period begins on January 1 and ends on December 31.

The Ohio Public Employees Retirement System provides the following services to its citizens:

The Ohio Public Employees Retirement System was established and exists solely for the purpose of providing retirement, disability and survivor benefits to Ohio's public employees. As of year-end 2011, the Ohio Public Employees Retirement System served approximately 985,000 members, including 190,000 retirees and beneficiaries. The Ohio Public Employees Retirement System is the largest public pension system in Ohio and the 12th largest public pension system in the nation.

The Ohio Public Employees Retirement System has an approximate annual total payroll of \$42.5 million covering 636 employees.

The Ohio Public Employees Retirement System is organized into 10 divisions. The accounting and financial reporting functions of the Ohio Public Employees Retirement System are centralized.

More detailed information on the Ohio Public Employees Retirement System and its finances can be found in:

- 2011 Comprehensive Annual Financial Report
- Ohio Revised Code, Chapter 145
- Ohio Administrative Code, Chapter 145
- Website – www.opers.org

C. Accounting Basis

The Ohio Public Employees Retirement System follows generally accepted accounting principles.

D. Budgetary Basis of Accounting

The Ohio Public Employees Retirement System prepares its budgets on a GAAP basis.

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E. Federal and State Financial Assistance

The Ohio Public Employees Retirement System did not expend more than \$500,000 in federal assistance during fiscal period 2011.

F. Pension Plans

The Ohio Public Employees Retirement System participates in the following pension plans:

<u>Plan</u>	<u>Multiple-Employer</u>		<u>Single-Employer</u>	
	<u>Cost-Sharing</u>	<u>Agent</u>	<u>Defined Benefit</u>	<u>Defined Contribution</u>
Public Employees Retirement System	X			

G. Component Units

The Ohio Public Employees Retirement System 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 Ohio Public Employees Retirement System's financial statements.

H. Joint Ventures

The Ohio Public Employees Retirement System does not participate in joint ventures with other governments.

I. Magnitude of Finance Operations

The finance department is headed by Karen Carraher – Executive Director and Interim Director - Finance and consists of 119 employees. The contact name and title for key finance employees are as follows:

Name / Function

- Charles Coleman - Assistant Director, Financial Reporting
- Walt Knox - Assistant Director, Investment Accounting
- Marni Hall - Manager, Financial Accounting
- Cathy Blalock – Manager, Financial Analysis
- Kathy Shepherd – Manager, Financial Services
- Patty Brammer – Manager, Employer Reporting
- Shonda Bourquin – Manager, Employer Reporting
- LuAn Caffee – Supervisor, Investment Accounting
- John Williams – Supervisor, Investment Accounting Operations

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J. Service Organizations (SOC 1)

A service organization is an entity (or segment of an entity) that provides services to a user organization that are part of the user organization's information system. SOC 1 reports (previously called SAS 70 reports) are generally accepted as a method of communicating information and assurance about the controls that are of interest to the user organizations and their auditors as they relate to audits of the financial statements.

The Ohio Public Employees Retirement System does not use organizations to process certain transactions that are part of the Ohio Public Employees Retirement System's information system:

K. Computer Systems

The Ohio Public Employees Retirement System processes its financial transactions utilizing the following computer systems:

- Microsoft Dynamics Great Plains software – general ledger, accounts payable, fixed assets
- Kronos – payroll
- DataBasics – travel expenses

Other summary level transactions are received from various mainframe or other stand-alone systems such as:

- Savings (member contributions and employer receivables)
- Pension
- Cash
- Health Care
- Refunds
- Eagle (investments)

OPERS processes a large volume of transactions on several subsidiary systems. Some of the transaction volumes include:

- Approximately 3,700 payroll reports with corresponding contributions from employers are received monthly
- Over 190,000 pension benefits are paid monthly
- Approximately 2,500 refunds are paid monthly
- 600 employees are paid bi-weekly

The Ohio Public Employees Retirement System uses its network servers to communicate information to all of its employees.

L. Internal Audit Function

The Ohio Public Employees Retirement System has maintained an internal audit function on an ongoing basis. The internal audit function reports directly to the OPERS Board and administratively to the Executive Director and is staffed by seven employees who are responsible

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for reviewing all enterprise areas, including financial, operation, IT, and investments. Staff composition presently includes one CPA and one CIA designation.

M. Availability of Prior Reports

Interested firms who wish to review prior years' audit reports should visit

<http://www.ohioauditor.gov/AuditSearch/default.aspx>

or contact Greg Januszewski, Director – Internal Audit at 277 E. Town St., Columbus, Ohio 43215, Phone: 614-222-0080, Fax: 614-228-3833, or E mail: gjanuszews@opers.org. The Ohio Public Employees Retirement System will use its best efforts to make prior reports available to aid their responses to this request for proposals.

