



**CALIFORNIA JOINT POWERS
INSURANCE AUTHORITY**

REQUEST FOR QUALIFICATIONS

FOR

FINANCIAL AUDIT SERVICES

JUNE 13, 2011

**RESPONSE DUE
4:00 P.M. PACIFIC TIME JUNE 30, 2011**

I. INTRODUCTION

A. General Information

The **CALIFORNIA JOINT POWERS INSURANCE AUTHORITY** (California JPIA) is requesting written qualifications from firms of certified public accountants to audit its financial statements for the fiscal years ending June 30, 2011, 2012 and 2013, with an option to extend the engagement a fourth and fifth year.

Responding to this request by submitting written qualifications is an acknowledgement and acceptance of all terms and conditions contained herein.

The California JPIA reserves the right to reject any or all Responses to its Request for Qualifications (RFQ) and to waive any irregularities or informality in any Responses whenever such rejection or waiver is in the interest of the California JPIA. In the event that the California JPIA cannot negotiate a satisfactory contract with the selected firm or said firm does not execute the contract, the California JPIA may give notice to said firm of its intent of negotiating a contract with the next most qualified firm, and so on, or may, if it so chooses, initiate a new RFQ process.

The California JPIA reserves the right to select the firm which, in the California JPIA's opinion, will provide services best matching the California JPIA's needs, not necessarily the lowest bidder.

At any time during the contract period, the Agreement may be terminated with proper notice, with or without cause at the sole discretion of the California JPIA.

B. Minimum Requirements

- Licensed to practice in California
- Independence from the California JPIA
- At least five (5) years of experience providing auditing services to public agency risk pools or Joint Powers Authorities (JPAs) in California
- At least ten (10) years of experience providing auditing services to local government entities or special districts in California

C. Questions

Questions regarding the services being requested or the contents of this RFQ must be submitted in writing via e-mail to Alexander Smith at asmith@cjpia.org on or before June 20, 2011 (4:00pm). Answers to written questions will be posted no later than June 23, 2011 to the California JPIA's website at www.cjpia.org/auditrfq. The deadline for receipt of RFQ Responses is June 30, 2011 (4:00pm).

D. Correspondence

All correspondence must be submitted via e-mail to asmith@cjpia.org. Complete contact information is provided below; however, materials will not be accepted if transmitted by any means other than e-mail.

California JPIA
Attention: Alexander Smith
8081 Moody Street
La Palma CA 90623
Phone: 562-467-8727
Fax: 562-467-8798
Email: asmith@cjpia.org

E. Admonition to Respondents

With the issuance of this RFQ, Respondents are specifically directed not to contact individual members of the California JPIA Executive Committee, staff, or member agency staff for meetings, conferences or technical discussions related to this RFQ. **Failure to adhere to this policy may be grounds for rejection from consideration.**

F. Deadline to Submit RFQ Responses

Information submitted in response to this RFQ must be received by the California JPIA no later than 4:00 p.m. on June 30, 2011. Responses received after the deadline will be marked "LATE" and may receive no further consideration.

G. Conformity

Responses to this RFQ must conform to the requirements specifically stated herein. The California JPIA reserves to its staff or Executive Committee the right to waive any irregularity in any response or to reject any response that does not comply with the directions specified in this RFQ.

H. Costs

The California JPIA assumes no obligation for any costs incurred by any firm in preparing the RFQ Response, attending an interview, or any other activity prior to award of the contract to the chosen firm.

I. Public Records

All information submitted in response to this RFQ will become the property of the California JPIA upon submittal and a matter of public record pursuant to applicable law.

The California JPIA reserves the right to retain all information submitted, and all materials submitted are subject to the “California Public Records Act.”

J. Timeline

Release of RFQ	June 13, 2011
Deadline for Question Submission	June 20, 2011, 4:00pm
Answers to Questions Posted	June 23, 2011
Deadline for Receipt of RFQ Responses	June 30, 2011, 4:00pm
Interviews for Selected Respondents	Week of July 11, 2011
Anticipated Selection of Finalist	Week of July 18, 2011
Commencement of Preliminary Field Work	September 2011
Commencement of Final Audit Work	December 2011
Audit Report to Finance Officers Committee	February 2012
Audit Report to Executive Committee	February 2012

The California JPIA expects, but does not guarantee, that a decision on selection of a firm will be made during the week of July 18, 2011.

