



# Request for Proposal 08-X-20313

## For: Auditing Services for the Division of Investment

Event	Date	Time
<b>Bidder's Electronic Question Due Date</b> (Refer to <a href="#">RFP Section 1.3.1</a> for more information.)	5/9/08	5:00 PM
<b>Bid Submission Due Date</b> (Refer to <a href="#">RFP Section 1.3.2</a> for more information.)	5/30/08	2:00 PM

Dates are subject to change. All changes will be reflected in Addenda to the RFP posted on the Division of Purchase and Property website.

Small Business Set-Aside	<b>Status</b> <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Entire Contract <input type="checkbox"/> Partial Contract <input type="checkbox"/> Subcontracting Only	<b>Category</b> <input type="checkbox"/> I <input type="checkbox"/> II <input type="checkbox"/> III
-----------------------------	--	--

RFP Issued By

State of New Jersey  
Department of the Treasury  
Division of Purchase and Property  
Trenton, New Jersey 08625-0230

Using Agency

State of New Jersey  
Department of the Treasury  
Division of Investment

Date: 4/24/08

## Table of Contents

<b>1.0 INFORMATION FOR BIDDERS</b> .....	<b>4</b>
1.1 PURPOSE AND INTENT .....	4
1.2 BACKGROUND.....	4
1.3 KEY EVENTS.....	12
1.3.1 ELECTRONIC QUESTION AND ANSWER PERIOD .....	12
1.3.2 DOCUMENT REVIEW .....	12
1.3.3 SUBMISSION OF BID PROPOSAL.....	12
1.4 ADDITIONAL INFORMATION.....	13
1.4.1 ADDENDA: REVISIONS TO THIS RFP.....	13
1.4.2 BIDDER RESPONSIBILITY .....	13
1.4.3 COST LIABILITY .....	13
1.4.4 CONTENTS OF BID PROPOSAL.....	13
1.4.5 BID OPENING.....	14
1.4.6 PRICE ALTERATION.....	14
1.4.7 BID ERRORS.....	14
1.4.8 JOINT VENTURE.....	15
<b>2.0 DEFINITIONS</b> .....	<b>16</b>
2.1 GENERAL DEFINITIONS.....	16
<b>3.0 SCOPE OF WORK</b> .....	<b>18</b>
3.1 FINANCIAL AUDITS COMPLIANCE.....	18
3.2 AUDIT REPORTS.....	18
3.3 OFFSITE AUDITS .....	19
3.4 PROJECT SCHEDULE.....	19
3.5 TRAINING AND EDUCATION.....	20
3.6 PROJECT MANAGEMENT .....	20
3.7 WORKING PAPERS.....	20
<b>4.0 BID PROPOSAL PREPARATION AND SUBMISSION</b> .....	<b>21</b>
4.1 GENERAL .....	21
4.2 BID PROPOSAL DELIVERY AND IDENTIFICATION.....	21
4.3 NUMBER OF BID PROPOSAL COPIES.....	21
4.4 BID PROPOSAL CONTENT .....	21
4.4.1 FORMS THAT MUST BE SUBMITTED WITH BID PROPOSAL .....	21
4.4.2 PROOFS OF REGISTRATION THAT MUST BE SUBMITTED WITH THE BID PROPOSAL .....	22
4.4.3 FORMS THAT MUST BE SUBMITTED BEFORE CONTRACT AWARD AND SHOULD BE SUBMITTED WITH THE BID PROPOSAL.....	22
4.4.4 TECHNICAL PROPOSAL .....	23
4.4.5 ORGANIZATIONAL SUPPORT AND EXPERIENCE .....	24
4.4.6 PRICE SCHEDULE.....	27
<b>5.0 SPECIAL CONTRACTUAL TERMS AND CONDITIONS</b> .....	<b>27</b>
5.1 PRECEDENCE OF SPECIAL CONTRACTUAL TERMS AND CONDITIONS.....	27
5.2 CONTRACT TERM AND EXTENSION OPTION .....	27
5.3 CONTRACT TRANSITION.....	27
5.4 CONTRACT AMENDMENT .....	28
5.5 CONTRACTOR RESPONSIBILITIES .....	28
5.6 SUBSTITUTION OF STAFF .....	28
5.7 SUBSTITUTION OR ADDITION OF SUBCONTRACTOR(S) .....	28
5.8 OWNERSHIP OF MATERIAL .....	29
5.9 DATA CONFIDENTIALITY .....	29
5.10 NEWS RELEASES.....	29
5.11 ADVERTISING .....	30
5.12 LICENSES AND PERMITS .....	30
5.13 CLAIMS AND REMEDIES.....	30
5.13.1 CLAIMS.....	30
5.13.2 REMEDIES.....	30
5.13.3 REMEDIES FOR FAILURE TO COMPLY WITH MATERIAL CONTRACT REQUIREMENTS .....	30
5.14 LATE DELIVERY.....	30
5.15 RETAINAGE.....	30

