



City and County of San Francisco

Office of the Controller

Accounting Operations & Systems Division

REQUEST FOR PROPOSALS FOR Citywide Audit and Actuarial Services

RFP# CON2009-1

CONTACT: Esther Reyes, Esther.Reyes@sfgov.org, (415) 554-7819

Background

San Francisco is the fourth largest city in California and serves as a center for business, commerce and culture for the West Coast. The City and County of San Francisco ("City") established by Charter in 1850, is a legal subdivision of the State of California with the governmental powers of both a city and a county under California law. The City's powers are exercised through a Board of Supervisors serving as the legislative authority, and a Mayor and other independently elected officials serving as the executive authority.

The purpose of this RFP is to invite proposals from qualified firms to perform annual audits of the financial statements for Groups 1 through 11, and an actuarial valuation for Group 12, as follows.

Group 1: the City's Comprehensive Annual Financial Report (CAFR), General City, Single Audit, and other funds

Group 2: Employees' Retirement System

Group 3: Redevelopment Agency and Financing Authority

Group 4: Health Service System

Group 5: San Francisco General Hospital and Laguna Honda Hospital

Group 6: San Francisco International Airport

Group 7: Port of San Francisco

Group 8: San Francisco Finance Corporation

Group 9: Public Utilities Commission (3 funds)

Group 10: Municipal Transportation Agency

Group 11: Various State of California Project Grants

Group 12: City's Workers' Compensation and General Liability Programs

Audits shall be conducted in accordance with generally accepted auditing standards and requirements as promulgated by American Institute of Certified Public Accountants ("AICPA"), the Governmental Accounting Standards Board ("GASB"), the Single Audit Act of 1984, and the Office of Management and Budget ("OMB") Circular A-133.

Intent of this RFP

It is the intent of the Controller's Office to identify the most responsive and qualified Proposers to negotiate contracts for independent audit and actuarial services. Proposers are not guaranteed a contract.

The initial contract period will be three (3) years with up to four years worth of extensions at the City's option for a total possible contract period of seven (7) years. Actual contract periods may vary, depending upon service needs. Contractors selected must be available to commence work by May 1, 2009.

There is a 10% Human Rights Commission Local Business Enterprise ("LBE") subcontracting requirement for Groups 1 through 11 under this RFP and resulting contracts.

Please be sure to review the City's LBE Good Faith Outreach requirements referenced in RFP Attachment II. They are time-sensitive.

Schedule*

RFP issued by the City	01-08-2008
Deadline for advance RFP questions (12:00 pm PST)	01-26-2009
Pre-proposal conference (2:00 pm PST)	02-06-2009
Answers to RFP questions available online	02-16-2009
Proposals due (12:00 pm PT)	03-23-2009
Interviews with Proposers selected for further consideration	April 2009
Pre-award Meeting	April 2009
Intent to Award Contract Notification	April 2009
Contract negotiations started	April 2009
Submit Introduction Form for Board Committee Agenda	April 2009
Board Government Audit and Oversight Committee Approval Process	April 2009
Post-award Conference	May 2009
Contract commences	May 2009

*Each date subject to change. Check website for latest schedule.

RFP Questions and Communications

Pre-proposal conference attendance is recommended for firms interested in proposing as prime contractors to this RFP. See RFP Section 3 for more information.

If you would like to ensure your questions about this RFP are addressed at the pre-proposal conference, e-mail your advance questions to Esther.Reyes@sfgov.org **before 12:00 pm PST on Monday, January 26, 2009.**

No questions will be accepted after conclusion of the pre-proposal conference with the exception of City vendor compliance or Human Rights Commission subcontracting requirement questions.

1. Introduction

General terms used in this RFP. The “Proposer” refers to any entity submitting a proposal to this Request for Proposals (“RFP”). The “Contractor” refers to any Proposer awarded a contract for services under this RFP.

1.1 General Background and Structure of City and County of San Francisco

San Francisco is a city and county chartered by the State of California pursuant to Article II, Sections 6 and 8 of the California Constitution. It is the only one of its kind in California, and as such can exercise the powers of both a city and county under State law. Education functions are carried out by the San Francisco Unified School District and the San Francisco Community College District, each with a separate governing board.

The City is one of the largest and most complex municipalities in the State of California. The City is governed primarily by its Charter (“City Charter” or “Charter”). The original Charter was adopted in 1931 and was in effect until June 30, 1996. On November 7, 1995, voters approved Proposition E for the adoption of a new Charter. The new Charter took effect July 1, 1996. Both the old and new Charter provide for an elected Board of Supervisors consisting of eleven members and an elected mayor who serves as chief executive officer. Under the Charter, the Controller serves as the chief fiscal officer of the City. For a current organization chart of the City, see Page xiii of the 2007 Comprehensive Annual Financial Report (“CAFR”) at the following web address: http://www.sfgov.org/site/controller_index.asp?id=73896.

City Charter Section 9.117 calls for the establishment of an Audit Committee of the Board of Supervisors. The Audit Committee shall:

- a) maintain a direct and separate line of communication between the Board of Supervisors and the independent auditor;
- b) meet with the independent auditor to review the audited annual financial statement and the auditor’s report on such matters as the quality and depth of management and compliance;
- c) recommend appropriate action to be taken by the Board of Supervisors to implement recommendations contained in the audit report;
- d) follow up, as necessary, to ensure that approved recommendations are promptly implemented; and
- e) perform other duties as assigned by the Board of Supervisors.

The Board of Supervisors Government Audit and Oversight Committee will review the recommendation of the Controller’s Office Evaluation Team for the selection of the Contractors.

Upon completion of the annual audits, the CAFR is provided to the Board of Supervisors Government Audit and Oversight Committee (“Committee”). In addition, the management letters are presented to the Committee for review.

