

**State Universities Retirement System of Illinois  
(SURS)**

**Request for Proposals**



**Employer Audits**

**March 2015**

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Request for Proposals  
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**I. RFP Summary Statement**

The State Universities Retirement System of Illinois (SURS) is soliciting proposals from independent public accounting firms to provide employer audit services for employers (state universities, community colleges and affiliated organizations) with members participating in SURS. Provided services shall include, but not be limited to: client meetings and consultations; development of audit objectives and audit programs, field testing at employers, reporting to employers, SURS management and SURS Audit Committee. The audits will vary in size and complexity and may involve a diversity of manual and automated accounting and record-keeping systems. SURS expects to sign a multi-year contract for these auditing services. SURS reserves the right to contract for all, any or none of the services requested. A firm submitting a proposal is referred to as the “Proposer.”

Minority, Women and/or Disabled Owned Business Enterprises (MWDDBE Vendor) are encouraged to submit proposals.

**II. Background Information**

*Agency Description*

SURS is the administrator of a cost-sharing, multiple-employer public employee retirement system with assets valued at \$19.0 B. SURS provides retirement, disability, death and survivor benefits to its members. SURS membership includes employees of the public universities, community colleges and other affiliated organizations. As of June 30, 2014, SURS membership totaled more than 220,000 members (80,800 active participants who work for 65 employers). SURS maintains two defined-benefit plans (traditional and portable) and one defined-contribution plan. SURS is a component unit of the State of Illinois’ financial reporting entity and is included in the State’s financial reports as a pension trust fund. SURS operates under the provisions of the Illinois Pension Code, 40 ILCS 5/ Article 15. SURS Annual Financial Report as of June 30, 2014, and other information about SURS are available at [www.surs.org](http://www.surs.org).

**III. Scope of Services**

*A. General*

SURS anticipates that the selected firm will provide the following services:

- If selected, Proposer will be responsible for providing annual employer audit services to SURS. Provided services shall include, but not be limited to: working with the SURS staff to develop audit objectives and annual audit program (see Appendix A); conduct annual site visits at six to eight SURS employers (state universities, community colleges and affiliated agencies) to validate member census data from employer records, verify data to original source documents and compare to SURS member records; review employer controls over census data elements to ensure accurate and complete data is reported to SURS; review and test employer prepared reconciliation of sample employer's payrolls for each payroll type (monthly, bi-monthly, semiweekly, etc.) to payroll data received by SURS; ensure employers comply with SURS return to work statutes (40 ILCS 15-139.5); develop audit report with conclusions, observations and findings for each employer; develop summary audit report for SURS management and Audit Committee; present audit report at one SURS Audit Committee meeting per year as requested. Other selected statutes such as sick leave reporting at termination date may be selected in future years; however this additional testing can be billed at agreed upon additional fees.
- Final audit objectives will be developed between the Proposer and SURS, however the following objectives shall be included which provide a sufficient basis for concluding that the employer has: enrolled all eligible employees in the System; enrolled only eligible employees; reported completely and accurately all required member census data (described in next paragraph); reported completely and accurately all required employee earnings and contributions; reported completely and accurately all employees who returned to work with the employer after retiring with SURS.
- Member census data testing at the minimum shall include verification of: date of birth; date of hire; gender; name; social security number; position type (regular vs police); eligible compensation subject to SURS; contribution amount corresponds with compensation and rate matches appropriate employee type (regular 8%, police 9.5%, federal trust); percentage employed; dates of leave including termination or retirement affecting current year reporting. More testing details are located in the preliminary audit program located in Appendix A.
- SURS will pick the employers to be audited each year using a risk-based approach; however the Proposer will select the members whose individual census data will be verified. A 10% sampling rate is recommended. While a majority of employers are in the Northern portion of the state, universities or community colleges throughout the State of Illinois may be selected for auditing. It is expected that on-site fieldwork for each employer can be completed in one or two days.
- Work to be performed by the selected Proposer shall be performed under the supervision of the SURS Director of Internal Audit in charge of this engagement who must ensure that the work completed for SURS is performed competently and in a timely manner.