5.16 STATE'S OPTION TO REDUCE SCOPE OF WORK .....	30
5.17 SUSPENSION OF WORK .....	31
5.18 CHANGE IN LAW .....	31
5.19 CONTRACT PRICE INCREASE (PREVAILING WAGE) .....	31
5.20 PUBLIC WORKS CONTRACT-ADDITIONAL AFFIRMATIVE ACTION REQUIREMENT .....	31
5.21 ADDITIONAL WORK AND/OR SPECIAL PROJECTS .....	32
5.22 FORM OF COMPENSATION AND PAYMENT .....	32
5.22.1 PAYMENT TO CONTRACTOR - OPTIONAL METHOD.....	33
5.23 MODIFICATIONS AND CHANGES TO THE NJ STANDARD TERMS AND CONDITIONS VERSION 07/27/07 .....	33
5.23.1 PATENT AND COPYRIGHT INDEMNITY .....	33
5.23.2 INDEMNIFICATION .....	33
5.23.3 INSURANCE - PROFESSIONAL LIABILITY INSURANCE .....	34
5.24 CONTRACT ACTIVITY REPORT .....	34
<b>6.0 PROPOSAL EVALUATION .....</b>	<b>34</b>
6.1 PROPOSAL EVALUATION COMMITTEE .....	34
6.2 ORAL PRESENTATION AND/OR CLARIFICATION OF BID PROPOSAL.....	35
6.3 EVALUATION CRITERIA .....	35
6.3.1 TECHNICAL EVALUATION CRITERIA .....	35
6.3.2 BIDDER'S PRICE SCHEDULE .....	36
6.3.3 BID DISCREPANCIES .....	36
6.3.4 EVALUATION OF THE BID PROPOSALS .....	36
6.4 NEGOTIATION AND BEST AND FINAL OFFER (BAFO).....	36
<b>7.0 CONTRACT AWARD.....</b>	<b>37</b>
7.1 DOCUMENTS REQUIRED BEFORE CONTRACT AWARD .....	37
7.1.1 REQUIREMENTS OF N.J.S.A. 19:44A-20.13-25 (FORMERLY EXECUTIVE ORDER 134).....	37
7.1.2 SOURCE DISCLOSURE REQUIREMENTS.....	39
7.2 FINAL CONTRACT AWARD .....	39
7.3 INSURANCE CERTIFICATES .....	39
7.4 PERFORMANCE BOND .....	39
<b>8.0 CONTRACT ADMINISTRATION.....</b>	<b>40</b>
8.1 CONTRACT MANAGER .....	40
8.1.1 STATE CONTRACT MANAGER RESPONSIBILITIES.....	40
8.1.2 COORDINATION WITH THE STATE CONTRACT MANAGER .....	40

## **1.0 INFORMATION FOR BIDDERS**

### **1.1 PURPOSE AND INTENT**

This Request for Proposal (RFP) is issued by the Purchase Bureau, Division of Purchase and Property, Department of the Treasury on behalf of the Division of Investment, Department of the Treasury for the State of New Jersey. The purpose of this RFP is to solicit bid proposals from independent public accounting firms, qualified by experience and personnel, to perform annual audits and to prepare various audit reports over a five (5) year period for the Division of Investment ("DOI"). The contract involves an audit of the fiscal years ended June 30, 2008 through June 30, 2012.

The intent of this RFP is to award a contract to that responsible bidder whose bid proposal, conforming to this RFP is most advantageous to the State, price and other factors considered. However, the State reserves the right to separately procure individual requirements that are the subject of the contract during the contract term, when deemed by the Director to be in the State's best interest.

The NJ Standard Terms & Conditions version 07/27/07 will apply to all contracts or purchase agreements made with the State of New Jersey. These terms are in addition to the terms and conditions set forth in this RFP and should be read in conjunction with them unless the RFP specifically indicates otherwise.

### **1.2 BACKGROUND**

The DOI was created by P.L. 1950, c. 270, which became effective on July 1, 1950. The statute created the DOI and the State Investment Council. An important objective of the statute creating the DOI was to centralize all functions relating to purchases, sales or exchanges of securities for the State's diverse funds under experienced and professional management.

Today, the Council consists of thirteen members, six appointed for staggered five-year terms by the Governor, four appointed for three-year terms by the trustees of four of the pension systems, one representative each of the New Jersey Education Association and the New Jersey State AFL-CIO, both appointed for five-year terms by the Governor from among three persons nominated, and one appointed by the Governor from among three persons nominated jointly by the President of the Senate and the Speaker of the General Assembly for a five-year term. All gubernatorial appointments to the Council are subject to the advice and consent of the Senate. No member of the Council shall hold any office, position or employment in any political party, nor shall any member benefit directly or indirectly from any transaction made by the DOI. Members of the Council serve without compensation.

Investment authority is vested in the Director of the DOI. The role of the Council is to establish policies it deems necessary and appropriate, which govern the investment activities of the DOI. The Council is authorized under State law to issue regulations, which establish guidelines for permissible investments. New regulations and amendments to existing regulations are adopted by the Council from time to time are filed with the Office of Administrative Law and published in the New Jersey Register.

The DOI invests the assets of the seven different State pension funds, which total more than \$82.2 billion as of June 30, 2007. The DOI manages the assets of these funds through the use of common funds. The assets of each fund are combined and invested in Common Fund A, Common Fund B, Common Fund D, Common Fund E, and the Cash Management Fund, which

pool a portion of the investments in domestic stocks, domestic bonds, international securities, and alternative investments, respectively.

In addition to the pension funds, the DOI also manages other State funds which include the State of New Jersey Cash Management Fund, NJBest, the Supplemental Annuity Collective Trust (SACT), and Trustees in Support of Public School (Trustees), the New Jersey Deferred Compensation Plan, with investments assets of \$21.6 billion as of June 30, 2007.

## **Accounting Overview**

The DOI has the investment responsibility for 186 funds, including seven pension and annuity funds. The market value of all funds on June 30, 2007 was \$96.9 billion, compared to \$87.9 billion at the end of the prior year. The majority of the portfolio is invested and accounted for through common funds. The common funds consist of Common Fund A, Common Fund B, Common Fund D, Common Fund E, the Cash Management Fund, the New Jersey Better Educational Savings Trust (NJBEST), the Supplemental Annuity Collective Trust (SACT), and Trustees in Support of Public School (Trustees).