1.2 Annual Financial Audits

In compliance with City Charter Section 2.115 and California Government Code Sections 25250 and 25253, the City is required to have annual audits performed by independent public accounting firms for the following entities and areas:

Comprehensive Annual Financial Report (“CAFR”)
Office of the Controller (General City)
Single Audit (CAFR Level)
Employees’ Retirement System
San Francisco Redevelopment Agency and Financing Authority
Health Service System
San Francisco General Hospital
Laguna Honda Hospital
San Francisco International Airport
Port of San Francisco
Public Utilities Commission – San Francisco Water Department Fund
Public Utilities Commission – Waste Water Program Fund
Public Utilities Commission – Hetch Hetchy Water and Power Fund
Municipal Transportation Agency: Municipal Railway, the San Francisco Municipal Railway
Improvement Corporation, Parking and Traffic
As-needed accounting and auditing services

Audits shall be conducted in accordance with generally accepted auditing standards and requirements as promulgated by AICPA, GASB, the Single Audit Act of 1984, and OMB Circular A-133.

2. Scope of Work

2.1 General Information

2.1.1 This scope of work is a general guide to the work the City expects to be performed, and is not a complete listing of all services that may be required or desired.

2.1.2 To minimize duplication of effort and to allow the City to coordinate data requests and data available for the services requested within this RFP, as well as for previous and future engagements, the selected Contractor's findings and data may be shared by the City with other City contractors, as deemed appropriate by the City.

2.1.3 This City has decided it will not structure the services requested in this RFP to be provided under a single lead audit firm. This means that the Contractor selected for Group 1 will, in their audit opinion on the City’s general purpose financial statements, make reference to the work performed by other contracted audit firms.

2.1.4 Qualified Proposers may bid on each Group, as defined in RFP Section 2.2. Proposals should include a separate fee and hour estimate for each entity within a selected Group. Firms proposing on more than one Group are requested to submit their order of preference for the desired Groups. See RFP Attachment V.

2.1.4 Each Proposer should demonstrate its capabilities by providing accurate, descriptive summaries of representative engagements (“Prior Engagement Descriptions”) as part of RFP Attachment V.

2.1.5 The City will negotiate the specific scope of services, budget, deliverables, and timeline with the highest-scoring Proposers selected for contract negotiations. There is no guarantee of a minimum amount of work or compensation for any Proposers selected for contract negotiations.

2.1.6 Enterprise Funds account for operations and activities which render services on a user charge basis to the general public.

2.2 Groups

The purpose of the RFP is to invite proposals from interested firms to perform annual audits of the financial statements of the reporting entities listed below (Groups 1 through 11) and to perform an actuarial valuation of the City's workers' compensation and general liability programs (Group 12). Note that these Groups may be reorganized or changed to comply with GASB-34 reporting requirements or the City's needs.

- Group 1 Comprehensive Annual Financial Report ("CAFR")
General City
Single Audit
Other funds – San Francisco Market Corporation ("SFMC"), Treasure Island Development Authority ("TIDA")
- Group 2 Employees' Retirement System
- Group 3 Redevelopment Agency and Financing Authority
- Group 4 Health Service System
- Group 5 San Francisco General Hospital
Laguna Honda Hospital
- Group 6 San Francisco International Airport – including Schedule of Passenger Facility Charge Revenues and Expenditures
- Group 7 Port of San Francisco
- Group 8 San Francisco Finance Corporation
- Group 9 Public Utilities Commission – San Francisco Water Department Fund
Public Utilities Commission – Waste Water Program Fund
Public Utilities Commission – Hetch Hetchy Water and Power Fund
- Group 10 Municipal Transportation Agency ("MUNI") - Proposers may include a separate fee and hour estimate for the following subgroups 10A and 10B.

10A: MUNI Financial Audit, Single Audit, Transportation Development Act ("TDA") Compliance Report, Agreed-Upon Procedures Report for MUNI's National Transit Database Report, and Agreed-Upon Procedures for MUNI's CalTrans Grants.

10B: Agreed-Upon Procedures Report for Transportation Displays, Inc., and a Cost Allocation Plan in accordance with OMB Circular A-87.

Group 11 Various State of California Project Grants including
Transportation Development Act Local Transportation Fund (“LTF”)
Transportation Development Act Projects for Department of Public Works and
State of California Grants to Office of Criminal Justice Planning (“OCJP”),
Department of Justice (“DOJ”), and Department of Insurance (“DOI”)

Group 12 Workers’ Compensation and General Liability Programs Actuarial Review

The audit contracts awarded to the selected Contractors for Groups 1-12 shall cover annual examinations of the financial statements of the entities noted above for the fiscal years ending June 30, 2009 through 2011, after which time the City may exercise options for renewal for the fiscal years ending June 30, 2012, 2013, 2014 and 2015.

Proposers that are awarded a contract for Groups 1-12 will automatically be added to a list of firms pre-qualified for as-needed accounting and auditing services through June 30, 2016.

2.3 Group 1 – General City, CAFR, Single Audit, and Other Funds

Group 1 shall include the audit of the General City, CAFR, Single Audit, and other funds for the fiscal years ending June 30, 2009 through 2011, after which time the City may exercise options for renewal for the fiscal years ending June 30, 2012, 2013, 2014 and 2015.

The selected Contractor shall perform examinations of the individual financial statements of the various reporting entities of the City in accordance with generally accepted auditing standards as promulgated by the AICPA and the GASB with the objectives of expressing an opinion on the financial statements.

The selected Contractor shall perform the procedures necessary to ensure that the reporting entities may use the Contractor’s opinion on the general purpose financial statements in connection with any official statements for public debt issuance. The City and/or its independent financial reporting entities will negotiate separately any fees for services beyond the usage of the Contractor’s audit opinion.

