



**REQUEST FOR PROPOSAL**

**FOR**

**INDEPENDENT AUDIT SERVICES**

September 4, 2020

MoDOT & Patrol Employees' Retirement System  
PO BOX 1930  
1913 William Street  
Jefferson City, MO 65102-1930

# MoDOT & Patrol Employees' Retirement System (MPERS)

## REQUEST FOR PROPOSAL (RFP) FOR INDEPENDENT AUDIT SERVICES

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# MoDOT & Patrol Employees' Retirement System (MPERS)

## REQUEST FOR PROPOSAL (RFP) FOR INDEPENDENT AUDIT SERVICES

### I. INTRODUCTION

#### A. General Information

The MoDOT and Patrol Employees' Retirement System (MPERS) is requesting proposals from qualified firms of independent certified public accountants to perform financial audits of MPERS for the fiscal years ending June 30, 2021 through June 30, 2023. An option to perform the financial audits for the two subsequent fiscal years is also requested. These audits are to be performed in accordance with U.S. generally accepted auditing standards as set for the by the American Institute of Certified Public Accountants.

To be considered, the proposal must be received by MPERS electronically at [mpers@mpers.org](mailto:mpers@mpers.org), no later than 4:00 p.m. CDT, Monday, October 12, 2020. MPERS reserves the right to reject any or all proposals submitted.

Any inquiries concerning the request for proposal should be addressed to Jennifer Even, Chief Financial Officer at [jennifer.even@mpers.org](mailto:jennifer.even@mpers.org) or (573) 298-6022. Any firm notifying MPERS of its intent to bid will be kept updated with any clarifications or additional information provided to other firms.

MPERS reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between MPERS and the firm selected.

The proposing firms are hereby advised that all proposals and the information contained in or related thereto shall be open to public inspection and that MPERS does not guarantee nor assume any responsibility whatsoever in the event that such information is used or copied by any individual person(s) or organization. Therefore, the firm must submit the proposal based on such conditions without reservations.

## B. Term of Engagement

A three-year contract for fiscal years 2021 through 2023, subject to the annual review and recommendation of the MPERS staff and/or audit committee, the satisfactory negotiation of terms (including a price acceptable to both MPERS and the selected firm), and the concurrence of the audit committee. An option for subsequent fiscal years for two one-year extensions is also requested.

## C. Background Information

MPERS is an instrumentality of the state of Missouri responsible for administering a defined benefit retirement plan for approximately 18,300 members in accordance with Sections 104.010 through 104.312, 104.600 through 104.801 and 104.1003 through 104.1093, RSMo as amended.

MPERS is administered by an eleven member Board of Trustees (Board). The Board delegates its authority for the daily administration of the system to the Executive Director.

The fiscal year runs from July 1 through June 30.

A copy of the most recent completed Comprehensive Annual Financial Report (CAFR) can be obtained on our website at [www.mpers.org](http://www.mpers.org).

Market value of investments at June 30, 2020, was estimated at \$2.36 billion. Northern Trust serves as the master custodian of assets and provides the official book of record for investment valuations and performance reporting.

The previous audit of the system was performed by Williams-Keepers LLC of Jefferson City, MO, and was for the fiscal year ending June 30, 2020.

Gabriel, Roeder, Smith & Company currently provides actuarial services to MPERS.

## D. Computer Systems

MPERS uses Microsoft Dynamics GP 18.2 accounting software for most accounting functions, including general ledger, accounts payable, and employee payroll.

Investment related transactions are currently posted quarterly to the general ledger using reports received from the master custodian.

MPERS uses PensionGold pension administration software for benefit payment processing.

## II. SCOPE OF SERVICES

### A. Audit and Related Advisory Services

The selected independent auditor will be required to provide the following services:

#### 1. Financial Statements Audit

The audit will include an examination of MPERS' annual financial statements in accordance with generally accepted auditing standards, and in accordance with the laws of the state of Missouri. These standards require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

MPERS desires the auditor to express an opinion on the fair presentation of the financial statements in conformity with Generally Accepted Accounting Principles. In connection with the audit, the auditor will be required to report on MPERS' system of internal accounting controls based solely on a study and evaluation of such system made as part of an audit.

#### 2. GASB 67/68 Audit – Schedules of Pension Information for Participating Employers

The audit will include an examination of any standalone schedules, or specified column totals included in the schedules, as required by GASB Statement 68 such as the "Schedule of Employer Allocations" and the "Schedule of Pension Amounts by Employer." The audit shall also include any required testing of MPERS' employers' member census data. The audit shall be performed in accordance with generally accepted auditing standards and in accordance with the laws of the state of Missouri.

MPERS desires the auditor to express an opinion on the fair presentation of these schedules and/or specified column totals included in the schedules, in conformity with generally accepted accounting principles.

