



# **REQUEST FOR PROPOSALS**

## **FOR**

# **FINANCIAL STATEMENT AUDITING SERVICES**

## **March 2018**

San Bernardino County Employees' Retirement Association  
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## **REQUEST FOR PROPOSALS FOR FINANCIAL STATEMENT AUDITING SERVICES**

### **KEY DATES**

Request for Proposals (RFP) issued:	3/23/2018
Written questions from proposers due:	4/27/2018
Responses to written questions provided by:	5/7/2018
Due date for submission of proposals:	5/18/2018
Evaluation of proposals completed by:	6/8/2018
Interview of finalists (if needed):	To Be Determined
Notification of decision mailed on or after:	6/8/2018
Final approval and contract execution by:	8/2/2018

### **WRITTEN QUESTIONS**

Questions regarding this RFP should be directed to SBCERA via e-mail only at:

[Communications@SBCERA.org](mailto:Communications@SBCERA.org)

All questions must identify the RFP section and page number to which the question refers. Questions and responses thereto will be posted on the SBCERA website at [www.SBCERA.org](http://www.SBCERA.org). Written questions will be accepted until 5:00 p.m. Pacific Daylight Time (PDT) on Friday, April 27, 2018. Written responses will be posted on SBCERA's website by 5:00 p.m. PDT on Monday, May 7, 2018.

### **OBTAINING COPIES OF RFP**

This RFP can be found on SBCERA's website at [www.SBCERA.org](http://www.SBCERA.org). If the prospective proposer is unable to download this document from the website, an electronic copy of the RFP can also be obtained through email. Send the request via email to SBCERA, Attention: Fiscal Services – Request for copy of Financial Statement Auditing Services RFP at [Communications@SBCERA.org](mailto:Communications@SBCERA.org). All responses to this RFP must be submitted in accordance with the instructions contained in the RFP.

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## **INTRODUCTION**

The San Bernardino County Employees' Retirement Association (SBCERA) issues this Request for Proposals (RFP) to solicit proposals from qualified Certified Public Accountant (CPA) firms for financial statement auditing services. The intent of this service is to provide an independent opinion of SBCERA's annual financial statements and related reports. The successful bidder will perform the following auditing services:

- An annual attest audit of SBCERA's financial statements in accordance with Generally Accepted Auditing Standards (GAAS) as accepted in the United States of America (U.S.), prepare all applicable reports, present the reports and any findings in person to the SBCERA Audit Committee and/or SBCERA Board of Retirement (Board);
- Perform a review and provide an opinion on SBCERA's Comprehensive Annual Financial Report (CAFR);
- Perform an audit of schedules and related notes pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68 (GASB 68) including preparation of all applicable reports;
- Provide other accounting, audit, tax, or consulting services related to these services, as requested.

SBCERA anticipates awarding a five-year agreement with an option, at SBCERA's discretion, for a three-year extension, for these services commencing with the audit of the basic financial statements for the year ending June 30, 2019.

SBCERA's CAFR policy requires an annual opinion by an independent auditor of SBCERA's financial statements.

**Note: The contract for this service will be completed immediately upon the final selection of the winning proposer in conformity with the terms hereof. The contract will incorporate, without substantial deviation, the terms of this RFP, the winning Proposal, and the form Agreement attached hereto.**

## **MISSION STATEMENT**

It is the mission of SBCERA to provide the members and their beneficiaries with those retirement and related benefits and services which they have earned and which are commensurate with their years of service and compensation.

It is the responsibility of those charged with administration of SBCERA to:

- (a) effectively collect contributions to fund liabilities incurred;
- (b) diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return;

## **MISSION STATEMENT (Continued)**

- (c) administer the benefits impartially, fairly and in accordance with the applicable law;
- (d) deliver service to the membership in an accurate, courteous, prompt professional and cost-efficient manner;
- (e) minimize employer contributions; and,
- (f) strategically plan for the future.

## **PLAN PROVISIONS**

SBCERA administers the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (the Plan). SBCERA was established in 1945 and operates under the provisions of the California County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, and policies adopted by SBCERA's Board. The Plan's provisions may be amended by the California State Legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board.

SBCERA provides retirement, disability, death, and survivor benefits to its Plan members (members), who are employed by 17 active Plan sponsors (participating employers), and 3 withdrawn employers which include:

- Barstow Fire Protection District
- California Electronic Recording Transaction Network Authority
- California State Association of Counties
- City of Big Bear Lake
- City of Chino Hills
- County of San Bernardino
- Crestline Sanitation District
- Department of Water and Power of the City of Big Bear Lake
- Hesperia Recreation and Park District
- Inland Library System
- Law Library for San Bernardino County
- Local Agency Formation Commission
- Mojave Desert Air Quality Management District
- San Bernardino County Transportation Authority
- SBCERA
- South Coast Air Quality Management District
- Superior Court of California County of San Bernardino
- Inland Valley Development Agency (withdrew June 30, 2012)
- San Bernardino International Airport Authority (withdrew June 30, 2012)
- Rim of the World Recreation and Park District (withdrew May 4, 2013)

## **PLAN PROVISIONS (Continued)**

Fiduciary oversight of SBCERA is vested with the SBCERA Board, which consists of nine voting members and three alternate members. Four members are appointed by the County of San Bernardino's Board of Supervisors, six members (which include two alternates) are elected by the members of SBCERA (General members elect two members, Safety members elect one member and one alternate, and Retired members elect one member and one alternate) and the County of San Bernardino Treasurer (County Treasurer) is an ex-officio member who has designated one alternate.

Board members serve three-year terms, with the exception of the County Treasurer, who serves during their tenure in office. SBCERA's Chief Executive Officer (CEO) is appointed by the Board, and implements the policies and direction set by the Board.

The SBCERA investment portfolio is broadly diversified and invests its \$9.29 billion (fair value as of June 30, 2017) in both traditional and alternative assets. Both on-shore and off-shore investment vehicles are being used in the Plan's management, thereby creating an investment program that is significantly more complex than many other pension plans. This added complexity has been driven largely by the low interest rate environment, in addition to the Plan's funding objective and duty to participating employers of maintaining contribution rates that generally remain level as a percentage of payroll. In the pursuit of this goal, the Board, Plan's investment staff, and consultants have sought to improve diversification, and increase income while reducing reliance on equity as the primary driver of Plan returns. Steps taken in meeting this investment objective have included the development of an internally run tactical asset allocation model, as well as a significantly expanded alternative asset program.

## **PLAN BENEFITS**

SBCERA administers benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Generally, those who became members prior to January 1, 2013 (effective date of PEPPRA) are Tier 1 members. All other members are Tier 2. Employees become eligible for membership on their first day of regular employment, and members become fully vested after earning five years of service credit or attaining the age of 70. Additional information regarding SBCERA's benefits is included in the Summary Plan Description, also known as *The Compass*, which is available on SBCERA's website at [www.SBCERA.org](http://www.SBCERA.org).

## **PLAN BENEFITS (Continued)**

SBCERA is a governmental defined benefit pension plan. As the name implies, a defined benefit pension is income provided for retirement based on a formula that is fixed or defined. The retirement benefit amount is fixed prior to retirement. There are four factors that comprise the formula:

1. Age at retirement
2. Final average compensation (12 consecutive months for Tier 1 and 36 consecutive months for Tier 2)
3. Plan factor (defined by the CERL and PEPPRA)
4. Years of service credit

As of June 30, 2017, the date of the most recent audited financial statement, SBCERA membership consisted of the following:

### SBCERA Membership As of June 30, 2017

Membership Type	Tier 1			Tier 2			Total
	General	Safety	Sub-Total	General	Safety	Sub-Total	
<b>Active members:</b>							
Active members - vested	11,849	1,683	13,532	38	1	39	13,571
Active members - non-vested	579	79	658	6,153	728	6,881	7,539
<b>TOTAL ACTIVE MEMBERS</b>	<b>12,428</b>	<b>1,762</b>	<b>14,190</b>	<b>6,191</b>	<b>729</b>	<b>6,920</b>	<b>21,110</b>
<b>Inactive members or beneficiaries currently receiving benefits:</b>							
Retirees currently receiving benefits	8,872	1,679	10,551	2	-	2	10,553
Beneficiaries and dependents currently receiving benefits	1,284	338	1,622	4	-	4	1,626
<b>TOTAL INACTIVE MEMBERS OR BENEFICIARIES CURRENTLY RECEIVING BENEFITS</b>	<b>10,156</b>	<b>2,017</b>	<b>12,173</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>12,179</b>
<b>Inactive members not receiving benefits:</b>							
Inactive members eligible for, but not yet receiving benefits	2,188	153	2,341	46	11	57	2,398
Inactive members eligible for refund value of account only <sup>1</sup>	1,927	65	1,992	1,078	79	1,157	3,149
<b>TOTAL INACTIVE MEMBERS NOT RECEIVING BENEFITS</b>	<b>4,115</b>	<b>218</b>	<b>4,333</b>	<b>1,124</b>	<b>90</b>	<b>1,214</b>	<b>5,547</b>
<b>TOTAL SBCERA MEMBERSHIP</b>	<b>26,699</b>	<b>3,997</b>	<b>30,696</b>	<b>7,321</b>	<b>819</b>	<b>8,140</b>	<b>38,836</b>

(1) Inactive members with less than five years of service credit are entitled to withdraw their refundable employee contributions made, together with accumulated interest only.