IV. TIME REQUIREMENTS

A. Proposal Calendar

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

Request for proposals issued	August 27, 2012
Pre-proposal conference	September 5, 2012
Due date for proposals	September 19, 2012
Date Engagement May Commence	12/03/2012

B. Engagement Schedule

Schedule for the CY 2012 Fiscal Period Engagement

Each of the following shall be completed by the IPA no later than the dates indicated here and on Exhibit B. Multi-contract dates are assumed to occur within seven (7) days of initial schedule.

- Detailed Audit Plan/Schedule Request - The IPA shall provide both a detailed audit plan and a list of all schedules to be prepared by the Entity **12/03/2012**
- Interim fieldwork - to be completed by **12/31/2012**
- Public Office finalizes accounting records **03/18/2013**
- Fieldwork - to be completed by **04/19/2013**
- Draft Reports - Drafts of the reports and recommendations to management available for review by the Audit Committee and the chief financial officer by **4/19/2013**

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C. Entrance Conferences, Progress Reporting, and Exit Conferences

At a minimum, the following conferences should be held by the dates indicated on the schedule:

	<u>WEEK OF</u>
Entrance conference with Greg Januszewski, Director – Internal Audit, Audit Committee, key finance department personnel and department heads of key offices or programs and members of the Legislative Management	12/2/2012
<ul style="list-style-type: none">To discuss prior engagement problems, the interim work to be performed, establish overall liaison for the engagement and to make arrangements for work space and other needs of the IPA	
Progress conference with Greg Januszewski, Director – Internal Audit, and department heads of key offices or programs.	03/18/2013
OPERS prefers a weekly meeting.	
<ul style="list-style-type: none">To summarize the results of the preliminary review and identify the key internal controls or other matters to be tested	
Exit conference, with Greg Januszewski, Director – Internal Audit, department heads of key offices or programs, members of the Legislative Management, and Audit Committee	04/29/2013
<ul style="list-style-type: none">To summarize the results of the field work and review significant findings	

In addition, the IPA shall provide written reports to the Auditor of State on the progress of the engagement on the interim invoices submitted.

D. Date Final Report is Due

The Chief Fiscal Officer shall prepare draft financial statements, notes, and all required supplementary schedules and statistical data and provide to IPA in electronic format by **04/15/2013**

The IPA shall provide all recommendations, revisions, and suggestions for improvement to the Chief Fiscal Officer by **04/19/2013**

A revised report, including draft auditor’s report, shall be delivered to the Chief Fiscal Officer by **04/22/2013**

The Chief Fiscal Officer and the management will complete their reviews of the draft report as expeditiously as possible. This review process should not exceed one week. During that period, the IPA should be available for any meetings that may be necessary to discuss the reports.

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Once all issues for discussion are resolved and the post audit conference held/waived by the Ohio Public Employees Retirement System, the final signed report shall be delivered to Greg Januszewski, Director – Internal Audit, and the Auditor of State in an electronic portable document format (pdf) within ten (10) working days. The management letter should be a separate pdf file. For single audits, an electronic copy of the Data Collection Form should be submitted as a separate portable document format (pdf) file. Names can be typed into the signature line for the Auditor of State's copy.

The IPA may release the report at this point, provided the report is accompanied by a Transmittal Letter indicating the following language:

“This report is subject to review and acceptance by the Auditor of State’s office, and the requirements of Ohio Revised Code § 117.25 are not met until the Auditor of State certifies this report. This process will be completed by the Auditor of State in a reasonable timeframe and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards or OMB Circular A-133.”

It is anticipated that this process will be completed and the final report delivered by **4/26/2013**. The final report package should be e-mailed to ipareport@ohioauditor.gov **no later than four months after fiscal year end of period under audit**.

E. Time of the Essence

Time is of the essence with respect to all matters set forth in the contract or in any engagement schedule prepared pursuant to the contract. The engagement timetable must meet the requirements stated in this RFP and allow for completion of all required reports by the stated deadlines. The Office of the Auditor of State must receive written notification should the timetable submitted require modification for any year of the contract period. Notifications should be sent via e-mail or other written notice to the Cynthia Klatt, Chief Auditor, State Region, at clklatt@ohioauditor.gov. Changes in the timetable may be made only with the written consent of the Auditor of State.

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

A. Finance Department and Clerical Assistance

The Ohio Public Employees Retirement System finance department staff and responsible management personnel will be available during the engagement to assist the firm by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the Ohio Public Employees Retirement System.

B. Internal Audit Staff Assistance

The internal audit staff of Ohio Public Employees Retirement System will not be available to assist the IPA in performing tests.

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C. Electronic Data Processing (EDP) Assistance

EDP personnel will be available to assist the IPA in performing the engagement:

EDP personnel will be available to provide systems documentation and explanations. The IPA will be provided computer time and the use of the Ohio Public Employees Retirement System's computer hardware and software.

The IPA will be provided two computers with applications loaded with read only access to computer software.