During the fiscal year ending June 30, 2007, the DOI purchased approximately 7,494 securities at a cost of \$139.01 billion. Also, the DOI sold approximately 6,612 securities totaling \$27.4 billion. Many of these sales were made to meet cash requirements or take advantage of market opportunities.

### COMMON FUND A

The fund can invest in common stock or securities convertible into common stocks of corporations deemed by the Director to be based in the United States, exchange-traded funds, covered call and put options, and equity futures contracts. Also, the fund invests in the Cash Management Fund. As of June 30, 2007, the market value of all investments held by Common Fund A totaled \$33.3 billion, representing 1,089 issues of common stock and investment in the Cash Management Fund.

The participants in this fund are as follows:

- Judicial Retirement System
- Police and Firemen's Retirement System
- Public Employees' Retirement System
- State Police Retirement System
- Teachers' Pension and Annuity Fund

All accounting for the fund is prepared internally on a monthly basis. The accounting department maintains complete accounting records for the fund and the fund participants utilizing an investment accounting system. Monthly financial statements are prepared including a balance sheet, income statement, statement of units and unit value, and cash flow reports. The unit value of the fund is calculated as of the close of the last day of business each month by dividing the net asset value by the total units outstanding. Purchases and redemptions of participants' units are transacted each month within fifteen days subsequent to that time and at such net asset value. All income is calculated monthly using an accrual basis. All realized gains or losses are distributed at the discretion of the Council. It is anticipated that the DOI will utilize external managers for portions of this fund in the near future.

### COMMON FUND B

A fund created for the purpose of investing in domestic fixed income securities. The fund can invest in obligations of the US Treasury, government agencies, corporations, finance companies and banks, obligations of international corporations, governments and agencies, interest rate

swap transactions, fixed income exchange traded funds, US Treasury futures contracts, New Jersey State and Municipal general obligations, public authority revenue obligations, collateralized notes and mortgages, commercial paper, certificates of deposit, repurchase agreements, bankers acceptances, guaranteed income contracts, funding agreements, and money market funds. The fund also invests in the Cash Management Fund. As of June 30, 2007, the market value of all investment totaled \$20.9 billion, representing approximately 465 individual securities. The DOI will be utilizing an external manager for high yield debt in the near future.

The participants in the fund are as follows:

- Judicial Retirement System
- Police and Firemen's Retirement System
- Public Employees' Retirement System
- State Police Retirement System
- Teachers' Pension and Annuity Fund

All accounting for the fund is prepared internally on a monthly basis. The accounting department maintains complete accounting records for the fund and the fund participants utilizing an investment accounting system. Monthly financial statements are prepared including a balance sheet, income statement, statement of units and unit value, and cash flow reports. The unit value of the fund is calculated as of the close of the last day of business each month by dividing the net asset value by the total units outstanding. Purchases and redemptions of participants' units are transacted each month within fifteen days subsequent to that time and at such net asset value. All income is calculated monthly using an accrual basis and distributed quarterly to the fund participants. All realized gains or losses are distributed at the discretion of the Council.

#### COMMON FUND D

A fund created for the purpose of investing in international debt securities, international common stocks or securities convertible into such stock, exchange traded funds, covered call and put options, equity futures contracts, and foreign exchange contracts. Investments are made in both developed and emerging markets. The fund also invests in the Cash Management Fund. The fund currently utilizes four external managers for its emerging markets portfolio.

As of June 30, 2007, the fund holds 533 securities with investment in foreign bonds, notes and common stocks, spread over 15 currencies with a total market value of \$17.7 billion. From time to time, the DOI deals in foreign forward currency contracts in order to hedge Fund D's investment position. The DOI also executes currency settlement contracts for its investment purchases and sales.

Participation in the fund is open to the:

- Judicial Retirement System of New Jersey
- Police and Firemen's Retirement System
- Public Employees' Retirement System
- State Police Retirement System
- Teachers' Pension and Annuity Fund

All accounting for the fund is prepared internally on a monthly basis. The accounting department maintains complete accounting records for the fund and the fund participants utilizing an investment accounting system. Monthly financial statements are prepared including a balance sheet, income statement, statement of units and unit value, and cash flow reports. The unit value of the fund is calculated as of the close of the last day of business each month by dividing the net asset value by the total units outstanding. Purchases and redemptions of participants' units are transacted each month within fifteen days subsequent to that time and at such net asset value.

All income is calculated monthly using an accrual basis and income earned on Common D units is reinvested. All realized gains or losses are distributed at the discretion of the Council.

#### COMMON FUND E

A fund created for the purpose of investing in alternative investments, including private equity, real assets (including real estate and commodity linked vehicles), and absolute return strategy funds. The fund also invests in the Cash Management Fund. As of June 30, 2007, the fair value of the investments in this common fund, excluding the interest in the Cash Management Fund was approximately 500 million. As of June 30, 2007, unfunded commitments under the investment agreements totaled approximately \$10.1 billion.

Alternative investments are recorded at estimated fair value provided by the general partner and/or investment manager and reviewed by management. Because alternative investments are not always readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the value that would be used if a ready market for such investments existed. Accordingly, the realized value received upon the sale of the asset may differ from the fair value.

