



## **San Diego City Employees' Retirement System Request for Proposals for Independent Financial Audit Services**

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The Audit Committee of the Board of Administration of the San Diego City Employees' Retirement System ("SDCERS") invites proposals from qualified independent public accounting firms to conduct annual audits of SDCERS' financial statements for five consecutive fiscal years.

### **I. BACKGROUND**

#### **A. General Background Information:**

SDCERS is a tax-qualified, charter-created public retirement system for the employees of the City of San Diego ("City"), the San Diego Unified Port District ("Port"), and the San Diego County Regional Airport Authority ("Airport"). Since 1927, SDCERS has provided retirement, disability, and death benefits to its participants, which include general, safety, and elected officer members. Employees of the Port became members of SDCERS in 1963, and employees of the Airport became members in 2003. It is a contributory system; the contributions to fund the System are paid by the City, Port and Airport, and their respective employees. SDCERS' Board of Administration ("Board") is currently responsible for managing approximately \$9 billion in trust fund assets. The Board administers the defined benefit plans of public employees and their survivors under the City, Port and Airport plans. For more information, see SDCERS' Comprehensive Annual Financial Report and other documents at [www.sdcers.org](http://www.sdcers.org).

Since 2007, the Board has pooled the assets of its three plan sponsors into a Group Trust for investing purposes. Under the Group Trust, the City, Port and Airport plans are treated as separate plans. In 2009, the IRS issued a favorable determination letter with respect to the Group Trust. The City, Port and Airport plans are independent, qualified, single employer governmental defined benefit plans and trusts under Section 401(a) and 414(d) of the Internal Revenue Code of 1986.

SDCERS Audit Committee provides oversight of the financial reporting process, the system of internal controls, the internal auditor, and the independent audit process.

#### **B. Relevant information about SDCERS:**

Net Position Restricted for Pension Benefits at June 30, 2019: \$8.436B

Total Active Members at June 30, 2019: 6,506

Total Inactive Members at June 30, 2019: 3,331

Total Retired Members at June 30, 2019: 9,908

Total DROP participants at June 30, 2019: 1,035

Actuary: Cheiron

Investment Consultant: AON

Real Estate Consultant: The Townsend Group

Private Equity & Infrastructure Consultants: CGM Grosvenor and StepStone Group LP

Custodial Bank: State Street Bank & Trust Company

SDCERS' Finance Division is under the supervision of the Controller who is under the supervision of the Deputy Chief Executive Officer. The Controller is responsible for all the financial records and reporting. These responsibilities include the preparation of the Consolidated Annual Financial Report (CAFR), monthly financial statements, and the annual budget.

During the months of July through November SDCERS' Finance staff, along with other SDCERS staff, will prepare a draft copy of the CAFR. A draft of the CAFR is generally presented at the November Audit Committee meeting with issuance shortly afterwards.

In addition to the Finance Division, the audit team will interact with the Chief Internal Auditor, the Investment Division, Benefits Administration, Member Services, Information Technology, and other SDCERS staff.

Prior SDCERS' CAFR's, Internal Audit reports and other relevant documents can be obtained by visiting our website at [www.sdcers.org](http://www.sdcers.org).

**C. Assistance to be provided by SDCERS:**

SDCERS will be available during the audit to provide information, documentation and explanations. SDCERS will prepare all financial statements, schedules, footnotes, introductory, actuarial, investment and statistical sections of the CAFR. The Firm will coordinate the workpapers and confirmations requested to be prepared by SDCERS staff.

SDCERS will provide the virtual or on-site space and facilities necessary to conduct the audit. Additionally, all information, data, reports, and records necessary for carrying out the work will be furnished, and SDCERS will cooperate in every reasonable way to ensure timely completion of the audit. The Firm's staff will also be provided with access to telephone lines, certain computer systems, photocopying facilities, and a fax machine.

**II. SCOPE OF SERVICES**

SDCERS is seeking a qualified independent public accounting firm (Firm) to conduct an audit of the financial statements of SDCERS for the fiscal years ending June 30, 2021 through June 30, 2026. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audit Standards issued by the Comptroller General of the United States.

SDCERS' financial statements are presented in a CAFR. The CAFR will be prepared by SDCERS with the standards promulgated by the Governmental Accounting Standards Board (GASB), in the format, and with the content necessary, to qualify for the Certificate of Achievement for

Excellence in Financial Reporting issued by the Government Finance Officers Association (GFOA) of the US and Canada.

The Firm will be expected to perform the following services:

Annual Audit

Perform an annual audit of SDCERS' financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States.

Government Finance Officers Association

Provide reasonable assistance and advice to SDCERS to ensure the GFOA's Certificate of Achievement for Excellence in Financial Reporting is received.

