

Rhode Island Commerce Corporation

Request for Proposals for Pension Audit Services

The Rhode Island Commerce Corporation (the Corporation) is requesting proposals to engage a Certified Public Accounting (CPA) firm to audit the financial statements of the Rhode Island Commerce Corporation Pension Plan and Trust (the Plan) for the fiscal years ended June 30, 2014 and 2015. The Plan is a cost-sharing multiple-employer defined benefit plan. The Plan's financial statements will be prepared in accordance with generally accepted accounting principles for governmental entities as prescribed by the Governmental Accounting Standards Board (GASB); specifically GASB Statement No. 67 - Financial Reporting for Pension Plans.

The audit shall be completed and audit reports shall be delivered to the Corporation by June 15, 2015 for the FY 2014 audit and October 31, 2015 for the FY 2015 audit.

General Background

General information about the Corporation, as well as a copy of its audited financial statements for the year ended June 30, 2014, can be found on its website at <http://www.commerceri.com/index.php>.

Purpose of Audit

The Corporation has annual audits of its financial statements; however, the Plan has not been separately audited. The Corporation is seeking a separate audit of the Plan's financial statements to meet the new employer accounting and financial reporting requirements of GASB Statement No. 68 which the Corporation will apply in its FY 2015 financial statements.

The Plan's current actuary, The Angell Pension Group will provide GASB 67 disclosure information for inclusion in the Plan's financial statements. The Plan financial statement data will be derived from the monthly and annual plan statements from the third party custodian, The Washington Trust Company.

Upon award of these services, the auditor will complete the FY 2014 pension plan financial statement draft by May 31, 2015 and deliver the final pension plan financial statement no later than June 15, 2015. The FY 2015 pension plan financial statement draft should be received by October 15, 2015 with the final delivery date no later than October 31, 2015.

Description of Pension Plan

The Plan year begins July 1 and ends June 30. The Plan is considered a governmental plan not subject to ERISA. The Plan's financial statements are prepared on a fiscal year basis.

The plan covers employees of the Commerce Corporation of RI as well as employees of the Quonset Development Corporation. Employees of both Corporations hired prior to January 1, 2006 are covered by the Rhode Island Commerce Corporation Pension Plan and Trust (the "Plan"), a cost sharing multiple employer defined benefit pension plan administered by Rhode Island Commerce Corporation ("RICC"). The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. The Plan assigns to RICC the authority to amend benefit provisions. The actuarially determined benefits are based on 60% of average compensation and are adjusted based on length of service. The minimum length of service is one year and employees are fully vested after 5 years of service.

Under a cost sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligations to the plan.

The Plan's third party administrator is The Angell Pension Group, Inc. and they also perform the annual actuarial valuation. Washington Trust is the Plan's Trustee. The assets are held with Washington Trust and Washington Trust also provides recordkeeping services. In addition, Washington Trust provides

investment advisory and management services. The Plan has an Investment Committee that meets regularly and works closely with the Investment Advisor.

Benefit Provisions

A summary of plan provisions, including information about how benefits are calculated, is contained on pages 4 and 5 of the attached actuarial valuation.

The actual breakdown of participation is shown below:

Employees	QDC	RICC	Total
Active	27	18	45
Terminated - Vested	19	27	46
Retirees	46	20	66
Total	92	65	157

Funding Policy

The contribution requirements of the Plan participants and participating employers are established by and may be amended by the Board. Plan members are not required to contribute to the Plan. The employer is responsible for funding the cost of all benefits. The funding strategy is to contribute an amount that is at least the minimum actuarial recommended contribution.

Plan Information

The most recent actuarial valuation as of July 1, 2014 is attached.

Information concerning actuarial assumptions is on page 7 of the valuation.

Information about Plan assets as of July 1, 2014 is on page 8 of the valuation.

Information about the number of Plan participants and vested benefits can be found on page 9 of the valuation.

Qualifications of Auditor

1. The firm selected for the audit shall be a firm of Certified Public Accountants holding a valid license in the State of Rhode Island or from another state having equal professional standards.
2. The senior accountant in charge of the fieldwork shall be a Certified Public Accountant.
3. The audit organization and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of *Government Auditing Standards* issued by the Comptroller of the United States.
4. The audit firm shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by *Government Auditing Standards*.
5. The audit firm shall provide a copy of their most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract to the Corporation, the Auditor General and the RI Director of Administration.