## **FUNDING POLICY**

Active members are required by statute to contribute a percentage of covered payroll based on certain actuarial assumptions, their age at entry into the Plan and their Tier. The funding objective of the Plan is to establish contribution rates that, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed.

## **FUNDING POLICY (Continued)**

Actuarial funding is based on the Entry Age Actuarial Cost Method. Under this method, the employer contribution rate provides for current normal cost), plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL).

For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the actual and expected investment return over a five-year period. The contribution requirements of participating employers and active members are established and may be amended by the SBCERA Board.

## **FINANCIAL STATEMENT INFORMATION**

SBCERA prepares basic financial statements using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) for each fiscal year ending June 30, and is required to have these financial statements independently audited. The basic financial statements are then combined with various schedules into a CAFR and submitted to the Government Finance Officers Association (GFOA) for consideration of inclusion in their Certificate of Achievement for Excellence in Financial Reporting program. SBCERA also issues a Popular Annual Financial Report (PAFR). The CAFR and PAFR are posted on SBCERA's website by the end of December each year.

As of June 30, 2017, SBCERA reported the following financial information (amounts in thousands):

- Plan net position at fair value: \$9,288,441
- Fair value of investments: \$9,380,575
- Additions to plan net position: \$1,602,534
- Deductions to plan net position: \$511,067

SBCERA's investment portfolio includes approximately 170 investments for accounting purposes. As of June 30, 2017, SBCERA had approximately \$9.4 billion invested in the following asset types:

- Equity: 35.2%
- Fixed income/credit strategies: 27.1%
- Alternatives: 31.0%
- Real estate: 6.2%
- Short-term cash investment funds: 0.5%

## **FINANCIAL STATEMENT INFORMATION (Continued)**

SBCERA maintains cash accounts with an investment custodian bank (State Street Bank and Trust Company), the San Bernardino County Treasurer, and a local bank.

Since 2004, SBCERA's general ledger has been maintained by utilizing Great Plains accounting software. SBCERA's pension administration system, Pension Gold (PG), was purchased through an outside vendor and implemented in 2004. PG was subsequently upgraded to version 3 in 2013.

SBCERA's Board annually adopts the operating budget for the administration of SBCERA. Administrative expenditures are charged against the earnings of the fund and are limited to twenty-one hundredths of one percent of the actuarial accrued liability of SBCERA. Other expenses that are exempt from this limit pursuant to the CERL are budgeted for as non-administrative expenditures. The operating budget includes allocations for capital assets, which are capitalized upon purchase and expensed over their useful lives.

SBCERA has an annual actuarial valuation and triennial experience study performed by an actuarial services firm (Segal Consulting). The triennial experience study was last performed by Segal for the June 30, 2017 valuation. In addition, these valuation and studies are audited every five years by an independent actuarial service firm (last performed by Milliman in 2013 and will be performed again for the June 30, 2018 valuation by a firm to be determined.)

Note: An RFP for actuarial consulting services (for an actuary) will be conducted for the June 30, 2019 actuarial valuation.

The annual actuarial valuation includes the following related studies:

- Survivor Benefit Valuation – Review of Contribution Rate and Funded Status
- Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67) Actuarial Valuation

For the most recent audited financial statement issued for the year ended June 30, 2017, SBCERA's auditor, Macias Gini & O'Connell LLP (MGO), issued an opinion that stated the financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S.

## **FINANCIAL STATEMENT INFORMATION (Continued)**

SBCERA's independent auditor, MGO, and independent actuary, Segal, annually report the findings from the financial statement audit and actuarial valuation, respectively, to the SBCERA Audit Committee or Board. The June 30, 2017 audited basic financial statements and actuarial valuation were both presented to the Board at the December Board meeting (meets on the first Thursday of each month). In addition, the CAFR and PAFR are submitted to the GFOA by the last business day of December, and the SBCERA participating employers are provided with the audited GASB 68 schedules by the end of June each year.

The SBCERA Fiscal Services department, under the direction of the Chief Financial Officer, is responsible for preparing the basic financial statements, including note disclosures, the CAFR, PAFR, and the GASB 68 schedules, including note disclosures.

Further information regarding SBCERA's financial statements can be found on SBCERA's website at:

[www.SBCERA.org](http://www.SBCERA.org)

## **SCOPE OF SERVICES**

SBCERA seeks one qualified CPA firm (proposer) to perform the following financial statement auditing services:

1. Perform an annual full financial statement attest audit in accordance with GAAS (and the provisions contained within this RFP) and express an opinion on the fair presentation of SBCERA's basic financial statements in conformity with GAAP, all applicable current professional standards, and all applicable federal and state laws, regulations and rules. The audit shall include a review of the basic internal control structure and conduct limited review procedures involving required supplementary information required by GASB as mandated by GAAS. The annual opinion and any significant audit findings shall be presented in person to SBCERA's Audit Committee or Board no later than the first Thursday in December. Note: The basic financial statements are prepared on a two-year comparative basis.
2. Perform a review and provide an updated "in-relation-to" opinion on SBCERA's annual CAFR no later than the last business day in December. SBCERA participates in the GFOA's Certificate of Achievement for Excellence in Financial Reporting program. The auditor will review SBCERA's CAFR for compliance with this program. Note: The CAFR is prepared on a two-year comparative basis, and SBCERA also participates in the GFOA's PAFR Award program.

### **SCOPE OF SERVICES (Continued)**

3. Perform an audit and express an opinion on the fair presentation of the GASB 68 Schedules of Employer Allocations, the Schedules of Pension Amounts by Employer, and the related notes no later than the last business day in June. Note: These schedules are prepared on a two-year comparative basis.
4. Meet with the Audit Committee chair or designee at least once a year separately, without management, to maintain open communication and identify any concerns.
5. SBCERA may also require additional services or advice to ensure new GASB reporting requirements are properly applied.
6. Provide other accounting, audit, tax or consulting services, as requested.

The financial statement auditing service is requested for a five-year term commencing with the audit of the June 30, 2019 basic financial statements. SBCERA reserves the right, at its sole option, to renew the contract for an additional three years.

For the basic financial statement audit, the minimum audit subject matter areas will include:

- Employer and member contributions
- Benefit payments and refunds
- Investments (including income/expense, derivatives, securities lending)
- Administrative and other expenses
- Actuarial reserves
- Net pension liability (including employer allocations for GASB 68)
- Pending litigation and related party transactions (if any)

All applicable reports required by GAAS for the basic financial statement audit, including findings of any significant deficiencies and material weaknesses, shall be presented in person to the SBCERA Audit Committee or SBCERA Board. The June 30, 2017 audited basic financial statements were presented to the Board at the December Board meeting. The auditor may be requested to attend additional meetings, if needed.

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

## **SCOPE OF SERVICES (Continued)**

The auditor shall be required to make an immediate, written report to the Audit Committee of the following:

- All irregularities and illegal acts or indications of illegal acts of which they become aware.
- Any significant deficiencies in the design or operation of the internal control structure which could adversely affect SBCERA's ability to record, process, and report financial data consistent with assertions of management in the financial statements.

The following documents are located on SBCERA's website:

2017 Audited Basic Financial Statements (12/7/2017 Meeting Agenda/Item #13):  
<https://services.sbcera.org/sirepub/mtgviewer.aspx?meetid=497&doctype=AGENDA>

2017 Comprehensive Annual Financial Report:  
<https://www.sbcera.org/Investments/AnnualFinancialReports.aspx>

Actuarial Valuation and Review as of June 30, 2017:  
<https://www.sbcera.org/Investments/ActuarialValuationReview.aspx>

Popular Annual Financial Report (PAFR) as of June 30, 2017:  
<https://www.sbcera.org/Investments/AnnualFinancialReports.aspx>

## **MINIMUM QUALIFICATIONS**

The proposer must meet all of the minimum qualifications. Failure to do so may result in rejection of the proposal.

1. The proposer must be a professional CPA firm qualified to perform the duties described in the scope of services.
2. The proposer must have performed accounting/auditing services for a minimum of 10 years and the primary auditor in charge of the audit must be a licensed CPA in the State of California with experience type A, attest experience.
3. The proposer must have all necessary permits and licenses to conduct the services requested in the State of California and be in good standing with the state.

## **MINIMUM QUALIFICATIONS (Continued)**

4. The successful bidder shall obtain and maintain in full force and effect throughout the term of the contract, such insurance coverage, including professional liability, errors and omissions, automobile, and workers compensation insurance, as would be carried by a reasonable and prudent entity operating in the proposer's line of business and carrying out an engagement like that described in this RFP. In addition, SBCERA shall be named as an additional insured.
5. The proposer must provide its own work facilities, equipment, supplies, and support staff to perform the required services.
6. The proposer must answer all questions in the same order requested in the PROPOSAL REQUIREMENTS section below.
7. The proposing firm must have received a *pass* or *pass with deficiencies* on the last peer review report. Proposer must explain the basis for the deficiencies if any, and how the deficiencies were resolved.