D. Statements and Schedules to be Prepared by the Staff of the Ohio Public Employees Retirement System

The staff of Ohio Public Employees Retirement System will prepare the following statements and schedules for the IPA by the dates indicated:

<u>Statement or Schedule</u>	<u>Date</u>
Combining Statement of Changes in Fiduciary Net Assets	04/15/2013
Combining Statement of Fiduciary Net Assets	04/15/2013
Supporting Schedules	04/15/2013

E. Work Area, Telephones, Internet Access, Photocopying, and Fax Machines

The Ohio Public Employees Retirement System will provide the IPA with reasonable work space, desks, and chairs. The IPA will also be provided access to a telephone line as well as internet access wherever possible, photocopying facilities, and FAX machine, as available, for business purposes only.

F. Report Preparation

The preparation, editing and printing of the financial statements, footnote, and any supplementary information shall be the responsibility of the Ohio Public Employees Retirement System.

VI. PROPOSAL REQUIREMENTS

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT. SUCH INCLUSION OF COST QUOTATIONS WITHIN THE TECHNICAL PROPOSAL WILL RESULT IN **DISQUALIFICATION** FROM THE BIDDING PROCESS.

The proposal should be prepared in a way that provides a concise description of the proposing firm's capabilities to satisfy the requirements of the request for proposals. While additional information may be presented, the subjects listed below under "Technical Proposal" must be included. They represent the criteria against which the proposal will be evaluated.

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A. Technical Proposal

SELECTION CRITERIA

Upon satisfaction of the mandatory requirements, each proposal will be evaluated on a 100 point scale. The following represent the principal selection criteria which will be considered during the evaluation process.

QA Report Timeliness Score: Maximum Points = 10

A positive number or zero score from the appropriate Quality Assurance (QA) report. To promote participation by new IPA firms, 6 points (60%) will be awarded to firms that have no record with AOS.

QA Report Quality Score: Maximum Points = 5

A positive number or zero score from the appropriate Quality Assurance (QA) report. To promote participation by new IPA firms, 3 points (60%) will be awarded to firms that have no record with AOS.

QA Report Workpaper Quality: Maximum Points = 5

A positive number or zero score from the appropriate Quality Assurance (QA) report. To promote participation by new IPA firms and in fairness to firms that have not received a review, firms with no Workpaper Quality score will receive all 5 points.

QA Current Backlog Score: Maximum Points = 5

A positive number or zero score from the appropriate Quality Assurance (QA) report. To promote participation by new IPA firms those firms who have no record with AOS will receive all 5 points. This score is a real time computation of each IPA firm's current backlog based on the total percentage of reports submitted on or before the Estimated Completion Date (ECD). The total percentage of reports past due for each IPA is calculated using all audits with an ECD within the 12 months, plus any reports beyond the last 12 months which are currently past the ECD but not yet received by the Auditor of State.

Understanding of Scope: Maximum Points = 28

Considerations:

Key testing areas appropriate for Ohio Public Employees Retirement System
Appropriate hours assigned to key testing areas
Appropriate staff assigned to key testing areas
Appropriate testing approach for key areas. Consider:
<ul style="list-style-type: none"> • Internal control testing where appropriate/required. • Sampling where appropriate. • Analytics where appropriate.

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<ul style="list-style-type: none"> • Testing of IT/automated controls where appropriate
<ul style="list-style-type: none"> • A-133 testing (major program controls & compliance, SEFA, etc)
<ul style="list-style-type: none"> • firms innovation regarding way to better serve this Public Office
Ohio Public Employees Retirement System specific requirements addressed:
<ul style="list-style-type: none"> • Assign sufficient staff to the engagement who are experienced in auditing public retirement systems and to ensure the audit will be completed by April 30th.
<ul style="list-style-type: none"> • Demonstrate knowledge, audit experience and understanding of accounting and reporting requirements for complex investments, including the following: <ul style="list-style-type: none"> • Fixed Income Securities • Domestic Equities • International Equities • Real Estate, Including Valuation Methodology • Private Equity, Including Valuation Methodology • Derivatives • Hedge Funds • Securities Lending
<ul style="list-style-type: none"> • Be able to demonstrate proficiency with tools used to evaluate prices, accruals, etc. for investments.
<ul style="list-style-type: none"> • Be able to demonstrate knowledge and experience with GASB Statement No. 40, Deposit and Investment Risk Disclosures.
<ul style="list-style-type: none"> • Be able to demonstrate a history of completing audits in the Government Sector (Public Pension) by providing a listing of: <ul style="list-style-type: none"> • Public pension clients of comparable size and complexity. • Other governmental sector clients.
<ul style="list-style-type: none"> • Be able to demonstrate knowledge of GASB Accounting Requirements for Pensions and Post-Employment Health Care by describing and/or providing examples of the firm’s understanding and role regarding: <ul style="list-style-type: none"> • Implementation of GASB Statements 67 and 68 • Other recent GASB activities related to new pronouncements and preliminary views documents.
<ul style="list-style-type: none"> • Be able to describe the firm’s understanding of Federal Subsidies for Post-Employment Health Care and the related audit requirements.
<ul style="list-style-type: none"> • Be able to demonstrate knowledge and ability to audit complex IT systems (including internally developed systems).
<ul style="list-style-type: none"> • Be able to demonstrate and describe the firm’s understanding and experience regarding actuarial methods and assumptions.