## ***B. Key Dates***

The selected firms should be able to adhere to the following dates:

- Develop audit program for SURS staff to review and approve – May 22
- Schedule field work visits with employers – May 22
- Complete field work at employers – June 19
- Deliver preliminary audit report of findings for each employer – June 30
- Deliver final audit report with findings – August 17

## **IV. Minimum Qualifications**

The Proposer must meet all of the following minimum qualifications to be given further consideration.

- The Proposer must be an independent public accounting firm licensed to practice Certified Public Accounting in Illinois;
- At least one member of the Proposer's team assigned to the audit must be licensed to practice as a Certified Public Accountant in Illinois;
- Audits shall be conducted in accordance with Generally Accepted Auditing Standards and Generally Accepted Governmental Auditing Standards;
- The Proposer must not be in bankruptcy, conservatorship, receivership, or in the possession of a regulatory Agency;
- The Proposer, including any and all persons assigned to work on these audits, must not have been suspended or debarred from performing auditing work;
- The Proposer must carry at least \$1 million in liability insurance that is in full force at the time the proposal is submitted and maintained at the same level or higher throughout the term of the Contract. The types and amounts of coverage shall be provided in the Proposer's proposal and
- The Proposer must have performed at least five attestation engagements or financial related audits, similar in scope to the requirements in Section III with state universities, community colleges or governmental agencies.

## **V. Required RFP Response Information**

### ***A. Proposal Content***

A Proposal in response to this RFP must include the following sections in the order listed:

1. Transmittal Letter, as follows:  
The Proposal must include a signed Transmittal Letter from a person within the firm who is authorized to bind the firm; preferably the Partner in charge. **Transmittal Letters must be signed.**
2. Executive Summary

3. Firm's discussion of its understanding of the services required (see Section III).
4. Firm's Responses to the RFP Questions and RFP Additional Information Request items, set forth below.
5. Firm's Cost Proposal, as described in Section VI.

***B. RFP Questions***

1. Briefly describe your firm's background, size, and history as it may be relevant to the services required, with an emphasis on past audits of universities, community colleges or State of Illinois governmental agencies.
2. Describe the relevant special services your firm provides, particularly those that may not be offered by other firms.
3. Describe your experience and methodology for auditing SURS employer's payroll and census data and/or pension funds.
4. Describe your proposed team's experience with similar work for other public agencies, with a particular emphasis on university or college payroll systems, human resource functions and public pension fund auditing.
5. Please describe your experience in auditing confidential human resource and payroll records and policies and procedures your firm would use to ensure this information is kept confidential.
6. Within the past three years, have there been any significant developments in your firm such as changes in ownership or restructuring? Do you anticipate any significant changes in the near future? If so, please describe.
7. Has your firm or any of the firm's partners/employees been disciplined or censured by any regulatory body within the last five years? If so, please describe the relevant facts.
8. Within the last five years, has your firm, or a partner or employee in your firm, been involved in litigation or other legal proceedings relating to the provision of auditing (or employer auditing) services? If so, please provide an explanation and the current status or disposition of the matter.
9. Are there any potential conflict of interest issues in representing SURS and auditing certain State of Illinois universities or community colleges? List any conflicts with individual SURS employers that you may have.
10. List any professional or personal relationships your firm's Principals may have with SURS Board and/or staff members.

11. List all the employees you intend to assign to this engagement and the area(s) of specialization for each employee. Describe the role of each employee who will be assigned to this engagement.
12. Identify the Principal who will lead and be the primary contact in providing services to SURS, and who will be listed as “key person” in any contract with SURS.
13. In the past five years, have any public sector clients terminated their working relationship with your firm? If so, please provide a brief statement of the reasons.
14. Please provide any additional information which would serve to distinguish your firm from other firms and that you believe may be relevant to this RFP and your capability to perform the services requested. Please include ownership and staff demographic details if you wish to be considered as a MWDBE Vendor.