## **PROPOSAL REQUIREMENTS**

In addition to the minimum qualifications above, the proposer must answer the following questions:

### **Background and Financial Information**

8. Describe the proposing organization's structure. Include the following:
  - a. Ownership information of the proposer. Describe any material changes in organizational structure, or ownership that have occurred in the past five years. Provide names of all entities with ownership stakes. Detail affiliated companies and/or joint ventures.
  - b. Background information. How long has the proposer been performing financial statement auditing services? How long has the proposer been performing these services to defined benefit pension plans?
  - c. What is the importance (percentage) of financial statement auditing services within the proposer's business? What percentage of revenue comes from financial statement auditing services?
  - d. Provide an organizational chart diagramming the relationships between the professional staff and any parent, subsidiary, affiliate, or joint venture entities.
9. List the locations of each office that provide financial statement auditing services for the proposer. Which office would be responsible for work performed for SBCERA? What is the staffing for that office?

## **PROPOSAL REQUIREMENTS**

### **Background and Financial Information (Continued)**

10. Provide the latest two years of audited financial reports for the proposer. Provide additional information necessary to demonstrate financial stability, including total revenue, net income/(loss), assets, liabilities, and net worth for each year.
11. Describe the levels of coverage for insurance, such as errors and omissions fiduciary or professional liability, automobile and workers compensation, the proposer carries. Is the coverage on a per client basis, or is the dollar figure applied to the firm as a whole? List the insurance carrier(s) and the amount of coverage maintained for each level of coverage. Provide proof of insurance.
12. Discuss the proposer's competitive advantage over other firm(s) in the financial statement auditing industry. Why should SBCERA hire the proposer?
13. Over the past five years, has the proposer's organization or any officer or principal been involved in any business litigation or other legal proceedings related to any financial statement auditing services? If so, provide a brief explanation and indicate the current status.
14. Has the proposer or any officer or principal within the last 10 years, been censured or fined by any regulatory body? If so, please indicate the dates and describe the situation.
15. Has any litigation been brought against the proposer or any officer or principal by any entity for fraud, malpractice, misrepresentation, negligence, or similar cause of action? If so, provide a brief explanation and indicate the current status.
16. Is the proposer affiliated with any other firm(s) offering non-auditing services that could represent a conflict of interest? If yes, briefly describe the proposer's policies and procedures for doing business with these affiliates while safeguarding against conflicts of interest.
17. Does the proposer, the proposer's parent company, or any affiliated company have any business relationships with SBCERA's current financial statement auditor, MGO? If so, describe that relationship.
18. List and describe any professional relationship the proposer or any of proposer's staff have with any member of the SBCERA Board, SBCERA staff, or participating employers.

## **PROPOSAL REQUIREMENTS**

### **Background and Financial Information (Continued)**

19. Has anyone in the proposer's staff provided any gifts, travel expenses, entertainment, or meals to any member of the SBCERA Board, or SBCERA staff in the last twelve months? If yes, describe the expense and the purpose.

### **Personnel Information**

20. How many accountants does the proposer employ?
21. Describe the background of the professionals in the proposer's auditing services group:
- What percentage are currently CPAs with experience type A, attest experience?
  - What ongoing educational programs are supported and/or required?
22. For the key executives and professionals in the auditing group assigned to SBCERA, including the primary auditor and all supporting auditors, please provide resumes (or biographies) that include the following information:
- Name
  - Title
  - Responsibilities within the firm. If a person has multiple responsibilities, indicate the percentage of time spent on each function
  - Years of relevant experience
  - Years with the firm
  - Degrees and professional designations. If CPA, indicate type of license (Type A attest experience or other)
  - Institution awarding each degree and designation
  - Publications authored
23. How long has the current group of key executives and professionals in the proposer's auditing group worked as a team?
24. For the primary auditor and all supporting auditors, list their public retirement fund audit assignments for the past five years. Include for each assignment the date of the final audit report, whether the auditor served as the in charge auditor or supporting auditor (manager, senior, or staff), and the client's name and size (number of pension plan members and plan net position). Include clients' contact information for references.
25. For the primary auditor and all supporting auditors who may provide services to SBCERA, state the role each would play in accomplishing the required services.

## **PROPOSAL REQUIREMENTS**

### **Personnel Information (Continued)**

26. For the primary auditor and each supporting auditor, please state the total number of clients currently assigned to these individuals; are the assignments for general auditing services or consulting type services?
27. For the primary auditor and each supporting auditor, list their investment and GASB 67/68 disclosure experience, including the client's name, size and assets (number of pension plan members and plan net position).
28. Are there any potential conflicts of interest with the proposed auditor and/or supporting auditor within the SBCERA assignment? Are there any potential conflicts of interest related to other client relationships? If so, provide details of the potential conflict of interest.
29. Does the proposer have a transition plan to deal with the possible sudden departure of key professionals assigned to SBCERA's auditing service? If so, describe the plan. In the event an auditor must be replaced, the replacement must meet the same standards as outlined in this proposal and be acceptable to SBCERA. Failure to provide a new replacement acceptable to SBCERA will constitute a breach of the proposer's agreement.
30. Describe the proposer's policy regarding the rotation of partners on financial statement audits.
31. Describe the proposer's policy regarding the rotation of junior level staff on financial statement audits.

### **Proposed Auditing Methods**

32. Describe the specific methodology to be used for the scope of work required by SBCERA, including the type and extent of sampling techniques to be used.
33. Describe the proposer's theory and methodology for the following (include the decision making process and titles and responsibilities of the various individuals involved at each state of the process):
  - a. Recommending an appropriate audit plan for a public pension plan
  - b. Reviewing internal controls
  - c. Determining materiality
  - d. Determining if financial statements are presented fairly

## **PROPOSAL REQUIREMENTS**

### **Proposed Auditing Methods (Continued)**

34. Provide an estimated timeline for completion of the work that includes proposed dates for each key stage of the project. Include dates by which your firm must have specific data from SBCERA and indicate points in the project when your firm would plan to meet with SBCERA staff at SBCERA's office or via conference call. Be sure to include an estimate of information or data gathering required from SBCERA and/or MGO for the transition year.
35. Will the proposer be able to present the audited opinion report on the basic financial statements no later than the first Thursday in December, the opinion on SBCERA's CAFR no later than the last business day in December, and the audited GASB 68 schedules no later than the last business day in June?
36. The actuarial valuation is performed in conjunction with the audit of the financial statements as certain information from the financial statements is required to complete the valuation. Will the proposer be able to provide preliminary audited financial statements no later than mid October to facilitate the inclusion of audited financial information in the actuarial valuation?
37. Describe the proposer's quality control processes for audit reports and recommendations. How are these processes monitored and reviewed?
38. Provide an example of one recent independent auditors report for an existing client for basic financial statements, a CAFR, and GASB 68 report.
39. Describe the proposer's use of auditing systems and the associated computer system support to determine appropriate auditing methods.

### **Auditing Experience and References**

40. Please list client relationships where only financial statement auditing services similar to this RFP have been or are being provided.
41. For all current public pension plan full-service financial statement audit clients, state the client's name, the first year of the initial contract with the plan, and their asset and membership size as of June 30, 2017. Designate by asterisk which of these clients are cost-sharing multiple-employer defined benefit pension plans. In addition, describe the nature of the auditing relationship with:
  - a. A full-service auditing client that has been assigned for at least two years to the primary auditor proposed for the SBCERA account.
  - b. The client with the longest full-service auditing relationship with the proposer.

## **PROPOSAL REQUIREMENTS**

### **Auditing Experience and References (Continued)**

- c. The client who most recently terminated the proposer's full-service auditing contract.
  - d. A cost-sharing multiple-employer defined benefit pension plan client for whom the proposer has provided full-service auditing services for at least one year.
42. Please provide the name, title, address, and telephone number for at least three client references for whom the proposer has provided financial statement auditing services similar to this RFP. SBCERA reserves the right to contact any of the individuals/agencies provided. Include the following detail:
- a. The client for whom the proposer most recently completed a financial statement audit.
  - b. The scope of the auditing services required for these clients.
  - c. The client for whom the primary auditor most recently completed a financial statement audit.
43. List any pension plan clients that have terminated their financial statement auditing contracts with the proposer in the last five years. Include the client firm's name, size (number of pension plan members), date of contract termination, and reason(s) for contract termination.
44. Within the last five years, has the proposer been notified by any financial statement auditing services client that the proposer is in default of its contract, or that conditions exist jeopardizing continuation of that contract? If so, state the client firm's name, year the notice was received, reasons for the notice, and resolution or current status of the relationship.
45. Is the proposer's business subject to peer review? If so, has the business had a peer review in the last three years? If applicable, please submit a copy of the most recent peer review report.