Audit Committee Communications and Meetings

Present an annual audit plan to SDCERS Audit Committee at the onset of each engagement year detailing the scope of services, responsibilities, approach, and any applicable updates on accounting pronouncements. This meeting typically occurs in early July.

Attend the Audit Committee meeting, which typically occurs in late November, to discuss the draft CAFR. Present the Independent Auditors Report on the financial statements along with any required communications.

Attend other Audit Committee or Board meetings as requested.

Other Services

Provide other accounting, audit, tax or consulting services as requested including proactive guidance on complying with pending GASB pronouncements.

From time-to-time, SDCERS may request other services not specifically provided under this RFP. If such a request is made a separate proposal for completing the engagement must be submitted.

The Firm will be expected to issue the following reports:

1. Independent Auditors Report on the CAFR. A report on the fair presentation of the financial statements, in conformity with generally accepted accounting principles is to be issued. An Independent Audit Report over the system of internal controls is not a requirement of this RFP. SDCERS retains the responsibility for the preparation and printing of the CAFR.
2. A report, if applicable, that details audit findings and recommendations regarding the financial statements, internal controls, accounting, information systems, instances of noncompliance with laws and regulations and any other material matters.

3. A report, if applicable, describing any significant deficiencies in the design or operation of the internal control structure which could adversely affect SDCERS ability to record, process summarize and report financial data consistent with assertions of management in the financial statements. In addition, the Firm will report significant opportunities for internal control improvements or increased efficiencies requiring action by SDCERS' management or the Board.
4. The Firm will be required to make an immediate written report to SDCERS if there are any material irregularities and/or illegal acts of which they become aware.

**III. CALENDAR OF EVENTS**

<b>Issuance of RFP</b>	September 11, 2020
<b>Applicant Questions Due</b>	September 25, 2020
<b>Answers to Questions Published</b>	October 2, 2020
<b>Proposal Due Date</b>	October 16, 2020
<b>Interview Period</b>	November 2-18, 2020
<b>Expected Decision</b>	January 8, 2021

**IV. PROPOSAL REQUIREMENTS**

In setting forth its qualifications, you must provide the information described below. SDCERS may deem a proposal non-responsive and reject the proposal if it does not include all requested information.

**A. Proposal Submission**

Proposals must include a cover letter indicating the mailing address of the office submitting the proposal, the name of the individual who will represent the firm as the primary contact person for the proposal, and the telephone, fax and e-mail information of the primary contact person.

The proposal cover letter must state that the proposal is irrevocable for 180 days and be signed by an authorized person.

One emailed copy and one electronic copy (in PDF format on a flash drive or disk) of your proposal are due no later than 5:00 p.m. PST on the due date listed above. All proposals must be emailed to [sdickson@sdcers.org](mailto:sdickson@sdcers.org) and delivered to:

San Diego City Employees' Retirement System  
 Attention: Sarah Dickson, Chief Internal Auditor  
 401 West A Street, Suite 400  
 San Diego, CA 92101

SDCERS reserves the right not to consider proposals received after this deadline, however received.

**B. General Minimum Requirements**

SDCERS will accept proposals from firms that meet the minimum requirements listed below:

1. The proposing Firm must be independent to SDCERS as defined by the Comptroller General of the United States in the Government Auditing Standards.
2. The proposing Firm must agree to disclose all current and conflicts of interest as they might occur.
3. As of the date of the proposal the Firm and all assigned key professional staff are properly licensed to practice in the State of California.
4. The firm must carry at least \$10 million in errors and omission and at least \$1 million in cyber insurance coverage. Proof of insurance will be required of the successful bidder.
5. The proposing Firm must have received a pass or pass with deficiency(ies) on the proposing Firm's last peer review report.

**C. Questions To Be Answered**

1. Provide a brief history of the firm including the year organized, the year the firm began providing internal auditing services to U.S. clients, the total number of professionals, and the other services your firm provides. Also indicate the size of the Firm's governmental audit staff.
2. An affirmative statement that it is independent as defined in Government Auditing Standards issued by the Comptroller General of the United States.
3. An affirmative statement that the Firm will agree to perform the services requested in this RFP and in accordance to the terms and fees represented in the proposal.
4. An affirmative statement that the Firm warrants that it will have in force a professional errors and omissions insurance policy of at least \$10 million dollars and a cyber insurance policy of at least \$1 million and that such coverage will be applicable to the proposer's actions under the contract.
5. Include a certification that the proposal has been submitted in good faith and without collusion or fraud with any other person.

