



## MEMORANDUM

**NOTE: Prior to the Board meeting on January 11, 2023, please do not discuss the procurement with anyone other than Board members, Committee members, legal counsel, or the NCDST FOD P&C.**

TO: Supplemental Retirement Board of Trustees

FROM: Audit Services RFP# 07-2022005 Evaluation Committee

DATE: January 11, 2023

SUBJECT: Award Recommendation regarding the RFP# 07-2022005 for Audit Services for the NC 401(k) and NC 457 Plans

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The Board's *Vendor Selection Policy* requires the Board's approval of an auditor for the NC 401(k) and NC 457 Plans (together, the "Plans") following a request for proposals or similar process. At its August 25 meeting, the Board approved beginning the auditor procurement process.

On September 23, 2022, the North Carolina Department of State Treasurer ("NCDST") Financial Operation Procurement and Contracting Office ("FOD P&C"), on behalf of the Supplemental Retirement Plans ("SRP"), posted RFP #07-2022005 for Auditing Services for the NC 401(k) and NC 457 Plans ("RFP"), covering the financial statements for year-end 2022, 2023, and 2024. The Board has the option to extend the contract for two additional years, covering the financial statements for year-end 2025 and 2026. The RFP was posted on the State's Interactive Purchasing System and the eProcurement Ariba Sourcing Module. The proposal opening was conducted on October 27, 2022, at 2:00PM ET, the deadline for potential audit firms to submit responses to the RFP.

Three firms submitted proposals by the proposal opening deadline, as listed below:

1. CliftonLarsonAllen LLP ("CLA")
2. Berry, Dunn, McNeil & Parker, LLC ("Berry Dunn")
3. UHY, LLP

Administrative reviews were conducted by FOD P&C on all firms' proposals. All proposals were deemed responsive and submitted to the RFP Evaluation Committee (the "Committee") for review. The Committee was comprised of the following members:

1. Thomas Causey, Executive Director, Retirement Systems Division
2. Jeff Hancock, Director, Supplemental Retirement Plans
3. Joan Fontes, Deputy Director, Financial Operations Division
4. Derek Gee, Accountant, Supplemental Retirement Plans
5. Chevella Thomas, Supplemental Retirement Board Member

## 6. Wyndon Hibler, Supplemental Retirement Board Member

In addition to the Committee members listed above, Elizabeth Cass, FOD P&C Contract Specialist II, facilitated the procurement and Committee meetings. In addition, Reid Chisholm, NCDST Assistant General Counsel, was present in the Committee meetings to help assist in the procurement from a legal standpoint.

The Contract Kick-Off meeting was conducted on November 10, 2022, where the Committee discussed the evaluation methodology and plan. The subsequent Committee meetings were conducted on November 22, 2022, December 5, 2022, and December 19, 2022, where the Committee reviewed, evaluated, and ranked all firms' technical and cost proposals. The Committee reviewed, evaluated, and ranked the firms across 11 technical criteria under a "Best Value" procurement method, as outlined in Section 3.4 of the RFP.

The Committee requested and received clarifications from UHY on its responses to Section 4.14 (External Review and Regulatory Action) and Section 5.6 (Anticipated Services Proposed Schedule). The Committee also requested and received clarification from CLA on its response to Section 5.7 (Anticipated Audit Hours).

UHY had the highest overall technical ranking and was ranked first in all but one of the technical criteria, either individually or tied with one or both of the other firms. UHY had the second highest rating in the remaining technical criterion. On December 20, 2022, the Committee issued a Best and Final Offer ("BAFO") to UHY, and UHY responded with proposed cost savings. Although UHY had the second lowest cost proposal, their cost proposal provides savings over SRP's current audit contract.

The Committee also requested and reviewed responses from six UHY references. Three of the references were for the firm as a whole, and three were for project team members at UHY who previously worked at another firm (including prior work for SRP).

Although UHY did not propose the lowest cost, based on the combination of UHY's technical and cost proposals, relative to the other two firms, the Committee determined that UHY offers the best value to the Plans. While each of the firms has certain capabilities, the Committee recommends the selection of UHY. With the Board's approval, staff will enter into contract negotiations with UHY to provide audit services for the Plans pursuant to a standard audit engagement letter, the provisions of the RFP, and UHY's response to the RFP. The contract will include a three-year initial term (2023-25) with two, one-year renewal options for the Board and the Department (2026-27). However, each year of the contract will be covered by a separate engagement letter, and the Board and Department have the option not to retain the auditor for the following year.