Examinations shall comply with the requirements of the Single Audit Act Amendment of 1996 and the Office of Management and Budget (“OMB”) Circular A-133 and related pronouncements, relating to the Federal assistance programs listed in the City’s Schedule of Expenditures of Federal Awards. Each selected Contractor shall coordinate the planning and development of testing methods, review these methods with the Controller’s Office and, if deemed necessary by the City, review these methods with the Federal cognizant agency.

Examination of non-governmental secondary recipients is specifically excluded from this RFP. The selected Contractor shall assist the City in responding to inquiries from the Federal agencies on issues related to the audits for which they are responsible.

The selected Contractor shall perform certain agreed-upon procedures relating to the City’s calculation of its appropriation limit in accordance with Article XIII B of the California Constitution. The selected Contractor(s) shall provide a letter documenting the results of the agreed-upon procedures.

2.3.1 General City

General City refers to the City’s Governmental Funds and all Internal Service Funds except the San Francisco Finance Corporation.

2.3.2 Comprehensive Annual Financial Report

The City issues a Comprehensive Annual Financial Report (“CAFR”). The CAFR is prepared according to the financial reporting requirements of the Governmental Accounting Standards Board (“GASB”) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis (“MD&A”) – for State and Local Governments (“GASB 34”). This report is divided into three sections:

- 2.3.2.1 The *Introductory Section* includes information about the organizational structure of the City, the City’s economy, major initiatives, status of City services, and cash management.
- 2.3.2.2 The *Financial Section* is prepared in accordance with the GASB 34 requirements, including MD&A, the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City’s entire financial operations and the fund financial statements that present the financial information of each of the City’s major funds, as well as non-major governmental, fiduciary and other funds. Also included in this section is the Independent Auditors’ Report on the basic financial statements.
- 2.3.2.3 The *Statistical Section* includes tables containing historical financial data, debt statistics, and miscellaneous social and economic data of the City that are of interest to potential investors in our bonds and to other readers. The data includes ten-year revenue and expenditure information on an inflation-adjusted basis.

The selected Contractor shall perform an examination of the combined financial statements of the City in accordance with generally accepted auditing standards as promulgated by the AICPA with the objectives of expressing an opinion on the general purpose financial statements. The selected Contractor shall also assist the City in meeting the requirements of the Government Finance Officers Association’s (“GFOA’s”) Certificate of Achievement for Excellence in Financial reporting program for the CAFR.

Examinations shall include those entities as set forth in Note 1, beginning on page 42 of the 2007 CAFR, which are required to be included in the City’s financial statements in accordance with the Governmental Accounting Standards Board Section 2100 “defining the reporting entity”.

The financial entities included in Groups 2-10 are included in the City’s CAFR. This RFP assumes that entities in Groups 2-10 may be audited by firms other than the Contractor selected for Group 1.

Other general and background information may be obtained by reviewing the 2007 CAFR available online at http://www.sfgov.org/site/controller_index.asp?id=73896.

Under the City’s most recent contracts, Macias, Gini & O’Connell LLP, KPMG LLP, Hood & Strong LLP, and Williams Adley and Company LLC served as the City’s independent auditors. The auditors audited or reviewed all of the financial statements included in the City’s CAFR and have expressed an unqualified opinion upon their respective statements. A Certificate of Achievement for Excellence in Financial Reporting has been presented to the City by the Government Finance Officers Association (“GFOA”) for the CAFR for the last twenty-six fiscal years. The City will submit the 2007-2008 CAFR to the GFOA for purposes of evaluation for a twenty-seventh certificate.

2.3.3 Single Audit

The federal award examinations required for the Single Audit are described below. In 2007, the City had sixteen major programs with expenditures in excess of the \$3 million threshold with 153 Catalog of Federal Domestic Assistance (“CFDA”) numbers.

- Summer Food Services Program for Children
- Supportive Housing Program
- Shelter Plus Care
- Supportive Housing for the Elderly (Section 202)
- Lead Based Paint Hazard Control Program
- Urban Park and Recreation Recovery
- Highway Planning and Construction
- Federal Transit Cluster
- Comprehensive community Mental Health Services
- Temporary Assistance to Needy Families
- Child Support Enforcement
- Adoption Assistance
- HIV/AIDS Virus Surveillance
- Assistance Programs for Chronic Disease Prevention and Control
- Substance Abuse Prevention and Treatment Block Grant
- Pre-Disaster Mitigation (“PDM”) Competitive Grants

2.3.4 San Francisco Market Corporation (“SFMC”) Fund

This is an Enterprise Fund for a nonprofit corporation organized to acquire, construct, finance and operate a produce market.

2.3.5 Treasure Island Development Authority (“TIDA”) Fund

TIDA is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. TIDA is governed by seven commissioners who are appointed by the Mayor, subject to confirmation by the City’s Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island. This non-enterprise entity is included in the City’s CAFR as a discretely presented component unit.

2.4 Groups 2-10 (Various)

Groups 2-10 include the audits of the respective entities for the fiscal years ending June 30, 2009 through 2011, after which time the City may exercise options for renewal for the fiscal years ending June 30, 2012, 2013, 2014 and 2015.

The selected Contractors shall perform examinations of the individual financial statements of the various reporting entities of the City in accordance with generally accepted auditing standards as promulgated by the AICPA and the GASB with the objectives of expressing an opinion on the financial statements.

Examinations shall comply with the requirements of the Single Audit Act Amendment of 1996 and the Office of Management and Budget (OMB) Circular A-133 and related pronouncements, relating to the Federal assistance programs listed in the City’s Schedule of Expenditures of Federal Awards. Each selected Contractor shall coordinate the planning and development of testing methods, review these methods with the City’s other Contractors and/or the Controller’s Office, and, if deemed necessary by the City, review these methods with the Federal cognizant

agency. Examination of non-governmental secondary recipients is specifically excluded from this RFP.

