



Request for Proposal

*Certified Public Accounting Firm for Auditing
Services*

OVERVIEW

The **Firemen's Annuity and Benefit Fund of Chicago** (the “Fund” or “FABF”) hereby issues a request for proposals (“RFP”) from qualified firms that provide auditing services to audit the Fund’s financial statements for the year ended December 31, 2020. A firm submitting a proposal that complies with the requirements of the RFP shall be referred to as “Respondent” throughout this RFP.

Any contract awarded as a result of this process will be for a period of five (5) years or such lesser period of time as determined by the Fund and consistent with applicable law.

All forms needed for submitting a response to this RFP are available on the Procurement section of the Fund’s website at: <http://www.fabf.org>. Respondents to this RFP are responsible for monitoring the Fund’s website for information pertaining to the RFP while the RFP is outstanding.

I. BACKGROUND INFORMATION

FABF is the administrator of a single employer defined benefit plan that was established in 1931 to provide retirement annuities and disability benefits for covered employees and for survivors and other beneficiaries of such employees. The FABF is administered under Chapter 40, Act 5, Article 6 of the Illinois Compiled Statutes. Detailed information on FABF and a copy of our latest audited financial report can be found on our website at www.fabf.org.

FABF collects, deposits, invests, and manages retirement trust funds solely in the interest of, and for the exclusive purpose of providing benefits to eligible participants and their beneficiaries. As of December 31, 2019, there were approximately 4,630 active members and 5,128 retirees and beneficiaries. FABF acts as fiduciary agent for the accounting and control of member and employer contributions and investment income. FABF had assets of approximately \$ 1.15 billion as of December 31, 2019.

FABF is administered under the direction of the Retirement Board responsible for the oversight, management, and administration of FABF. To help carry out governance responsibilities, the Retirement Board appoints the Executive Director and retains consultants for investment, actuarial, legal, and other provisional services necessary for the transaction of business. The Executive Director and his staff of 15 are responsible for all day-to-day operational and management tasks.

A. Investments

The Retirement Board is responsible for oversight as to all investments of FABF assets and oversees the investments of 21 separately managed accounts, three (3) commingled funds, and 14 private market funds. The Retirement Board utilizes the services of an investment consultant. FABF does not perform any internal management of investments. FABF staff monitors performance of the external investment managers and does investment reconciliation accounting. FABF currently engages in a securities-lending program through Northern Trust.

B. Accounting and Reporting

FABF is a component unit of the City of Chicago and as such, it is included in the City of Chicago’s financial report as a pension plan. FABF follows Governmental Accounting

Standards Board (GASB) accounting principles and reporting guidelines. Financial records are maintained on an accrual basis.

C. Systems Applications

The following is an overview of FABF's existing systems, applications and environment:

1. Disbursement Functions

- a. Benefit Payroll Disbursement is processed internally.
- b. Vendor Payments are processed internally.

2. Pension Administration

FABF uses a customized pension administration database system, Pension Administration System (PAS).

3. Contributions Accounting

Active member's periodic payroll information is imported from the City of Chicago payroll files and loaded into FABF's Pension Benefit System (PAS) and credited to each participant record.

4. Local Area Network (LAN)

FABF has implemented a Local Area Network (LAN) to support end-user computing and basic networking technologies.

5. Accounting Applications

FABF uses an accounting software package as its main general accounting recordkeeping and financial reporting. This program runs on a third-party server. FABF does not maintain an investment subsidiary ledger. Investment advisors direct investment trades and reconcile monthly security positions and investment income received with the custodian bank, Northern Trust.

6. Administrative Expenses

FABF's Retirement Board annually approves the operating budget for the administration of FABF. Funding for these expenses comes from the employer contributions as mandated in the Illinois State Statutes Chapter 40, Section 5/6-190.1

7. Actuarial Services and Information

To monitor the funding status of the Fund, FABF engages an independent actuarial firm to conduct actuarial valuations annually and to perform an experience study no less frequently than every five years. The December 31, 2019 valuation determined the funding ratio to be 18.4%. The annual valuation was done using the entry age normal cost method and an actuarial value of assets smoothed over a 5-year period. The current valuation uses a 6.75% assumed investment rate of return as the discount rate and a 3.5% wage inflation assumption.