Relevant Recent Experience, Expertise and Training: Maximum Points = 15

Although experience for the overall firm is important; the qualifications of the specific assigned individuals will be the primary focus for rating this category. Therefore, firms should provide **detailed information** (e.g. name, title, hours, dates, topics) regarding the relevant recent experience, education and training/continuing education **of assigned staff**

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relevant to the performance of this audit. Information regarding the anticipated number of hours each individual will contribute to the engagement should also be provided.

Qualified MBE/EDGE Firm – 2

Two points will be added if the proposing firm is a qualified IPA firm approved by the Auditor of State that is also a minority business enterprise (MBE) or Encouraging Diversity, Growth & Equity (EDGE) firm, registered as such with the Ohio Department of Administrative Services.

Cost: Maximum points = 10 (see cost proposal calculation below)

(Optional) Client Preference Points: Maximum Points = 5

The Ohio Public Employees Retirement System may award the maximum of 5 points to **one firm**. The Ohio Public Employees Retirement System has the option to also award 4, 3, 2, 1 or zero points to the remaining firms' scores without limitation (OK to give two 4s, three 3s, all zero and so on).

Compliance with Bidding Requirements and Objectives – 15

Points will be assigned by the Auditor of State based on the firm's overall responsiveness to and compliance with the RFP's bidding requirements and objectives to best serve the Ohio Public Employees Retirement System.

B. Separate Cost Proposal

After the technical score for each firm has been established, the separate cost proposal for the audit engagement will be opened by the Auditor of State, who will calculate and add cost proposal points to the IPA Proposal Evaluation Form score based on the bid price. The maximum score for cost will be assigned to the firm offering the lowest total all-inclusive fixed fee. Appropriate fractional scores will be assigned to other proposals as follows:

SAMPLE CALCULATION:

- Lowest Cost of All Bids = \$5000, receives 10 POINTS

- Next lowest bid = \$6000: $\$5000 / \$6000 = .833$
.833 X 10 points = 8.33 POINTS

- Next lowest bid = \$7000: $\$5000 / \$7000 = .714$
.714 X 10 points = 7.14 POINTS

1. Total All-Inclusive Fixed Fee

The cost proposal should contain all pricing information relative to performing the engagement as described in this request for proposals. The total all-inclusive fixed fee to be bid is to contain all direct and indirect costs, including all out-of-pocket expenses.

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Information regarding issues other than those identified in this section related to the Separate Cost Proposal should not be included in the cost proposal document.

The first page of the cost proposal 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 the Ohio Public Employees Retirement System.
- c. Total All-inclusive Fixed Fee for the 2012 audit engagement and each proposed subsequent period, with a combined total for all years of the contract.

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

The second page of the cost proposal should include a schedule of professional fees and expenses, presented in the format provided in Exhibit A.

3. Out-of-Pocket Expenses Included in Total All-Inclusive Fixed Fee and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging, and subsistence) will be reimbursed at the rates used by the Ohio Public Employees Retirement System for its employees. All estimated out-of-pocket expenses to be reimbursed should be included in the cost proposal in the format provided in Exhibit A. All expense reimbursements will be charged against the total all-inclusive fixed fee submitted by the firm.

In addition, a statement must be included in the cost proposal stating the firm will accept reimbursement for travel, lodging, and subsistence at the prevailing Ohio Public Employees Retirement System rates for its employees.

4. Contract Modifications

Modifications should only be requested for issues which were not known at the time of the original proposal, including but not limited to, changes in accounting or professional standards, changes in reporting entity, significant changes in funding, etc. IPA firms must complete the Modification/Extension Agreement Form and obtain Ohio Public Employees Retirement System approval. The Auditor of State will review, and if determined appropriate, approve the signed Modification Agreement which will set forth the terms of the contract between the Auditor of State, the Ohio Public Employees Retirement System, and the firm. **Such agreement must be executed by the Auditor of State prior to the performance of any additional work. No remuneration will be granted in relation to work performed prior to execution of such agreement.** Any additions or reductions to the work agreed to between the Ohio Public Employees Retirement System and the firm shall be at an hourly rate that will not exceed the average hourly rate for the corresponding fiscal period set forth in the schedule of fees and expenses included in the sealed dollar cost bid. The Modification/Extension Agreement Form is available at:

<http://www.ohioauditor.gov/resources/ipa/Modification%20Agreement.pdf>

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FRANKLIN COUNTY
REQUEST FOR PROPOSALS**

5. Manner of Payment

Progress payments will be made on the basis of **actual hours of work completed during the billing period** and out-of-pocket expenses incurred in accordance with the firm's cost proposal. Interim billings shall cover a period of not less than a calendar month. Billings for time spent reviewing a specific fiscal period must be submitted to the Auditor of State **timely**, no later than 90 days after the release of the report by the Auditor of State's Clerk of the Bureau.