The participants in the fund are as follows:

- Judicial Retirement System
- Police and Firemen's Retirement System
- Public Employees' Retirement System
- State Police Retirement System
- Teachers' Pension and Annuity Fund

All accounting for the fund is prepared internally. There is normally a 90-120 day lag in receiving financial statements from the various partnerships. The accounting department maintains complete accounting records for the fund and the fund participants utilizing an investment accounting system. Monthly financial statements are prepared including a balance sheet, income statement, statement of units and unit value, and cash flow reports. The unit value of the fund is calculated as of the close of the last day of business each month by dividing the net asset value by the total units outstanding. Purchases and redemptions of participants' units are transacted each month within fifteen days subsequent to that time and at such net asset value. All income is calculated monthly using an accrual basis and reinvested. All realized gains or losses are distributed at the discretion of the Council.

#### CASH MANAGEMENT FUND

The Director of the DOI may invest the assets of the State of New Jersey Cash Management Fund in fixed income and debt securities, which are permitted under the provisions of N.J.S.A. 52:18A-89 and which mature within one year, except up to 25% of the Fund may be invested in securities that mature within 25 months, subject to any applicable provisions of the regulations of the State Investment Council. The Fund can invest in obligations of the US Treasury, government agencies, corporations, finance companies and banks, commercial paper, certificates of deposit, repurchase agreements As of June 30, 2007, the market value of the Fund totaled \$19.9 billion.

The participants in the fund are as follows:

- All State Funds (including funds administered by the DOI of Pensions and Benefits and the Division of Budget and Accounting);
- The State's counties, municipalities, school districts, and agencies and authorities created by any of these entities.

As of June 30, 2007, there were 2,814 individual participant accounts in the fund representing 186 state accounts and 2,628 non-state accounts. Many of these funds have more than one account.

All accounting for the Fund, including the accounting for the participants' accounts and the investment, is maintained on a daily basis by the custodian bank. The DOI maintains accounting records for each state fund and the investment in the fund. The DOI's accounting staff reconciles the daily accounting records and the monthly financial statements provided by the custodian.

The accounting staff ensures that all daily security transactions are properly reflected and recorded by the bank, that all income is accurately credited to the participants' accounts, and that all withdrawals and contributions are accurately reflected for the State participants' accounts. The cashiers section verifies and receives confirmations for all of the security transactions.

It is the responsibility of the individual non-State members to ensure their individual accounts properly reflect their contributions and withdrawals. If errors are detected in these accounts, the individual funds are responsible to contact the bank directly and reconcile differences. The accounting staff provides a daily maturity schedule and confirms the dollar amount with the portfolio manager on a daily basis. All income is calculated daily and confirmed by phone, fax, or email with the custodian bank. All assets held by the bank are compared with inventories maintained by the DOI and differences are reconciled.

#### NJ BETTER EDUCATIONAL SAVINGS TRUST, (NJBEST)

NJBEST was instituted in fiscal year 1999 as an investment vehicle for the Higher Education Student Assistance Authority to provide a savings plan for higher education. In fiscal 2001, the program was enhanced to provide improved scholarship opportunities and age-sensitive portfolios through investment in stocks, bonds and the Cash Management Fund. As of June 30, 2007, the trust holds approximately 196 securities with investment totaling \$329 million. The NJBEST portfolio is partially managed by the DOI and partially managed by Franklin Templeton. The financial statements issued by the DOI only include the assets managed internally.

#### SUPPLEMENTAL ANNUITY COLLECTIVE TRUST FUND (SACT)

Supplemental Annuity Collective Trust Fund (SACT) is a voluntary investment plan which permits active members of the several State-administered retirement systems to purchase variable annuities to supplement their guaranteed retirement benefits. SACT is considered to be an investment trust fund as defined in Governmental Accounting Standards Board (GASB) Statement No. 34. New Jersey Legislation provides that the assets be principally invested in common stocks and securities that are convertible into common stocks that are listed on a securities exchange in the United States. The operations of this fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments and the assets of the fund are managed by the DOI. SACT invests primarily in common stocks and the Cash Management Fund.

#### TRUSTEES FOR THE SUPPORT OF PUBLIC SCHOOLS (TRUSTEES)

Trustees for the Support of Public Schools was established in 1817 by an Act of the Legislature of the State of New Jersey for the purpose of providing maintenance and support to public schools within the State of New Jersey. The fund is considered to be an investment trust fund as defined in Governmental Accounting Standards Board (GASB) Statement No. 34. Assets of this fund are managed by the DOI.

The operations of this fund are governed by New Jersey Legislation and the provisions of the State Investment Council Regulations for the purpose of determining authorized investments. The fund primarily invests in U.S. government obligations and the New Jersey Cash Management Fund.

The New Jersey School Bond Reserve Act (the Act) requires that the fund pledge U.S. government securities equal in fair value to at least 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school

purposes, for all such indebtedness issued prior to July 1, 2003 in accordance with P.L. 2003, c.118, exclusive of bonds for which the debt service is provided by State appropriations, as security for such bonded indebtedness that may come due in the event of default as to the payment of either principal or interest (the Old School Bond Reserve).

The Act requires that the fund pledge U.S. government securities equal in fair value to at least 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes, for all such indebtedness issued subsequent to June 30, 2003 in accordance with P.L. 2003, c.118, exclusive of bonds for which the debt service is provided by State appropriations, as security for such bonded indebtedness that may come due in the event of default as to the payment of either principal or interest (the New School Bond Reserve).

In addition, in accordance with New Jersey Statutes, U.S. Government securities representing at least one-third of the minimum value to be held in the School Bond Reserve shall be due to mature within one year of the date of issuance or purchase.

