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RETIREMENT SYSTEMS

MEMORANDUM

**Date:** November 17, 2016  
**To:** Supplemental Retirement Board of Trustees  
**From:** Audit Services RFP Evaluation Committee  
**Re:** Recommendation regarding RFP for audit services for the NC 401(k) and NC 457(b) Plans

On September 22, 2016, the Department of State Treasurer issued a request for proposals (RFP) to provide audit services for the NC 401(k) and NC 457(b) Plans for plan years 2016-2018 (RFP# 07-S12049). The RFP was posted on the State's Interactive Purchasing System and the Department's website. Proposals were due by October 31, 2016.

Three firms submitted proposals:

1. CliftonLarsonAllen LLP
2. Cherry Bekaert LLP
3. Elliott Davis Decosimo LLP

The Audit Services RFP Evaluation Committee (Committee) met on November 8, 2016, to discuss, evaluate, and score the proposals. The Committee was comprised of the following members of the Department:

1. Steve Toole, Executive Director, Retirement Systems Division
2. Mary Buonfiglio, Deputy Director, Supplemental Retirement Plans
3. Joan Fontes, Deputy Director, Financial Operations Division

The Committee adopted an instrument to evaluate and score the responses based on the following categories and weights:

1. Technical Proposal (75%)
  - a. Background and Experience (20%)
  - b. Project Staffing and Organization (20%)
  - c. Anticipated Audit Hours (5%)
  - d. Technical Approach (30%)
2. Cost Proposal (25%)

The instrument provided specific criteria for evaluating and scoring each category of the Technical Proposals, as well as a formula for scoring the Cost Proposals.

The Committee discussed, evaluated, and scored the Technical Proposals according to the criteria in the instrument.

The Cost Proposals were then unsealed and scored.

Following the meeting, the Committee received three points of clarification:

1. Each respondent was asked whether “any regulatory action [had] been taken by any oversight body within the last five (5) years against your organization, a local office, or any staff member that will be assigned to this engagement.” All of the respondents answered in the negative.
2. CliftonLarsonAllen’s proposal stated that it would visit at least 25 state agencies, including the 10 largest and 15 random, as part of its audit. However, for the 2015 audit, CliftonLarsonAllen conducted 50 site visits.
3. Based on Number 2, the Committee asked CliftonLarsonAllen whether conducting at least 25 site visits would “meet financial statement audit standards.” CliftonLarsonAllen responded affirmatively.

While each of the respondents has significant capabilities, the Committee recommends that CliftonLarsonAllen LLP be awarded the contract to perform audit services for the NC 401(k) and NC 457(b) Plans. CliftonLarsonAllen not only scored highest overall, but also scored highest on the Technical Proposal while offering the lowest cost. The evaluation scores for each respondent are shown in the table below. CliftonLarsonAllen is the best fit for the NC 401(k) and NC 457(b) Plans, based upon the firm’s qualifications, audit methodology, competitive cost, and significant experience with governmental clients and pension plans – both defined benefit and defined contribution – including the Thrift Savings Plan, a defined contribution plan for Federal employees and members of the uniformed services.

#### **Summary of the Evaluation Scores for the Audit Services RFP**

<b><u>Scoring Categories</u></b>	<b><u>Maximum Points*</u></b>	<b><u>CliftonLarson Allen</u></b>	<b><u>Elliott Davis Decosimo</u></b>	<b><u>Cherry Bekaert</u></b>
<b>Technical Proposal</b>	<b>75</b>	<b>63.25</b>	<b>42.00</b>	<b>37.00</b>
Background and Experience	20	19.50	12.00	12.00
Project Staffing and Organization	20	17.50	15.00	10.00
Anticipated Audit Hours	5	3.75	3.75	3.75
Technical Approach	30	22.50	11.25	11.25
<b>Cost Proposal</b>	<b>25</b>	<b>25</b>	<b>20.19</b>	<b>11.85</b>
<b>Total</b>	<b>100</b>	<b>88.25</b>	<b>62.19</b>	<b>48.85</b>

\*Scaled to a maximum score of 100 points.