For each interim billing (see example on Exhibit C), the Auditor of State requires that electronic invoices with the original or digital signatures shall be submitted for Auditor of State approval as follows:

IPA firms must submit invoices as **PDF attachments** to the appropriate AOS Region e-mail address as follows:

StateIPAInvoice@ohioauditor.gov

Invoices directed to the wrong region will be returned to the IPA firm without approval. Invoices received by other methods will be returned to the IPA firm without approval.

The **SUBJECT LINE** should contain the following:

**Ohio Public Employees Retirement System
Franklin County
IPA Firm Name
Engagement Period End**

Example – *“Adams Township, Monroe County, Acme C.P.A. & Associates, 12/31/2008”*
Invoices without detailed subject lines will be returned to the IPA firm without approval.

The **FILE NAME** should contain the following:

**Ohio Public Employees Retirement System
IPA Firm Name**

Example – *“Adams Township Acme CPA.pdf”*

Invoices with inadequate file names will be returned to the IPA firm without approval.

AOS regions will review, digitally sign, save, and return each invoice to the IPA Firm.

IPA firms will forward these approved invoices to the Ohio Public Employees Retirement System (client) via the Ohio Public Employees Retirement System preference – e-mail or hard copy mail.

The Auditor of State will periodically verify with Public Offices that invoices have received appropriate approval by AOS, are forwarded timely after approval, and are not altered in any way.

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
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Each interim invoice must designate the IPA firm's name, the Public Office and fiscal period, total actual hours being billed this invoice, cumulative hours billed per invoices to-date, hourly rate per contract, total billing this invoice, cumulative billings to-date, and maximum contract amount. The interim billings shall also include a brief narrative disclosing progress of the engagement and steps to be taken to meet the established estimated completion date (ECD).. Submission of invoices does not amend the terms of the contract or constitute approval of revised estimated completion dates. The IPA should work closely with the Auditor of State's office and the Ohio Public Employees Retirement System to resolve issues of conflict as they arise prior to performance of additional procedures perceived to be beyond the scope of a prudent proposal submitted in response to this Request for Proposals.

All invoices should be addressed to the Chief Fiscal Officer of the Ohio Public Employees Retirement System.

For the final billing, invoices will be processed as above; however, they must provide a summary of hours by billing category (as listed in Exhibit D) which support the engagement billings.

All invoices must certify that all amounts set forth therein are properly due and payable for work performed by the IPA or by the specified qualified minority subcontractors. The final invoice shall, in addition, certify the amount paid to specified qualified minority subcontractors.

Applications for billings, as applicable, should be forwarded to the Auditor of State Liaison as provided in Item (I) (B) of this RFP. Upon approval by the Auditor of State, which shall not be unreasonably delayed, the approved invoices shall be forwarded to the Ohio Public Employees Retirement System for payment.

Subject to approval of the billing, the amount paid to the IPA for each billing shall be the total amount billed. However, under no circumstances shall the total amount paid prior to final acceptance of the engagement work for the fiscal period in question exceed eighty (80) percent of the total fee for the fiscal period under audit, as specified in the contract. Upon approval of the final reports by the Auditor of State, the IPA may submit an invoice for the remainder due for the fiscal period under audit. No payment shall be construed as acceptance of the engagement work or of any reports by the Auditor of State.

The Auditor of State may inspect the records and working papers of the IPA and of any subcontractor to determine the validity of billings before the invoices are approved. Adequate records shall be maintained by the IPA to support all billings.

VII. EVALUATION PROCEDURES

A. Review of Proposals

As described above, the Auditor of State will score each technical proposal using a point formula during the review process.

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
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After the technical score for each firm has been established, the cost proposal will be opened by the Auditor of State and additional points will be added to the technical score based on the bid price. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive fixed fee. Appropriate fractional scores will be assigned to other proposals.

The Ohio Public Employees Retirement System will be provided all technical and cost proposals received, along with the Auditor of State scores, excluding the score for compliance with bidding requirements and objectives. The Ohio Public Employees Retirement System may use any methodology they determine appropriate to evaluate the proposals received and will have the option to award "Client Preference Points". The maximum of 5 points may be award to only one firm; 4, 3, 2, 1 or zero points may be awarded to the remaining firms' scores without limitation (OK to give two 2s, three 1s, all zero and so on).