8. Internal Audit Function

None.

9. Availability of Prior Audit Reports

Interested respondents who wish to review prior year's audit reports and management letters should visit the FABF website at www.FABF.org/financeinfo/.

D. RFP Timeline

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| 1. Date of Issue: | July 20, 2020 |
| 2. Deadline to Submit Written Questions: | July 27, 2020, 4:00 PM, CST |
| 3. Q&A Document Posted: | August 3, 2020 |
| 4. Final Responses Due: | August 17, 2020, 4:00 PM, CST |
| 5. Finalist Notified By: | TBD |

The timeline is subject to change.

Any changes to the timeline will be posted on the Fund's website.

II. IMPORTANT DISCLOSURES & NOTICES

- A. Neither this RFP nor any response to this RFP should be construed as a legal offer.
- B. If it becomes necessary to revise any part of the RFP, or if additional information is necessary for a clarification of provisions within this RFP, prior to the due date for proposals, a supplement will be posted on the Fund's website. If a supplement is necessary, the Fund may extend the due date to accommodate any additional requirements.
- C. FABF reserves the right to reject any or all proposals submitted.
- D. All material submitted in response to the RFP will become the property of the Fund.
- E. FABF is not responsible for any costs incurred by the Respondents in responding to this RFP.
- F. Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act (5 ILCS 140/1 *et seq.*). After completion of the RFP, selection by the Fund, and successful negotiation of a contract, if any, proposals submitted may be viewed and copied by any member of the public, including news agencies and competitors. Respondents claiming a statutory exception from the Illinois Freedom of Information Act for information within the Respondents' proposals must identify relevant language as confidential and identify in the email transmission of the proposal whether confidential information is included. Further, each page of confidential documentation must be labeled as such. The Respondent must also specify which statutory exemption applies for each piece of confidential information. The Freedom of Information Act can be found at the Illinois General Assembly's website (<http://www.ilga.gov/>). Any claim of privilege or confidentiality from disclosure is not definitive. FABF has the right and legal obligation to determine whether such information is exempt from disclosure under the Illinois Freedom of Information Act. Respondents shall make no claim against FABF if FABF discloses any

information relating to a proposal that was required to be disclosed pursuant to the Freedom of Information Act.

- G.** Ex parte communications between the Fund’s staff and interested parties, including Respondents, shall be prohibited until a contract is entered into and the RFP process is terminated. Furthermore, any communication related to this RFP between a Respondent and any member of the Retirement Board is prohibited until a contract is entered into and the RFP process is terminated (“Quiet Period”). Notwithstanding the prior sentence, the Fund’s staff may communicate with a Respondent for the sole purpose of gaining clarification regarding information provided in response to this RFP. Additionally, the Fund’s staff may communicate with Respondent for the purpose of existing, normal business matters involving a Respondent and the Fund. Violation of the Quiet Period rules constitutes grounds to reject a submitted proposal.

III. FABF RFP PROCEDURES

The Fund will post notice of this RFP on its website. Neither this RFP nor any response to this RFP should be construed as a legal offer.

All interested Respondents must submit their responses in accordance with the proposal submission instructions below.

Following the deadline for submissions, the Fund’s staff shall open the responses and review each for content, quality and compliance with the RFP’s requirements. Following the review, the field of candidates may be narrowed to a smaller list of the most qualified Respondents. The Fund’s staff reserves the right to meet with representatives of each Respondent to obtain an independent assessment of the Respondent’s capabilities and the Fund reserves the right to conduct background investigations of selected individuals or firms prior to awarding a contract under this RFP.

IV. PROPOSAL SUBMISSION

If a Firm is interested in submitting a proposal, it must submit an electronic copy of the complete proposal by **4:00 PM, CST, August 17, 2020**, to the following contact:

SEARCH CONTACT: Jackie Vlahos
Comptroller
FABF of Chicago
20 S Clark Street
Suite 300
Chicago, IL 60603
searches@fabf.org

Please reference “Auditing Services” in the email subject line.

Procedural and substantive questions concerning the RFP must be submitted in writing via e-mail to the Search Contact by **4:00 PM, CST, July 27, 2020**. Responses to questions properly submitted

will be consolidated in a single Q&A document and posted on the Fund's website on or about **August 3, 2020**. The Q&A document will not identify the source of the query.