### MORTGAGE BACKED SECURITIES

The DOI invests in a variety of mortgages including Single-Family Mortgages, Police & Fire Mortgage Program, GNMA's, Federal Home Loan Mortgages, FNMA's and Conventional Mortgages. As of June 30, 2007, the market value of these securities totaled \$3.2 billion.

The accounting staff audits and verifies the monthly payments of interest and principal received from the custodian banks and mortgage servicers. The payments are verified by comparison with the mortgage reports prepared by the data processing department. This report shows the beginning balance and the principal and interest due for each mortgage. All payments of interest and principal are recorded and input into the DOI's accounting system. Any errors or payments not received are communicated to the banks or mortgage servicers.

The accounting staff verifies all amounts when mortgages are purchased, sold or exchanged. The necessary work papers are prepared including journal entries, worksheets and computer input. A report of mortgage balances and mortgage activity is prepared on a monthly basis.

### SECURITIES LENDING

Common Funds A, B and D and several of the direct pension plan portfolios (the Funds) participate in securities lending programs, whereby securities are loaned to brokers or other borrowers and, in return, the Funds have rights to the collateral received. All of the securities held in Common Funds A, B and D, and certain securities held directly by the pension plans, are eligible for the securities lending program. Collateral received may consist of cash, letters of credit, or government securities having a market value equal to or exceeding 102% (U.S. dollar denominated) or 105% (non-U.S. dollar denominated) of the value of the loaned securities at the time the loan is made.

As of June 30, 2007 and 2006, the Funds had no aggregate credit risk exposure to borrowers because the collateral amount held by the Funds exceeded the market value of the securities on loan.

The contracts with the Funds' custodian banks require them to indemnify the Funds if the brokers or other borrowers fail to return the securities or fail to pay the Fund for income distributions on the securities while they are on loan. The custodian bank for Common Fund D also indemnifies the Common Fund D for any loss of principal or interest on the invested collateral. For any losses on the investment collateral in Common Funds A or B or other pension plan portfolios, the lending fee paid to the lending agent shall be reduced by 25% of the amount of such loss, up to an amount not to exceed 75% of the previous six month's securities lending fees. The securities loans can be terminated by notification by either the borrower or the Funds.

The term to maturity of the securities loans is generally matched with the term to maturity of the investment of the cash collateral.

### DERIVATIVES

The international portfolio managers utilize forward foreign currency contracts, a derivative security, as a means to hedge against the currency risk in Common Fund D's foreign stock and fixed income portfolios.

Funds A, D and NJ Best utilize covered call and put options in an effort to add value to or reduce the risk level in the portfolio. Fund B expects to invest in interest rate swap agreements in the near future.

Certain of the alternative investment funds and partnerships may use derivative instruments to hedge against market risk and to enhance investment returns. At any point during the year, Fund D may have additional exposure to derivatives primarily through limited liability vehicles such as limited partnerships and commingled investment funds.

### INVESTMENT INCOME

The accounting staff of the DOI is responsible for the collection of interest and principal, the reporting of all cash receipts to the Office of Management and Budget, and the recording of all income earned by each fund.

It is primarily the banks' responsibility, as part of the custodian agreements, to deposit all received funds into the proper accounts when received and to ensure the proper receipt of all principal and income. In addition, the accounting staff maintains its own system of control. The banks' trust statements, received on a daily basis, are compared with the income projection and maturity schedules for bonds, stocks, and short-term securities. Income or principal not collected is communicated to the custodian bank for collection. Cash due on sales is verified by comparison of the bank statements to the individual sale forms received. The income projection report for bonds serves as the source of input into the computer system.

The income received is posted daily to the income ledger which reflects the daily income received by the DOI for each fund. Income includes all cash receipts of interest earned, interest paid, dividends, profit or loss, amortization of premium and discount, and income adjustments. All income is reconciled with the pension funds monthly and the State funds quarterly.

All cash receipts of income and principal are transmitted electronically to the Office of Management and Budget on a daily basis.

### **Systems Overview**

The DOI utilizes the QED Systems Q2 software. All investment transactions and accounting information are stored in the system. System users can access up-to-the-minute information relating to transactions, position balances, market values, income and cash projections, receivables, etc. The system provides numerous reports, has report writing capability, and can be downloaded to PC-based applications.

Q2 is developed in a client server environment. The system resides in a Unix-class enterprise server and users access the system via PCs using Windows 2000 or Windows XP configurations.

The system currently operates on a Sun Fire V880 server with 438 GB of disk space. The V880 server has one 20 GB 4mm DDS internal tape drive and one LTO Gen 2 SCSI single tape external drive with a 20 GB capacity. The current version of the operating system is Solaris 8.

The DOI uses File Transfer Protocol (FTP) to attain daily pricing and dividend down loads to this server.

Sixty users communicate via TCP/IP into 192 port Cisco 4506 Chasis switch. The DOI networks with the following services:

1. AutexBank of NY
2. Bloomberg - Extranet
3. Barra
4. DTC
5. EParcel
6. FactSet - Extranet
7. Holt
8. Ibbotson
9. INDATA
10. Instinet
11. Lehman
12. Liquidnet
13. Nyfix – Extranet
14. Pipeline - Extranet
15. Proxy Edge
16. Reuters - Extranet
17. SNL
18. TradeWeb

#### INDATA

INDATA is the DOI's order management system. Analysts and PMs create and route orders in the system. These orders are then sent to designated managers for approval. Finally, the approved orders are sent to the trading desk to be executed. The trading blotter provides the traders a means of tracking orders. Traders use the system to electronically route orders for execution. The executions are automatically routed back, usually in real time. International orders are tracked on the blotter, but communicated verbally to the broker dealer. Various reports and historical data also may be extracted from the system.

