

# THE OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

## REQUEST FOR PROPOSAL

#515-15-101

### CONTRACTUAL INTERNAL AUDITING SERVICES

The Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS), which is also charged with the administration of the Uniform Retirement System for Justices and Judges (URSJJ), the Oklahoma State Employees Deferred Compensation Plan (DCP), the Oklahoma State Employees Deferred Savings Incentive Plan (SIP), and a Defined Contribution 401(a) Plan and 457(b) Plan (commencing November 1, 2015) jointly referred to as the "System" or the "Plans", is considering the selection of a certified public accounting firm to provide internal auditing services on a contractual basis.

This RFP provides information on the System and establishes the specifications and requirements for submitting a proposal. The term "Vendor" as used in this Request for Proposals (RFP) shall mean the company submitting proposals for consideration.

OPERS reserves the right to reject any or all proposals submitted. There is no express or implied obligation for OPERS to reimburse Vendors for any expenses incurred in preparing proposals in response to this RFP. In the event that none of the proposals are satisfactory to OPERS, no selection will be made. Proposals submitted in response to the RFP become the property of OPERS and are subject to public inspection. OPERS reserves the right to modify the RFP contents and requirements at any time prior to the submission deadline.

Enclosed is the Request for Proposal document, which includes the Proposal Cover Sheet, and the Proposal Identification Sticker (attached hereto).

This Request for Proposal is comprised of three sections, and thirteen (13) pages total, as follows:

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**OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
CONTRACTUAL INTERNAL AUDITING SERVICES RFP**

**II. SUMMARY DOCUMENT**

The Board of Trustees ("Board") of OPERS is considering retaining a certified public accounting firm to provide internal auditing services. This document will serve as a Request for Proposal (RFP) and an invitation to bid on providing such services. The initial contract period will cover a one year period beginning July 1, 2015. Thereafter the contract may be renewed by the Board annually for four (4) additional one-year contract periods. The Board reserves the right to terminate the contract upon 30 days notice, with or without cause.

The following provides a brief description of OPERS, information regarding the scope of services to be provided, the criteria which will be considered in the selection process, and the mandatory requirements for submitting a response.

**A. Description of OPERS**

The Board of OPERS is charged with the administration of two defined benefit plans (the Oklahoma Public Employees Retirement System, a multiple-employer, cost sharing public employees retirement plan, and the Uniform Retirement System for Justices and Judges, a single employer public employees retirement plan), and two defined contribution plans (the Oklahoma State Employees Deferred Compensation Plan, a 457 plan, and the Oklahoma State Employees Deferred Savings Incentive Plan, a 401(a) plan), collectively referred to as the Plans. In addition, the Board will administer a Defined Contribution 401(a) plan and a 457(b) plan for most state employees hired on or after November 1, 2015. The approximate size and number of participants of the Plans at their most recent fiscal year end is as follows:

	Net Assets (\$000)	Number of Participants	
		Active	Retired and Vested
At June 30, 2014:			
Oklahoma Public Employees Retirement System	8,570,105	43,947	37,504
Uniform Retirement System for Justices and Judges	301,469	274	253
OK State Employees Deferred Compensation Plan	706,692	24,805	12,743
OK State Employees Savings Incentive Plan	187,579	24,805	12,957
Defined Contribution 401(a) Plan	-	-	-
Defined Contribution 457(b) Plan	-	-	-

OPERS has an authorized staff of 63 employees. In addition to the senior management staff, the organization is divided into three divisions: Financial Services, Information Technology, and Member Services. The Board created the position of Internal Auditor in 1993, which was filled by a CPA from 1994 until 1999, when this individual became the OPERS Chief

Financial Officer. Since 2001, the Internal Audit function has been outsourced to a local accounting firm.

Investments in the defined benefit plans are invested through professional investment managers and are held by the Plans' master custodian, The Northern Trust Company. The investments held in the defined contribution plans may be invested by the participants in various mutual funds and/or bank savings options. The Recordkeeper for these plans has been Great-West/BenefitsCorp since January 2, 2001. The Board also uses the services of an investment consulting firm and an actuarial consulting firm. Cole and Reed currently serves as OPERS independent external audit firm and has provided their unqualified opinion on the financial statements of each of the Plans as of June 30, 2014.

OPERS is administered by a Board of Trustees composed of 13 members. Three committees (Investment, Budget and Policy, and Audit) composed of members of the Board meet and report to the Board periodically.