The selected Contractors shall assist the City in responding to inquiries from the Federal agencies on issues related to the audits for which they are responsible.

The selected Contractors shall perform the procedures necessary to ensure that the reporting entities may use the Contractor's opinion on the individual financial statements in connection with any official statements for public debt issuance. The City and/or its independent financial reporting entities will negotiate separately any fees for services beyond the usage of the Contractor's audit opinion.

The selected Contractors shall issue a Departmental Financial Statement ("DFS") on the examination of the individual financial statements. The DFS shall include the financial statements customarily associated with the related Enterprise activities. The financial statements covered by the DFS shall include such explanatory footnotes as considered necessary to disclose all material items. All reports shall be issued in accordance with the timelines developed in the City's closing schedule. Approximate key dates are listed below in Section 2.6, Timing of the Work.

2.4.1 Group 2 Employees' Retirement System

The City Charter provides for this single-employer defined benefit pension plan, which covers substantially all employees of the City and County of San Francisco and certain classified employees of the San Francisco Community College and Unified School Districts. This non-enterprise entity is reported in the City's CAFR as a Pension and Other Employee Benefit Trust Fund.

2.4.2 Group 3 Redevelopment Agency and Financing Authority

The San Francisco Redevelopment Agency and Financing Authority ("RDA") is a public body, corporate and political, organized and existing under the Community Redevelopment Law of the State of California. This non-enterprise entity is included in the City's CAFR as a discretely presented component unit.

In addition to the audit of the general purpose financial statements of the RDA, the selected Contractor shall perform the work necessary to issue a report on compliance with certain specific provisions of the Health and Safety Code in accordance with the Guidelines for Compliance Audits of California Redevelopment Agencies. The report issued for the RDA must include the Component Unit Financial Statements, Supplementary Information, Single Audit Report, and the Report on Compliance of California Redevelopment Agencies.

2.4.3 Group 4 Health Service System

The Health Service System was established in 1937 by City Charter and provides health care benefits to substantially all active and retired City employees and is partially funded by the City. This non-enterprise entity is reported in the City's CAFR as a Pension and Other Employee Benefit Trust Fund.

2.4.4 Group 5 San Francisco General Hospital and Laguna Honda Hospital

- 2.4.4.1 The General Hospital Medical Center Fund is an Enterprise Fund established on July 1, 1980, pursuant to the Board of Supervisors Resolution No. 865-81. The accounting and reporting system for San Francisco General Hospital Medical Center is in accordance with Government Code Section 25261 and the Hospital Disclosure Act, Health and Safety Code Sections 440-442.10. San Francisco General Hospital Medical Center is an acute care hospital.
- 2.4.4.2 The Laguna Honda Hospital Fund is an Enterprise Fund established on July 1, 1983. Accounting and reporting systems are in compliance with the Hospital Disclosure Act, Health and Safety Code Sections 440-442.10. Laguna Honda Hospital is an acute care hospital and skilled nursing facility. Proposers should be aware that Laguna Honda Hospital is in the process of being reconstructed. The project will be funded by general obligation bonds, certificates of participation and tobacco settlement funds. The replacement facility is expected to be completed in 2010.

2.4.5 Group 6 San Francisco International Airport ("Airport")

The San Francisco International Airport Fund is an Enterprise Fund authorized and established by City Charter. A five-member Airport Commission is responsible for the operation, development, and maintenance activities of the Airport. The Airport is the principal commercial service airport for the San Francisco Bay Area. The selected Contractor must include the Schedule of Passenger Facility Charge Revenues and Expenditures as part of its financial statements audit.

2.4.6 Group 7 Port of San Francisco ("Port")

In 1968, the City voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California under the terms and conditions set forth in California Statutes of 1968, Chapter 1333. An Enterprise Fund was established in 1969, under the direction of the Port Commission. A five-member Port Commission is responsible for the operation, development and maintenance of the Port.

2.4.7 Group 8 San Francisco Finance Corporation

The San Francisco Finance Corporation ("Finance Corporation") was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20 million (plus 5% per year growth) of equipment using tax-exempt obligations. The funds of the Finance Corporation are held with a third party trustee. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. This non-enterprise entity is accounted for as an Internal Service Fund.

2.4.8 Group 9 Public Utilities Commission

Includes San Francisco Water Department Fund, Waste Water Program Fund, and Hetch Hetchy Water and Power Fund.

- 2.4.8.1 San Francisco Water Department Fund – This Enterprise Fund accounts for the activities of the San Francisco Water Department and is engaged in the distribution of water to the City and certain suburban areas.
- 2.4.8.2 Waste Water Program Fund – This Enterprise Fund was created after voters approved a proposition in 1976 authorizing the City to issue \$240 million in bonds for the purpose of acquiring, constructing, improving and financing improvements to the City's municipal sewage treatment and disposal system. Effective July 1, 1996, the

Clean Water Program was transferred from the Department of Public Works to the Public Utilities Commission.

- 2.4.8.3 Hetch Hetchy Water and Power Fund – This Enterprise Fund accounts for the activities of Hetch Hetchy Water and Power Department. The department is engaged in the collection and conveyance of approximately 85% of the City’s water supply and in the generation and transmission of electricity.

In addition to the financial statement audits, the selected Contractor must complete a Suburban Revenue Requirement Audit, an audit of the Statement of Changes in the Balancing Account and Suburban Revenue Requirement Calculation of the San Francisco Water Department and Hetch Hetchy Project in accordance with the 1984 Settlement Agreement and Master Water Sales Contract.