### **Additional Required Information**

46. Will subcontractors be used in providing the required SBCERA services? If so, describe the specific services that would be subcontracted, the name of the subcontractor, the cost to the proposer of these services, and how the proposer would control the quality of services provided.
47. Please describe the proposer's legal resources, both in-house and external consultants, if retained.

## **PROPOSAL REQUIREMENTS**

### **Additional Required Information (Continued)**

48. Does the proposer have plans/arrangements for disaster recovery? Briefly describe the disaster recovery plan. Include the plan related to protecting client data files in the description.
49. How does the proposer monitor and measure audit client satisfaction?
50. Describe how the proposer identifies and manages conflicts of interest.
51. Describe the resources the proposer has that specifically address the needs of public fund clients, including protection of client data files, technical resources, and participating in state and national accounting and auditing industry groups.
52. Describe how the proposer controls costs, quality, and timeliness of its services, specifically the services required by this RFP.
53. Describe the resources the proposer has that specifically address review of the actuarial valuation during the basic financial statement audit.
54. Disclose any disciplinary action or litigation taken against the firm or any member of the firm's staff regarding the provision of professional services. Disclose any felony convictions within the last five years of any members of the proposer's professional staff. Disclose any bankruptcy filings of assignments for the benefit of creditors by or against the proposer within the last five years.
55. What communication is provided to proposer's clients, including description and/or samples of newsletters, seminars, research, etc.?

### **Auditing Cost Structure**

56. Describe the cost structure proposed for SBCERA's financial statement auditing services engagement. Itemize costs by type of service as described in this RFP.
57. Describe how fees are determined for the proposer's auditing services.
58. How are fees billed (billing periods and prospective versus arrears)?
59. The proposed fee schedule should include administrative, third-party, travel, and all other costs associated with the proposed engagement. These costs should be presented in detail. Include a statement that the proposer understands that these fees have been included in the total cost of the proposal and will not be billed separately.

## **PROPOSAL REQUIREMENTS**

### **Auditing Cost Structure (Continued)**

60. Provide costs for a five year period (listed separately for each fiscal year), as SBCERA anticipates awarding a five year agreement for these services. The costs associated with the GASB 68 report should be included as a separate line item as SBCERA requires its participating employers to reimburse SBCERA for this fee.
61. Does the proposer have a policy concerning the reduction in fees for performance of untimely services?

## **PROPOSAL ORGANIZATION**

Interested proposers are invited to submit their completed proposal. Only fully completed proposals will be considered. Proposals should be organized in the following manner:

- A. Cover Letter – See COVER LETTER REQUIREMENTS section below, for further information.
- B. Table of Contents – Showing the proper order using a numeric format.
- C. Executive Summary – A brief introduction that exemplifies the commitment of the proposer to providing SBCERA with actuarial consulting services.
- D. Minimum Qualifications – Answer questions #1 through #7.
- E. Background and Financial Information – Answer questions #8 through #19.
- F. Personnel Information – Answer questions #20 through #31.
- G. Proposed Auditing Methods – Answer questions #32 through #39.
- H. Auditing Experience and References – Answer questions #40 through #45.
- I. Additional Required Information – Answer questions #46 through #55.
- J. Auditing Cost Structure – Answer questions #56 through #61.

## **PROPOSAL ORGANIZATION (Continued)**

- K. List of Exceptions – List any exceptions to or deviations from the requirements of the RFP or any of the exhibits or addenda thereto, including the draft contract. Proposer must clearly state and explain any exceptions or provisions to which proposer will not agree or would request revisions. If there are no exceptions, a statement to that effect must be made. (See CONTRACT TERMS section below and APPENDIX A, for further information). SBCERA reserves the right, in its full discretion, to reject any proposed exceptions or modifications. In case of such rejection, SBCERA may, in its full discretion, permit the proposer to withdraw or modify the exception(s), reject the proposal as non-responsive, or take such further action as the situation may require in order to effect a resulting award that best meets SBCERA's needs.
- L. Include any additional information the proposer would like SBCERA to consider.
- M. Provide any attachments referenced in the proposal.

**The proposal must address items in the order in which they appear in this RFP. Do not answer all questions from each section in a combined format. All RFP questions from each section above must be identified by number and repeated in its entirety before stating the answer separately, so that it is clear that each question was answered in order to satisfy the proposal submissions requirements.**

## **COVER LETTER REQUIREMENTS**

A cover letter is required on the proposer's official business letterhead, which should include the following:

- A. Name, title, and telephone number of the account administrator and primary contact person.
- B. The proposer's Federal Employer Identification Number.
- C. A statement that the attached proposal is complete as submitted and must warrant that the proposer has met all of the minimum qualifications required in this RFP.
- D. Acknowledge and agree to be a fiduciary to SBCERA with the same prudence as is required of SBCERA pursuant to section 31595 of the CERL in the performance of all services rendered pursuant to any contract resulting from this RFP process.

## **COVER LETTER REQUIREMENTS (Continued)**

- E. A statement that all prices, cost schedules, and/or other factors contained in the proposal are firm and is an irrevocable offer that is valid for at least 12 months from the proposal due date. The statement should certify that the quoted prices are genuine and not the result of collusion or any other activity which would tend to directly or indirectly influence the process, and the proposal is being made without fraud or collusion, that the proposer has not offered or received any finder's fees, inducements, or any other form of remuneration, monetary or non-monetary, from any individual or entity related to the RFP, and the proposer has not conferred on any public employee having official responsibility for this RFP process any payment, loan, subscription, advance, deposit of money, services or anything of value, in exchange for procuring this contract, and that the proposer has not in any material way interacted regarding this RFP with any official having responsibility for it except in the manner and at the times prescribed herein.
- F. Acknowledge and agree that this RFP, the proposer's response, and any additional written questions/answers will be incorporated by reference to any resulting services agreement.
- G. Acknowledge and agree that the proposer will comply with the provisions of the CERL regarding confidentiality of membership data and agrees not to disclose confidential membership information to other parties without SBCERA's prior authorization and approval.
- H. A statement describing the services proposed and expressing the proposer's willingness and ability to perform the services as described in this RFP.
- I. A statement to the effect that the proposer is not currently under investigation by any regulatory agency, state or federal, for any reason. A statement certifying that the proposer has no real or potential conflicts of interest that would prevent the proposer from acting in the best interests of SBCERA.
- J. A statement that discloses the nature of any personal or business relationships (including any negotiations for prospective business) the proposer now has, or have had in the past five years with any SBCERA Board member or SBCERA staff.
- K. Acknowledge and agree that any resulting contract and services will be subject to and interpreted by the laws of the State of California, any litigation with respect thereto shall be brought in the Superior Court of California, County of San Bernardino, and the proposer shall comply with all applicable federal, state, and local laws, rules, and regulations.

## **COVER LETTER REQUIREMENTS (Continued)**

- L. A statement that discloses any recent or anticipated changes in its corporate structure, such as mergers, acquisitions, new venture capital, stock issue, going concerns, etc.
- M. An acknowledgment that there are no exceptions to or deviations from the requirements of the RFP or any of the exhibits or addenda thereto, including the draft contract attached to the RFP, or a brief summary of those exceptions or deviations, if any. Proposer must also acknowledge that they have reviewed the form services contract attached to the RFP. Any exceptions must comply with item #K in the PROPOSAL ORGANIZATION section above.
- N. A certification of non-discriminatory practices in the proposer's services.
- O. Identification of any sections of the proposal that the proposer is identifying as confidential (see NOTICE TO PROPOSERS REGARDING THE PUBLIC RECORDS ACT section below, for further information).
- P. A signature is required (include title or position held by the signatory[s]) of the representative(s) who are authorized to legally bind the proposer contractually and must indicate the signer is so authorized.

## **PROPOSAL SUBMISSIONS**

SBCERA has made every effort to include enough information in this RFP for the proposer to prepare a responsive proposal. SBCERA strongly discourages any contact with Board or staff members while the selection process is pending, unless contact is initiated by the Board or staff. Contact with SBCERA Board members regarding this RFP is prohibited while the selection process is pending except at a public SBCERA Board meeting where a discussion of this selection process is agendized. Contact with SBCERA staff shall occur only as provided herein or when initiated by SBCERA staff. Proposals will be evaluated by an evaluation committee consisting of SBCERA staff, including at least one member from the executive management team.

SBCERA anticipates that the proposal submittal, review, and selection process will take approximately 120 to 180 days. The process timeline follows:

- A. **Distribution of Proposals.** Notice of RFP emailed to prospective proposers and posted on SBCERA's website on **March 23, 2018.**

## **PROPOSAL SUBMISSIONS (Continued)**

- B. **Information Requests.** Email requests for additional information to clarify the intent and content of this RFP must be received no later than **April 27, 2018**. If additional information is desired, requests should be emailed to:

[Communications@SBCERA.org](mailto:Communications@SBCERA.org)

The subject line of the email should state: Attention: Fiscal Services – Information Request for Financial Statement Auditing Services RFP. Responses to written questions will be posted to SBCERA’s website by the close of business on **May 7, 2018**.