For the defined benefit plans, member information is maintained and processed on an in-house, Oracle based computer system and a separate software package is used for general ledger accounting. While the basic member reporting and accounting is provided by the recordkeeper for the defined contribution plans, various administrative procedures are performed related to these plans by OPERS staff. Contributions to the Plans are processed by the State of Oklahoma or other participating entities and remitted monthly or more frequently to OPERS. Administrative functions for OPERS, including purchasing, payroll, and personnel are handled internally and processed through the State of Oklahoma systems.

## **B. Scope of Services To Be Provided**

The firm selected should provide a full range of internal auditing services including:

### **Phase One – Risk Assessment to be completed by September 30, 2015**

- A comprehensive risk assessment and definition of the audit universe
- Preparation of a preliminary audit plan for a one-year period, subject to staff and Audit Committee approval, correlating the findings of the risk assessment, including agreed to audit scope, key objectives, and estimated hours

### **Phase Two – Performance of and reporting on internal auditing procedures**

- Finalization of audit plan for FY 2016
- Performance of and completion of audits in accordance with the approved plan
- Submission of written reports on completed audits including procedures performed, results of testing, and recommendations for improvements

The contractual internal auditing arrangement would be one of oversight by the Audit Committee or, as they may delegate or direct, by the senior staff of OPERS. It is anticipated that the agreed upon procedures would be performed on a periodic basis, but no less often than quarterly. The extent of the procedures to be performed is dependent upon the results of the risk assessment and would be mutually agreed to between OPERS and the selected firm prior to the beginning of any testing. It is anticipated that the total number of required

auditing hours for a one-year period would range from 500 to 1,500 hours depending on the results of the comprehensive risk assessment. However, OPERS reserves the right to increase or decrease this estimate based on results of the risk assessment, the audit plan, and discussions with the selected firm.

The selected firm will be expected to perform all of the procedures set forth in the approved plan. OPERS staff will provide access to requested documents and respond to questions that may arise during the performance of the procedures. The firm will be expected to draft audit reports and provide them to designated OPERS staff for response, prior to finalization of the reports. The firm will be expected to meet with the Audit Committee at least annually.

The selected firm will be expected to design procedures that do not duplicate those performed by OPERS' external auditors. To the extent possible, coordination of efforts and sharing of information between OPERS' external and internal auditing firms is desirable.

### **C. Selection Criteria**

The Audit Committee and OPERS staff will evaluate the proposals received based on the information provided in response to the attached questionnaire and other information that the firm may choose to provide. Local and regional firms are encouraged to respond. This evaluation will include consideration of:

- The firm's ability to assess the needs of OPERS in developing an internal audit plan and approach.
- The firm's approach to performing efficient and effective internal auditing procedures on a contractual basis.
- The firm's experience with and knowledge of organizations similar to OPERS, including knowledge of defined benefit and defined contribution plans and knowledge of the State of Oklahoma procedures that may relate to OPERS, such as purchasing and personnel.
- The professional qualifications of the firm and the individuals who would be assigned to the engagement and the accessibility of those individuals to OPERS on an on-going basis.
- Fees quoted for performance of the engagement. It is OPERS intention to consider the fees in their selection process based on competitive pricing and value added commensurate with costs.

### **D. Mandatory Requirements for Submitting a Bid**

1. Proposals must be received by the deadline only at the following address:  
Oklahoma Public Employees Retirement System  
Internal Auditing Services Proposal  
ATTN: Jason Harjo  
5801 N. Broadway Ext., Suite 400  
Oklahoma City, Oklahoma 73118

2. The deadline for receipt of complete proposals is **4:30 p.m.** Central Time, on **Friday, December 12, 2014**. Proposals submitted to the incorrect address or location or received after this date and time will be rejected and will not be considered.

3. The Original Proposal must contain the Proposal Cover Sheet, fully completed, signed and notarized. The Vendor shall submit an original proposal, four (4) copies of the original, and two (2) electronic versions of the complete response on CDs in PDF format. The CDs must be clearly marked with the Vendor's name and proposal number.

The original proposal, the proposal cover sheet, four (4) copies and the CDs must be submitted together in one completely sealed package, box, or envelope. It must be clearly marked "Internal Auditing Services" on the outside face of the package containing the proposal in order that the receiving agent can identify it without opening the package.

4. Proposals may be either mailed or hand-delivered. If the proposal is sent by mail or express delivery service, the responding Vendor shall be responsible for actual delivery of the proposal to the proper address before the deadline. All timely proposals become the property of OPERS.

5. All proposals, once opened, are considered to be a public record and shall be available for viewing and reproduction by any person.

