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**REQUEST FOR PROPOSALS**

**CITY OF MILWAUKEE**

**457(b) DEFERRED COMPENSATION PLAN**

**AUDIT SERVICES**

**Deferred Compensation Board**  
**August 2020**

## **1.0 INTRODUCTION**

The City of Milwaukee Deferred Compensation Board (Board) invites proposals from qualified proposers on auditing services for the City's Deferred Compensation Plan (Plan).

The Plan provides tax deferred retirement savings options for City employees, consistent with Section 457 of the Internal Revenue Code. The Plan had 9,127 active and retired participants and assets of \$960 million as of June 30, 2020.

Plan participants can deposit their payroll contributions into seven different investment options approved by the Board. The Plan's investment lineup includes mutual fund vehicles (including Target Date Funds), internally managed Stable Income fund, multi-manager separate accounts, and a participant-directed brokerage window. Additional information regarding a description of the Plan can be found in Note 1 (p. 8 – 10) of the Financial Statements for years ended Dec. 31, 2018 and 2017 (see <https://city.milwaukee.gov/ImageLibrary/Groups/cityDefComp/audits/CityofMilwaukeeDeferredCompensationPlan2018FinancialStatement1.pdf> ).

The following organizations currently provide administrative, custodial, and investment management services to the Plan:

Recordkeeper/Administrator: Voya Financial  
Custodian/Trustee: Northern Trust  
Independent Consultant: Callan LLC

This RFP does not request any services relating to the defined benefit plan administered by the City of Milwaukee.

This RFP concerns services solely relating to the administration of the 457(b) deferred compensation plan.

## **2.0 REQUIRED SERVICES**

The selected proposer will annually conduct both the financial statement audits described in Section 2.1, and agreed-upon-procedures on the Plan administrator's performance described in Section 2.2. Audit services shall be provided by Wisconsin licensed Certified Public Accountants, in accordance with generally accepted auditing standards.

### **2.1 Financial Statement Audits**

The auditor will audit the Plan's statement of net assets available for benefits, and the related statement of changes in net assets available for benefits, for the years ended

December 31, 2020 through December 31, 2022 and additional years if the contract is extended.

The audit of the financial statements for 2018 is available here: <https://city.milwaukee.gov/ImageLibrary/Groups/cityDefComp/audits/CityofMilwaukeeDeferredCompensationPlan2018FinancialStatement1.pdf>

## **2.2 Agreed-Upon-Procedures**

In addition to the financial statement audits, the auditor shall annually perform agreed-upon-procedures designed to examine the Administrator's performance under the Master Agreement and applicable regulations, for each of the objectives listed below. Recommendations for corrections and improvements should be made where necessary.

- 2.2.1** Whether the monies deducted by the City on behalf of Plan participants have been deposited, invested and credited in a timely and accurate manner in accordance with the Master Agreement.
- 2.2.2** Whether the Administrator and the Custodian (The Northern Trust Corporation) have issued timely notifications for transfers to and withdrawals from the product companies.
- 2.2.3** Whether payments to participants have been made accurately and in a timely manner.
- 2.2.4** Whether participants' accounts are being accurately noted, in a timely manner, to reflect interest, gains and losses.
- 2.2.5** Whether the Administrator is accurately calculating and distributing the earnings from the pooled investment accounts to participants' accounts. Specifically, the auditor shall verify the earnings rate for the various investment options, recompute and verify the accuracy of amounts credited to the participants' accounts for all investment products in the Plan, and review the appropriateness and accuracy of any algorithm used for calculating and distributing earnings and fees. Further, the auditor will reconcile the interest rates credited to the participants to those published in the quarterly report.
- 2.2.6** Whether the City, the Administrator, the Custodian and the product companies are maintaining participant files containing all documentation required by the Master Agreement, the Internal Review Service and the Board.
- 2.2.7** Whether the Administrator has adequate controls for accurate and timely processing and safeguarding of City assets. Specifically, the auditor should verify that the information system used by the Administrator provides assurance that participant contributions are within legal limits and consistent with current Internal Revenue Service regulations.