2.4.9 Group 10 Municipal Transportation Agency (“MTA”)

The Municipal Transportation Agency Fund is an Enterprise Fund accounting for the activities of the Municipal Transportation Agency (“MTA”). The MTA was established by Proposition E and passed by the City’s voters in November 1999. The MTA includes the San Francisco Municipal Railway (“MUNI”), the San Francisco Municipal Railway Improvement Corporation (“SFMRIC”), and beginning on July 1, 2002 the operations of the Department of Parking and Traffic and its Commission (“DPT”), which includes the Parking Authority and the Taxi Commission.

- 2.4.9.1 MUNI was established in 1912 and is responsible for the operations of the City’s public transportation system.
- 2.4.9.2 SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of MUNI by acquiring, constructing, and financing improvements to the City’s public transportation system.
- 2.4.9.3 DPT is responsible for proposing and implementing street and traffic changes and oversees the City’s off-street parking operations. DPT is a separate department of the MTA. Through June 30, 2002, DPT’s activities were reported in the general fund, other governmental funds and the parking garages fund. The latter accounted for the activities of various nonprofit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- 2.4.9.4 San Francisco Parking Authority – The Parking Authority was created in October 1949. In accordance with Proposition D authorized by the City’s electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (“DPT”). The DPT consists of five commissioners appointed by the mayor. Upon creation of the DPT, the responsibility to oversee the City’s off-street parking operations was transferred from the Parking Authority to the DPT. The staff and fiscal operations of the Parking Authority were also incorporated into the DPT. Beginning on July 1, 2002, the responsibility for overseeing the operations of the DPT became the responsibility of the MTA pursuant to Proposition E, which was passed by the voters in November 1999. Accordingly, the assets and liabilities of the DPT were transferred from the general and other governmental funds to the MTA, which is reported as an Enterprise Fund. Separate financial statements are not prepared for the Parking Authority.

For contextual information only: San Francisco County Transportation Authority (“Transportation Authority”) – The Transportation Authority was created in November 1989 by a

vote of the electorate when they approved Proposition B under state law (California Utilities Code Section 13100 et. seq.). The Transportation Authority is responsible for administering the proceeds of the additional one-half cent sales tax in accordance with a transportation expenditure plan also approved by the voters in November 1989. The Transportation Authority is a blended component unit of the City and its activities are accounted for as a special revenue fund. The audit contract of this entity is administered separately through the Transportation Authority and is not part of the services requested in this RFP.

Proposers may include a separate fee and hour estimate for the following subgroups 10A and 10B.

2.4.9.5 10A: MUNI Financial Audit, Single Audit, Transportation Development Act ("TDA") Compliance Report, Agreed-Upon Procedures Report for MUNI's National Transit Database Report, and Agreed-Upon Procedures for MUNI's CalTrans Grants.

As part of Group 10A, in addition to the financial statement audit and Single Audit of the MTA, selected Contractor(s) will be required to complete:

2.4.9.5.1 National Transit Database ("NTD") Report - The San Francisco Municipal Railway ("MUNI") receives substantial operating and capital Section 9 funding from the United States Department of Transportation's Federal Transit Administration ("FTA"). Section 15 of the Urban Mass Transportation Act of 1964 requires MUNI to submit annually an audited NTD Report. This report provides both financial and operating data which FTA uses to allocate future Section 9 funds. The NTD Report is due 120 days after fiscal year end, or October 31st.

2.4.9.5.2 Transportation Development Act (TDA) of 1971 Report – MUNI is required to submit an annual audit opinion which states whether MUNI is in compliance with TDA regulations. This report is due to the City 120 days after fiscal year end, or October 31st.

2.4.9.5.3 Agreed-Upon Procedures Report for MUNI's CalTrans Grants.

2.4.9.6 10B: Agreed-Upon Procedures Report for Transportation Displays, Inc.

As part of Group 10B, selected Contractor(s) will be required to complete:

Transportation Displays, Inc. Report – In July 1991, MUNI entered into a Transit Advertising Agreement with a contractor to provide for the placement of advertising in, on, or about certain facilities and materials owned, operated, or controlled by MUNI. The agreement stipulates that an audit of the contractor shall be performed by a certified public accounting firm selected by the City. The audit shall focus on the contractor's gross billings, revenue, accounts receivable, inventory, commissions, and monthly payments to MUNI as it pertains to this agreement. The audit must be completed by September 30th of each year.

The last Federal Transit Authority visit was in 2007 to conduct the Triennial and TDA Performance Reviews. There were no deficiencies noted in the financial area.

2.4.10 Group 11 State of California Project Grants for OCJP, DOJ, DOI, LTF and TDA
Includes State of California Grants to Office of Criminal Justice Planning (“OCJP”), Department of Justice (“DOJ”), and Department of Insurance (“DOI”). Also includes Transportation Development Act Local Transportation Fund (“LTF”) and Transportation Development Act (“TDA”) Projects for Department of Public Works.

- 2.4.10.1 For the OCJP grants, the selected Contractor shall perform an examination of the Statements of Source and Status of Cash and the related Statements of Budget and Cumulative Expenditures of selected grants in accordance with the guidelines set forth in the OCJP Grantee Handbook. The selected Contractor shall issue the required reports.
- 2.4.10.2 For the DOJ and DOI grants, the selected Contractor shall perform an examination of the Statements of Source and Status of Cash and the related Statements of Budget and Cumulative Expenditures of selected grants. The selected Contractor shall issue the required reports.
- 2.4.10.3 For the LTF, the selected Contractor shall perform an examination of the financial statements of the respective fund in accordance with the guidelines of the TDA – Statutes and California Code of Regulations. The selected Contractor shall issue the required reports including the Report on Compliance with Regulations Applicable to the Transportation Development Act Local Transportation Fund.
- 2.4.10.4 For the TDA Article III Projects of the Department of Public Works and Department of Parking and Traffic, the selected Contractor shall perform an examination of the financial statements of the respective projects in accordance with the guidelines of the TDA – Statutes and California Code of Regulations. The selected Contractor shall issue the required reports including the Report on Compliance with Regulations Applicable to the Transportation Development Act Article III Projects.