Audit Contract

1. The audit contract will cover two fiscal years. Each year must be treated as a separate audit. The contract period shall not exceed three years. No firm shall maintain the contract for more than two consecutive terms (or six consecutive years).
2. **Audit contracts covering more than one year shall specify an audit fee for each year. The audit fee shall be inclusive of all expenses.**

Audit Standards

1. The firm accepting the engagement shall conduct its audit in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants, the standards for financial audits contained in the *Government Auditing Standards*.

Audit Scope

1. Basic Financial Statements on a fiscal year basis, i.e. Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position; and notes to the financial statements.

The Corporation is opting to not complete a Management's Discussion and Analysis for the pension audit.

2. Required Supplementary Information as follows:
 - a. Schedule of Changes in the Net Pension Liability
 - b. Schedule of Net Pension Liability
 - c. Schedule of Employer Contributions
 - d. Schedule of Investment Returns

Audit Reports

1. Draft paper and electronic copies of all audit report(s) shall be submitted to the Corporation, the Auditor General, and the Office of Accounts and Control – Department of Administration prior to the exit conference so that there is adequate time for review.
2. The auditors shall submit reports on:
 - a. Basic Financial Statements on a fiscal year basis, i.e. Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position; and notes to the financial statements performed in accordance with generally accepted auditing standards and *Government Auditing Standards*.
 - b. Required supplementary financial statements, schedules and information.
 - c. Internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

Management Letter

1. Upon completion of the audit, if there is a management letter it must be submitted to the Chief Executive Officer and the Corporation's Board of Directors, with copies to the State of RI Director of Administration and the Auditor General.

2. The management letter must include comments and/or recommendations beyond those included in the reports described above on such matters as:
 - a. Policies, procedures and practices employed by the Corporation;
 - b. Immaterial weaknesses in the internal controls that are not “significant deficiencies”;
 - c. Use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner;
 - d. Compliance with state laws pertaining to Corporation/pension plans and with Rules and Regulations established by the Corporation.

Required Information from Proposers

1. Current status of the professional license of the firm, partner-in-charge, and senior accountant in charge of fieldwork
2. Staffing information including firm size, number of staff allocated to the pension audit engagement, qualifications and experience of each person assigned to the pension audit engagement, amount and type of professional liability insurance
3. Statement of relevant experience including list of governmental defined benefit pension audits performed in the last five years
4. Understanding of work to be performed, including planned audit procedures
5. List of 4 references, including contact name, address, and current phone number from government defined benefit pension audits performed in the last five years.

Coordination between the Auditor of the Plan, the Auditor General and the RI Department of Administration

Specific inquiries and procedures to assure such coordination include:

1. A statement that no client conflicts exist which would inhibit the ability to perform the audit in accordance with professional standards.
2. Written representation that the private auditor is independent under the requirements of the American Institute of Certified Public Accountants including those in Interpretation 10 of Rule 101 of the AICPA Code of Professional Ethics and *Government Auditing Standards*.
3. A written representation that the private auditor of a component unit meets the continuing educational requirements of the *Government Auditing Standards*.
4. A written representation that the private auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. The private auditor will provide the Auditor General with a copy of his most recent external quality control review report.
5. A written representation that the private auditor is familiar with general accepted accounting principles for state and local government units and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants; *Government Auditing Standards* issued by the Comptroller General of the United States, and will conduct the audit and report in accordance with those standards.

6. Attendance of the Auditor General at the entrance, exit and other conferences between the private auditor and the Corporation.
7. Submission of all "draft" copies of the pension audit report(s) and management letter before the exit conference.
8. Prompt notification to the Auditor General and the Director of Administration by the private auditor if he becomes aware of fraud, abuse or illegal acts or indications of such acts affecting the agency.
9. Prompt notification to the Auditor General and the Director of Administration by the private auditor if he encounters any significant accounting or auditing problems, or any situations that could delay completion of the audit.
10. In accordance with Chapter 27 of Title 17 of the Rhode Island General Laws, the auditor shall have filed or will file upon execution of this contract if required, an affidavit with the State Board of Elections concerning reportable political contributions.
11. A certification that no Rhode Island "Major State decision maker", or spouse or dependent child or such person as defined by RIGL Sec 42-6-1 holds either a ten percent or greater equity interest or a \$5,000 or greater cash interest in the business.