### B. Reports to Be Issued

The audit report will be reviewed in draft form with designated MPERS personnel in order to determine whether or not the observations reflect an accurate understanding of MPERS' policies and procedures.

The auditor will provide the Board an electronic version and 25 bound copies of a comprehensive report, which will include the following:

## 1. Report on Financial Statements

### a) Audit Report

- Independent Auditor's Report
- Management's Discussion and Analysis
- Financial Statements and Notes to Financial Statements
- Required Supplementary Information
- Supplementary Information

### b) Communication of Audit Related Matters

### c) Management Letter

The management letter will detail audit findings and recommendations regarding financial statements, internal controls, accounting, information systems, and legality of actions, instances of noncompliance with laws and regulations and any other material matters. If no reportable conditions are noted during the audit, the auditor will state such in writing.

The management letter will be reviewed in draft form with designated MPERS personnel in order to determine the observations reflect an accurate understanding of MPERS' policies and procedures.

The auditors will be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the Audit Committee and the Executive Director.

The auditors will ensure that the Board is informed of each of the following:

- The auditor's responsibility under U.S. generally accepted auditing standards
- Significant account policies
- Management judgments and accounting estimates
- Significant audit findings and adjustments
- Disagreements with management
- Major issues discussed with management prior to retention
- Management representations

- Difficulties encountered in performing the audit
2. Report on GASB 67/68 - Schedules of Pension Information for Participating Employers

a) Audit Report

- Independent Auditor's Report (limited use)
- Schedule of Employer Allocations
- Schedule of Pension Amounts by Employer
- Notes to the Schedules

C. Special Considerations

MPERS will send its Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association for review in its Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated the auditor will be required to review the CAFR to ensure that it meets the requirements of that program. In addition, MPERS may require the auditor's assistance to ensure that any new GASB reporting requirements are met.

D. Work Paper Retention and Access to Work Papers

All work papers and reports will be retained, at the auditor's expense, for a minimum of five years or until reviewed by the State Auditor (whichever is later), unless the firm is notified in writing by MPERS of the need to extend the retention period.

The auditor will be required to make the work papers available upon request of representatives of federal and state agencies, including the State Auditor's Office. 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.

E. As-Needed Services

Provide as-needed assistance regarding management consulting for special projects as requested by management, the Audit Committee and/or the Board.

### III. TIME SCHEDULE

#### A. RFP Calendar

- RFP Issued September 4, 2020
- Deadline to Submit Questions September 24, 2020, 4:00 p.m. CDT
- Responses to RFP due October 12, 2020, 4:00 p.m. CDT
- Evaluations completed November 6, 2020
- Board approval November 19, 2020
- Selected firm notified on or before November 25, 2020

#### B. Schedule for Audit

MPERS will have financial records ready for audit no later than August 20<sup>th</sup>. In addition, interim test work should be performed at an earlier date to be agreed upon by MPERS and the auditors.

MPERS staff will prepare a draft copy of the required financial statements, notes, and all required supplementary schedules during the months of July through October.

The audit report and management letter shall be delivered to MPERS no later than October 31<sup>st</sup>.

The auditor is expected to attend a minimum of two Audit Committee and/or Board meetings annually. The auditor may be requested to attend additional meetings if needed.

Presentation to the Board of the audit report will occur at the next scheduled board meeting following delivery of the report (usually in November).

### IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR

#### A. MPERS Staff

The accounting staff and other personnel as needed will be available during the audit to assist the auditor by providing information, documentation, and explanations. The Chief Financial Officer will be the main point of contact for the audit.

#### B. Work Area and Equipment

MPERS will provide reasonable workspace for the auditors, as well as access to any equipment needed.

C. Statements to Be Prepared by MPERS

MPERS will prepare all financial statements, schedules, footnotes, and all information for the CAFR.

D. Prior Audits

Williams-Keepers LLC has conducted the audit of the financial statements for the fiscal years ended June 30, 2006 through 2020.

V. RFP REQUIREMENTS

A. Inquiries and Questions

Any inquiries or questions concerning the request for proposal should be made to:

Jennifer Even  
Chief Financial Officer  
jennifer.even@mpers.org  
(573) 298-6022

Any firm notifying MPERS of its intent to bid will be kept updated with any clarifications or additional information provided to other firms.

B. Submission of Proposals

One electronic copy of the completed response to the RFP shall be submitted to MPERS at [mpers@mpers.org](mailto:mpers@mpers.org). Please type "Response to AUDIT RFP" in the subject line.

The response is required to be received by October 12, 2020, at 4:00 p.m. CDT for a proposing firm to be considered.