2.4.11 Group 12 – Workers’ Compensation and General Liability Program Actuarial Review
Group 12 involves performing an actuarial valuation of the City’s workers’ compensation and general liability programs.

The City is self-insured for workers’ compensation losses. The Department of Human Resources, Workers’ Compensation Division administers the City’s workers’ compensation program, which provides benefits on behalf of active and retired City and San Francisco Community College District (“District”) employees who are injured or become ill during the course of or as a result of their employment with the City or District. The Municipal Transportation Authority (“MTA”) is self-insured under a separate self-insurance certificate. A separate actuarial study is required for the MTA.

The City administers the claims for approximately two-thirds of the City departments and contracts with two third party administrators (“TPAs”) to administer the claims for the remaining departments, one exclusively for the MTA.

The City has approximately 20 years of claims data available. Data on the number of cases reported and open cases in fiscal year 2007-2008 for the City (excluding the San Francisco Community College District) will be available at the pre-proposal conference.

- 2.4.11.1 The purpose of the actuarial study is to estimate the City’s loss liabilities as of June 30th of the respective year and to estimate the expected losses and loss payments for the subsequent fiscal year. The actuarial valuation shall address the following:

1. Review the loss and allocated loss adjustment expense (“ALAE”) liabilities for the workers’ compensation program as of June 30th;
2. Estimate the Incurred But Not Reported (“IBNR”) reserves as of June 30th; and
3. Estimate the short-term and long-term portions of the liabilities as of June 30th.

2.4.11.2 The actuarial report shall include an executive summary, a glossary of actuarial terms, a discussion of the methodologies applied, and the manner in which the reserves were calculated. The reserve calculations must be in accordance with GASB Statement No. 10. The reserves shall be presented in sufficient detail to record the necessary liabilities in the City’s financial statements, including:

1. Provide reserve estimates for workers' compensation losses as of June 30th.
2. Provide reserve estimates for general liability losses as of June 30th.
3. Provide budget projections for all workers' compensation losses for payment year July 1, 2009 to June 30, 2010 (and for successive fiscal years 2010 through 2011, after which time the City may exercise options for renewal for the fiscal years ending June 30, 2012 2013, 2014 and 2015).

2.4.11.3 The report shall include separate actuarial reports for MTA’s workers compensation and for litigation liability providing:

1. An estimate of the loss and ALAE for the respective program;
2. An estimate of the IBNR reserves; and,
3. An estimate of MTA’s short-term and long-term portions of the liability.

2.5 Management Letters (for Groups 1-10)

In conjunction with the annual financial audits, a management letter for each reporting entity shall be prepared by the selected Contractors, as follows:

2.5.1 An interim management letter shall be issued by August 15 of each year. This letter shall list any material weaknesses noted by the auditors as a result of their preliminary interim work, and shall state if any of these weaknesses, in the opinion of the auditor, will result in either a qualification of the opinion or a failure to meet established reporting deadlines.

2.5.2 A final management letter shall be prepared upon completion of the audit and issuance of the audit report but not later than December 31 (or other date as set by the City) of each year and shall set forth the following:

- the findings and recommendations for improvements resulting from a survey of systems of internal control conducted as part of the examination;
- the findings and recommendations for improvements in the accounting system that were noted during the conduct of the examination;
- the findings for non-compliance with laws, rules, regulations and charter requirements coming to the attention of the auditor during the course of the examination;
- any other material items coming to the attention of the auditor in the course of the examination which the auditor feels should be brought to the attention of management and the Board of Supervisors Government Audit and Oversight Committee;
- a summary listing of all non-material items which were communicated to management;
- a listing of the status of all management letter comments from prior letters both resolved and unresolved; and
- management’s response to the findings and recommendations noted in the letter.

2.5.3 Upon completion and issuance of the letter, the Contractor(s) shall present their findings to the Board of Supervisors Government Audit and Oversight Committee.

2.6 Timing of the Work

The following are approximate key dates in connection with the annual audits to be performed under this RFP. These dates apply to the work performed for Groups 1-12 where applicable. Actual dates will be set each year by the City in the master audit plan.

Audit Plan to be presented to the Board Government Audit and Oversight Committee	04/30
Interim work to be completed	07/15
Final field work to begin	09/08
Workers' Compensation actuarial valuation to be finalized	09/15
Financial statements for the various reporting entities to be finalized	10/15
Municipal Railway Transportation Development Act Compliance Report and National Transit Database Report to be issued	10/31
Comprehensive Annual Financial Report ("CAFR") to be completed and submitted for reproduction	11/19
Suburban Rate Agreement Audit to be issued	12/31
Final Management Letter to be issued	12/31
Single Audit Compliance Report to be issued	12/31

2.7 As-needed Accounting and Audit-Related Services

Additional as-needed accounting and audit-related services may be necessary from time to time from the Proposers awarded contracts for Groups 1-12.

2.7.1 The effective hourly staff rates detailed in the Cost Estimates for Groups 1-12 will automatically be the rates used for other as-needed accounting and auditing services, unless special expertise is required for which a separate fee will be negotiated.

2.7.2 Examples of as-needed accounting and auditing services are:

- to perform concessionaire audits for various City departments in accordance with agreements between the City and third parties;
- to perform audits of community-based organizations which receive funding from the city under various grants; and
- to audit a new fund which will account for Post Employment Health Benefits for covered employees. This fund is currently referred as the Retiree Health Benefit Trust Fund.

2.8 City Support and Assistance

2.8.1 The City assumes that financial statements and notes will be developed by the City. The Contractors may then be asked to produce the final published financial statements. Any costs for this assumption should be built into your Cost Estimate in RFP Attachment V.