- C. **Proposal Submission.** Proposals must be received in writing by **5:00 p.m. PDT on Friday, May 18, 2018**. Any proposal submitted to the incorrect address, or received after the deadline may, at SBCERA’s sole discretion be rejected and eliminated from consideration. On the outside of the sealed response package, clearly mark: “Response to RFP – Financial Statement Auditing Services”. **FAX transmitted proposals will not be accepted.** Please submit five proposals (one original and four copies) to:

San Bernardino County Employees’ Retirement Association  
Attention: Fiscal Services – Response to RFP –  
Financial Statement Auditing Services  
348 West Hospitality Lane, Third Floor  
San Bernardino, CA 92415-0014

- D. **Firm Proposal.** All proposals shall be considered final and may not be withdrawn or modified for a period of 12 months following the date of submission. The proposal should be considered a binding offer to contract with SBCERA, the acceptance of which by SBCERA will result in the formation of an enforceable contract. Proposals may only be withdrawn or modified by notifying SBCERA by a written or faxed request from respondent no later than the RFP closing date.

The proposed fee must be submitted in U.S. dollars, shall include all costs for providing the service to SBCERA as described in this RFP, and shall be guaranteed for 12 months. Once a proposer is selected, the fee may be further refined depending on factors which may affect the proposed fee. In no case will the final fee be higher than the fee contained in the proposal.

## **PROPOSAL SUBMISSIONS (Continued)**

- E. **Proposal Review.** All proposals received shall be subject to examination by an evaluation committee, which will review, rank, and recommend the proposals that most closely meet the purposes of the RFP. The final evaluation and selection will be made by the Board. SBCERA anticipates selecting one or more proposers as finalists by **June 8, 2018** (See EVALUATION OF PROPOSALS below, for further information).
- F. **Notification for Interview.** If more than one proposer is selected as a finalist, interviews may be scheduled. SBCERA anticipates sending written notification in **June 2018** if interviews are needed.
- G. **Interviews.** If required, SBCERA will schedule presentations of the finalists in **June or July 2018**. Note that there may not be any oral presentations; each proposal is expected to be complete in and of itself.
- H. **Final Notification.** Notification to proposers of SBCERA's decision to award a contract for the financial statement auditing services will be by mail, on or after **June 8, 2018**.
- I. **Contract Execution and Effectiveness.** Depending on the completion of contract execution, the approved proposer will officially become SBCERA's provider for the scope of services requested herein, commencing with the financial statement audit of the June 30, 2019 basic financial statements (see CONTRACT TERMS below, for further information). Proposers should note that no substantive contract negotiations will follow the award. Rather, the final contract terms will be those formed by the RFP, the winning Proposal, the attached form contract, and any attachments or exhibits to the foregoing documents. Deviations from the terms of the RFP, Proposal, and form contract will be permitted only to the extent proposed by the winning proposer in the form of timely and properly submitted exceptions, and accepted by SBCERA in its full discretion.

SBCERA will make every effort possible to administer the proposal process in accordance with the terms and dates discussed in this section. However, SBCERA reserves the right to modify the proposal process and dates if necessary.

## **EVALUATION OF PROPOSALS**

During the evaluation process, SBCERA may identify areas where additional information or clarification may be needed. If required, SBCERA will provide each semi-finalist proposer a description of issues to be explored. These areas may include fees, personnel availability, or any other matter the evaluation committee may need further information about for assessment. These issues will be exclusive to each semi-finalist; under no circumstances will the issues be disclosed between prospective proposers, unless required by law. When this process is completed, final scores will be tallied and a successful proposer will be selected. Award will be made to the responding proposer whose proposal is deemed to be the most advantageous to SBCERA, taking into consideration all stated criteria and evaluation factors. SBCERA reserves the right to reduce the group of proposers to a small number, and to perform interviews with such limited groups as deemed necessary.

Proposals will be screened initially to determine if they have met the conditions set forth under Minimum Qualifications. Proposals that are non-compliant will be eliminated. After the minimum qualifications have been satisfied, the evaluation criteria will include:

- **Ability.** The proposer's ability to provide the requested services.
- **Related Experience.** The proposer's demonstrated, related experience in providing services comparable to SBCERA's needs. Expertise in all aspects of financial statement auditing services, preferably as it relates to public entities, the CERL, and PEPRA.
- **Qualified Personnel,** assigned to provide necessary services.
- **Firm Stability.** The proposer's stability, professionalism, and reputation as compared to other firms providing financial statement auditing services, and demonstrated ability to effect smooth succession in the event of the departure of key persons.
- **Assigned Individuals.** The credentials and experience of the person(s) who would be assigned to SBCERA's account.
- **Fee Proposal.** Reasonableness and competitiveness of the fee structure/costs proposed by the proposer.
- **General quality and adequacy of proposal,** including completeness of response, conformity to terms and conditions, proposal organization, and written plan to effectively and timely deliver on scope of services.
- **Quality of references.** Level of satisfaction of present/former clients.

## **EVALUATION OF PROPOSALS (Continued)**

- **Other Factors.** Any other factors that would be in the best interest of SBCERA to consider which were not previously described.

The tentative award will be subject to final approval by the Board. All proposers will be simultaneously informed of the tentative award, and given reasonable notice of the date upon which the Board will consider final approval. All proposers will be permitted to address the Board as their sole administrative recourse to contest the award. Written submissions to the Board will be permitted, but must be delivered to SBCERA, at 348 West Hospitality Lane, Third Floor, San Bernardino, CA 92415, by 5:00 p.m. PDT, eight business days prior to the Board meeting at which final approval is scheduled. SBCERA requires the original plus 15 copies for all written submissions. Such written submissions will be public documents and will be made available, immediately upon request, at the time that they are provided to the SBCERA Board.

## **PROPOSAL OBLIGATIONS**

The contents of the proposal and any clarifications thereto submitted by the successful proposer shall become part of the contractual obligation and will be incorporated by reference into the Contract.

## **CONTRACT TERMS**

The contract term is for a five-year period with an option, at SBCERA's discretion, for a three-year extension, for these services commencing with the financial statement audit of the June 30, 2019 basic financial statements.

The proposer shall be bound by the information and representations contained in any proposal submitted. Said proposal is deemed to be a binding offer on the part of the proposer. The proposer understands and agrees that the laws of the State of California will govern.

Depending on contract completion, the approved proposer will officially become SBCERA's provider for the scope of services requested herein immediately upon approval by the Board and subsequent contract execution by SBCERA's signatory. The final negotiated contract will incorporate the terms of this RFP, the terms of the attached draft contract (see APPENDIX A), and the winning proposal, without substantial deviation.

## **CONTRACT TERMS (Continued)**

Any request for any deviation from the terms of this RFP must be made in the form of Exceptions submitted at the time of the proposal's submission (see item #K under PROPOSAL ORGANIZATION section above for further information). Exceptions may be granted or rejected in SBCERA's sole discretion. Proposers should be aware that Exceptions that would substantially alter the terms of this RFP will not be granted, and may render a proposal non-responsive and subject to rejection. In such a case, SBCERA may, but will not be obligated to, permit a proposer to withdraw its Exceptions in order to cure any non-responsiveness. The proposer understands and agrees that the contract shall not be assignable by the proposer in whole or in part without the written consent of SBCERA. The Board reserves the right to terminate the contract upon 30 days' notice, with or without cause.

Finalization, execution, and any subsequent amendment of the contract and operational oversight of services provided under the contract for financial statement auditing services, are the responsibility of SBCERA's CEO or the CEO designee, pursuant to Board authorization where applicable.

## **NOTICE TO PROPOSERS REGARDING THE PUBLIC RECORDS ACT**

The California Public Records Act, Government Code sections 6250, et seq., provides that access to information concerning the conduct of the people's business is a fundamental and necessary right of every person in the state. Public records are defined as any writing relating to the conduct of the public's business and are open to inspection during normal business hours.

Responses to this RFP become the exclusive property of SBCERA. At such time as the evaluation committee recommends a proposer to the Board, and such recommendation appears on the agenda, all proposals submitted shall be regarded as public records, subject to disclosure upon request. Exceptions will be those elements in each proposal, which are defined by law as business or trade secrets or otherwise exempt from disclosure under the Public Records Act, and are so reasonably and conspicuously marked as "TRADE SECRETS", "CONFIDENTIAL", or "PROPRIETARY" in red ink within the proposal. SBCERA shall not in any way be liable or responsible for the disclosure of any such records including, without limitations, those so marked, if disclosure is deemed to be required by law or by an order of a court of competent jurisdiction. The proposer shall indemnify SBCERA for any and all attorney's fees awarded against SBCERA based on SBCERA's refusal to disclose those elements of the proposal marked by the proposer with a restrictive legend. **Proposers shall not mark their entire proposal as confidential.** Such an attempted designation is not valid and will not be honored, and will instead result in the entire proposal being treated as a non-confidential public record.

**NOTICE TO PROPOSERS REGARDING THE PUBLIC RECORDS ACT**  
**(Continued)**

**Submission by a vendor constitutes a complete waiver of any claims whatsoever against SBCERA, and/or its agents, officers, or employees, that SBCERA has violated a vendor's right to privacy, disclosed trade secrets, or caused any damage by allowing the proposal to be inspected.**

**RFP WITHDRAWAL OR MODIFICATION**

Proposals may be withdrawn or modified by a written or faxed request from respondent no later than the RFP closing date.