**Firm Information and Qualifications**

6. Disclosure as to whether any portion of the audit work will be subcontracted; if yes, disclose the name(s) of the subcontractor(s), the service(s) to be subcontracted and how the contractor controls costs, quality, timeliness and confidentiality of these service(s).
7. List the public pension plans that the Firm currently audits.
8. References from three public pension plans or other public sector organizations the Firm has completed audits on within the past five years. In providing this information, you consent to and release SDCERS from liability regarding contacting

your references and communicating with them about your prior engagements and their opinions regarding your work performed. Include: Name of plan or organization, address, telephone number, and contact person.

9. Provide information about the Firm's technical resources and participation in state and national accounting and industry auditing groups.
10. Description of your Firm's retention policies for work papers related to SDCERS engagement.
11. Identify any past, pending or threatened litigation or administrative or state ethics board or similar body proceedings to which you, your firm or any of the professionals listed above are a party related to performing services. If any, provide a brief explanation and indicate the current status of each item on the list.
12. Discussion on how your Firm will notify SDCERS of changes in relevant GASB and other auditing pronouncements that may affect public pension plans.
13. Identify any potential or actual conflict of interest your Firm has in providing services to SDCERS. Also, state whether your Firm has ever provided services to SDCERS, the City, the Port, the Airport, or any employee group related to these entities in the last five years. If so, state the name of each such client, contact information, and the nature and time frame of your representation together with a statement explaining why such relationships do not constitute a conflict of interest. In providing this information, you consent to and release SDCERS from liability regarding contacting the client(s) and communicating with them about your current or prior engagement(s) and conflict(s). Also, describe how you intend to resolve any actual or potential conflict of interest.
14. Provide a copy of the Firm's most recent external quality control review report.

#### Staff Qualifications and Experience

15. Provide the biographies or resumes for members of your Firm who will be assigned to SDCERS audit engagement, including their prior experience with conducting public pension plan and/or other public sector audits. Indicate if these members are licensed to practice as a Certified Public Accountant in California.
16. Provide indicate how the quality of the audit staff over the term of the engagement will be assured.
17. Engagement partners, managers, other supervisory staff, and specialists may be changed if those personnel leave the Firm, are promoted, or are assigned to another office. These personnel may also change for other reasons without the prior written consent of SDCERS. However, in either case, SDCERS retains the right to approve or reject the replacement staff.
18. Discuss the assigned audit staff's experience with the GFOA award program.

## Audit Approach

19. A description of the Firm's auditing philosophy.
20. A proposed work plan and timetable that includes segmentation of the engagement, level of staff, and number of hours to be assigned to each proposed segment of the engagement.
21. Anticipated information required from SDCERS and the extent of staff and Audit Committee involvement necessary to ensure a successful and timely audit.
22. Identify any anticipated potential audit problems, the Firm's approach to resolving these problems, and any special assistance that will be requested from SDCERS' staff.

### **D. Proposed Fee and Billing**

Proposals must contain the following:

1. An all-inclusive annual cost of each engagement. The all-inclusive cost is to contain all direct and indirect costs, including out-of-pocket expenses.
2. Detail of the calculation of the proposed fees, including billing rates for each level of staff, estimated hours of audit effort and details of any planned sub-contracted work as well as any other costs to successfully complete the engagement that supports the all-inclusive fee.
3. The basis for annual cost increases in subsequent years through the end of the five year engagement.
4. If there are services that are NOT described in the Scope of Services in this RFP but are required for the successful completion of an annual financial audit in accordance with professional auditing standards, those services should be sufficiently described in your proposal.
5. The proposal should include applicable billing rates for additional services that may be requested by SDCERS on an as needed basis outside of the annual audit during the term of the contract. Should additional services be requested by SDCERS, the scope of work and estimated fee must be agreed upon in advance.
6. State any special considerations with respect to billing or payment of fees and expenses that your Firm offers and that you believe would differentiate your Firm from other Applicants and make your services more cost effective to SDCERS.

## **V. EVALUATION AND SELECTION**

### **A. Evaluation Criteria**

The Board or Staff will evaluate the proposals based upon the following factors:

1. Overall organization, completeness, and quality of proposal, including cohesiveness, conciseness, and clarity of response.

2. Professional qualifications and experience of the firm.
3. Quality and experience of the engagement team.
4. The Firm's schedule, estimation of hours, and fee proposal.
5. Information provided by references.

## **B. Selection Process**

Staff will review all proposals to determine timeliness and completeness. Any proposal that does not address all requested requirements or is untimely may be rejected, at SDCERS' sole discretion. Staff will evaluate all proposals based on the criteria stated above.