INDATA also contains a compliance module, which is utilized for order and/or user restrictions based on the DOI's policies and procedures.

Net currencies to be traded are also calculated by the system.

## 1.3 KEY EVENTS

### 1.3.1 ELECTRONIC QUESTION AND ANSWER PERIOD

The Purchase Bureau will accept questions and inquiries from all potential bidders electronically via web form. To submit a question, please go to Current Bid Opportunities webpage or to <http://ebid.nj.gov/QA.aspx>

Questions should be directly tied to the RFP and asked in consecutive order, from beginning to end, following the organization of the RFP. Each question should begin by referencing the RFP page number and section number to which it relates.

Bidders are not to contact the Using Agency directly, in person, by telephone or by email, concerning this RFP.

The cut-off date for electronic questions and inquiries relating to this RFP is indicated on the cover sheet. Addenda to this RFP, if any, will be posted on the Purchase Bureau website after the cut-off date (see Section 1.4.1. of this RFP for further information.)

### 1.3.2 DOCUMENT REVIEW

The following are publicly available documents that bidders need to review in order to prepare and submit accurate and comprehensive bid proposals:

- Previous Audit reports dated June 30, 2007
- The DOI's Annual Report which includes the audited statements of the pension funds
- The State of New Jersey Cash Management Fund Annual Report which includes the audited financial statements of the Cash Management Fund.

Documents will be available to bidders by contacting William G. Clark at [William.Clark@treas.state.nj.us](mailto:William.Clark@treas.state.nj.us). NOTE: Bidders shall contact William Clark for the sole purpose of obtaining the documents, no questions or comments regarding the RFP or the bidding process will accepted.

### 1.3.3 SUBMISSION OF BID PROPOSAL

In order to be considered for award, the bid proposal must be received by the Purchase Bureau of the Division of Purchase and Property at the appropriate location by the required time. **ANY BID PROPOSAL NOT RECEIVED ON TIME AT THE LOCATION INDICATED BELOW WILL BE REJECTED. THE DATE AND TIME IS INDICATED ON THE COVER SHEET. THE LOCATION IS AS FOLLOWS:**

BID RECEIVING ROOM - 9TH FLOOR  
PURCHASE BUREAU  
DIVISION OF PURCHASE AND PROPERTY  
DEPARTMENT OF THE TREASURY  
33 WEST STATE STREET, P.O. BOX 230  
TRENTON, NJ 08625-0230

**Directions to the Purchase Bureau can be found at the following web address:** <http://www.state.nj.us/treasury/purchase/directions.htm>.

Note: Bidders using USPS Regular or Express mail services should allow additional time since USPS mail deliveries are not delivered directly to the Purchase Bureau.

Procedural inquiries on this RFP may be directed to [RFP.procedures@treas.state.nj.us](mailto:RFP.procedures@treas.state.nj.us). This e-mail address may also be used to submit requests to review bid documents. The State will not respond to substantive questions related to the RFP or any other contract via this e-mail address.

To submit an RFP or contract related question, go to the Current Bidding Opportunities webpage or to <http://ebid.nj.gov/QA.aspx>.

#### 1.4 ADDITIONAL INFORMATION

##### 1.4.1 ADDENDA: REVISIONS TO THIS RFP

In the event that it becomes necessary to clarify or revise this RFP, such clarification or revision will be by addendum. Any addendum to this RFP will become part of this RFP and part of any contract awarded as a result of this RFP.

ALL RFP ADDENDA WILL BE ISSUED ON THE DIVISION OF PURCHASE AND PROPERTY WEB SITE. TO ACCESS ADDENDA, SELECT THE BID NUMBER ON THE BIDDING OPPORTUNITIES WEB PAGE AT THE FOLLOWING ADDRESS:

<http://www.state.nj.us/treasury/purchase/bid/summary/bid.shtml>.

There are no designated dates for release of addenda. Therefore interested bidders should check the Purchase Bureau "Bidding Opportunities" website on a daily basis from time of RFP issuance through bid opening.

It is the sole responsibility of the bidder to be knowledgeable of all addenda related to this procurement.

##### 1.4.2 BIDDER RESPONSIBILITY

The bidder assumes sole responsibility for the complete effort required in submitting a bid proposal in response to this RFP. No special consideration will be given after bid proposals are opened because of a bidder's failure to be knowledgeable as to all of the requirements of this RFP.

##### 1.4.3 COST LIABILITY

The State assumes no responsibility and bears no liability for costs incurred by a bidder in the preparation and submittal of a bid proposal in response to this RFP.

##### 1.4.4 CONTENTS OF BID PROPOSAL

Subsequent to bid opening, all information submitted by bidders in response to the bid solicitation is considered public information, except as may be exempted from public disclosure by the Open Public Records Act, N.J.S.A. 47:1A-1 et seq., and the common law. Because the State proposes to negotiate and/or pursue a Best and Final Offer, bid proposals will not be made public until the Letter of Intent to Award is issued.

A bidder may designate specific information as not subject to disclosure when the bidder has a good faith legal/factual basis for such assertion. The State reserves the right to make the

determination and will advise the bidder accordingly. The location in the bid proposal of any such designation should be clearly stated in a cover letter. **The State will not honor any attempt by a bidder either to designate its entire bid proposal as proprietary and/or to claim copyright protection for its entire proposal.**

By signing the cover sheet of this RFP, the bidder waives any claims of copyright protection set forth within the manufacturer's price list and/or catalogs. The price lists and/or catalogs must be accessible to State using agencies and cooperative purchasing partners and thus have to be made public to allow all eligible purchasing entities access to the pricing information.

