

Memorandum

TO: Police and Fire Department Retirement Plan **FROM: John Flynn**

SUBJECT: Internal Audit Services Request For **Date: October 2, 2025**
Proposal (RFP) Results

APPROVED: _____ **DATE:** _____

RECOMMENDATION

Discussion and action on the results of the Request for Proposal ("RFP") for Internal Audit Consulting Services, including Board authorization for the Chief Executive Officer (CEO) to negotiate and execute an agreement with Baker Tilly Advisory Group, LP for a term of 2 years for an amount not to exceed \$400,000, with four (4) two-year options to extend.

BACKGROUND

The Office of Retirement Services (ORS), on behalf of the Boards of Administration for the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan, issued RFP CSJ-ORS-IACS-2025 to procure internal audit services and act in the role of the Head of Internal Audit Division as defined in the Internal Audit Charter.

The RFP was released on July 1, 2025, with proposals due on August 1, 2025. The scope of services includes:

- Development of a comprehensive risk assessment and creation of a new Five-Year Internal Audit Plan
- Execution of risk-based operational, compliance, financial operations, IT, and cybersecurity audits
- Support for fraud investigations, follow-up monitoring, and coordination with external auditors
- Preparation and presentation of audit findings to the Audit Committees and Boards
- Maintenance of a centralized historical record of all audit activity

ANALYSIS

Summary of Firms

Four firms submitted RFP responses:

Baker Tilly Advisory Group, LP

Baker Tilly is an accounting and advisory firm with over 11,000 professionals nationally. The firm has extensive experience providing internal audit services to public sector pension plans. Work on this engagement would be performed primarily from their California offices.

Crowe LLP

Crowe is a public accounting and consulting firm with significant experience in public sector internal audit services. The firm has worked with numerous government entities and pension systems across the United States.

Eide Bailly LLP

Eide Bailly is a regional CPA and business advisory firm with offices across the western United States. The firm provides audit, tax, and consulting services to public sector clients.

Plante Moran, PLLC

Plante Moran is an accounting and advisory firm with extensive public sector experience, including work with retirement systems and governmental entities.

Evaluation Process

A Joint Ad Hoc Committee, established by the Boards, oversaw the internal audit procurement process with ORS senior management participating in the initial review and scoring of written proposals to provide input to the Committee. The top proposers based on interim proposal scores were invited for in-person presentations/interviews during a Joint Audit Committee Meeting, after which each Audit Committee made recommendations to each Board.

The Joint Ad Hoc Committee consisted of Trustee Abbott from the Federated Board and Trustee Ganapati from the Police and Fire Board. ORS staff also participated in the initial review and scoring of written proposals, including Sandra Castellano, Benefits Division Manager; Benjie Chua-Foy, Accounting Division Manager; and Jay Kwon, Senior Investment Officer.

Evaluation Results by Criteria:

Evaluation Criteria	Weighting	Baker Tilly	Crowe	Eide Bailly	Plante Moran
Proposal Responsiveness	Pass/Fail	Pass	Pass	Pass	Pass
General Requirements	10%	8.8	8.8	9.0	9.0
Experience and Qualifications	25%	23.0	24.2	20.2	21.4
Project Approach	25%	22.2	23.2	22.4	21.4
Technical Capabilities	10%	9.4	8.6	7.6	8.8
Cost Proposal	20%	18.0	17.0	17.0	18.0
Local Business Enterprise	5%	5.0	0.0	0.0	0.0
Small Business Enterprise	5%	0.0	0.0	0.0	0.0

TOTAL SCORE	100%	86.4	81.8	76.2	78.6
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It is noteworthy that Baker Tilly was the only firm that qualified as a Local Business Enterprise. The top three scoring firms (Baker Tilly, Crowe, and Plante Moran) were invited to present at the September 3, 2025 Joint Audit Committee meeting for oral interviews.

Final Recommendation:

Following the oral interviews conducted on September 3, 2025, the Joint Audit Committee members, along with City Auditor Joe Rois and the ORS staff evaluators, assessed the presentations and provided input to the committees.

Contract Cost Analysis

Based on Baker Tilly's cost proposal, the estimated cost structure over the initial contract term plus the first four years of potential extensions is as follows:

<i>Fixed Fee Services</i>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<i>Risk Assessment (150 hrs.)</i>	\$39,000	-	-	-	-	-
<i>Five-Year Internal Audit Plan (15 hrs.)</i>	\$3,900	-	-	-	-	-
<i>Internal Audit Charter Review (10 hrs.)</i>	\$2,600	-	-	-	-	-
<i>Historical Reports Review (35 hrs.)</i>	\$9,100	-	-	-	-	-
<i>Centralized Tracking Setup (15 hrs.)</i>	\$3,900	-	-	-	-	-
<i>Annual 5-Year Plan Review (5 hrs.)</i>	\$1,300	\$16,068	\$16,550	\$17,047	\$17,558	\$18,085
<i>Annual Internal Audit Plan (15 hrs.)</i>	\$3,900	\$2,678	\$2,758	\$2,841	\$2,926	\$3,014
<i>Annual Summary Report (15 hrs.)</i>	\$3,900	\$4,017	\$4,138	\$4,262	\$4,389	\$4,521
<i>Annual Charter Review (5 hrs.)</i>	-	\$1,339	\$1,379	\$1,421	\$1,463	\$1,507
<i>Annual Fixed Fee Subtotal</i>	\$67,600	\$24,102	\$24,825	\$25,571	\$26,336	\$27,127

Hourly Rates for Audit Services	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Partner (Limited Oversight)	\$400	\$410	\$425	\$435	\$450	\$465
Director (Review & Strategy)	\$375	\$385	\$400	\$410	\$420	\$435
Manager (Project Lead, Execution)	\$260	\$265	\$275	\$280	\$290	\$300
Experienced Associate (Fieldwork)	\$220	\$225	\$230	\$240	\$245	\$255
Senior Manager	\$350	\$360	\$370	\$380	\$395	\$405

Total Estimated Cost Summary (Initial 2-Year Term):

- Year 1: Fixed Fee (\$67,600) + Estimated Audits (\$100,00) = \$167,600
- Year 2: Fixed Fee (\$24,102) + Estimated Audits (\$206,000) = \$230,102

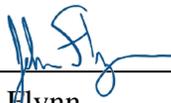
Estimated Initial 2-Year Term: \$397,702

The contract structure provides cost predictability through fixed-fee deliverables for core services while maintaining flexibility for audit engagements based on identified risks and Board priorities.

CONCLUSION

After a comprehensive evaluation process including written proposals, oral interviews, and reference checks, the Joint Ad Hoc Committee determined that Baker Tilly Advisory Group, LP offers the best combination of relevant experience, technical capabilities, and value for the required internal audit services.

Based on these projections, staff recommends establishing a contract not-to-exceed amount of \$400,000 for the initial 2-year term to accommodate the estimated initial audit workload.



John Flynn
CEO, Office of Retirement Services