6. In submitting this proposal, the Vendor must agree to an audit which provides that books, records, documents, accounting procedures, practices or any other items of the service provider relevant to the proposal and performance of the contract are subject to examination by the System, the Oklahoma State Auditor and Inspector, and the State Purchasing Director.

7. In an effort to clarify any issues in this RFP, OPERS will respond only to questions that are presented through e-mail. Questions should be submitted to Jason Harjo at [jharjo@opers.ok.gov](mailto:jharjo@opers.ok.gov). All questions and answers will be consolidated into a single Q&A document. All questions must be received by 5:00 p.m. CST on Friday, November 21, 2014. The Q&A document will be posted on the OPERS web site at [www.opers.ok.gov](http://www.opers.ok.gov) on or after Friday, December 5, 2014. This will be the only distribution method for the Q&A document.

8. It is the responsibility of the Vendor to ensure compliance with all requirements and deadlines. Proposals which are not in compliance with the RFP requirements may be rejected. All proposals will be reviewed to determine if they satisfy the mandatory criteria in this RFP. Proposals not satisfying the mandatory criteria will be rejected.

9. All costs of preparation and presentation associated with a response to this RFP will be the responsibility of the Vendor. Vendors may be asked to make a presentation before the Board if selected as a finalist.

10. The Board reserves the right to award all, part, or none of this contract.
11. The Vendor shall be bound by the information and representations contained in any proposal submitted. The proposal is deemed to be a binding offer on the part of the Vendor.
12. Submission of a proposal in response to this RFP evidences the Vendor's acceptance of the terms and conditions contained within the RFP.
13. OPERS prohibits the payment of a finder's fee in any form. The Vendor must certify that no finder's fee or finder's commission has been paid or shall be paid to any individual or organization from the establishment of this investment relationship with OPERS.
14. All Vendors must:
  - a. Agree that any resulting contract and services will be subject to and interpreted by Oklahoma law.
  - b. Agree that this RFP and the Vendor's response will be incorporated by reference to any resulting agreement.
  - c. **Answer, to the best of its abilities, all questions in this RFP in the order presented. Do not add appendices to the end of the RFP unless specifically asked to do so.**
  - d. Fully disclose any proposed subcontracting of any of the required services.

#### **E. Communication with OPERS**

In an effort to clarify any issues in this RFP, OPERS will respond only to questions that are presented as described in Section D(7) above. Telephone questions will not be accepted.

OPERS policy prohibits direct contact between prospective service providers and OPERS Board members, consultants, or staff during this RFP process. This does not include communication with any of OPERS' incumbent service providers for normal business not related to this selection process. From the date of release of this RFP until a Vendor is selected and a contract is executed and approved, all contacts and communications regarding this RFP are restricted to the Q&A process. Exceptions include communications with OPERS staff during negotiations, presentations, and contract award and execution. Violation of these conditions may result in rejection of a Vendor's proposal.

All Vendors who have submitted a proposal will be notified of the Board's decision after the final selection has been made. This notice of final selection may be the only communication

between the System and the Vendors. Telephone or other inquiries concerning this proposal after the proposal deadline are discouraged.

## **F. General Terms and Conditions**

### **1. Applicable Laws 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 Vendor shall comply with all applicable federal, state and local laws, rules and regulations.

### **2. 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.

### **3. Qualifications of Vendors**

OPERS may make such reasonable investigations as deemed proper and necessary to determine the ability of the Vendor to perform the services/furnish the goods, and the Vendor shall furnish to OPERS all such information and data for this purpose as may be requested. OPERS reserves the right to make a site visit at the offices of the Vendor prior to award to satisfy questions regarding the Vendor's capabilities. OPERS further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such Vendor show that the Vendor is not properly qualified to carry out the obligations of the contract and to provide the services and/or furnish the goods contemplated therein.

### **4. Business Continuity**

The Vendor must indicate any recent or anticipated changes in its corporate structure such as mergers, acquisitions, new venture capital, stock issue, etc. The Vendor agrees to present to OPERS a business continuation plan for this program in the event of natural or other disaster.

### **5. Assignment of Contract**

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

### **6. 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.

7. Period of Contract

It is anticipated that the initial contract shall be for a one-year period commencing on July 1, 2015, through June 30, 2016. Thereafter, the contract may be renewed by the Board annually for four (4) additional one-year contract periods. The Board of Trustees reserves the right to terminate the contract upon 30 days' notice, with or without cause. In addition, the contract may be renewed for an additional one (1) year period upon the mutual agreement of the Board and Vendor on terms as may be negotiated by the parties.