B. Oral Presentations

During the evaluation process, the Ohio Public Employees Retirement System and/or the Auditor of State may, at their discretion, request any one or all firms to make oral presentations. Such presentations must be coordinated through the Auditor of State liaison and will provide firms with an opportunity to answer any questions the Ohio Public Employees Retirement System or Auditor of State may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

C. Final Selection

The Auditor of State will grade the technical proposal and cost proposal and arrive at an initial composite score for all evaluations performed. Client "Preference Points" will be included, and both scores will be combined with the Compliance with Bidding Requirements and Objectives Score by the Auditor of State to arrive at the final overall score.

Ultimately, IPA selection will be determined by the Auditor of State. The Auditor of State selection is final and all contracts will be prepared by the Auditor of State to be executed by the IPA, Ohio Public Employees Retirement System, and the Auditor of State.

The IPA to whom the contract is awarded will be notified of its selection by e-mail at the e-mail address specified in the proposal. The formal "Memorandum of Agreement" will be prepared by the Auditor of State and delivered with the Notice of Award. Failure to complete the "Memorandum of Agreement" within 30 days of its receipt shall, at the election of the Auditor of State, be considered rejection of the award, at which point the Auditor of State's office may award the contract to the next most qualified bidder, as determined in the evaluation process, or adopt any of the alternatives specified in Item VII (D).

In the event that the Ohio Public Employees Retirement System declines to award "Client Preference Points" within a reasonable period of time from receipt, the Auditor of State may award the bid on the basis specified above based on the Auditor of State's sole evaluation.

The Memorandum of Agreement will only be valid after being executed by the IPA, the Ohio Public Employees Retirement System, and the Auditor of State. Public offices must ensure that only those authorized to enter into contracts on behalf of the Public Offices sign the

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FRANKLIN COUNTY
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“Memorandum of Agreement” (e.g., the legislative authority or an appropriate designee). Failure to do so could result in an invalid “Memorandum of Agreement.”

D. Right to Reject Proposals or Single Proposal Received

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals. The Auditor of State reserves the right without prejudice to reject any or all proposals. In the event that all proposals are determined by the Auditor of State to be unacceptable, he may repeat the competitive bidding procedures as set forth in Ohio Admin. Code Chapter 117-3, including, insofar as he considers necessary, the inclusion of additional IPA firms.

If only one proposal is received, it will be separately evaluated by the Auditor of State to determine whether it is responsive to the RFP, is reasonable in cost, and is in the best interest of the Ohio Public Employees Retirement System and the Auditor of State. The determination of the Auditor of State is final.

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
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REQUEST FOR PROPOSALS**

APPENDIX A

REQUIREMENTS FOR AN AUDIT PERFORMED UNDER THE AGREEMENT

A. Scope of Work to be Performed

The Auditor of State and Ohio Public Employees Retirement System desire the IPA to express an opinion on the fair presentation of its financial statements in conformity with the accounting basis the Ohio Public Employees Retirement System uses. The IPA will follow applicable standards and any applicable AOS guidance in forming this opinion.

The IPA should follow the reporting guidance from AU 558 regarding required supplementary information.

If the IPA becomes aware that the Ohio Public Employees Retirement System is subject to audit requirements that may not be encompassed in the terms of the contract, he or she shall communicate this situation immediately to the Auditor of State, that in accordance with the established contract, certain relevant legal, regulatory or contractual requirements may not be met.

B. Applicable Auditing Standards

To meet the requirements of this request for proposals, the audit shall be performed in accordance with the American Institute of Certified Public Accountants' auditing standards generally accepted in the United States of America and the most recent applicable U.S. Government Accountability Office's *Government Auditing Standards*.

C. Ohio Compliance Supplement

The IPA shall test compliance utilizing the most current version of the *Ohio Compliance Supplement* (OCS), to determine the audit steps to be performed. The IPA must cover all applicable areas listed in the *Ohio Compliance Supplement* over each period. These sections shall be documented in a logical manner in order to facilitate a review to verify that all applicable areas have been completed. OCS is available online at:

http://www.auditor.state.oh.us/services/lgs/publications/LocalGovernmentManualsHandbooks/ohio_compliance_supplement.htm

D. Reports to be Issued

Following the completion of the audit of the financial statements of the fiscal period, the IPA shall issue:

1. A report on the fair presentation of the financial statements in conformity with the applicable accounting basis, including required and other supplementary information.
2. A combined report on compliance and internal control required by *Government Auditing Standards*.
3. A management letter, separate from other electronically submitted reports.