2.8.2 In its sole and absolute discretion, the City will make appropriate staff available to provide assistance to the Contractors. Such assistance may include coordinating the audit field work, identifying locations of required records and documentation, preparing and/or obtaining listings of account balances/transactions, providing reasonable detailed analysis and

reconciliation of various accounts being audited and other such tasks which will serve to speed the conduct of the services.

2.8.3 The City expects that the Contractors will use the City's online financial system to the fullest extent possible to research transactions and analyze account balances in conjunction with their audits.

2.8.4 The Controller's Office Audits Division may make its internal audit reports available to Contractors and will, to the extent possible, provide staff resources if, in the City's sole and absolute discretion, critical problems are identified by the Contractors which require staff resources beyond the scope of this RFP.

2.8.5 The City will arrange for office space, equipment and access to the City's online financial system, as determined and approved by the City.

3. City-Proposer Communications

Proposers are specifically directed NOT to contact any employees or officials of the City other than those specifically designated in this RFP and its Attachments. Unauthorized contact may be cause for rejection of proposals at the City's sole and absolute discretion.

3.1 Pre-Proposal Conference

Pre-proposal conference attendance is recommended for firms interested in proposing as prime contractors to this RFP. Prime proposers who attend this conference will receive 15 points towards the minimum 80 points that must be achieved in order to be responsive to the City's Human Rights Commission ("HRC") Local Business Enterprise ("LBE") Good Faith Outreach requirements. See "Form 2B-HRC Good Faith Outreach Requirements Form" referenced in RFP Attachment II.

At the pre-proposal conference, the City will provide an overview of submission requirements, answer advance questions received about the RFP, and provide networking opportunities for interested parties to explore potential partnerships, including those formed per the LBE subcontracting requirement.

The pre-proposal conference will be at 2:00 pm PST on Friday, February 6, 2009 at City Hall, 1 Dr. Carlton B. Goodlett Place (Polk Street) in Room 408 (4th Floor), San Francisco, CA 94102. The main entrances to City Hall are at Polk Street and Van Ness Avenue between Grove and McAllister Streets. The closest main thoroughfares are Market Street and Van Ness Avenue. This location is accessible by BART (Civic Center Station) and a number of MUNI routes.

Upon conclusion of the pre-proposal conference, **no questions or requests for interpretation will be accepted** with the exception of City vendor compliance or Human Rights Commission subconsulting requirement questions.

3.2 Advance Questions

If you would like to ensure your questions about this RFP are addressed at the pre-proposal conference, e-mail your questions to Esther.Reyes@sfgov.org **before 12:00 pm PST on Monday, January 26, 2009.**

A summary of the substantive information, advance and pre-proposal questions and answers pertaining to this RFP will be posted on the Controller's Office website at http://www.sfgov.org/site/controller_index.asp under "Contract Opportunities".

4. Proposal Submission Requirements

4.1 Time and Place for Submission of Proposals

Proposals and all related materials must be received by **12:00 pm PT on Monday, March 23, 2009.** Proposals may be delivered to the Reception Desk at City Hall, Room 316 or to:

*Esther Reyes
Office of the Controller
City Hall, Room 388
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94103*

Postmarks will not be considered in judging the timeliness of submissions. Proposals submitted by e-mail or fax will not be accepted. Late submissions will not be considered, including those submitted late due to mail or delivery service failure. Note that Proposers hand-delivering proposals to City Hall may be required to open and make packages accessible for examination by security staff.

4.2 Proposal Package

The following items must be included in your proposal and packaged in a box clearly marked **RFP# CON2009-1 Citywide Audit and Actuarial Services.**

Complete, but concise proposals, are recommended for ease of review by the Evaluation Team. Proposals should provide a straightforward, concise description of the Proposer's capabilities to satisfy the requirements of the RFP. Marketing and sales type information should be excluded. All parts, pages, figures, and tables should be numbered and clearly labeled.

A. **Original printed proposal (with original signatures) labeled as "Original"**

RFP Attachment I Acknowledgement of RFP Terms and Conditions
RFP Attachment II Human Rights Commission Local Business Enterprise Forms
(2 copies)
RFP Attachment III City's Administrative Requirements
RFP Attachment IV City's Agreement Terms and Conditions
RFP Attachment V Proposal Template

B. **One (1) CD-ROM containing entire contents of Proposal Package, including all Attachments.** The CD-ROM and electronic files on the CD-ROM must be labeled with

the Proposer's name. All files should be submitted in unprotected PDF or Microsoft Word format.

- C. **Ten (10) complete printed copies of RFP Attachment V, including any sample reports.** Proposers are advised to review RFP Attachments I through IV before beginning work on RFP Attachment V to ensure they can meet the City's requirements.

5. Evaluation Criteria

This section describes the guidelines used for analyzing and evaluating the proposals. It is the City's intent to select Proposers for contract negotiations that will provide the best overall service package to the City inclusive of fee considerations. Proposers selected for contract negotiations are not guaranteed a contract. This RFP does not in any way limit the City's right to solicit contracts for similar or identical services if, in the City's sole and absolute discretion, it determines the proposals are inadequate to satisfy its needs. As in all professional service contracts, the City reserves the right to accept other than the lowest price offer and reject all proposals that are not responsive to this request.

5.1 Evaluation Team

City representatives will serve as the Evaluation Team. Specifically, the Evaluation Team will be responsible for the evaluation and rating of the proposals, for conducting reference checks, and for interviews, according to the schedule outlined on the RFP cover page. Selection recommendations will be made to the Board of Supervisors Government Audit and Oversight Committee. The Board of Supervisors Government Audit and Oversight Committee will review the recommendations and make final decisions.