8. Ownership of Data and Work Product

There is a presumption that all work product generated for OPERS under this contract, as well as all data compiled by the Vendor while performing this contract, shall become the sole property of OPERS. OPERS must be given reasonable access to all such work product or data compiled by the Vendor in the performance of this contract.

9. Limitation of Liability, Hold Harmless Clauses & Indemnity

The State of Oklahoma and its agencies are prohibited from holding a private entity harmless from liability or providing indemnity to a private entity. OPERS will not agree to limiting the liability of a private Vendor. The contract between the successful Vendor and OPERS will not have any such terms.

**G. Timeline**

<b>TASK</b>	<b>DATE</b>
Distribution of RFP	November 3, 2014
Deadline for questions submitted by email	November 21, 2014
Date for answers to be posted on OPERS website	December 5, 2014
Proposals due (no later than 4:30 p.m. Central Time)	December 12, 2014
Finalist presentations (if necessary)	January 15, 2015
Award business (subject to contract negotiation)	January 15, 2015
Estimated contract start date	July 1, 2015

### III. QUESTIONNAIRE

#### **A. Organization**

1. List the firm's name, address, and year founded.
2. Describe the firm's organizational structure and size.
3. Describe the structure, size, and location of the firm's office which would provide the requested services including professional certifications.
4. Provide a copy of the firm's most recent quality control peer review report.

#### **B. Background (for the firm's resources which would provide services to OPERS)**

1. Describe your firm's experience in providing internal audit services on a contract basis.
2. Describe your firm's knowledge of and experience with the operational aspects of defined benefit and defined contribution plans.
3. Describe your firm's knowledge and experience with the operational aspects of a State Agency, including such areas as purchasing, travel reimbursements, and payroll.
4. Provide a listing of your firm's clients for whom services of the nature requested have been performed within the last five years and provide three references relevant to this RFP, including contact name and phone number.

#### **C. General**

1. Provide a description of the process you would employ to work with the Audit Committee and/or the staff to determine the procedures and frequency of work to be performed.
2. Describe your firm's methodology as it would relate to control risk assessment of the operational areas of the Plans and the correlation to the procedures to be performed.
3. Describe your firm's policies and procedures regarding documentation of procedures performed. Include a description of your approach to documenting risk assessment, key internal controls, and the timing, frequency of internal audit work, and the procedures performed.
4. Describe your firm's suggested reporting format to the Audit Committee/staff which would include the purpose, scope and results of the procedures performed

including findings, conclusions and recommendations and, also, the suggested frequency of such reports.

5. Describe how you would integrate with the external audit service provider to maximize efficiency and ensure coordination of effort. Also describe your firm's position regarding the same firm providing both internal and external auditing services.
6. Describe your firm's definition of work product and work papers and describe in detail any limitations that you propose placing upon access and use of these documents.
7. Describe any and all limitations you would propose to be placed upon use of the information or reports provided in connection with this contract.

**D. Staffing**

1. Provide a schedule showing the staffing for the engagement, including the experience levels, professional qualifications and location of the individuals who would be included on the engagement team for the Plans.

**E. Fees**

OPERS prefers that the fees proposed be inclusive of all costs and expenses anticipated to be associated with the engagement. If costs and expenses are not included in the fees quoted, an estimate of such expenses should also be set forth under the assumption that transportation and lodging will be reimbursed consistent with the State Travel Reimbursement Act.

1. Provide a fee amount for the Phase One comprehensive risk assessment and development of preliminary audit plan which is to be completed by September 30, 2015.

<b>Fee for Initial Risk Assessment and Preliminary Audit Plan</b>	<b>(\$)</b>

2. Provide the fees for the initial contract year and the four (4) subsequent one-year periods for the development of the audit plans (including any updates of the comprehensive risk assessment), performance of the internal auditing procedures, and preparation of reports setting forth the results of the procedures. These fees should also include the cost of at least one meeting annually with the Audit Committee.

The total time required by the firm to perform the internal auditing procedures is subject to the results of the Risk Assessment and agreement between the selected firm and OPERS as to the scope of the work. Fees should be presented for a range of from

500 to 1,500 hours which may be required to perform the agreed upon procedures. The fees should be quoted separately for five annual periods (July through June).

<b>Annual Fee for Internal Auditing Services</b>	<b>(\$)</b>
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	

3. Describe any other fee arrangements which you would propose for this relationship.
4. Assuming an agreement on the procedures to be performed and the timing thereof, for a one-year period, would your firm provide a maximum, not to exceed fee amount for such work?
5. Provide a description of the billing and expense rates that would apply to any special work requested outside the scope of the agreed to internal auditing procedures.