II. ABOUT THE CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

The California JPIA was formed in 1977 with 33 member agencies, under the provisions of California Government Code Section 6500 et seq., to provide a pooled, self-insured general liability program.

Since that time, the California JPIA has grown to a present membership of 122 public agencies. Member agencies of the California JPIA are listed on the following website: <http://www.cjpia.org/4dcgi/about/directory.shtml>.

The members employ over 15,000 people with an annual payroll of approximately \$900,000,000. Total budgets exceed \$5 billion. All members participate in the self-insured general and auto liability pool. An optional self-insured, pooled workers’ compensation program was formed in 1980. Presently, 104 members participate in the program.

The California JPIA purchases certain forms of insurance on behalf of its members in order to improve efficiency for the members and to take advantage of cost savings available to large purchasers. Purchased insurance currently includes excess general and auto liability, excess workers’ compensation, all risk property & flood, earthquake, pollution legal liability, crime, and tenant/user liability for third parties conducting events on member property.

A Board of Directors, consisting of one elected official appointed by each member, governs the California JPIA. The Board elects a President, Vice President and seven members to the Executive Committee, which meets monthly to supervise and conduct Authority affairs. A full-time staff headed by a Chief Executive Officer, employed by the Executive Committee, handles the day-to-day business of the California JPIA.

The California JPIA places strong emphasis on loss prevention and loss control, conducting on-site risk management inspections and presenting educational workshops and academies to members at regional locations.

Additional Information may be found on the California JPIA website at www.cjpia.org.

III. THE SELECTION PROCESS

Responses received by the deadline will be screened by California JPIA staff. The Responses will be narrowed to a number of semi-finalists that may be invited to an oral interview. Following any oral interview(s) and independent checking of references and other information which may be available to the California JPIA, the semi-finalists will be screened further to a final selection.

Selection of the auditing firm will be made solely by the California JPIA on criteria determined by the California JPIA. Key considerations may include the following:

- Firm's successful experience providing financial audit services to public agency risk pools or JPAs in California
- Professional qualifications of the manager and partner to be assigned to the audit, with an emphasis on auditing experience pertaining to public agency risk pools or JPAs in California
- Responses from reference checks of existing clients
- Estimated cost of audit
- Completeness of RFQ Response

IV. SCOPE OF WORK TO BE PERFORMED

A. Primary Financial Audit Report

The Auditor is required to express a written opinion of the fair presentation of the California JPIA's basic financial statements in conformity with generally accepted accounting principles.

The Auditor shall examine and audit all funds, books, records, accounts and financial statements under the jurisdiction and control of the California JPIA during the fiscal year. This examination shall be made in accordance with

generally accepted auditing standards and shall include such tests of the accounting records and such other auditing procedures, as the Auditor considers necessary.

The audit shall include minimum State requirements of those prescribed by the State Controller's Office for California Special Districts and State regulations governing special districts. In addition, the audit shall be performed in accordance with General Accounting Office standards for financial and compliance audits and shall include, to the extent applicable, the audit procedures required by Government Auditing Standards, issued by the Comptroller General of the United States.

The required scope of work includes preparation of the financial statements as well as the notes to the financial statements. The Auditor shall also be responsible for performing certain limited procedures involving the preparation and reporting of supplementary information required by the Government Accounting Standards Board as mandated by generally accepted auditing standards.

The audit shall include a review of the California JPIA's third party claims administrators; Carl Warren & Company for the liability program, and York Insurance Services for the workers' compensation program. These reviews will not be audits, but overviews of financial and other procedures.

Open communication shall be maintained. The California JPIA shall be kept informed in an ongoing manner as to the progress of the audit. Any problems encountered are to be made immediately known to the California JPIA.

A rough draft of the audit shall be prepared for review and discussion with CJPIA staff during the exit interview.

The Auditor shall agree to cause copies of the completed financial audit report of the funds, books, records, and accounts to be filed on or before January 12 of the respective years. This includes five (5) bound copies, one (1) unbound copy, and an electronic copy.

The Auditor shall make presentations in person, of the final audit report to the Finance Officers Committee and to the Executive Committee in February of each respective year.

Copies of the audit report shall be filed by the Auditor directly with the following entities:

- a. State Controller's Office
- b. Los Angeles County Auditor/Controller's Office
- c. Orange County Auditor/Controller's Office
- d. San Bernardino County Auditor/Controller's Office

B. Internal Control Report

In the required report on internal control, the Auditor shall communicate in a letter to management any reportable conditions found during the audit.