- 2.2.8** Whether the year-end account balances of each investment fund balance for the appropriate funds and Schwab Self-Directed brokerage account matches the balances of the Administrator and Custodian. Please visit: [https://milwaukeeedcp.voya.com/einfo/fundinfo.aspx?page=investment\\_informationfundinformation&cl=milwke&pl=777806PU&domain=milwaukeeedcp.voya.com](https://milwaukeeedcp.voya.com/einfo/fundinfo.aspx?page=investment_informationfundinformation&cl=milwke&pl=777806PU&domain=milwaukeeedcp.voya.com) for detailed information on the Plan investment fact sheets.
- 2.2.9** Whether Plan financial transactions are timely and accurate, including deposits, investments, transfers and withdrawals. The auditor shall also review the impact of transaction timing on interest credited to participants' accounts.
- 2.2.10** Whether the Administrator maintains adequate controls to ensure that all financial transactions are consistent with Plan documents and permissible under federal legislation.
- 2.2.11** Whether payments to participants are timely and properly reported to state and federal revenue departments.
- 2.2.12** Whether the Administrator is providing participants and potential participants with quality and timely investment information for economic decision making and risk comparisons between investment options.
- 2.2.13** Whether participant records are accurate.

The Administrator's System and Organization Controls 1 Report (SOC 1), which has been audited in accordance with Statement on Standards for Attestation Engagements No. 18, is available here: [https://city.milwaukee.gov/ImageLibrary/Groups/cityDefComp/audits/VIPSSOC1\\_SECURED.pdf](https://city.milwaukee.gov/ImageLibrary/Groups/cityDefComp/audits/VIPSSOC1_SECURED.pdf). To the extent possible, the auditor should develop agreed-upon-procedures which supplement rather than duplicate the SSAE18 Statement of Controls audit work.

### **2.3 Meetings and Reports**

The auditor shall be available for an annual audit entrance conference with the Executive Director and possibly members of the Board. Additional meetings with Plan and City staff may be necessary during the conduct of the audit services, but will be kept to a minimum. The auditor will present the draft audit report, including audit findings, recommendations and the Administrator's responses to the Board, prior to finalizing the audit.

Work should be scheduled to allow for review of the draft audit report, first by the Executive Director and then the Administrator. Sufficient time should be included to allow for the Administrator's responses to audit findings and recommendations. The Executive Director shall be kept informed during the conduct of the audit.

The auditor shall provide the Board with twenty (20) copies of the finalized audit report and all disclosures required by generally accepted auditing standards by June 30<sup>th</sup> following the audited year.

**2.4 Working Papers**

The auditor shall retain working papers and reports for a minimum of six (6) years from the date of the audit or longer if requested by the Board. The auditor shall make the working papers and reports available for examination by the Board, the City and the City’s external auditor.

**2.5 Contract Term**

The Contract awarded under this RFP will have a term of three calendar years covering 2021 through 2023, for audit services on Plan years 2020 through 2022. The Contract may be extended by mutual agreement for one (1) or two (2) calendar years.

The contract shall be subject to termination by either party upon thirty (30) days’ written notice.

**3.0 PROPOSALS**

Proposals should concisely address all requirements of this RFP and include the specific items in this Section. Twelve (12) Proposal copies should be submitted to the Executive Director identified in Section 3.2 (including an emailed copy) by 4:00PM on September 4, 2020.

**3.1 Proposal Calendar**

<u>Events</u>	<u>Dates</u>
RFP issued and posted	August 7, 2020
Deadline for Proposal questions (e-mail questions to the Executive Director, identified in Section 3.2)	August 21, 2020
Answers to questions posted on website	August 28, 2020
RFP closing date by 4:00PM on	September 4, 2020
Evaluation of Proposals	September, 2020*
Selection of highest ranked Proposer(s)	October 2020EFC meeting*
Follow up interviews (if required)	October 2020*
Negotiations	October 2020*
Award of Contract	November 2020 EFC & Board meetings*

\* Tentative dates

### **3.2 Plan Contact Person**

All communications regarding this RFP and any resulting contract should be directed to:

Beth Conradson Cleary  
Executive Director  
City of Milwaukee  
Deferred Compensation Plan  
200 E. Wells Street, Room 404  
Milwaukee, WI 53202  
Email: bcleary@milwaukee.gov

### **3.3 Proposal Title Page**

The title page should be labeled “Proposal for City of Milwaukee Deferred Compensation Plan Audit Services.” It should include the firm’s name, address, and telephone number.

### **3.4 Table of Contents**

The table of contents should identify the key proposal sections with page numbers.

### **3.5 Letter of Transmittal**

The dated Proposal transmittal letter should briefly state the Proposer’s understanding of the work to be performed and a commitment to perform that work and fulfill the requirements of this RFP. The letter should state the all-inclusive cost for the audit services on a not-to-exceed basis for the first contract year 2021. Indicate the time period that the proposal is effective, if applicable. The letter should identify the individuals authorized to make representations on behalf of the Proposer and be signed by the appropriate official (manual signatures only, no facsimiles).

The body of the Proposal should provide the detailed information on fees described in Section 3.9.