***C. RFP Additional Information Request***

1. Include professional biographies for all employees listed in your proposal.
2. Attach proposed contract for the services outlined in this RFP.
3. Please provide at least three client references for whom your firm has performed similar work to that requested in this RFP. For each client, please provide the name, address, and telephone number for the client’s contact who oversaw the auditing services.

**VI. Fee Arrangements**

The contract will be a firm, fixed price contract. The proposed fee should include administrative, third-party, travel and other costs. Please provide average hourly rate for the additional statute testing noted in Section III, subsection A.

**VII. RFP Specifications**

**A. *Schedule***

The following schedule may be changed if necessary. If the schedule changes, affected Proposers will be notified. In no event will the dates listed below be changed to earlier dates.

RFP issuance on:	March 31, 2015
Written questions from potential Proposers must be received by:	April 7, 2015
Answers to written questions will be disseminated on:	April 14, 2015
Proposals due:	April 24, 2015 4:30 PM
Selection of firm:	May 1, 2015
Contract awarded:	May 8, 2015

## ***B. Submission of Questions***

In order to clarify any issues in this Request for Proposals, the System will respond only to questions that are presented in writing via e-mail to Steve Hayward, Director of Internal Audit at [shayward@surs.org](mailto:shayward@surs.org). All questions concerning this RFP must be received by April 7, 2015. These questions will be consolidated into a single Q&A document. The Q&A document will be posted to the SURS website ([www.surs.org](http://www.surs.org)) on or around April 14, 2015, without divulging the source of the query.

## ***C. Proposal Submission***

In order to be considered for selection, Proposals must be received via e-mail in Adobe Acrobat, Word, or Excel formats by Steve Hayward at [shayward@surs.org](mailto:shayward@surs.org) no later than 4:30 p.m. (CDT), on Thursday, April 24, 2015. **Please reference the “Employer Audit RFP” in your Proposal.** An e-mail confirmation will be sent confirming receipt of the Proposal.

Proposals will be confidential during the selection process. Upon completion of the selection process, all responses, including that of the firms selected, will be a matter of public information and will be open to public inspection, in accordance with the State of Illinois Freedom of Information Act (FOIA) (5 ILCS 140/1 *et seq.*).

## ***D. Rules Regarding Contact***

The proposal quiet period begins on March 31, 2015 and ends on May 1, 2015.

SURS reserves the right to request additional information from any or all Proposers to assist in the evaluation process.

However, during the proposal period, no Proposer or any person acting on behalf of a responding company may contact the SURS Board of Trustees, any individual trustee, or SURS staff member, other than the contact person specified above, by e-mail. No Proposer may, at any time, attempt to influence the evaluation other than by a properly submitted response to this RFP or to a formal request for information or presentation.

Current auditors who are responding to this RFP are expected to limit their contact for business transactions to SURS employees with whom they ordinarily interact and to avoid direct contact with Trustees or other staff during the quiet period.

Violation of these rules of contact constitutes grounds to reject the proposal of any offender.

## ***E. Rights Reserved***

This RFP does not obligate SURS to complete the RFP process. SURS reserves the right, without prejudice, to reject any or all proposals submitted.

SURS reserves the right to award all, part, or none of this contract if deemed appropriate and desirable by SURS. SURS also reserves the right to remove one or more of the services from consideration for this contract, should the evaluation show that it is in SURS best interest to do so. SURS also may, at its discretion, issue a separate contract for any service or groups of services included in this RFP. SURS may negotiate additional provisions to the contract awarded under this RFP.

SURS reserves the right to waive or permit cure of nonmaterial variances in a proposal provided; however, such waiver will be based on SURS best interest. Nonmaterial variances include, but are not limited to, the following: minor informalities that do not affect responsiveness; variances that are merely a matter of form or format; variances that do not change the relative standing of other bidders; variances that do not prejudice other bidders; variances that do not change the meaning or scope of the RFP; or variances that do not reflect a material change in the services. **Failure to meet the minimum requirements or provide the required information shall not be considered a nonmaterial variation that SURS can waive or permit cure.** In the event SURS waives or permits cure of nonmaterial variances, such a waiver or cure will not modify the RFP requirements or excuse the bidder from full compliance with RFP specifications or other RFP requirements if the Proposer is awarded a contract. The determination of whether a particular matter constitutes a material or nonmaterial variation from the RFP is within the sole discretion of SURS.