All bid proposals, with the exception of information determined by the State or the Court to be proprietary, are available for public inspection after the Letter of Intent to Award is issued. At such time, interested parties can make an appointment with the Purchase Bureau to inspect bid proposals received in response to this RFP.

#### **1.4.5 BID OPENING**

On the date and time bid proposals are due under the RFP, only the names of the bidders submitting bid proposals will be publicly announced. The contents of the bid proposals shall remain confidential until the Notice of Intent to Award is issued by the Director.

#### **1.4.6 PRICE ALTERATION**

Bid prices must be typed or written in ink. Any price change (including "white-outs") must be initialed. Failure to initial price changes shall preclude a contract award from being made to the bidder.

#### **1.4.7 BID ERRORS**

In accordance with N.J.A.C. 17:12-1.22, "Bid Errors," a bidder may withdraw its bid as follows:

A bidder may request that its bid be withdrawn prior to bid opening. Such request must be made, in writing, to the Supervisor of the Business Unit. If the request is granted, the bidder may submit a revised bid as long as the bid is received prior to the announced date and time for bid opening and at the place specified.

If, after bid opening but before contract award, a bidder discovers an error in its proposal, the bidder may make written request to the Supervisor of the Business Unit for authorization to withdraw its proposal from consideration for award. Evidence of the bidder's good faith in making this request shall be used in making the determination. The factors that will be considered are that the mistake is so significant that to enforce the contract resulting from the proposal would be unconscionable; that the mistake relates to a material feature of the contract; that the mistake occurred notwithstanding the bidder's exercise of reasonable care; and that the State will not be significantly prejudiced by granting the withdrawal of the proposal. Note: a PB-36 complaint form may be filed and forwarded to the Division's Contract Compliance and Audit Unit (CCAU) for handling. A record of the complaint will also be maintained in the Division's vendor performance file for evaluation of future bids submitted.

All bid withdrawal requests must include the bid identification number and the final bid opening date and sent to the following address:

Department of the Treasury  
Purchase Bureau, PO Box 230  
33 West State Street – 9<sup>th</sup> Floor

Trenton, New Jersey 08625-0230  
Attention: Supervisor, Business Unit

If during a bid evaluation process, an obvious pricing error made by a potential contract awardee is found, the Director shall issue written notice to the bidder. The bidder will have five days after receipt of the notice to confirm its pricing. If the vendor fails to respond, its bid shall be considered withdrawn, and no further consideration shall be given it.

If it is discovered that there is an arithmetic disparity between the unit price and the total extended price, the unit price shall prevail. If there is any other ambiguity in the pricing other than a disparity between the unit price and extended price and the bidder's intention is not readily discernible from other parts of the bid proposal, the Director may seek clarification from the bidder to ascertain the true intent of the bid.

#### 1.4.8 JOINT VENTURE

If a joint venture is submitting a bid proposal, the agreement between the parties relating to such joint venture should be submitted with the joint venture's bid proposal. Authorized signatories from each party comprising the joint venture must sign the bid proposal. A separate Ownership Disclosure Form, Disclosure of Investigations and Actions Involving Bidder, Affirmative Action Employee Information Report, MacBride Principles Certification, and Business Registration or Interim Registration must be supplied for each party to a joint venture.

## **2.0 DEFINITIONS**

### **2.1 GENERAL DEFINITIONS**

The following definitions will be part of any contract awarded or order placed as result of this RFP.

**Addendum** – Written clarification or revision to this RFP issued by the Purchase Bureau.

**All-Inclusive Hourly Rate** – An hourly rate comprised of all direct and indirect costs including, but not limited to: overhead, fee or profit, clerical support, travel expenses, per diem, safety equipment, materials, supplies, managerial support and all documents, forms, and reproductions thereof. This rate also includes portal-to-portal expenses as well as per diem expenses such as food.

**Amendment** – A change in the scope of work to be performed by the contractor. An amendment is not effective until it is signed by the Director, Division of Purchase and Property.

**Bidder** – An individual or business entity submitting a bid proposal in response to this RFP.

**Contract** – This RFP, any addendum to this RFP, and the bidder's proposal submitted in response to this RFP, as accepted by the State.

**Contractor** – The bidder awarded a contract resulting from this RFP. Also referred to as the Implementation Contractor.

**Director** – Director, Division of Purchase and Property, Department of the Treasury. By statutory authority, the Director is the chief contracting officer for the State of New Jersey.

**Division** – The Division of Purchase and Property

**Evaluation Committee** – A committee established by the Director to review and evaluate bid proposals submitted in response to this RFP and to recommend a contract award to the Director.

**Firm Fixed Price** – A price that is all-inclusive of direct cost and indirect costs, including, but not limited to, direct labor costs, overhead, fee or profit, clerical support, equipment, materials, supplies, managerial (administrative) support, all documents, reports, forms, travel, reproduction and any other costs. No additional fees or costs shall be paid by the State unless there is a change in the scope of work.

**Joint Venture** – A business undertaking by two or more entities to share risk and responsibility for a specific project.

**May** – Denotes that which is permissible, not mandatory.

**Project** – The undertaking or services that are the subject of this RFP.

**Request for Proposal (RFP)** – This document which establishes the bidding and contract requirements and solicits bid proposals to meet the purchase needs of the using Agencies as identified herein.

