

Metropolitan Water Reclamation District Retirement Fund



Request for Proposal

Certified Public Accounting Firm for Auditing Services

September 19, 2024

**Metropolitan Water Reclamation District Retirement Fund
Request for Proposal - Auditing Services 2024**

I. Overview

The Metropolitan Water Reclamation District Retirement Fund (“MWRDRF” or “Fund”) hereby issues a request for proposal (RFP) from qualified certified public accounting firms (“Respondents”) to audit its financial statements for the fiscal year ending December 31, 2024. Any contract awarded through this RFP process may be renewed for each of the four subsequent years, subject to an annual review, a satisfactory negotiation of terms (including a price acceptable to both MWRDRF and the selected firm), and the concurrence of the MWRDRF Board of Trustees (“Board”).

This RFP is being issued pursuant to a Board decision to issue an RFP for professional services every five years. The last RFP for Auditing Services was posted by the Fund in 2019.

Any Respondents should prepare a proposal according to the instructions in Section VIII (Proposal Submission) and Section IX (Technical Proposal) in this document. An electronic copy of your proposal should be sent to the Search Contact at kulkarniv@mwrdrf.org by **4:30 P.M. CST on Friday October 18, 2024.**

It is anticipated the Board will consider the selection of a firm in the fourth quarter of the year. Following the notification to the selected firm, it is anticipated that mutually satisfactory job engagement letters will be executed between both parties before year-end.

II. Background Information

Description

MWRDRF is a single employer public retirement fund providing retirement, survivor, and disability benefits to employees of the Metropolitan Water Reclamation District of Greater Chicago (MWRDGC), as well as to MWRDRF employees. Created by the Illinois General Assembly, MWRDRF is governed by the Illinois Pension Code (40 ILCS 5/13-101 et. seq.). MWRDRF serves over 1,770 active participating members and over 2,470 benefit recipients. As of July 31, 2024, the MWRDRF had invested assets of \$1.55 billion in a diversified portfolio comprised of domestic and international equities, fixed income securities, private credit vehicles, and open-end real estate funds.

The MWRDRF Board is governed by a seven-member Board of Trustees. The Executive Director, who reports directly to the Board, manages the day-to-day operations of the Fund. The Fund staff consists of 11 employees.

More detailed information on MWRDRF and its finances can be found in the 2023 Annual Comprehensive Financial Report (ACFR) posted on the MWRDRF website at www.mwrdrf.org. Go to the “Financial and Investment Related” tab on the home page and select Financial and Investment Reports.

Contact Persons

The Respondent’s MWRDRF contacts for the audit are:

 Vrinda Kulkarni, Accounting Supervisor, 312-751-3036, kulkarniv@mwrdrf.org
 Brian Gillespie, Investment Officer, 312-751-3226 gillespieb@mwrdrf.org
 Jim Mohler, Executive Director, 312-751-3230 mohlerj@mwrdrf.org

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Fund Structure, Accounting and Reporting

MWRDRF uses one pension trust fund in its financial reporting. Financial records are maintained on an accrual basis; the budget is prepared on a cash basis. The financial statements of the MWRDRF are included as a component unit in the financial statements of the Metropolitan Water Reclamation District of Greater Chicago ("District") as a pension trust fund.

Finance Operations

Due to the small size of the Fund's administrative staff, the principal accounting functions are performed by the Fund's Accounting Supervisor, with ancillary functions performed by various other staff members. Key functions are performed as follows:

General Ledger – Accounting Supervisor
Investment Accounting – Accounting Supervisor
Annuitant Payroll disbursements – Benefits Manager
Disability Payroll disbursements – Benefits Analyst
Accounts Payable disbursements – Benefits Analyst

Other Operations

All benefit payment calculations are performed internally by Fund staff. Retirement annuity calculations are calculated by the pension system database and manually checked by a Benefits Analyst.

Investment related functions, such as coordinating manager searches and asset transitions with the Fund's managers and consultant, and reporting to the Board regarding investment related issues are performed by the Investment Officer.

IT functions and other internal support functions are performed by the IT Supervisor and the Operations Manager. In addition, IT support, cloud hosting and security are provided by an external firm, Genuity.