PLEASE NOTE: Respondents WILL NOT receive individualized responses from the Search Contact, in response to questions submitted. Respondents must review the Q&A document posted on the Fund's website to receive answers to all questions submitted.

If the Fund's staff has questions regarding how to interpret a Respondent's proposal, the Fund's staff is authorized to request additional information from that Respondent.

ANY PROPOSAL THAT IS EITHER DETERMINED TO BE INCOMPLETE OR RECEIVED AFTER THE DUE DATE AND TIME WILL NOT BE CONSIDERED.

PROPOSALS MUST CONTAIN THE FOLLOWING DOCUMENTS:

- A. Transmittal Letter. A transmittal letter must be submitted on the Respondent's official business letterhead. The letter must identify all documents provided in response to the RFP, and must be signed by an individual authorized to bind the Respondent contractually. **An unsigned proposal is subject to rejection.** The letter must also contain the following:
1. An acknowledgement by the Respondent that the information provided is a firm offer good for one (1) year from the date of the proposal.
 2. Statement that discloses any current business relationship or any current negotiations for prospective business with the Fund, the Fund's Executive Director, the Fund's staff, Fund's Legal Counsel (Burke Burns & Pinelli, LTD), the Fund's Investment Consultant (Callan Associates), or any member of the Board.
 3. Statement that the Respondent is willing and able to perform the services described in the Scope of Services section of this RFP.
 4. Statement that the Respondent has the staff and other resources required to perform all services required by the RFP and to provide all required deliverables within the specified time frame.
 5. Statement that the Respondent meets the minimum qualifications as specified in Section V of this RFP document.
 6. The name, title or position, e-mail addresses, and telephone number of the individual signing the transmittal letter on behalf of the Respondent.
 7. The respondent must describe the level of coverage for errors and omissions insurance and any other fiduciary or professional liability insurances the firm carries.
 8. A summary of the proposed fee schedule request.
 9. *Employee Diversity Table*. The Respondent must complete and submit the Employee Diversity Table that accompanies this RFP.
- B. Technical proposal. The Respondent must address all the technical proposals in the RFP in order in which they appear in the RFP.

C. Pricing Information.

1. *Total not-to-exceed Maximum Price*

The proposal shall contain all pricing information relative to performing the audit engagement as describe in the request for proposal on a “not to exceed” basis for the fiscal years ending December 31, 2020 through 2024. The total-not-to-exceed maximum price to be bid is to contain all direct and all indirect costs including all out-of-pocket expenses.

FABF will not be responsible for expenses incurred in preparing and submitting the proposal. Such cost should not be included in the proposal.

Adjustment in the contract price may be negotiated between the successful respondent and FABF if the cost of the time required to perform the audit is increased pursuant to a change in scope requested by FABF or required by State or Federal agencies.

2. *Special projects*

Provide guaranteed hourly rates for various staff levels that would be charged if FABF decided to retain certain levels of staff for specific, short-term projects to be conducted outside of the audit or agreed upon scope of the audit process.

3. *Tax consulting*

Provide guaranteed hourly rates for various staff levels that would be charged if FABF decided to retain certain levels of staff for specific questions related to tax consequences associated with participant benefit payments.

The fee proposal should include the following:

- A. Financial Statements Audit and Advisory Services
- B. GASB 67/68
- C. GASB 75
- D. Any supplemental start-up fees
- E. Hourly rate for as needed services, including the Department of Insurance audit to be performed every two years,

V. MINIMUM QUALIFICATIONS

Any Respondent submitting a response to this RFP must meet the following minimum qualifications:

- A. The Respondent must have a license to practice auditing services in the State of Illinois.
- B. The Respondent must have sufficient knowledge of and training to enable them to comply with generally accepted auditing standards.
- C. Respondent must have adequate knowledge of governmental accounting.

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- D. Respondents must have sufficient knowledge of pension accounting and actuarial science.
 - E. Respondent must have sufficient knowledges of statements issued by the Governmental Accounting Standards Board (GASB) particularly those relating to pension accounting and reporting.
 - F. Respondent must have a least five (5) years of experience of similar engagements with other public retirement systems.