5.2 Minimum Qualifications

Any proposal that does not demonstrate that the Proposer meets these minimum qualifications by the proposal deadline will be considered non-responsive and will not be evaluated or eligible for award of any subsequent contract(s).

- A. Completion of Requirements and Submittal of Forms Described in RFP Attachments I, II, III, IV and V, in advance of, or as part of Proposal Package.
- B. Experience: See RFP Attachment V. To verify its Experience Minimum Qualifications, the Proposer has submitted at least ~~three~~ **two** Prior Engagement Descriptions for each Group selected by Proposer in RFP Attachment V, Section A.4 as part of its Proposal Package. **Specific Experience Minimum Qualifications are stated for each Group in that section.** The Prior Engagement Descriptions in RFP Attachment V, Section B.3 will be used to verify the Proposer's comparability of experience and to determine whether the Proposer meets specific Experience Minimum Qualifications for the selected Group, and therefore, whether its Proposal Package will be forwarded to the Evaluation Team for evaluation.

5.3 Proposal Evaluation Criteria (100 points)

Proposals will be evaluated in accordance with the information provided by the Proposer in RFP Attachment V and the criteria below. The City reserves the right to evaluate additional criteria it deems appropriate, whether or not such factors have been stated in this section.

5.3.1 Firm Qualifications – 30 points

- a) Proposer's Firm History and Structure
- b) Proposer's Demonstrated Experience With and Understanding of Government and Industry Standards and Requirements, including for audit services:
 - GASB Codification of Governmental Accounting and Financial Reporting Standards;
 - AICPA Audit Guide;
 - Audit requirements of OMB Circular A-133; and
 - GFOA Certificate of Achievement program.
- c) Proposer's Specific Background and Experience in Providing Services City is Requesting, including experience in auditing or providing actuarial services to large local governmental units, particularly in California
- d) Proposer's Depth and Breadth of Experience with Local Government Clients
- e) Proposer's familiarity with large automated accounting systems similar to the City's Financial Accounting and Management Information System (ONLINE FAMIS) and related subsystems such as Advanced Purchasing and Inventory Control System (ADPICS) and the Budget Preparation System (BPREP)
- f) Proposer's Total Staff Size and Composition
- g) Relevance of Proposer's Prior Engagement Descriptions to Services City is Requesting

5.3.2 Proposed Engagement Staff – 30 points

- a) Firm's experience, capacity and local office staff size and resources
- b) Commitment of the Proposer to provide continuity of qualified staff through completion of services and to staff services with local resources
- c) Staffing Structure (Proposed Staff Organization Chart)
- d) Staff Qualifications

5.3.3 Approach and Cost – 30 points

- a) Work plan, including coordination of firm and related assignments where a partnership or joint venture is proposed
- b) Timeline
- c) Direction and review of work
- d) Client involvement or level of effort
- e) Competitive differences
- f) Reasonableness and clarity of Cost Estimate

5.3.4 Completeness and Applicability of Proposal Submission – 10 points

- a) Conformance with and applicability of information to RFP requirements
- b) Clarity of organization and exposition
- c) Overall quality of presentation including completeness and accuracy of information

5.4 Proposer Interviews

Interviews will consist of standard questions asked of selected Proposers, and specific questions regarding individual proposals. Interviews will be worth 100 points. Points awarded

for interviews will be separate from the points awarded during the Proposal Evaluation process. The lead staff members that will be assigned to the engagement should be present for the interview, as well as the lead staff of subconsultant partner(s), including Local Business Enterprise firms.

6. Protest Procedures

6.1 Objections to RFP Terms

See RFP Attachment I for RFP Terms and Conditions. Should a Proposer object on any ground to any provision or legal requirement set forth in this RFP, the Proposer must, not more than ten (10) calendar days after the RFP is issued, provide written notice to the Controller's Office setting forth with specificity the grounds for the objection. The failure of a Proposer to object in the manner set forth in this paragraph shall constitute a complete and irrevocable waiver of any such objection.

6.2 Protest of Non-Responsiveness Determination

Within five (5) working days of the City's issuance of a notice of non-responsiveness, any Proposer that has submitted a proposal and believes that the City has incorrectly determined that its proposal is non-responsive may submit a written notice of protest by mail or e-mail (fax is not acceptable). Such notice of protest must be received by the City on or before the fifth (5th) working day following the City's issuance of the notice of non-responsiveness. The notice of protest must include a written statement specifying in detail each and every one of the grounds asserted for the protest. The protest must be signed by an individual authorized to represent the Proposer, and must cite the law, rule, local ordinance, procedure or RFP provision on which the protest is based. In addition, the protestor must specify facts and evidence sufficient for the City to determine the validity of the protest.

6.3 Protest of Contract Award

Within five (5) working days of the City's issuance of a notice of intent to award a contract under this RFP, any Proposer that has submitted a responsive proposal and believes that the City has incorrectly selected another Proposer for award may submit a written notice of protest by mail or e-mail (fax is not acceptable). Such notice of protest must be received by the City on or before the fifth (5th) working day after the City's issuance of the notice of intent to award a contract.

The notice of protest must include a written statement specifying in detail each and every one of the grounds asserted for the protest. The protest must be signed by an individual authorized to represent the Proposer, and must cite the law, rule, local ordinance, procedure or RFP provision on which the protest is based. In addition, the protestor must specify facts and evidence sufficient for the City to determine the validity of the protest.

6.4 Delivery of Protests

All protests must be received by the due date. If a protest is mailed, the protestor bears the risk of non-delivery within the deadlines specified herein. Protests should be transmitted by a means that will objectively establish the date the City received the protest. Protests or notice of protests made orally (e.g., by telephone) or by fax will not be considered. Protests must be delivered or e-mailed to:

Esther Reyes

*Office of the Controller
City Hall, Room 388
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
Email: Esther.Reyes@sfgov.org*