

February 19, 2016

Name of Audit Firm
Address
City, State ZIP

Purpose

The Oklahoma State Auditor and Inspector’s Office (SAI) is seeking proposals from interested auditors for the performance of a financial audit of a newly implemented defined contribution retirement plan administered by the Oklahoma Public Employees Retirement System (OPERS) using Empower as the plan administrator.

The new defined contribution plan, known as Pathfinder, is for State of Oklahoma employees hired after October 31, 2015 with no prior OPERS service. Employees participating in Pathfinder do not participate in the OPERS defined benefit plan or the voluntary SoonerSave plan. Pathfinder was created and operates pursuant to Sections 935.1 through 935.11 of Title 74 of the Oklahoma Statutes and administered in accordance with Chapter 40 of Title 590 of the Oklahoma Administrative Code. Pathfinder is comprised of a 401(a) and a 457 defined contribution plan. The 401(a) plan receives all employer contributions, the mandatory employee contribution of 4.5% and any earnings. The 457 Plan receives voluntary employee contributions above the 4.5% mandatory contribution and any earnings. Additional information about the two plans is provided below.

Plan	Assets as of 12/31/15	# of participants
401(a)	\$46,512.49	321
457	\$ 4,563.27	105
Total Assets	\$51,075.76	

All enrollment and contribution information is provided by the employer through a payroll file that is sent to OPERS. All contributions are initially defaulted to a balanced fund, but can be changed at any time by the participant into one or more of the 15 mutual funds, 3 collective trust funds and a stable value fund offered in Pathfinder. A self-directed brokerage option for mutual funds is also available for an extra fee. Participants control the investment of both employer and employee contributions.

Scope

The audit shall be for the state fiscal year ended June 30, 2016 and shall be conducted in accordance with *Government Auditing Standards*.

The fiscal year 2015 financial statements with independent audit reports for the audit of a *similar* deferred contribution plan titled “Soonersave”, also administered by OPERS, are available on the OPERS website www.opers.ok.gov under the “Publications/Forms Tab and the “Current Publications”.

General Requirements

- 1) The auditor shall, as part of the written audit report, submit to OPERS Board of Trustees and SAI a report containing an expression of an opinion that the financial statements are fairly presented, or an opinion qualified as to certain accounts or items in the financial statements, a disclaimer of opinion and the reasons therefore, or an adverse opinion, and shall explain any unusual items or circumstances under which the auditor was unable to reach a conclusion. This report shall state that generally accepted government auditing standards have been followed in performing the audit.
- 2) The auditor's opinion shall be expressed on the opinion units as identified in the AICPA Audit and Accounting Guide: Audits of State and Local Governments.
- 3) The auditor shall submit to OPERS Board of Trustees and SAI a report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
- 4) The auditor shall submit 25 copies of the final report to OPERS and one copy to SAI.
- 5) Per 74 O.S. § 212A. 2, the auditor will file the audit with SA&I and pay the required \$100 filing fee.
- 6) The audit report shall be submitted by the second Thursday in October, 2016. OPERS will provide support in both the preparation of audit schedules and the preparation of financial statement drafts.
- 7) Any management letters, reports, or correspondence shall be consistent with the findings published in the audit report (i.e., they shall disclose no material matters not also disclosed in the findings found in the published audit report).
- 8) Audit documentation shall be available for a period of seven years following completion and/or termination of the contract. If an audit, litigation, or other action involving such records is started before the end of the seven-year period, the records are required to be maintained for two years from the date that all issues arising out of the actions are resolved or until the end of the seven year retention period, whichever is later.
- 9) The contract will be for one year, with an option to renew the contract for each of the next four years.
- 10) The auditor agrees that any pertinent state or federal agency will have the right to examine the audit documentation and other records relevant to the audit. As used in this clause, "records" includes books, documents, accounting procedures and practices, and other data, regardless of type, and regardless of whether such items are in written form, in the form of computer data, or in any other form.
- 11) The bids submitted shall be in conformity with the instructions to bidders and shall include all items listed below in the section titled "Bid Proposals." All bids, quotations and contracts shall be typewritten or written in ink. Any corrections to this instrument shall be initialed in ink.
- 12) In accordance with 74 O.S. § 85.40, all travel expenses to be incurred by the vendor that are part of the service for the contract shall be included in the total bid price/contract amount.

- 13) No oral statement of any person shall modify or otherwise affect the terms, conditions, or specifications stated in the bid and/or the resultant contract. All modifications to the bid/contract shall be agreed to in writing.
- 14) The SA&I and OPERS reserve the right to reject any bid that does not comply with the requirements and specifications of the bid. A bid may be rejected when the bidder imposes terms and conditions that would modify requirements of the bid or limit the bidder's liability to the State.