A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the Auditor shall be reported in a separate letter to management, and referenced in the report on internal controls.

The auditing firm shall be required to make an immediate, written report of all irregularities and illegal acts of which it becomes aware to the Chief Executive Officer, Treasurer, Authority Attorney, and Executive Committee.

Auditors shall assure themselves that the California JPIA is informed of each of the following:

1. The Auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

C. Additional Consulting Hours

The Auditor shall be prepared to provide up to twenty (20) additional consulting hours on accounting and technical matters periodically as needed, throughout each year of the contract.

D. Working Paper Retention and Access to Working Papers

The Auditor shall retain working papers for a period of seven (7) years, unless otherwise specified in writing by California JPIA. Such working papers shall be available for review and audit by California JPIA, representatives of the Federal and/or State governments, and other individuals designated by the California JPIA.

In addition, the selected firm must respond to reasonable inquiries of successor Auditors and allow successor Auditors to review working papers related to matters of continuing accounting significance.

V. RFQ RESPONSE REQUIREMENTS

A. Required Format of RFQ Response

All RFQ Responses must:

1. Be submitted electronically via e-mail to asmith@cjpia.org before 4:00 pm June 30, 2011
2. Use the following e-mail subject line: "Financial Audit RFQ Response"
3. Show page numbers for all pages within the Response to facilitate referencing
4. Not contain any promotional, advertising, or display material
5. Be valid for a period of ninety (90) days from the due date
6. Not be conditional, confidential or proprietary
7. Not be withdrawn after the submission date

All Responses are scheduled to be reviewed and considered during the first two weeks of July as stated above in the timeline table.

There will be no public processing of Responses. Prices and other information relating to Auditor compensation shall not be made public until the contract is awarded. At that time, the executed contract will become public information.

B. Required Content of RFQ Response

The required content and sequence of the information within the Response shall be as follows:

1. Summary Sheet

Responding firms must include a completed and signed copy of the attached Summary Sheet (Exhibit 1), therein stating the total inclusive maximum annual price that will be charged for the audit.

The California JPIA is not aware of any unusual circumstances warranting an extended scope of work beyond what is described in Section IV. However, if in the course of conducting the audit, evidence of such circumstances are discovered, the selected firm shall agree to provide the California JPIA with all ascertainable facts relative to such circumstances together with an estimate of additional services required and the additional cost thereof such that proper contract modifications may be completed prior to the commencement of the extended audit work.

2. Table of Contents

3. Staff Resumes

Provide the name of the Audit Manager that will be assigned to the California JPIA, the Senior Auditor, and any other staff who will perform various aspects of the audit work. For each of these above named persons, provide a brief resume of their background, training, and experience with an emphasis on audits of a similar nature and scope as specified herein, especially previous audits of public agency risk pools or JPAs.

4. Firm Organization

- a. Name of firm, date established, approximate annual revenue, approximate number of employees, and approximate number of clients
- b. Whether the firm is local, national or international
- c. Location of the specific office that will be serving the California JPIA
- d. Number of years the firm has been in business under its present name, as well as related prior business names

- e. Describe the structure and ownership of the firm. State whether the firm is an individual proprietorship, partnership, limited liability company, corporation or joint venture
- f. State all financial interests in other lines of business and/or entities
- g. Describe the range of services provided by the firm
- h. State the number of individuals available to provide direct services to the California JPIA

5. Description of Proposed Scope of Work

Describe the firm's audit approach, including a description of the proposed services and contract responsibilities. The description must include an explanation of the audit methodology to be utilized. Describe specifically how services in Section IV will be provided. It is not necessary to address every item; however, any item that will not be provided must be clearly identified. Any proposed enhancements should also be included.

Include an hourly rate schedule for all partners, managers, accounting specialists, and other staff level employees along with an estimate of the number of hours necessary for each employee to complete the annual audit.

A rate schedule is requested for informational purposes; however, actual compensation for the selected firm will be a flat annual fee. Hourly rates would only be applicable for pre-approved, extended audit work performed beyond the scope defined in Section IV. Alternatively, a mutually agreed upon flat fee could also serve as compensation for extended audit work.

6. List of Audit Schedules Needed From California JPIA

Provide a list of audit schedules, worksheets or similar documentation which the firm would require that the California JPIA prepare in order to facilitate the audit.