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
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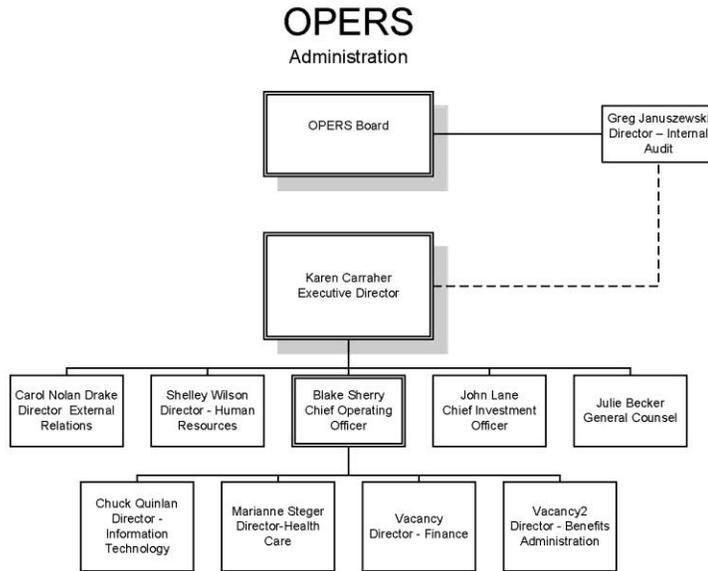
E. Special Considerations

1. The Ohio Public Employees Retirement System's Comprehensive Annual Financial Report (CAFR) must be submitted with the appropriate audit reports as defined in this RFP.
2. The Ohio Public Employees Retirement System 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. It is anticipated that the IPA will not be required to provide special assistance to the Ohio Public Employees Retirement System to meet the requirements of that program.
3. A list of audit findings from the Ohio Public Employees Retirement System's most recent financial statement audit, as well as a list of findings from internal or other audits, agreed-upon procedures, attestation engagements, or reports from regulators conducted during the most recent fiscal period to be audited, will be available for inspection at the office of the Ohio Public Employees Retirement System as appropriate.

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APPENDIX B

ORGANIZATIONAL CHART



**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FRANKLIN COUNTY
REQUEST FOR PROPOSALS**

APPENDIX C

LIST OF KEY PERSONNEL, OFFICE LOCATIONS AND TELEPHONE NUMBERS

Name	Title	Location of Office	Telephone
Greg Januszewski	Director of Internal Audit	10 th Floor	222-0080
Karen Carraher	Executive Director	12 th Floor	222-0011
Blake Sherry	Chief Operating Officer	12 th Floor	222-0546
Julie Becker	General Counsel	12 th Floor	222-0040
John Lane	Chief Invest Officer	11 th Floor	228-0182
Chuck Quinlan	Director – IT	12 th Floor	222-2150
Marianne Steger	Director – Health Care	12 th Floor	222-0752

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
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EXHIBIT A

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
TO SUPPORT THE TOTAL ALL-INCLUSIVE FIXED FEE
FOR THE AUDIT OF THE FINANCIAL
STATEMENTS OF THE OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

	Hours	Hourly Rates	Total <u>Fixed-Fee</u>
Partners	_____	\$ _____	\$ _____
Managers	_____	\$ _____	\$ _____
Supervisory staff	_____	\$ _____	\$ _____
Staff	_____	\$ _____	\$ _____
Other (specify):	_____	\$ _____	\$ _____
Out-of-pocket expenses			\$ _____
Total for period ending 2012	_____	\$ _____	\$ _____

	<u>Hours</u>	Average <u>Hourly Rate</u>	Out-of-Pocket <u>Expenses</u>	Total <u>Fixed-Fee</u>
Fiscal period ending 2013	_____	\$ _____	\$ _____	\$ _____
Fiscal period ending 2014	_____	\$ _____	\$ _____	\$ _____
Fiscal period ending 2015	_____	\$ _____	\$ _____	\$ _____
Total for fiscal periods 2012 – 2015	_____	\$ _____	\$ _____	\$ _____

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
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EXHIBIT B

**PROPOSED ENGAGEMENT TIMETABLE
FOR THE AUDIT OF THE
FINANCIAL STATEMENTS OF THE OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR THE CONTRACT PERIOD OF _____ TO _____**

Provide your best and realistic estimates. Some variances will be possible upon finalization during entrance conference.

Public Office: Ohio Public Employees Retirement System Engagement Period: _____

Note: List full name of the Public Office and exact periods to be examined as encompassed within the Request for Proposals issued by the Ohio Public Employees Retirement System. Multi-year contracts will follow similar dates, to be assumed to fall within seven (7) days of the schedule submitted hereunder.

	Date
1. IPA and representatives of Public Office hold interim entrance conference	
2. IPA completes interim fieldwork	
3. IPA and representatives of Public Office hold progress conference	
4. IPA provides detailed audit plan and list of schedules to be prepared by Public Office	
5. IPA and representatives of Public Office hold fieldwork entrance conference	
6. Public Office finalizes accounting records	
7. IPA begins fieldwork at Public Office	
8. Public Office completes draft of financial statements (To extent needed by IPA)	
9. IPA completes fieldwork	
10. IPA provides drafts of reports and recommendations to management	
11. Public Office submits in writing final responses to IPA draft documents	
12. IPA, and representatives of Public Office hold exit conference	
13. IPA delivers final report to Auditor of State, Quality Assurance, Columbus, Ohio. This date shall be no later than six (6) months past the Public Office's fiscal period end of the period under audit.	