Access to Audit Information and Workpapers

Audit work papers of the auditing firm shall be made available upon request of the Director of Administration and/or the Auditor General upon request. The request for such information by the Auditor General shall be responded to promptly. Failure to provide this information shall constitute a breach of contract, and the contract shall give the Auditor General standing in a court of competent jurisdiction to enforce this provision.

Valuation of Proposals

Pricing Information must be submitted as follows:

Please provide a lump sum amount for auditing services (to be used for submittal evaluation) including required supplementary schedules by fiscal year for the fiscal years ending:

Lump Sum for Audit

June 30, 2014 _____

June 30, 2015 _____

Purchasing Requirements:

1. The contract will be awarded based on the scoring requirements listed in Purchasing Requirement #5 below.
2. The Corporation reserves the right to make an award, part or to reject any or all proposals based on what it considers to be its best interest.
3. This Request for Proposal does not commit the Corporation to pay costs incurred in the preparation of the submittal and does not commit the Corporation to procure or contract for services.

4. The Corporation and the firm selected shall enter into a contractual agreement setting forth the provisions of this proposal not to exceed two years.
5. Proposals will be evaluated based on the following:
 - a. Overall qualifications and experience of the firm and the specific engagement personnel to be assigned to perform the work with emphasis on experience with governmental entities and wastewater utilities (40 points).
 - b. Overall audit approach and strategy proposed and capability of the firm to perform the engagement within the specified timeframe (30 points).
 - c. Audit Fee – see formula below in the example for how the points will be awarded for the audit fees (30 points)

Example: Assuming 3 submittals received were (Firm A \$20,000), (Firm B \$22,000) and (Firm C \$24,000)

Firm A (lowest audit fee)	awarded 30 points	$\$20,000/20,000 \times 30 = 30$
Firm B	awarded 27 points	$\$20,000/22,000 \times 30 = 27$
Firm C	awarded 25 points	$\$20,000/24,000 \times 30 = 25$

Submittal Requirements:

1. Five (5) printed copies and one (1) electronic copy (thumb drive) of the proposal must be submitted to:

Rhode Island Commerce Corporation
Attn: Pension Audit RFP
 315 Iron Horse Way, Suite 101
 Providence, RI 02908
2. The proposal must be submitted no later than **4:00pm, Thursday, April 30, 2015** Eastern Daylight Savings Time. Late submittals will not be considered. There will be no exceptions to this deadline.

Questions, interpretations, or clarifications concerning this RFP should be directed by e-mail to William Ash at: wash@commerceri.com no later than 4:30pm on Wednesday, April 15, 2015. Responses to questions, interpretations, or clarifications concerning this RFP will be posted online via addendum at www.commerceri.com and www.purchasing.ri.gov by Wednesday, April 22, 2015 to ensure equal awareness of important facts and details.

Commerce RI accepts no financial responsibility for any costs incurred by a firm in responding to this RFP. The proposals in response to this RFP become the property of Commerce RI and may be used by Commerce RI in any way it deems appropriate. By submitting a proposal, the firm certifies that it has fully read and understands the RFP, has full knowledge of the proposal to be provided, and accepts the terms and conditions.

Performance Requirements:

1. The auditing firm will be responsible to deliver a total of 45 color copies of the audit report and a color PDF of the audit report shall be delivered to the Executive Director for distribution to the Corporation's Board of Directors, The QDC Board of Directors, the State of RI Director of Administration and the Auditor General (two copies) upon completion of the audit.
2. The annual audits shall be completed in accordance with the timelines set forth in the Purpose of Audit section on page one of this RFP.

Payment Requirements:

1. Monthly invoices are to be forwarded to the Corporation and shall include a description of service rendered along with a daily log of hours billed by the auditing firm.
2. In connection with management consulting services, the auditing firm will only be paid for quantity of work actually performed and accepted. An increase or decrease in the quantity for any items shall not be regarded as grounds for an increase or decrease in the procurement process.