**ERRORS/CLARIFICATIONS**

If any ambiguity, conflict, discrepancy, omission, or other error is discovered in this RFP, the proposer should immediately notify SBCERA, Attention Fiscal Services – Concerns regarding the Financial Statement Auditing Services RFP, by email only, to express the concern. Modifications of material consequence, if needed, will be made by addenda issued to all participating respondents. SBCERA's email address is:

[Communications@SBCERA.org](mailto:Communications@SBCERA.org)

**COLLUSION AFFIDAVIT/CONFLICT OF INTEREST**

By submitting a proposal, the proposer certifies that the quoted prices are genuine and not the result of collusion or any other activity which would tend to directly or indirectly influence the process.

The proposer further certifies the proposer has no real or potential conflicts of interest that would prevent the proposer from acting in the best interests of SBCERA.

**RIGHTS RESERVED**

SBCERA reserves the right to amend any segment of the RFP prior to the announcement of a successful proposer. In such an event, all proposers will be afforded the opportunity to revise their proposal to accommodate the RFP amendment.

SBCERA reserves the right to reject any and all proposals, with or without cause, and to request additional information from any proposer. Further, the Board reserves the right to renegotiate for lower fees at any time with any proposer. The Board also reserves the right to award all or none of this contract.

## **RIGHTS RESERVED (Continued)**

SBCERA reserves the right to inspect the proposer's physical facilities prior to award to satisfy questions regarding the proposer's capabilities. SBCERA further reserves the right to reject any proposer if the evidence submitted by, or investigations of such proposer show that the proposer is not properly qualified to carry out the obligations of the contract and to provide the services contemplated therein.

SBCERA reserves the right to conduct an audit, either by SBCERA staff or SBCERA's auditor, of the proposer's books, records, documents, accounting procedures, practices, or any other items of the service provider relevant to the proposal.

In order to encourage maximum participation, SBCERA reserves the right to communicate with prospective proposers it believes to be in the business of providing the services sought herein, to inform them of this RFP. Prospective proposers receiving such communication will receive no preference in scoring or other consideration, should they submit proposals, nor will any prospective proposer not receiving such communication be in any way disadvantaged.

A response to this RFP must be prepared and submitted according to the specifications set forth in this document. Failure to adhere to these specifications may be cause for rejection of the proposal. Any correction and/or resubmission of a proposal must be submitted prior to the RFP submission deadline.

All proposals shall be considered final and may not be withdrawn for a period of 12 months following the closing date of submission of proposals.

All responses to this RFP and any accompanying documentation become the property of SBCERA at the time the proposals are opened, and will not be returned. SBCERA reserves the right to request proposers to make a presentation before the Board if selected as a finalist or to ask the proposer to host an on-site visit for the evaluation committee. SBCERA will not reimburse responding proposers for any expenses incurred in preparing proposals, presentation costs, or costs for hosting on-site visits. In addition, there is a presumption that all work product generated for SBCERA under this contract, as well as all data compiled by the proposer while performing this contract, shall become the sole property of SBCERA. SBCERA must be given reasonable access to all such work product or data compiled by the proposer in the performance of this contract.

SBCERA reserves the right to conduct discussions with prospective proposers, to accept revisions of proposals, if solicited, and to negotiate pricing changes.

### **RIGHTS RESERVED (Continued)**

SBCERA reserves the right to use all available means to evaluate the proposers, including review of submitted proposals, reference checks, interviews, and presentations. The evaluation committee is under no obligation to contact proposers for clarification of proposals, but may do so at any time prior to contract award.

Proposals are to be made based on the contents of this RFP. SBCERA will assume no responsibility for any understandings or representations concerning information provided, or conditions given, by any of its staff prior to the execution of the contract unless it is included in the RFP or included in related written documents.

### **ACCEPTANCE OF TERMS AND CONDITIONS**

Submission of a proposal in response to this RFP evidences the proposer's acceptance of the terms and conditions contained within this RFP, subject to any exceptions that the proposer may properly and timely submit and which SBCERA, in its sole discretion, may grant consistent with the terms of the RFP.

**APPENDIX A – DRAFT CONTRACT**

Attached is a draft contract with the terms required for this RFP.

**AGREEMENT FOR  
FINANCIAL STATEMENT AUDITING SERVICES**

This AGREEMENT FOR FINANCIAL STATEMENT AUDITING SERVICES (hereinafter referred to as "Agreement") is made and entered into as of [Date], in San Bernardino, California, by and between the SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (hereinafter referred to as "SBCERA") and \_\_\_\_\_ (hereinafter referred to as "CONSULTANT").

WHEREAS, SBCERA was created pursuant to the County Employees Retirement Law of 1937 (hereinafter referred to as the "'37 ACT") and is administered by the Board of Retirement (hereinafter referred to as the "BOARD"); and

WHEREAS, CONSULTANT has proposed to perform, and SBCERA has selected CONSULTANT to perform, services pursuant to this Agreement;

NOW, THEREFORE, in consideration of the above-stated premises, the terms, covenants and conditions hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

**ARTICLE 1  
DESCRIPTION OF SERVICES**

1.1 Delegation and Acceptance of Duties. The BOARD hereby delegates to CONSULTANT the duties and CONSULTANT hereby accepts and assumes responsibility to provide the services described in Exhibit "A" (the "RFP") and Exhibit B (the "Proposal") (collectively, the "CONSULTANT Services"). Exhibits A and B, including all exhibits and attachments thereto, are

hereby incorporated into and made a part of this Agreement as if fully set forth herein. In the event of any inconsistency between this Agreement and Exhibit A or B, unless otherwise expressly stated, this Agreement shall be first in the order of precedence, followed by Exhibit A, then Exhibit B. The performance of any services, other than CONSULTANT Services by CONSULTANT to SBCERA will, unless authorized in a writing approved by the BOARD or its designee pursuant to BOARD authority, and specifying separate compensation or reimbursement, will be deemed to be a gratuity to SBCERA and will not give rise to any obligation by SBCERA to make any payment to CONSULTANT or any other person.

1.2 Seminars and Training Programs. In the event CONSULTANT conducts seminars, training sessions, or similar events which are generally made available to CONSULTANT's customers, SBCERA shall be invited to attend upon the same conditions and terms as other customers. In the event CONSULTANT offers to pay the cost of such events and/or the travel or lodging expenses incurred by its customers in connection with attending such events, CONSULTANT will reimburse SBCERA for such expenses on the same basis as CONSULTANT reimburses the expenses to its customers generally.

## **ARTICLE 2** **CONTRACT RESPONSIBILITIES**

### 2.1 SBCERA - RESPONSIBILITIES.

2.1.1 Representative. SBCERA's Representative for

this contract will be:

Chief Executive Officer  
(or designee)  
San Bernardino County Employees' Retirement Association  
348 West Hospitality Lane, Third Floor  
San Bernardino, CA 92415-0014  
Telephone: (909) 885-7980; Facsimile: (909) 885-7446

The SBCERA Chief Executive Officer (CEO), or designee, will be SBCERA's Representative with respect to the administration of this Agreement and CONSULTANT will, on a regular basis, interface with and report to the SBCERA Representative so as to keep such Representative fully apprised and up to date on the status of the CONSULTANT Services being performed. The identity of the SBCERA Representative and the address at which the Representative is to receive notices may change from time to time by written notice to CONSULTANT given pursuant to this Agreement. The SBCERA Representative may, from time to time, delegate portions of his or her responsibility for the administration of this Agreement to other persons employed or retained by SBCERA, and CONSULTANT agrees to cooperate with such persons in the performance of their duties.

2.1.2 Authority of SBCERA's Representative. The SBCERA Representative for this contract will provide direction to CONSULTANT in the areas of policy, information requirements, and procedural requirements, consistent with the terms of this Agreement. If actions specifically require the prior approval or consent of SBCERA under this Agreement, CONSULTANT may rely upon the written direction of the SBCERA Representative as binding on SBCERA. The SBCERA Representative is not authorized to make any changes in the terms and conditions of this Agreement, and, except as specifically provided above, is not authorized to obligate SBCERA in any respect whatsoever beyond the terms of this Agreement. While the SBCERA Representative will attempt to be reasonably accessible to and to respond, where appropriate, with reasonable promptness to CONSULTANT's communications, CONSULTANT, where practicable, should schedule its affairs so as to allow the SBCERA Representative not less than fifteen (15) business days to review and consider any such communications.

2.1.3 Authorized SBCERA Contacts. The SBCERA Representative may furnish from time to time a list of designated persons who will be permitted to contact CONSULTANT on behalf of SBCERA.

CONSULTANT agrees not to furnish any information, written or oral, to any person not specifically named on such list.

2.1.4 No Personal Liability. In no event will the SBCERA Representative or any other person delegated responsibility for the administration of this Agreement have any personal liability to CONSULTANT or any of its officers, directors, partners, agents, employees, or contractors for any action taken or not taken by such individual while acting or purporting to act as the SBCERA Representative or as his or her designee.