System Applications

In general, all member and most employer data are maintained on our proprietary pension system database (PBMS). Employee contributions are recorded in PBMS through an upload of data provided by the plan sponsor each pay period. Disbursements related to annuitant payrolls, disability payrolls, staff payrolls and administrative expenses are processed in PBMS. Member documents received from the outside are imaged on an imaging system and stored in PBMS. The Fund is involved in a multi-year multi-million-dollar project of developing a new Pension Administration System, based on the Pension Gold product offered by Levi, Ray, and Shoup Inc.; staff is currently testing the phase 2 deliverables; and is expected to go live in late 2025.

QuickBooks is used for accounts payable and maintaining the general ledger. Bills are approved by the Board for payment at processed in QuickBooks monthly. Entries for all other cash activity including receipt of employee and employer contributions, transfers from BNYM the custodian, miscellaneous cash receipts and Annuity/Disability payrolls paid from PBMS are entered regularly, Cash accounts are reconciled monthly using the QuickBooks reconcile process; all other balance sheet and income/expense accounts are reconciled at year-end. Investment activity (book value changes) is posted to the general ledger at year-end.

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Investments

The Board is responsible for oversight of all Fund investments. The Board engages the services of an investment consultant (Marquette Associates) and investment management firms to prudently invest Fund assets. Fund staff monitors performance of the 17 external investment managers, managing 21 separate mandates. All investment mandates are managed externally. The Fund engages in securities lending programs through Bank of New York (“BNY”) and State Street Global Advisors (“SSGA”).

Custodian

BNY serves as MWRDRF’s master custodian. SAS 70 reports are available from BNY. BNY services for MWRDRF include:

- Maintains records of investments, receipts, disbursements, purchases and sales of securities and collection of dividends and interest.
- Provides monthly and annual audited investment accounting statements.
- Maintains electronic custody of assets.
- Settles manager’s trades.
- Sweeps overnight cash balances into short term investment accounts.
- Securities lending and corporate action services.
- Proxy processing.

Actuary

Foster & Foster Actuaries and Consultants has been the MWRDRF’s Consulting Actuary since 2012. Actuarial Valuations for the last five years are posted on the Fund’s website www.mwrdrf.org.

Audit Related Information

Typically, the duration of the fieldwork for the annual audit includes about 4 days of preliminary fieldwork in December, and about three weeks in February, performed by two staff members of the audit firm. Less than a dozen expected adjusting entries are made each year including cost-to-market value adjustments on investments, property tax receivable adjustments and accounts payables accruals for investment management fees.

Prior Year Audit Reports

Prior year audit reports are included within the Annual Comprehensive Financial Report (ACFR) documents posted on the Fund’s website www.mwrdrf.org. Prior years’ management letters are available upon request to the Fund Accountant.

III. Scope of Services Required

General

MWRDRF requires the Respondent to conduct an independent audit of the financial statements of the Fund in conformity with generally accepted auditing standards and to express an opinion on the fair presentation of its financial statements in conformity with generally accepted accounting principles in the United States. The Respondent shall also 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.

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The Respondent may be asked to perform certain services to satisfy possible future needs. The nature of such services and any additional fee required will be mutually agreed upon by MWRDRF and the Respondent prior to engagement.

Reports to be Issued to the Board

Following the completion of the independent audit of the fiscal year's financial statements, the Respondent shall issue:

1. A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States.
2. A report on internal control over financial reporting and compliance based on an audit of basic financial statements.
3. A letter detailing the results of the agreed-upon procedures performed in conjunction with the financial statement audit when those agreed upon procedures are requested and performed.
4. A written report to management to communicate any significant deficiencies and material weaknesses identified in the audit, in writing to the Board.
5. Schedule of Pension Amounts as requested by the external auditor of the Plan Sponsor (i.e. the MWRDGC).
6. A presentation to the Board on the results of the audit, normally at its April meeting each year.
7. If Respondent determines that there is reporting irregularities and illegal acts occurring, the Respondent will be required to make an immediate, confidential written report to the following party:

Mr. Taylor Muzzy
Jacobs, Burns, Orlove, and Hernandez
c/o MWRDRF Board of Trustees
One North LaSalle Street, Suite 1620
Chicago, IL 60602
8. Respondent shall assure that the Board is informed of each of the following:
 - The auditor's responsibility under generally accepted auditing standards
 - Management judgments and accounting estimates
 - Audit adjustments and uncorrected mistakes
 - Significant accounting policies
 - Critical accounting policies and practices
 - Alternative accounting treatments
 - Other information in documents containing audited financial statements
 - Disagreements with management
 - Management consultation with other accountants
 - Major issues discussed with management prior to retention
 - Significant difficulties encountered in performing the audit
 - Other material written communications, and
 - Auditor independence.