Q & A Process

In an effort to clarify any issues in this RFP, the SAI and the OPERS staff will respond only to questions that are presented through e-mail in a Microsoft Word document. Questions should be submitted to **Jason Harjo, Business Manager** at jharjo@opers.ok.gov. These questions will be consolidated into a single Q&A document.

All questions must be received by **4:30 p.m. Central Time on Friday, March 4, 2016**. The Q&A document will be posted on the OPERS website (www.opers.ok.gov) on or after **Friday, March 11, 2016**. This will be the only distribution method for the Q&A document.

Bid Proposals

Proposals must include:

- 1) Nature and extent of the firm's governmental auditing experience;
- 2) A copy of the audit firm's most recent external quality control review report;
- 3) Composition of the audit team including relevant experience and hourly billing rates of team members;
- 4) The audit fee for this engagement and next four subsequent years. Although there is no commitment on the state's part for the subsequent years, these will be considered in reviewing and selecting the best value;
- 5) Estimated number of hours to complete the audit;
- 6) Evidence of good standing (copy of annual permit card issued by the Oklahoma Accountancy Board for principal partner or engagement manager);
- 7) Affirmation of understanding of the audit scope and required completion date;
- 8) Completed non-collusion certification and a professional service contract certification (attached).

General Terms and Conditions

Applicable Law and Courts – This solicitation and any resulting contract shall be governed in all respects by the laws of the State of Oklahoma, and any litigation with respect thereto shall be brought in the District Court of Oklahoma County, Oklahoma. The auditing firm shall comply with all applicable federal, state and local laws, rules and regulations.

Limitation of Liability, Hold Harmless Clauses and Indemnity – The State of Oklahoma and its agencies are constitutionally barred from limiting the liability of a private vendor. Agencies are similarly prohibited from holding a private entity harmless from liability or providing indemnity to a private entity. The contract between the successful auditing firm and OPERS will not have any such terms.

Contract Termination –

- For Default – Consistent failure by the vendor to respond to or to meet its obligations under this contract may place the vendor in default and subject to cancellation of the purchase order. In the event the contractor fails to meet the terms and conditions of this contract or fails to provide services in accordance with the provisions of the contract, OPERS at its sole discretion, may withhold payments claimed by the contractor or cancel this contract by written notice of default to the contractor. Cancellation due to default shall not be an exclusive remedy, but shall be in addition to any other rights and remedies provided for by law. In the event a Notice of Cancellation is issued, the Contractor shall have the right to request a review of such decision as provided by the rules and regulations promulgated by the Office of Management Enterprise and Services, Central Purchasing.
- For Convenience – This contract shall be in force until the expiration date, or until 30 days after written notice has been given by either party of its desire to cancel without cause. Notification of cancellation shall be by certified mail to the business address of record. In the event this contract is canceled by either party, OPERS shall be responsible for reimbursement for goods or services received or provided prior to cancellation date. OPERS shall not be responsible for reimbursement of unreasonable or unnecessary expenditures incurred after receipt of the cancellation notice.

Unavailability of Funding – In the event state or federal funds used to support this contract become unavailable, either in full or in part, due to reduction in appropriations, OPERS may terminate or reduce the contract upon notice in writing to the Contractor by certified mail. OPERS shall be the final authority as to the availability of funds. The effective date of such contract termination or reduction shall be specified in the notice. In the event of a reduction, the Contractor may cancel this contract as of the effective date of the proposed reduction upon advance written notice to OPERS.

Assignment of Contract

A contract shall not be assignable by the vendor in whole or in part without the written consent of OPERS.

Confidentiality

The vendor is expected to comply with provisions of Oklahoma statutes regarding confidentiality of membership data and agrees not to disclose confidential membership information to other parties without OPERS' prior authorization and approval.

Access to Data and Work Product

OPERS must be given reasonable access to all work product or data compiled by the vendor in the performance of this contract.

Ethics in Public Contracting

By submitting bids or proposals, vendors certify that their bids/proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other vendor,

supplier, manufacturer or subcontractor in connection with their bid/proposal. Vendors must further certify that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of value, in exchange for procuring this contract.

Submittal Information

Seven copies of the proposal are to be submitted no later than **5:00 p.m. on April 1, 2016** to:

Lisa Hodges, Deputy State Auditor
Office of the State Auditor and Inspector
State Capitol Building
2300 North Lincoln Blvd. Room 100
Oklahoma City, Oklahoma 73105

Bid Award

The SA&I and OPERS will evaluate all bids that have been received. Finalists may be asked to make a presentation to the OPERS Board of Trustees before a selection is made. It is anticipated that the award of the bid by the SAI will take place approximately three weeks after the bid deadline. Each bidder will be notified by SA&I in writing as to the award of the bid. Upon acceptance of the contract, payment will be made by OPERS via progress billings with 25 percent being retained until submission of the final report. Thank you for your time and consideration.

Sincerely,

Lisa Hodges, CFE, CGFM
Deputy State Auditor