To facilitate in the evaluation process, the responses to the RFP should be organized in the following manner:

- Title Page

The title page should show the RFP subject, name of the firm, local address, name and telephone number of the contact person, and date of proposal.

- Table of Contents

- Letter of Intent or Transmittal Letter

This should be a signed letter briefly stating the firm's understanding of the work to be done, commitment to perform the work within the required time period, and statement that the proposal is a firm and irrevocable offer.

- Detailed Response following the order set forth in Section V.C. of this RFP.

### C. Response to the RFP

The purpose of the proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of MPERS in conformity with the requirements of this RFP. As such, the substance of proposals will carry more weight than their form or manner of presentation.

The proposal should address all points outlined in the RFP and should be prepared in a manner to provide a straightforward, concise description of the firm's capabilities. The proposal must include at least the following:

#### 1. Independence

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

The firm should list and describe any professional relationships involving MPERS for the past five years, along with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

#### 2. License to Practice in Missouri

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

#### 3. Confidentiality

The firm shall acknowledge that it may obtain confidential information and materials concerning MPERS, its employees, members, and annuitants while providing audit services in connection with this RFP. Therefore, the firm, any affiliated, subsidiary, parent company, employee, agent, or subcontractor shall maintain in a strictly confidential manner any and all information of materials of any kind that are compiled, created, developed, or otherwise obtained for MPERS. The firm shall certify

that any confidential information obtained from MPERS shall not be made available, reproduced, sold, distributed, or otherwise published or disseminated to any person or entity, except as is absolutely necessary for the firm to perform the services required by the RFP.

The firm or any affiliate, subsidiary, parent company, employee, agent, or subcontractor may not contact or send information to any MPERS member, annuitant, or employee without the permission of MPERS.

#### 4. Firm Qualifications and Experience

The firm should state the size of the firm, the size of the firm's public pension and/or governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed on this engagement on a full-time and/or part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm should identify the principal supervisory and management staff, including engagement partners, audit managers, other supervisors, and specialists who would be assigned to the engagement.

Engagement partners, managers, other supervisory staff, and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of MPERS. In either case, MPERS retains the right to approve or reject replacements.

The firm should provide information on the educational and work background of professional staff who will be assigned to this audit.

The firm is required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific pension and/or government engagements.

The firm shall provide information on the results on any federal or state desk reviews or field reviews of its audits during the last three years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or

pending against the firm during the past three years with state regulatory bodies or professional organizations.

#### 5. Similar Engagements with Other Public Pension Systems

The firm should list significant engagements performed in the last five years that are similar to the engagement described in this RFP. For each engagement, indicate the scope of work, date, engagement partners, total hours, and name and telephone number of the principal client contact.

#### 6. Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed to perform the services required in Section II of this RFP.

The firm will be required to provide the following information on its audit approach.

- Proposed segmentation of the engagement.
- Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- Approach to be taken to gain and document an understanding of MPERS' internal control structure.
- Approach to be taken in determining laws and regulations that will be subject to audit test work.
- Approach to be taken in the evaluation of both alternative and traditional investment valuations and transactions, including information to be requested from the investment managers, general partners, custodial bank, MPERS staff and others.
- Any additional information the firm considers essential.

#### 7. Professional Fees

The firm must provide firm, fixed prices for all requirements as set forth in this RFP. All prices must be shown on the *Pricing Page*, EXHIBIT A, of this RFP, which must be completed, signed, and returned with the firm's proposal.

The firm should include a schedule of hourly rates on EXHIBIT A of this RFP.

The original contract period shall be as stated in the RFP. The contract shall not bind, nor purport to bind, MPERS for any contractual commitment in excess of the original contract period. MPERS shall have the right to renew the contract for the two additional one-year periods, or any portion thereof. In the event MPERS exercises such right, all terms, conditions, and provisions of the contract shall remain the same and apply during the renewal period.

If the renewal prices are left blank on the pricing page, then prices during renewal periods shall be the same as during the last fiscal year of the contract period.

MPERS will not be responsible for expenses incurred in preparing and submitting the response to this RFP. Such costs should not be included in the response.

#### 8. Statement of Certification

The firm will include a statement of certification that the person signing the response for this RFP is entitled to represent the firm, empowered to submit the bid and authorized to sign a contract with MPERS.

### VI. EVALUATION PROCEDURES

#### A. Review Process

Responses to the RFP will be reviewed by MPERS staff. MPERS will use a point formula during the review process to score responses. Only proposals that meet the criteria as outlined in this RFP will be scored.

#### B. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting these mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price.

The following represent the selection criteria, which will be considered during the evaluation process.

##### 1. Mandatory Elements

- Independent and licensed to practice in Missouri.
- No conflict of interest with regard to any other work performed for MPERS.