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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 seven (7) years, unless notified in writing by the MWRDRF of the need to extend the retention period. The Respondent will be required to make working papers available, upon request, to MWRDRF or its designees.

In addition, the Respondent shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

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IV. Timing of Audit Services to be Performed

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

Schedule for the 2024 Fiscal Year Audit

- The Respondent shall provide MWRDRF with a detailed audit plan, including entrance, progress and exit conferences within one month of contract date.
- Interim work will be scheduled at a mutually agreeable time in mid-December.
- The Respondent shall present a list of all schedules to be prepared by MWRDRF by mid-January 2025 to be completed by MWRDRF staff by the date the field work begins, normally the beginning of February.
- The Respondent shall prepare draft financial statements by mid-March 2025 and a draft audit report by early April 2025.
- The Respondent shall provide all recommendations, revisions, and suggestions for improvements for the financial report to the Accounting Supervisor by the end of March each year.
- The Respondent shall give MWRDRF the completed financial report with the signed opinion by the third week of April each year, in PDF format.
- The Respondent is expected to make a presentation to the Board of the results of the audit, normally at its May meeting each year; approximately 10 hard-copy reports must be provided.

V. Assistance to be Provided to the Auditor and Report Preparation

Finance Department and Clerical Assistance

The MWRDRF staff will be available during the audit to assist the Respondent by providing information, documentation, and explanations. MWRDRF staff will assist in the preparation of confirmations.

Work Area, Telephones, Internet, Photocopying, FAX Machines and Printers

MWRDRF will provide Respondent with reasonable workspace, desks and chairs. The Respondent will also be provided with access to telephone, internet, photocopying, FAX machines and printers.

Statements and Schedules to be Prepared by the Staff of MWRDRF

MWRDRF staff will provide Respondent with an adjusted Trial Balance, detailed General Ledger and all journal entries, and will prepare workpapers and schedules requested by the Respondent to the extent that the data is available. MWRDRF staff will prepare the financial statements, notes, MD&A for the Audit Report.

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VI. MWRDRF RFP Procedures

Posting

The Fund will post notice of this RFP on its website www.mwrdrf.org.

Search Contact:

Vrinda Kulkarni
Accounting Supervisor
Metropolitan Water Reclamation District Retirement Fund
111 East Erie St., Suite 330
Chicago, IL 60611
312-751-3036
kulkarniv@mwrdrf.org

Q & A procedure

Procedural and substantive questions concerning the RFP must be submitted electronically by **4:30 p.m. CST Thursday September 26, 2024** to the Search Contact. Responses to questions properly submitted will be consolidated in a single Q&A document and posted on the Fund's website mwrdrf.org on or about **Monday September 30, 2024**. The Q&A document will not identify the source of the query. Respondents will NOT receive individualized responses to questions submitted; respondents must review the Q&A document posted on the Fund's website mwrdrf.org to receive answers to all questions submitted.

Submission of responses

All Respondents must submit their responses in accordance with the instructions in Section VIII (Proposal Submission). Deadline for submission is **4:30 p.m. CST Friday October 18, 2024**

MWRDRF reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between MWRDRF and the firm selected.

Evaluation and selection

Following the deadline for submissions, the Fund's staff shall review the responses received and review each for content, quality and compliance with the RFP's requirements. Evaluation criteria shall include but not be limited to the following factors:

- Organization
- Product, Philosophy or Process
- Experience
- Completeness and Quality of Proposal
- Fees

During the evaluation process, MWRDRF reserves the right, where it may serve the Fund's best interest, to request additional information or clarifications from Respondents. The Fund may also allow corrections of errors or omissions. Following the review, the field of Respondents will be narrowed to a smaller list of the ones deemed most qualified. Respondents submitting proposals may be asked to make oral presentations as part of the evaluation process. The Board may accept, modify, or reject the Respondents list.

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VII. RFP Calendar

The following timeline is subject to change. Any changes will be posted on the Fund's website www.mwrdrf.org.