### **3.6 Proposer Profile**

Describe the firm, including whether it is local, regional or national, the location of the office that will provide the Plan audit services and the number of partners, managers, supervisors, seniors and other professionals employed at that office. Describe the relevant firm and assigned office experience on similar engagements. Identify and describe any work performed for the City of Milwaukee or related agencies within the last five (5) years.

Identify and provide resumes for all personnel who will be assigned to the Plan audit services, including each person's engagement role and their relevant professional experience. Provide three (3) client references for similar work by assigned personnel and describe those engagements.

### **3.7 Audit Approach**

Provide a preliminary annual work plan and schedule for the audit services with key work segments and milestones, including the audit entrance conference, duration of audit field work, submittal and presentation of draft reports and final deliverables. Indicate the nature and extent of necessary involvement by Plan and City staff throughout the audit process.

### **3.8 Questions**

Please prepare responses to the following questions:

3.8.1 What qualifications do you have (including licensed and certified professionals)?

3.8.2 What experience do you have with employee benefit plans, specifically government plans, deferred contribution plans, and 457 plans?

3.8.3 How will the financial audit project be staffed? What type of experience do these individuals have?

3.8.4 What internal process does your firm have for purposes of maintaining quality reviews?

3.8.5 Is your firm a member of the AICPA Employee Benefit Plan Audit Quality Center?

3.8.6 Please provide three references (preferably from public/governmental clients).

### **3.9 Compensation**

This section should provide detailed information on the all-inclusive cost for audit service in 2021 stated in the Section 3.5 Proposal transmittal letter. Provide the cost for the audit of the 2020 financial statements described in Section 2.1. Provide a not-to-exceed amount for the agreed upon procedures in Section 2.2. Indicate any other chargeable costs for audit services in 2021, such as out-of-pocket costs.

Provide the 2021 hourly billing rates and any related out-of-pocket costs for each person assigned to Plan audit services identified in Section 3.6. These rates would apply to any additional audit services or changes requested by the Board, such as any changes to the Plan performance objectives tested by agreed-upon-procedures

pursuant to Section 2.2. Any changes will be negotiated with the audit services contractor.

Indicate whether there are any changes to the costs and rates for the subsequent contract years 2022 and 2023.

### **3.10 Additional Information**

The Proposer may include additional information about its Proposal, but such information should be concise.

## **4.0 CRITERIA FOR AWARD**

Proposals will be evaluated by Plan and City staff based on the criteria below. The Plan audit services contract will be awarded by the Board. As further described in Section 5.3, the Board reserves the right to reject any and all Proposals submitted and to request additional information.

- 4.1 Substantial compliance with RFP Requirements, including independence and objectivity: Pass / Fail
- 4.2 Proposing Firm's Qualifications and Experience: 25 points
- 4.3 Staff Qualifications and Experience: 35 points
- 4.4 Proposing Firm's Estimated Itemized Cost and Rates by type of Professional Service: 40 points

## **5.0 OTHER**

### **5.1 Jurisdiction, Venue, Choice of Law**

This RFP and any resulting contract shall be governed by and construed according to the laws of the State of Wisconsin.

### **5.2 Incurred Costs**

Vendors submitting Proposals do so entirely at their expense. There is no expressed or implied obligation by the Board to reimburse any individual or firm for any costs incurred in preparing or submitting Proposals, for providing additional information when requested by the Board, or for participating in interviews or negotiations.

### **5.3 Contract Award**

The Board will, at its sole discretion, select the Proposer whose Proposal best meets the Plan's needs as defined in this RFP. The Board may, at its sole option, open negotiations with the highest ranked Proposer prior to contract award. The Board

may also open negotiations with the second highest ranked Proposer if negotiations with the highest ranked Proposer are not successful.

The Board reserves the right to reject any and all Proposals, to waive any informality in the Proposals, and to reject any or all items in the Proposals. The Board reserves the right to make no selection if Proposals are deemed to be outside the fiscal constraints set forth herein or not in the best interests of the Plan.

The Board reserves the right to award a contract in whole or in part. Once awarded, the Contract will be the final expression of the agreement between the parties and may not be altered, changed or amended except by mutual agreement, in writing.

#### **5.4 Assignment**

The successful Proposer may not reassign any contract awarded as a result of this RFP without the Board's prior written consent.

#### **5.5 Confidentiality**

The Proposer and its agents shall treat all Plan data and information as confidential. The Proposer and its agents shall not disclose or communicate Plan data, information or matters to a third party, nor make use of it in advertising, publicity, propaganda, and/or in another job or jobs, without the prior written consent of the Board.

The Proposer must clearly designate any information submitted in the Proposal that is confidential or proprietary, such information.