2.2 CONSULTANT - RESPONSIBILITIES.

2.2.1 Representative. The CONSULTANT's Representative for this contract will be:

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The CONSULTANT's Representative will be responsible for the CONSULTANT's day-to-day activities under this Agreement, and will be the CONSULTANT's Representative with respect to the administration of this Agreement. CONSULTANT will, on a regular basis, interface with and report to the SBCERA Representative so as to keep such Representative fully apprised and up to date on the status of the CONSULTANT Services being performed. CONSULTANT will endeavor to notify SBCERA's Representative prior to replacing the CONSULTANT Representative.

**ARTICLE 3**  
**CONSULTANT'S REPRESENTATIONS, WARRANTIES,**  
**COVENANTS, AND CERTIFICATIONS**

3.1 CONSULTANT'S Representations, Warranties, and Covenants. CONSULTANT acknowledges, represents, warrants, and agrees that:

3.1.1 It has complied with and, when required, will comply with, all regulations, registrations, filings, approvals, authorizations, consents, or examinations required by any governmental authority having jurisdiction over its activities or the acts contemplated by this Agreement to the extent applicable to the Services under this Agreement;

3.1.2 The personnel of CONSULTANT who will be responsible for carrying out this Agreement are individuals experienced in the performance of the various functions contemplated by this Agreement and have not been convicted of any crime or found liable in a civil or administrative proceeding or pleaded nolo contendere or agreed to any consent decree with respect to any matter involving breach of trust or fiduciary duty, fraud, securities law violations, bankruptcy law regulations, or any act or omission involving moral turpitude;

3.1.3 CONSULTANT will promptly notify SBCERA in the event of any publicly known or non-confidential anticipated or finalized actual material change in the ownership, membership, or management control of CONSULTANT, including, to the extent possible, key personnel responsible for the account within their organization.

3.1.4 CONSULTANT will promptly notify SBCERA in the event that any of the foregoing acknowledgments, representations, warranties, or agreements have been breached or are no longer true, and of the initiation of any formal or informal investigation or regulatory inquiry by any governmental entity with regulatory oversight over CONSULTANT.

3.1.5 The foregoing acknowledgments, representations, warranties, and agreements are understood to be relied upon by SBCERA and the BOARD and to constitute a material inducement to the decision of SBCERA and the BOARD to enter into this Agreement.

3.2 Gratuities. CONSULTANT warrants that no gratuities in the form of entertainment, gifts, or otherwise, were offered or given by CONSULTANT, or any agent or representative of CONSULTANT, to any officer, fiduciary, advisor, or employee of SBCERA with a view toward securing this

Agreement or securing favorable treatment with respect to the awarding or the making of any determination with respect to this Agreement. CONSULTANT covenants that no such gratuities will be given to any such person with a view towards securing favorable treatment with respect to the making of any determination with respect to the performance, termination, and/or continuation of this Agreement. CONSULTANT shall review and become familiar with the conflict of interest and reporting provisions applicable to SBCERA, including but not limited to those contained in California Government Code Sections 1090 to 1097 inclusive, 31528, 82030, and 87100 to 87103.

3.3 Certification Concerning Financial Contacts or Solicitation.

CONSULTANT represents and warrants that to the best of its knowledge no employee of SBCERA or fiduciary whose position in SBCERA enables such person to influence the award of this Agreement or any competing agreement, and no spouse or economic dependent of such person is or will be employed in any capacity by the CONSULTANT herein, or does or will have any direct or indirect financial interest in this Agreement.

**ARTICLE 4**  
**CONFLICTS OF INTEREST AND PERMITTED DEALINGS**

4.1 Conflict of Interest. It is understood that the CONSULTANT performs services for various other clients. The CONSULTANT and its officers may act and continue to act as CONSULTANT and/or service provider for other clients, and nothing in this Agreement shall in any way be deemed to restrict the right of CONSULTANT to perform services for any other client, so long as such services can be and are in fact performed without violating or adversely affecting CONSULTANT's duties and obligations to SBCERA under this Agreement.

4.2 Permitted Dealings. Under no circumstances will CONSULTANT recommend any person, contract, or transaction in which CONSULTANT, the CONSULTANT's Representative, or any of their affiliates or associates, or to the best of their knowledge and belief any client of any of the above has any interest, without full written disclosure of the nature and extent of

such interest and certification that such interest has had no effect upon CONSULTANT's recommendations.

## **ARTICLE 5** **TERM AND TERMINATION**

5.1 General. The term of this Agreement shall be as set forth in Exhibit A. CONSULTANT or SBCERA may terminate this Agreement for any reason, including without limitation the convenience of the parties. Termination will be effected by delivery to the other party of a written Notice of Termination specifying the date upon which such termination becomes effective, which will not be less than thirty (30) days following the giving of such notice. During the period of time between the giving of the written Notice of Termination and the effective date of termination, this Agreement will remain in full force and effect and the parties will continue to execute their rights and obligations under this Agreement. Upon termination by either party, CONSULTANT shall continue to provide such CONSULTANT services as SBCERA may reasonably require, in the manner provided herein, for such period as is reasonably necessary to accommodate SBCERA's selection of and transition to a successor CONSULTANT, and CONSULTANT shall be entitled to compensation for such services according to the terms of this Agreement.

### 5.2 Remedies.

5.2.1 In the event that either party gives Notice of Termination under Section 5.1, above, SBCERA may immediately suspend CONSULTANT's authority to perform any/or all of the acts and services described in this Agreement. Such notice of suspension may be included in the Notice of Termination. Notwithstanding the suspension of services, SBCERA will remain liable for such fees as CONSULTANT may have earned or may have been entitled to receive under this Agreement through the effective date of termination.

5.2.2 In no event will the termination of this Agreement pursuant to Section 5.1, above, be deemed a waiver of either party's rights to make a claim against the other as provided for in Section 5.2.3, below.

5.2.3 The rights and remedies of the parties provided in this Article 5 will not be exclusive and are in addition to any other rights and remedies provided at law, in equity or under this Agreement.

## **ARTICLE 6** **INSURANCE AND INDEMNIFICATION**

6.1 Insurance. Without limiting CONSULTANT's duties regarding indemnification, CONSULTANT shall procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by CONSULTANT, its agents, representatives or employees. SBCERA shall retain the right at any time to review the coverage, form, and amount of the insurance required hereby. If in the reasonable opinion of SBCERA the insurance provisions in these requirements do not provide adequate protection for SBCERA and its members, SBCERA and CONSULTANT shall meet to discuss insurance coverage, sufficient in form and amount to provide adequate protection.

6.1.1 Verification of Coverage. CONSULTANT shall furnish evidence of insurance to the SBCERA Representative or his designee prior to the commencement of this agreement. SBCERA reserves the right to require that CONSULTANT provide complete certified copies of any policy of insurance offered in compliance with these specifications. The evidence of insurance shall specifically identify this Agreement, and shall identify SBCERA as an additional named insured if such endorsement is available. As an alternative to insurance certificates, CONSULTANT's insurer may voluntarily provide complete, certified copies of all required insurance policies, including endorsements, affecting the coverage required by these specifications.

6.1.2 Minimum Scope of Insurance. Coverage shall be at least as broad as:

1. Commercial General Liability. This policy shall name SBCERA as an additional insured and be primary and not contributory to any policy maintained by SBCERA. Such policy shall cover liability for bodily injury and property damage arising out of CONSULTANT's services under this Agreement. Such policy shall include endorsements for property damage, premises-operations, products/completed operations, contractual, and personal injury with a limit of one million dollars (\$1,000,000) per occurrence and an annual aggregate of two million dollars (\$2,000,000).

2. Workers' Compensation. This policy shall cover CONSULTANT's employees for injuries arising in connection with services provided under this Agreement. The amount will be sufficient to meet all applicable statutory requirements to cover CONSULTANT's employees.

3. Professional Liability. This policy shall provide coverage for the CONSULTANT's alleged professional errors and omissions in an amount not less than \$5,000,000.00 annual aggregate.

6.1.3 Deductibles and Self-Insured Retention. Any deductibles or self-insured retention must be declared to and approved by SBCERA's Representative. At the option of SBCERA's Representative, either: the insurer shall reduce or eliminate such deductibles or self-insured retention with respect to SBCERA, its officers, agents, employees, and volunteers; or CONSULTANT shall procure a bond guaranteeing payment of losses and related investigations, claim administration, and defense expenses.

6.1.4 Acceptability of Insurers. Such insurance will be provided by insurer(s) rated not less than Best's Financial Class X and Best's Policy Holder Rating A- or otherwise approved in writing by SBCERA.