RFP issued	Thursday September 19, 2024
Deadline to submit written questions	Thursday September 26, 2024
Q & A document posted on website	Monday September 30, 2024
Due date for proposal submissions	Friday October 18, 2024
Staff presents list of Respondents to Board	Wednesday October 30, 2024
Selected Respondent is notified	Friday November 1, 2024
Agreement date	Mid-November

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VIII. Proposal Submission

Summary of Requirements

An electronic copy of your proposal which includes the following material must be received by the Search Contact at kulkarniv@mwrdrf.org by 4:30 P.M. CST on Friday October 18, 2024, for a Respondent to be considered.

The proposal should include the following:

1. Title Page; showing the firm's name; the name, address and telephone number of a contact person and the date of the proposal
2. Table of Contents
3. Transmittal Letter, which shall:
 - Be on the Respondent's letterhead
 - State that Respondent is a certified public accounting firm
 - State the Respondent's understanding of the work requested
 - State that the Respondent has the resources to provide the services required
 - State the ability to honor the required time period deadlines
 - Include a description of the firm
 - i. Where it is domiciled
 - ii. Number of staff, separating professional positions
 - iii. Diversity of staff (women and minority groups), separating professional positions
 - iv. The ownership structure, identifying owners with 7.5% ownership or greater
 - State why the firm believes itself to be best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer
 - State that the offer included in the proposal is good for one year from the date of the Transmittal Letter
 - Signed by an Officer who is able to bind the Respondent to the proposal.
4. Should address all requirements in the order set forth in Section IX (Technical Proposal)
5. Executed copy of Respondent's Guarantees and Warranties; (see Exhibit A)
6. Schedule of Proposed Professional Fees and Expenses; (see Exhibit B)

Any proposal that is either deemed to be incomplete or received after the due date and time will not be considered.

Minimum Qualifications

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

- License to practice in Illinois
- Sufficient knowledge and training to comply with generally accepted auditing standards
- Sufficient knowledge of governmental accounting
- Sufficient knowledge of pension accounting and actuarial science
- Sufficient knowledge of statements issued by the Governmental Accounting Standards Board (GASB), particularly those related to retirement funds
- At least 5 years of experience on similar engagements with other retirement funds with invested assets exceeding \$750 million

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IX. Technical Proposal

General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the Respondents seeking to undertake an independent audit of the Metropolitan Water Reclamation District Retirement Fund. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate that the qualifications of the firm meet or exceed the minimum qualifications as listed in Section VIII (Proposal Submission) and should demonstrate the qualifications of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the RFP requirements.

The technical proposal should address all the points below. The proposal should provide a straightforward, concise description of the Respondent's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the following subjects must be included. They represent the criteria against which the proposal will be evaluated.

Independence

The Respondent should provide an affirmative statement that it is independent of the Metropolitan Water Reclamation District Retirement Fund AND of the Metropolitan Water Reclamation District of Greater Chicago, as defined by generally accepted auditing standards.

License to Practice in Illinois

An affirmative statement should be included indicating that the Respondent and all assigned key professional staff are properly licensed to practice in Illinois.

Respondent Qualifications and Experience

The proposal should state:

- The size of the firm,
- The size of the firm's governmental audit staff,
- The location of the office from which the work on this engagement is to be performed, the number and nature of full-time professional staff to be employed in this engagement,
- The number and nature of part-time professional staff to be employed in this engagement, if any, and
- The circumstances and status of any current disciplinary action taken or pending against the firm with state regulatory bodies or professional organizations.

The Respondent 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.

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Partner, Supervisory and Staff Qualifications and Experience

The Respondent should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Illinois.

The Respondent should provide as much information as possible regarding the number, qualifications, experience and training including relevant continuing professional education, of the specific staff to be assigned to this engagement. The Respondent also should indicate how the quality of staff and staff continuity over the term of the agreement would be assured.

As a public retirement fund, the MWRDRF reports under standards set by the Governmental Accounting Standards Board and therefore requires governmental expertise from its auditors. As the holder of a diverse investment portfolio, MWRDRF requires significant investment knowledge from its auditors. While both are important, the investment knowledge is more critical than the governmental expertise. The Respondent should describe how the audit team assigned would meet these two needs.

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 MWRDRF. However, in either case, the MWRDRF retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the Respondent provided that replacements have substantially the same or better qualifications or experience.

Similar Engagements with Other Retirement Funds

List the most significant engagements, similar to the engagement described in this RFP, that have been performed by the key staff that will be assigned responsibility for the audit in the last five years. Indicate the scope of work, date, engagement partners, and the name and telephone number of the principal client contact, if possible. Indicate whether any of these engagements participated in the GFOA Certificate of Achievement Program.

Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required by this RFP.

- Proposed segmentation of the engagement
- Level of staffing and number of hours to be assigned to each proposed segment of the engagement by level of staff
- Approach to be taken to identify and audit the significant risk areas of the MWRDRF's operations
- Approach to be taken to gain and document an understanding of the MWRDRF's internal control structure
- Sample size and the extent to which statistical sampling is to be used in the engagement
- Extent of use of software in the engagement
- Type and extent of analytical procedures to be used in the engagement
- Approach to be taken in regards to reported actuarial information

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Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the Respondent's approach to resolving these problems and any special assistance that will be requested from the MWRDRF.

Proposed Job Engagement Letter

The proposal must include examples of the job engagement letters as well as audit representation letters your firm would require covering this engagement assuming your firm were the successful bidder.

X. Proposer Guarantees and Warrantees

The proposal must include an executed copy of **Exhibit A**.

XI. Fee Proposal

Please submit a fee proposal for the financial statement audit and any agreed upon procedures on the fee proposal form **Exhibit B**. The fee proposal should indicate the following:

1. The total all-inclusive maximum price that contains all direct and indirect costs including all out-of-pocket expenses for the first year (2024). Your fee proposal should contain the detailed information required by Exhibit B.
2. Indicate the total all-inclusive maximum price for the additional audit years 2025-2028.
3. Indicate hourly rates for any agreed-upon services outside the scope of the audit.

XII. Important Disclosures & Notices

No legal offer or reimbursement of expenses

Neither this RFP nor any response to this RFP should be construed as a legal offer. There is no expressed or implied obligation for MWRDRF to reimburse Respondents for any expenses incurred in preparing proposals in response to this RFP.

Fund rights

The Fund reserves the right to reject any or all proposals submitted. All materials submitted in response to the RFP will become the property of the Fund.

Responses subject to Illinois Freedom of Information Act

Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act (5 ILCS 140/1 *et seq.*) After selection of a firm by the Fund, successful negotiation of a contract, any proposals submitted may be viewed and copied by any member of the public including news agencies and competitors. Any respondent claiming a statutory exception for information within their proposal must identify relevant language as confidential, identify in the email transmission of the proposal that there is confidential information included, clearly label each page containing confidential information as such, and specify which statutory exemption applies. The Freedom of Information Act can be found at the Illinois Attorney General's website (<http://www.ilga.gov>) Any claim of privilege or confidentiality from disclosure is not definitive. The Fund has the right and the legal obligation to determine whether such information is exempt from disclosure under the law. Respondents shall make no claim against the Fund if the Fund discloses any information relating to a proposal that was required to be disclosed pursuant to the Freedom of Information Act.

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Quiet period

Ex-parte communications between the Fund's staff and interested parties, including Respondents or non-interested parties, shall be prohibited from the time the RFP is posted until a contract is entered into and the RFP process is terminated ("Quiet Period"). Furthermore, any communication related to this RFP between a Respondent and any member or the Board is also prohibited during the 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 the RFP. Additionally, the Fund's staff may communicate with a Respondent for the purpose of existing, normal business matters involving that Respondent and the Fund. Violation of the Quiet Period rules constitutes grounds to reject a submitted proposal.

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Exhibit A

RESPONDENT GUARANTEES AND WARRANTIES

The Respondent certifies they can and will provide and make available, at a minimum, all services set forth in Section III (“Scope of Services Required”) of the Request for Proposal.

The Respondent warrants that it is willing and able to comply with all applicable State of Illinois laws.

Respondent warrants that it is willing and able to obtain an errors and omissions insurance policy in the amount of \$5 million of coverage for any willful misconduct or negligent acts, or omissions of any officers, employees or agents thereof.

Respondent warrants that it will not delegate or subcontract its responsibilities under a contract without the express prior written permission of MWRDRF.

Respondent warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Guarantor: _____

Name (Print): _____

Firm: _____

Date: _____

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Exhibit B

SCHEDULE OF PROFESSIONAL FEES

	Year 1	Year 2	Year 3	Year 4	Year 5	Total for Contract Period
Annual Audit retainer						

SCHEDULE OF CURRENT HOURLY RATES

Staff Position	Hourly Rates
Partners	
Managers	
Supervisory Staff	
Staff	
Other (specify)	