The Office of the Auditor of State must receive written notification should the timetable submitted require modification. Changes in the timetable may be made only with the written consent of the Auditor of State, as outlined in RFP Section IV. E.

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FRANKLIN COUNTY
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EXHIBIT C

SAMPLE INTERIM INVOICE

Mr. Robert A. Washington
Finance Director
City of Anylocal
536 Surplus Street
Anylocal, Ohio 01234

This represents our 3rd invoice for auditing services rendered in connection with the examination of the City of Anylocal for the year ended December 31, 2012.

- | | |
|---|-------------------|
| 1. Firm FEIN | <u>00-0000000</u> |
| 2. State Firm Registration Number | <u>#####</u> |
| 3. Engagement Services for the Month (s) of | <u>May, 2013</u> |

	<u>Current</u>	<u>To Date</u>	<u>Fixed Fee Contract Amount</u>	<u>% Complete</u>
4. Hours Billed	<u>120</u>	<u>400</u>	<u>600</u>	<u>67%</u>
5. Fees Billed	<u>\$4,800</u>	<u>\$16,000</u>	<u>\$24,000</u>	<u>67%</u>

The amount paid to _____, a qualified minority subcontractor engaged under the terms of this contract, included in this billing amounts to \$ _____ related to _____ hours.

Progress of Audit:

(Provide a brief narrative disclosing progress on the audit and steps to be taken to meet the established estimated completion date (ECD)).

IPA hereby certifies that all amounts set forth in this invoice are properly due and payable for work performed by either IPA or a minority subcontractor.

Submitted by:

John Doe, Partner

Date

Auditor of State Approval:

Chief Auditor

Date

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FRANKLIN COUNTY
REQUEST FOR PROPOSALS**

EXHIBIT D

SAMPLE FINAL INVOICE

Mr. Robert A. Washington
Finance Director, City of Anylocal
536 Surplus Street
Anylocal, Ohio 01234

This represents our final invoice for auditing services rendered in connection with the examination of the City of Anylocal for the period ended December 31, 2012.

1.	Firm FEIN	00-0000000	
2.	State Firm Registration Number	#####	
3.	Current Services for the Month(s) of	May 2013	
		<u>Hours*</u>	
4.	<u>Billing Category</u>	<u>Current</u>	<u>To Date</u>
	Senior	#	##
	Manager	#	##
	Partner	#	##
	Information Systems Testing	#	##
	Permanent File	#	##
	General/Administrative	#	##
	Reports and Schedules	#	##
	Assets	#	##
	Liabilities/Net Assets/Fund Balance	#	##
	Cash Receipts	#	##
	Disbursements	#	##
	Record/Evaluate/Test Controls	#	##
	Legal Compliance	#	##
	Federal Single Audit	#	##
	Total Hours	<u>343</u>	<u>2,375</u>
5.	Fees billed this invoice	\$13,720	
6.	Cumulative fees billed	\$95,000	
7.	Fixed Fee contract amount	\$95,000	

* - Include 0 in any category/column where no hours were used.

The amount paid to _____, a qualified minority subcontractor engaged under the terms of this contract, including this final billing, amounted to \$_____ related to _____ hours.

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FRANKLIN COUNTY
REQUEST FOR PROPOSALS**

IPA hereby certifies that all amounts set forth in this invoice are properly due and payable for work performed by either IPA or a minority subcontractor and represents the final billing for this engagement.

Submitted by:

John Doe, Partner

Date

Auditor of State Approval:

Chief Auditor

Date

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
FRANKLIN COUNTY
REQUEST FOR PROPOSALS**

EXHIBIT E
**IPA NONAUDIT SERVICES
GAO INDEPENDENCE
NOTIFICATION / EVALUATION**

INSTRUCTIONS – Each Independent Public Accounting Firm (IPA) must provide prior notification to the Auditor of State when the IPA performs the engagement on behalf of the Auditor of State and also intends to provide any Nonaudit Service as defined by the most recent applicable *Government Auditing Standards* relating to Auditor Independence. This form shall be completed where the Nonaudit Service would occur during or affect audit periods beginning on or after January 1, 2003. Forward ONE FORM PER NONAUDIT SERVICE to: IPACorrespondence@ohioauditor.gov

GENERAL INFORMATION

Public Office: _____	IPA: _____
Contact: _____	Contact: _____
Phone: _____	Phone: _____
County _____	Date _____

STATUS OF NONAUDIT SERVICE

Proposed: _____	In Process: _____
Completed: _____	Completion Date: _____

No Nonaudit Service has been provided or is planned for the Ohio Public Employees Retirement System:

Provide a brief description of the Nonaudit Service (detailed information may be attached).