6.2. Indemnification; Acknowledgements. CONSULTANT shall indemnify, hold harmless and defend SBCERA, all present, future, and former members of the BOARD of SBCERA for actions during their term which coincides with the term of this Agreement, and all of its officers, employees,

agents, members and beneficiaries from and against any and all liability, loss, costs, and expenses (including but not limited to attorneys' fees), damages, demands, suits, proceedings, claims, and actions arising out of or in any way whatsoever related to or connected with the performance of services by CONSULTANT under this Agreement (including but not limited to CONSULTANT's acts or omissions that are negligent, constitute bad faith, or willful misconduct, involve a breach by CONSULTANT of this Agreement, or a breach of CONSULTANT's Standard of Care). If it is subsequently determined by a court of competent jurisdiction that SBCERA was not entitled to indemnification from CONSULTANT, SBCERA will reimburse CONSULTANT for all reasonable damages, costs, and expenses incurred in providing a defense and indemnification for SBCERA. For this indemnification to apply, SBCERA shall, no later than thirty (30) days after receipt of notice of commencement of any action, suit, proceeding, or receipt of a written demand or claim against SBCERA in respect of which indemnification may be owed, notify CONSULTANT in writing of the commencement of such action, suit, proceeding, demand, or claim, enclosing a copy of all papers served or provided. The foregoing notice requirement shall be deemed to have been satisfied if CONSULTANT shall have received notice of the commencement of such action, suit, or proceeding or claim from any source whatsoever within such thirty (30) day period. Notwithstanding the foregoing, the failure to give such notification shall not affect the indemnification to be provided hereunder except to the extent the CONSULTANT shall have been actually prejudiced as a result of such failure. In any such action, suit, proceeding, demand, or claim, CONSULTANT shall participate in and assume the defense thereof at its sole expense, with counsel reasonably satisfactory to SBCERA. More than one counsel shall be required to represent SBCERA or CONSULTANT if the parties reasonably believe there is a conflict of interest. SBCERA shall have the right, in its sole discretion, to participate in or lead any defense of a claim against SBCERA without waiving its right to indemnification including but not limited to attorneys' fees.

**ARTICLE 7**  
**RECORDS**

7.1 Record Retention and Inspection. CONSULTANT will furnish to SBCERA and its authorized representatives, on reasonable notice (which in no event need ever be more than five (5) business days) and during ordinary business hours, full access to those records maintained by CONSULTANT with respect to this Agreement. CONSULTANT will retain any and all records in its possession with respect to this Agreement for a minimum period of five (5) calendar years, or any longer period required by law, from the date the records were created. CONSULTANT will give SBCERA sixty (60) days' notice of its intent to dispose of any such records following the expiration of such retention period. SBCERA will have the right within such sixty (60) days period to take possession of any and all such records. CONSULTANT will reasonably cooperate with SBCERA in the implementation of such change in possession. The provisions of this Section will survive termination of this Agreement for a period of five (5) years; provided that the obligation of the CONSULTANT to give SBCERA notice of its intention to dispose of records, permits SBCERA to take possession of records and the obligation of CONSULTANT to cooperate with SBCERA in such regard shall also survive the termination of this Agreement for a period of seven (7) years.

**ARTICLE 8**  
**GOVERNMENTAL PROVISIONS**

8.1 Governing Law and Venue. This Agreement will be construed in accordance with and governed by the laws of the State of California. Should either party file a lawsuit over any matter arising out of this Agreement, said lawsuit will be filed and prosecuted in the Superior Court for the County of San Bernardino, State of California, and all parties hereto hereby consent to such venue and the personal jurisdiction of said court.

8.2 Assurance of Compliance with Civil Rights Laws.

CONSULTANT hereby agrees and represents that it is an equal opportunity employer and has adopted policies to implement the purpose and provisions of the Civil Rights Act of 1964, 42 USC § 2000(e), et seq., to assure that no person is denied employment on the basis of race, creed, color, sex, or national origin in connection with its performance of this Agreement.

8.3 Affirmative Action. The CONSULTANT shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, handicap, ancestry, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

8.4 Independent Contractor. CONSULTANT will at all times be acting in the capacity of independent contractor. This Agreement is not intended, and will not be construed, to create the relationship of agent, servant, employee, partner, joint venture, or association, as between SBCERA and CONSULTANT. CONSULTANT understands and agrees that all persons furnishing services to SBCERA pursuant to this Agreement are employees solely of CONSULTANT and not of SBCERA. CONSULTANT will bear the sole responsibility and liability for furnishing Workers' Compensation benefits to any person performing services to CONSULTANT for injuries arising from or connected with services provided to SBCERA pursuant to this Agreement. All services performed with respect to the work will be performed by CONSULTANT with its own forces, except with the written approval of SBCERA Representative. No performance of this Agreement or any portion thereof may be contracted by CONSULTANT without the express written consent of SBCERA Representative. CONSULTANT will be solely liable and responsible for any and all payments and other compensation to any contractor, and SBCERA will have no direct liability to any contractor.

8.5 Interpretation. This Agreement has been negotiated at arm's length and between parties sophisticated and knowledgeable in the matters dealt

with in this Agreement. Each party has had a full opportunity to have this Agreement reviewed by experienced and knowledgeable legal counsel. Accordingly, any rule of law (including, without limitation, California's Civil Code Section 1654) or legal decisions that would require interpretation of any ambiguities in this Agreement against the party that has drafted it shall not be applicable and are hereby waived. The provisions of the Agreement shall be interpreted in a reasonable manner to effectuate the purpose of the parties and this Agreement.

### **ARTICLE 9** **STANDARD OF CARE**

CONSULTANT shall perform all services hereunder with the care, skill, diligence, and responsibility of a professional CONSULTANT familiar with such matters and acting in a like capacity in the conduct of an enterprise of like character and with like aims (herein, "Standard of Care"). The Standard of Care shall apply to all services CONSULTANT performs (or does not perform) as provided hereunder and shall be adhered to by CONSULTANT at all times. Notwithstanding any other provision in this Agreement, The Standard of Care is incorporated in and applies to each and every provision of this Agreement setting forth the services to be performed by CONSULTANT and each and every such provision is subject to the Standard of Care.

### **ARTICLE 10** **MISCELLANEOUS**

10.1 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

10.2 Successors and Assigns. Neither this Agreement nor CONSULTANT's rights or duties hereunder may be assigned, transferred, or delegated by CONSULTANT, including as a consequence of any merger, acquisition, or other corporate transaction, without the prior written consent of

SBCERA, which may be withheld for any reason or no reason at all in the sole and absolute discretion of SBCERA.

10.3 Article and Paragraph Headings. The article and paragraph titles of this Agreement are inserted for convenience of reference. They constitute no part of this Agreement and are not to be considered in its construction.

10.4 Notices. Notices desired or required to be given hereunder to the effective will be in writing and will be deemed to have been given if made by hand delivery with signed receipt (or proof of service executed by an independent process server) or on the fourth (4<sup>th</sup>) business day after posting when mailed within the United States by first class registered or certified mail, postage prepaid, addressed to SBCERA and CONSULTANT at their respective addresses designated below, or to such other person or at such other address. Notices shall be sent to SBCERA to:

San Bernardino County Employees' Retirement Association  
348 West Hospitality Lane, Third Floor  
San Bernardino, CA 92415-0014  
Attention: Chief Executive Officer

With a copy to:

Attention: Michael P. Calabrese, Chief Counsel

Notices shall be sent to CONSULTANT addressed as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Either party may change the address for notices upon written notice received by the other party.

10.5 Validity. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision.

10.6 Waiver. No waiver of a breach of any provision of this Agreement by either party shall constitute a waiver of any other breach of said provision or any other provision of this Agreement. No waiver will be enforceable unless it is a written agreement executed by the party granting the waiver, making specific reference to this Agreement and reciting the parties' intention that it constitutes a waiver. Failure of either party to enforce at any time, or from time to time, any provisions of this Agreement shall not be construed as a waiver thereof. The remedies herein reserved shall be cumulative and additional to any other remedies in law or equity.

10.7 Attorney Fees. In the event of any litigation regarding this Agreement, the prevailing party as determined by the appropriate court shall be entitled to recover reasonable attorney's fees.

10.8 CONSULTANTS and Managers. CONSULTANT agrees to cooperate with such other CONSULTANTS, advisors, actuaries, consultants, managers, and others as SBCERA may retain from time to time to assist SBCERA.

10.9 Merger. This Agreement, and the Exhibits attached hereto, will constitute the complete and exclusive statement of understanding between the parties, superseding all previous agreements, written or oral, and all other previous communication between the parties relating to the subject matter of this Agreement.

10.10 Changes and Amendments. SBCERA and CONSULTANT reserve the right to amend any such terms and conditions of this Agreement which may become necessary. Any revisions hereto will be accomplished by written agreement executed by both of the parties making specific reference to this Agreement and reciting the parties' intention that it constitutes an amendment.

EXECUTED AND AGREED TO by the parties as of the date first written above by their duly authorized representatives:

CONSULTANT

SAN BERNARDINO COUNTY  
EMPLOYEES' RETIREMENT  
ASSOCIATION

By: \_\_\_\_\_

By: \_\_\_\_\_

Chief Executive Officer

CONTRACT APPROVED AS TO FORM AND LEGALITY:

By: \_\_\_\_\_

MICHAEL P. CALABRESE  
SBCERA Chief Counsel