Staff may interview applicants it believes are qualified to perform the services requested, based upon the criteria listed in this RFP. The top two applicants will have an opportunity to make an oral presentation to the Audit Committee on November 18, 2020. Applicants selected for interviews will be notified in advance of the proposed interview date. All applicants will be notified in writing once one or more applicants have been selected. The proposed audit partner and manager for the audit and individual who will have on-site responsibility for the audit (if a person other than the partner or manager) must be present. The Audit Committee will make a recommendation to the Board of Administration for the selection of the audit firm. The recommendation will be presented at the January 8, 2021 Board of Administration meeting.

## **VI. PROPOSAL LIMITATIONS AND CONDITIONS**

### **A. Limitations**

This RFP does not commit SDCERS to award an agreement, pay any costs incurred in the preparation of a response, or procure services of any kind whatsoever. SDCERS reserves the right, in its sole discretion, to negotiate with any or all applicants considered, or to postpone, delay or cancel this RFP in whole or in part. SDCERS may terminate negotiations, at its sole discretion. SDCERS reserves the right to award an agreement or agreements based upon proposals received; you should not rely upon the opportunity to alter your proposal (e.g., services, fees, etc.) during negotiations.

SDCERS may request an applicant to clarify the contents of its proposal. Other than to provide such information requested by SDCERS, no applicant will be allowed to alter its proposal after the RFP due date.

All material submitted in response to this RFP is the sole property of SDCERS. SDCERS reserves the right to use any and all ideas submitted in the proposals received.

SDCERS may waive informalities or irregularities in a proposal, at SDCERS' sole discretion.

### **B. Errors and Omissions**

If you discover an ambiguity, conflict, discrepancy, omission or other error in this RFP, immediately notify Sarah Dickson at [sdickson@sdcers.org](mailto:sdickson@sdcers.org) and request clarification or modification of the document.

If it deems necessary, SDCERS may modify this RFP. Notice of any modification will be given by written notice to all applicants who have furnished a proposal or notice of intent to propose.

If an applicant fails to notify SDCERS of a known error or an error that reasonably should have been known before the final filing date for submission, the applicant assumes the risk. If awarded an agreement, the applicant will not be entitled to additional compensation or time by reason of the error or its late correction.

## **VII. AGREEMENT APPROVAL**

SDCERS' selection of one or more successful applicants will not be binding until it has been approved by authorized Staff, Committee or the Board. Any direction by SDCERS Staff, Committee or the Board to enter into a contract is not a binding contract unless negotiations result in agreement by all parties.

## **VIII. GENERAL INFORMATION**

### **A. No Contact**

No contact with SDCERS' Board of Administration, staff or consultants relating to the RFP is allowed while this RFP is pending, except as expressly allowed herein. Any contact relating to the RFP with said persons is grounds for disqualification. Notwithstanding, you may submit written questions via e-mail to Sarah Dickson, Chief Internal Auditor, at [sdickson@sdcers.org](mailto:sdickson@sdcers.org) on or before the date listed above next to "Applicant Questions Due." Staff will publish answers to any questions received on its website ([www.sdcers.org](http://www.sdcers.org)) on the date listed above next to "Answers to Questions Published."

### **B. No Reimbursement For RFP Expenses**

SDCERS will not reimburse any expenses incurred in responding to this RFP including the costs of preparing the response, providing any additional information, or attending an interview or interviews.

### **C. Notice Regarding The California Public Records Act And Open Meetings Laws**

The proposal you submit in response to this RFP will be subject to the California Public Records Act (Cal. Gov. Code §6250 et. seq., the "Act"). The Act provides that all records relating to a public agency's business are open to public inspection and copying, unless an exception applies. If SDCERS chooses to hire or recommend your firm for hiring, your firm's proposal may appear in a publicly posted agenda packet for a public meeting in accordance with the Ralph M. Brown Act (Cal. Gov. Code §54950 et seq.). If it is included in the agenda packet, your firm's proposal will not be exempt from public disclosure. Whether or not you are selected, if a request is made pursuant to the Act for materials you have submitted, SDCERS will produce all materials provided in response to this RFP. Accordingly, do not provide confidential or proprietary information in response to the RFP.

Notwithstanding, if a request is made pursuant to the Act for materials your firm has submitted, SDCERS will notify your firm. If you elect to seek a protective order or some other remedy, you must do so at your own cost or expense. By submitting your proposal, you agree to reimburse SDCERS for, and to indemnify, defend, save and hold harmless SDCERS, its officers, board members, fiduciaries, employees, and agents from and against any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs, and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to the disclosure or non-disclosure of your material. Additionally, you agree to indemnify, save, and hold SDCERS harmless from and against any and all Claims arising from or relating to SDCERS' public disclosure of your firm's proposal.