SURS reserves the right to amend any segment of the RFP prior to the announcement of selected firms. In case of such amendment, all qualified Proposers will be afforded the opportunity to revise their proposals to accommodate the RFP amendment.

There is no express or implied obligation for SURS to reimburse for any expenses incurred in preparing proposals or other actions taken in response to this request.

All materials submitted in response to this RFP will become property of SURS. Materials received will be considered public information and will be open to public inspection in accordance with the State of Illinois Freedom of Information Act (FOIA).

#### ***F. Specific Proposal Contents***

Any firm responding to this RFP must submit its proposal via e-mail in one electronic document. A specific outline must be followed in order to facilitate SURS review and evaluation of the responses received. A response to this RFP must include the following sections in the order listed:

1. Transmittal Letter
2. Executive Summary
3. Expressed Understanding of the Services Required
4. Required RFP Response Information
5. Required Fee Arrangement Information

## VIII. Selection Process

The selection process under this RFP will be as follows:

### A. *Non-Qualifying Proposals*

The Evaluation Team will evaluate each Proposal to determine if it was submitted in accordance with the requirements set forth in this RFP. All non-qualifying Proposals will be rejected at this time.

### B. *Selection of Finalists*

The remaining Proposals will be evaluated by the Evaluation Team. The primary criteria used in evaluating the proposals will include, but are not limited to, the following:

- Quality, conciseness, clarity and completeness of the proposal, including a demonstrated understanding of the scope of the engagement and the specific responsibilities which it entails;
- Relevant experience and qualification of the team and the firm as they relate to performing the required services;
- High ethical standards;
- Possible qualification as an MWDBE vendor, as defined in the SURS Inclusion Policy and
- Proposed fees and work schedules related to the assignment.

## **Appendix A – Preliminary Audit Program**

### **I. Member Data on sample basis (approximately 10%)**

1. Verify member's name to original source documents at employer (copy of driver's license, signed employee application, I-9 Employment Eligibility Verification, etc.).
2. Verify member's social security number to original source documents (copy of social security card, I-9 form, etc.).
3. Verify member's date of birth agrees with original source documents (copy of birth certificate, driver's license, I-9 form).
4. Verify member's gender with available source documents (copy of driver's license, application for employment).
5. Verify marital status to original source documents.
6. Verify date of certification (hire date) agrees with original source documents (employee contract).
7. Verify current employee status is proper (active, inactive or retiree).
8. Verify dates of termination, leave and retirement are proper and based on source documents.
9. Verify correct return to work reporting (40 ILCS 5/15-139 – 139.5) to SURS for any SURS annuitant hired/rehired by employer (review employers return to work reporting made to SURS).

### **II. Earnings and Contribution Data on sample basis (approximately 10%)**

1. Obtain reconciliation between SURS reported earnings and employers reported earnings for payrolls selected. The employer will be required to perform this reconciliation. Auditors will review support and determine adequacy of this supporting documentation. Enough different types of payrolls should be reviewed to cover all employee types. At some employers, the employees are paid on separate payrolls. For example, academic employees may be paid on a monthly payroll while non-academic employees are paid bi-weekly.
2. Obtain and review support for any non SURS qualified earnings.
3. Calculate creditable earnings and contributions per employer records for sample selected and compare to SURS records of earnings and contributions. Includes verification of proper contribution rates (normal 8%, police 9.5%) and calculation of percentage worked.
4. Review grant pay employer contributions to underlying employee contracts and grant contributions per SURS for payrolls selected.
5. Review list of SURS annuitants vs employer's payroll to determine inclusion on employer return to work reporting (detects annuitants not included in above part I, step 9 return to work system).