The Respondent must address each of the qualifications substantiating how the Respondent satisfies each of the minimum qualifications. The responses shall contain sufficient information as prescribed to assure the Fund of its accuracy. Failure to provide complete information can result in rejection of the proposal.

VI. SCOPE OF SERVICES

VII. FABF requires the Respondent to conduct an independent audit of the financial statements of the Fund in accordance with generally accepted auditing standards and to express an opinion on the fair presentation of the financial statements in conformity with generally accepted accounting principles accepted in the United States of America. The Respondent shall be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards. The Respondent shall perform testing of the accounting and other supporting documentation and records as deemed necessary for the Respondent to express such an opinion. The Respondent will review the basic requirement of internal controls for FABF. The Respondent will advise FABF about the appropriateness of accounting policies and their application. The Respondent will evaluate FABF's compliance with accounting principles generally accepted in the United States of America. The Respondent will review and audit FABF's current pension administration system. Respondent will also communicate with the City's external auditor, FABF staff and actuaries, as needed.

VIII. Areas to review and audit include, but may not be limited to, the accuracy of member information, benefit calculations and actuarial information. Respondent with perform an audit and prepare schedules related to GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

A. Auditing Standards to be followed:

To meet the requirements of this RFP, the audit shall be performed in accordance with generally accepted auditing standards applicable in the United States of America as set forth by the American Institute of Certified Public Accountants.

B. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the Respondent's expense, for a minimum of five (5) years, unless the firm is notified in writing by FABF of the need to extend the retention period. The Respondent will be required to make working papers available, upon request, to the FABF at no additional cost.

C. Reports to be Issued

1. Independent Respondent's Report

Following the completion of the audit of each fiscal year's financial statements, the Respondent shall issue a report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America of the FABF as well as the GASB 67/68 and GASB 75 reports.

2. Required Communication to the Board and Management

The Respondent shall communicate significant deficiencies and material weaknesses identified in the audit, in writing, to management. A significant deficiency is a control or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

3. Irregularities and Illegal Acts

Respondent shall 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 following parties: the Comptroller, the Executive Director and the Retirement Board.

4. Presentation to the Retirement Board

The Respondent is expected to make a presentation to the Retirement Board on the results of the audits at its May or June meeting of each year, as requested by the Executive Director.

D. Time Requirements for the Annual Report

The Respondent must be able to meet the following deadlines for the annual fiscal year audit:

1. Detailed Audit Plan

The Respondent shall provide FABF a detailed plan and a list of all schedules to be prepared by FABF prior to the audit by no later than January 31 of each year.

2. Fieldwork

The Respondent shall begin the fieldwork portion of the audit no later than the second week of March of each year.

3. *Draft Reports*

The Respondent shall supply draft copies of the Respondent's report, financial statements, notes to the financial statements, required supplementary schedules and other schedules no later than May 1st of each year. The Comptroller will complete the review of such draft documents as expeditiously as possible. The Respondent shall also supply a draft copy of Respondent's recommendations to management no later than May 15th of each year.

4. *Final Reports*

Ten (10) copies of the final signed report must be delivered to:

Fund Comptroller
Firemen's Annuity and Benefit Fund of Chicago
20 S. Clark Street, Suite 300
Chicago, IL 60603

An electronic copy in a PDF format is to be emailed to: comptroller@fabf.org. It is anticipated that this process will be completed, and the final report delivered by mid-May of each year.

E. Assistance to be Provided to the Respondent:

FABF will assist in preparing year-end closing entries, draft financial statements, notes, all required supplementary schedules, and statistical data. The Respondent will provide to the Executive Director and Comptroller all recommendations, revisions, and suggestions for improvements to the financial statements in early April of each year.

FABF will provide access to necessary staff during audit to assist Respondent by providing information, documentation, and explanations. FABF will assist in the preparation of confirmations.

IX. TECHNICAL PROPOSAL

The technical proposal should address all the points outlined in the RFP. The proposal should provide a straightforward, concise description of the responder's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the following subjects must be included. The following subjects represent the criteria for evaluating and analyzing material included in the proposal.