7. Sample Engagement Letter

8. Required Narrative

Provide a short narrative of how the firm will ensure that the California JPIA's Finance Officers Committee and Executive Committee understand the audit process and have confidence in the California JPIA's financial statements and its system of internal controls.

9. References

The following references must be included:

- a. At least three (3), and up to ten (10), public agency risk retention pools or JPAs for which the firm has provided auditing services. For each reference give the agency name, contact name and title, phone number, e-mail, dates services were provided, and a description of the scope of audit work performed.
- b. At least three (3), and up to ten (10), California local government entities or special districts for which the firm has provided auditing services. For each reference show the agency name, contact name and title, phone number, e-mail, dates services were provided, and a description of the scope of audit work performed.

10. Sample Audit Report

Responding firms must submit a sample audit report from an audit which it has completed within the last two years, for one of its referenced JPA or risk retention pool clients.

11. External Quality Control Review Report (Peer Review)

Responding firms must submit a copy of the most recent External Quality Control Review Report, with a statement regarding whether or not the report included a review of specific government agency engagements.

12. Confirmation of Insurance Coverage

The Auditor shall procure and maintain, during the term of the Agreement, such general liability insurance, umbrella liability insurance, business auto coverage, and property damage insurance acceptable to the California JPIA, as is required to protect the Auditor and the California JPIA from any and all actions, suits, or other proceedings which may arise as a result of the work performed by the Auditor pursuant to the Agreement with the California JPIA. The Auditor shall hold harmless and indemnify the California JPIA, from and against any such actions,

suits, or other proceedings. Confirmation of liability insurance currently in force including a statement of coverage limits must be submitted with the RFQ Response.

In accordance with the provisions of Section 3700 of the Labor Code of the State of California, the Auditor shall provide the California JPIA with a Contractor's Certificate Regarding Workers' Compensation for the firm's employees. Confirmation of workers' compensation insurance currently in force which including a statement of coverage limits must be submitted with the RFQ Response.

13. Background Information

- a. Provide a brief summary of any investigations of the firm by regulatory agencies resulting in any penalty imposed by the agency.
- b. Provide a brief summary of criminal filings against the firm and/or its principles in the past ten (10) years.
- c. Describe any business relationships, formal or informal, with staff, Board Members of the California JPIA, and/or any of its member agencies. If relationships exist, provide a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit. The selected firm shall agree to give the California JPIA written notice of any such professional relationships entered into during the period of the Agreement.

C. Terms and Conditions Applicable to All RFQ Respondents

1. Inaccuracies or Misrepresentations

If in the course of the RFQ process or in the administration of a resulting Agreement, the California JPIA determines that a responding firm has made a material misstatement or misrepresentation, or that materially inaccurate information has been provided to the California JPIA; that responding firm may be terminated from the RFQ process. In the event an Agreement has been awarded, the Agreement may be immediately terminated. In the event of termination under this provision, the California JPIA is entitled to pursue any available legal remedies.

2. Right to Request Additional Information

During the evaluation process, the California JPIA reserves the right to request additional information or clarifications from responding firms, or to allow corrections of errors or omissions.

At the discretion of California JPIA, firms submitting responses may be requested to make oral presentations as part of the evaluation process.

3. Changes to and Interpretations of the RFQ

Any change to or interpretation of the RFQ by the California JPIA will be posted on the California JPIA website by June 23, 2011. Any subsequent changes to or interpretations of the RFQ will be sent to each firm or individual to whom an RFQ has been sent, and any such changes or interpretations shall become a part of the RFQ for incorporation into any Agreement awarded pursuant to the RFQ.

4. Additional Services

The scope of work to be performed as outlined in Section IV describes the minimum work to be accomplished. Upon final selection of the auditing firm, the scope of work to be performed may be modified and refined during final negotiations with the California JPIA.

5. Undue Influence

Respondent declares and warrants that no undue influence or pressure is used against or in concert with any officer or employee of California JPIA in connection with the award or terms of the Agreement that will be executed as a result of award of this RFQ, including any method of coercion, confidential financial arrangement, or financial inducement.

No officer or employee of the California JPIA will receive compensation, directly or indirectly, from responding firms, or from any officer, employee or agent of the responding firm, in connection with the award of the Agreement or any work to be conducted as a result of the Agreement. Violation of this Section shall be a material breach of the Agreement entitling the California JPIA to any and all remedies at law or in equity.