- Copy of most recent external quality control review report submitted.
- Adherence to the instructions in this RFP on preparing and submitting the response.

## 2. Technical Qualifications

- Past experience and performance on comparable engagements.
- Quality of professional personnel to be assigned to the engagement.
- Adequacy of proposed audit approach and proposed staffing plan for various segments of the engagement.
- Ability and willingness to meet the requirements and needs of MPERS with respect to the audit as outlined in this RFP and as demonstrated in the response.

## 3. Professional Fees

- Total firm, fixed price for original contract period.
- Pricing for renewal periods.
- Rates for each staffing level and hours anticipated for each.

## C. Oral Presentations

At MPERS' discretion, the firms submitting responses may be requested to make oral presentations as part of the evaluation process.

Not all firms may be asked to make oral presentations.

## D. Right to Reject Responses

MPERS reserves the right without prejudice to reject any or all responses.

Submission of a response indicates acceptance by the firm of the conditions contained in this RFP unless clearly and specifically noted in the proposal submitted and confirmed in the contract between MPERS and the firm selected.

## E. Final Selection

MPERS staff will present the results of the review process to the Audit Committee. The Audit Committee will make a recommendation to the full

Board at the November 19, 2020 meeting of the Board of Trustees. The Board will approve the firm selection after reviewing the recommendations made by the Audit Committee. Following notification of the selected firm, it is expected that a contract will be executed between the firm and MPERS by December 11, 2020.

Firms are advised that under the provisions of this RFP, MPERS reserves the right to conduct negotiations of the proposals received or to award a contract without negotiations.

## VII. GENERAL CONTRACTUAL REQUIREMENTS

Any change in the contract including the Scope of Work described herein, whether by modification and/or supplementation, must be accomplished by a formal contract amendment signed and approved by and between the duly authorized representatives of the contractor and MPERS. Any such amendment shall specify an effective date, any increases or decreases in the amount of the contractor's compensation if applicable and entitled as an "Amendment," and signed by the parties identified in the preceding sentence. The contractor expressly and explicitly understands and agrees that no other method and/or no other document, including correspondence, acts, and oral communications by or from any person, shall be used or construed as an amendment or modification or supplementation to the contract.

All material developed or acquired by the contractor as a result of work under the contract shall become the property of the Board. No material or reports prepared by the contractor shall be released to the public without the prior written consent of MPERS.

The contractor shall not assign or delegate any interest in the contract and shall not transfer any interest in the contract (whether by assignment, delegation, or novation) without the prior written consent of MPERS.

Upon filing for any bankruptcy or insolvency proceeding by or against the contractor, whether voluntarily, or upon the appointment of a receiver, trustee, or assignee for the benefit of creditors, MPERS reserves the right at its sole discretion to either cancel the contract or affirm the contract and to hold the contractor responsible for damages.

The contract between MPERS and the contractor shall consist of (1) the Request for Proposal (RFP) and any amendments thereto, and (2) the proposal submitted by the contractor in response to the RFP. In the event of a conflict in language between the two documents referenced above, the provisions and requirements set forth and/or references in the Request for Proposal shall govern. However, MPERS reserves the right to clarify any contractual relationship in writing with the concurrence of the contractor, and such written clarification shall govern in case of conflict with the applicable requirements stated in the RFP or the contractor's proposal. In all other

matters not affected by the written clarification, if any, the RFP shall govern. The contractor is cautioned that this proposal shall be subject to acceptance by MPERS without further clarification.

MPERS may cancel the contract at any time for the material breach of contractual obligations by providing the contractor with a written notice of such cancellation. Should MPERS exercise its right to cancel the contract for such reasons, the cancellation shall become effective on the date as specified in the notice of cancellation sent to the contractor. MPERS reserves the right to terminate the contract for the convenience of state government without penalty or recourse by giving the contractor a written notice of such termination at least 30 days prior to termination.

## EXHIBIT A Pricing Page

ANNUAL AUDIT SERVICE	FIRM FIXED PRICE PER YEAR/QUOTED HOURS				
	Year 1	Year 2	Year 3	Renewal 1	Renewal 2
Financial Statements Audit					
GASB 67/68 Audit					
Total Annual Fee					
HOURLY RATE FOR AS-NEEDED SERVICES	FULLY BURDENED HOURLY RATE				
	Year 1	Year 2	Year 3	Renewal 1	Renewal 2
Class of Personnel					

\_\_\_\_\_  
Authorized Signature of Offerer

\_\_\_\_\_  
Printed Name, Title

**Acceptance of Proposal**

This proposal is accepted by the  
MoDOT & Patrol Employees' Retirement System (MPERS).

This \_\_\_\_\_ day of \_\_\_\_\_, 2020.

By: \_\_\_\_\_  
Jennifer Even, Chief Financial Officer