A. Independence

Include an affirmative statement regarding the firm's independence of FABF as defined by the generally accepted auditing standards.

B. License to practice in Illinois

Include an affirmative statement indicating that the firm and all assigned key professional staffs are properly licensed to practice in the State of Illinois.

C. Firm qualifications and experience

The proposal should state:

1. The size of the firm
2. The size of the firm's governmental audit staff,

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3. The location and telephone number of the office from which the work on this engagement is to be performed
 4. The number and nature of the professional staff to be employed in this engagement on a full or part-time basis.
 5. The firm's EEOC policy; indicate whether the firm qualifies as a "minority-owned business", "female-owned business", or "business owned by a person with a disability" as those terms are defined in the (30 ILCS 575) Business Enterprise for Minorities, Females, and Persons with Disabilities Act;
 6. Information on the circumstances and status of any current disciplinary action taken or pending against the firm with state or federal regulatory bodies or professional organizations; and information on the circumstances and status of any pending litigation that has taken place against the firm during the past five (5) years.
 7. The firm is also 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 government engagements and of specific employee benefit plan engagements.

D. Partner, supervisory and staff qualifications and experience

1. The firm should identify the principal supervisory and management staff, including engagement partners, managers, supervisory seniors and specialists, who would be assigned to the engagement and indicate whether each person as applicable, is licensed to practice as certified public accountant in Illinois.
2. The firm should provide a statement of the qualifications of the key individuals so identified, including the experience in the auditing of public retirement systems, systems applications, governmental units, auditing in general, and any specialized expertise such individuals may have which is applicable to this engagement (i.e., that pertaining to pension accounting and actuarial science, cash management, investments, etc.) and relevant continuing professional education.
3. 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 permission of FABF. However, in either case, FABF retains the right to approve or reject personnel replacement.

E. Similar Engagements with other public retirement systems

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements performed in the last four years that are similar to the engagement described in this RFP. Indicate the scope of work, date, engagement partners, total hours and the name, e-mail address and telephone number of the principal client contact.

F. Conflicts of Interest

Identify any potential conflicts of interest issue the firm might have in auditing FABF. Indicate any professional relationships the firm has with the City of Chicago or legislative bodies within the past three years.

G. Specific audit approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed. The firm will be required to provide the following information on their audit approach:

1. Proposed segmentation of the audit engagement,

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2. Level of staff and estimated number of hours to be assigned to each proposed segment,
 3. Approach to be taken to identify and audit the significant risk areas of FABF's operations,
 4. Approach to be taken to gain and document an understanding of FABF's internal control structure,
 5. Sample size and the extent to which statistical sampling is to be used,
 6. Type and extent of analytical procedures to be used,
 7. Approach to be taken regarding the actuarial information reported.

H. Procedures for resolving potential audit problems

The proposal should identify and describe the firm's approach to resolving potential problems that may be encountered during the performance of the audit, and any special assistance that may be requested from FABF.

X. EVALUATION AND SELECTION CRITERIA

The Fund's staff shall review each response received by the RFP submission deadline for content, quality, and compliance with the RFP's requirements. The Fund's staff reserves the right to meet with representatives of each Respondent to obtain an independent assessment of the Respondent's capabilities.

Review of Respondents shall include but not be limited to the following factors:

1. Organization
2. Product, Philosophy, and Process
3. Experience
4. Completeness and Quality of Proposal
5. Fees
6. MBE/WBE Status and/or Utilization

Fees will be a particularly important factor when all other evaluation criteria are relatively equal.

Following the review process, the Fund's Staff shall present to the Board a list of all Respondents and profiles of the most qualified Respondents for consideration. The Board may accept, modify, or reject the selected Respondents list. Respondents may be asked to appear before the Board to present the Firm's qualifications.

Following approval by the Board, the Fund will attempt to negotiate an agreement with the selected firm. The agreement shall include requirements from applicable laws, including, but not limited to, the Illinois Pension Code, as amended. The Fund may, in its sole discretion, terminate the agreement at any time during the term. If the Fund is unable to negotiate an agreement that is acceptable to the Fund, the Fund reserves the right to award and negotiate with the next most qualified Respondent.

Thank you for your interest in this RFP and the FABF looks forward to your response.