**Shall or Must** – Denotes that which is a mandatory requirement. Failure to meet a mandatory requirement will result in the rejection of a bid proposal as materially non-responsive.

**Should** – Denotes that which is recommended, not mandatory.

**State Contract Manager** – The individual responsible for the approval of all deliverables, i.e., tasks, sub-tasks or other work elements in the Scope of Work as set forth in Sections 8.1, 8.1.1 and 8.1.2.

**Subtasks** – Detailed activities that comprise the actual performance of a task.

**State** – State of New Jersey.

**Subcontractor** – An entity having an arrangement with a State contractor, where the State contractor uses the products and/or services of that entity to fulfill some of its obligations under its State contract, while retaining full responsibility for the performance of all of its [the contractor's] obligations under the contract, including payment to the subcontractor. The subcontractor has no legal relationship with the State, only with the contractor.

**Task** – A discrete unit of work to be performed.

**Using Agency[ies]** – The entity[ies] for which the Division has issued this RFP and will enter into a contract.

### **3.0 SCOPE OF WORK**

An entrance conference shall be held with the contractor and the State Contract Manager to discuss in detail the scope and purpose of this engagement. Upon completion of the audits and prior to the submission of the final reports, or at any other time so designated by the State Contract Manager, or deemed necessary by the firm, the contractor shall meet with the Audit Committee of the State Investment Council to discuss audit planning, management letters, the draft and final reports, and other matters discussed in this scope of work.

### **3.1 FINANCIAL AUDITS COMPLIANCE**

The contractor shall perform a financial audit of the funds referenced in section 1.2 of the RFP and prepare audit reports including, but not limited to the following:

- (a) Verifying the accuracy of the accounting records and financial statements as prepared by the DOI.
- (b) Verifying that the DOI's transactions are in conformity with applicable statutes and regulations.
- (c) Verifying that the DOI's records are in conformity with the records of the custodian banks and the individual funds whose investment the DOI administers.
- (d) Verifying and performing tests to ensure the accuracy of the investment holdings reported by the custodian banks.
- (e) Performing a review and evaluation of the DOI's management and internal accounting controls which shall also include a review of the data processing functions and controls.

The audit shall be performed in accordance with generally accepted auditing standards and include the following, but not limited to the following:

- (a) An opinion concerning the fair presentation of the statements, notes to the financial statements, and other schedules as necessary for full disclosure in accordance with U.S. generally accepted accounting principles.
- (b) The audit reports, notes, and schedules, to be prepared by the DOI, shall include but are not be limited to, statements of net assets, statement of changes in net assets, notes to financial statements, management's discussion and analysis, and portfolio of investment schedules.

### **3.2 AUDIT REPORTS**

The Contractor shall prepare and submit the following audit reports to the State Investment Council, which shall conform with Generally Accepted Accounting Principles and the Governmental Accounting Standards Board requirements:

- (a) Pension Fund Financial Statements, together with auditor's report
- (b) State of New Jersey Cash Management Fund Financial Statements, together with auditor's report
- (c) Supplemental Annuity Collective Trust Financial Statements, together with auditor's report

- (d) New Jersey Better Educational Savings Trust (NJBEST) Financial statements, together with auditor’s report and comments
- (e) Trustees for the Support of Free Public Schools Fund Financial statements, together with auditor’s report and letter of compliance (separate agreed-upon procedures report)
- (f) Issue Management Letter, if applicable

**3.3 OFFSITE AUDITS**

The accounting for the Cash Management Fund, Common Fund D and NJBEST is performed by the custodian banks. The DOI may require the contractor to conduct offsite tests of the accounting records at the bank’s location. The locations of the banks are as follows:

FUND	VENDOR	LOCATION
Cash Management Fund	Citigroup	Portland, ME & Columbus, OH
Common Fund D	Bank of New York	New York, NY
NJBEST	Franklin Templeton	Fort Lauderdale, FL

The DOI’s accounting staff audits the financial records and statements of the funds to ensure accuracy. The Cash Management Fund is audited on a daily basis. Common Funds A, B, D, and E, SACT, and NJBEST are audited monthly.

In addition, the contractor may be required to audit the Trustees for the Support of Free Public Schools Fund at the Office of Management and Budget, Trenton, New Jersey. The Office of Management and Budget maintains the accounting records for this fund.

**3.4 PROJECT SCHEDULE**

The following shall be the annual schedule for all audits/work under this RFP, except the audit for Common E (first year schedule shall be determined upon award):

April 3<sup>rd</sup> Week– Meet with the Audit Committee of the Council, in accordance with Executive Order 122.

May 1<sup>st</sup> Week - Entrance Conference with DOI staff and begin preliminary field work.

August 1<sup>st</sup> Week - Begin final field work.

September 1<sup>st</sup> Week - Complete final field work on all Funds except Common Fund E.

September 3<sup>rd</sup> Week - Meet with the Audit Committee of the Council to discuss draft audit reports of CMF, NJBest, SACT, and Trustees.

October 1<sup>st</sup> Week – Issue final copies of CMF, NJBest, SACT, and Trustees reports.\*

November 2<sup>nd</sup> Week – Begin final field work on Common Fund E.

December 3<sup>rd</sup> Week – Meet with the Audit Committee of the Council to discuss draft pension audit report and management letter.

\*The contractor shall provide approximately 25 copies of the final reports as well as a PDF file of each report.

### **3.5 TRAINING AND EDUCATION**

The contractor shall provide training and education to the DOI's staff on new accounting or auditing standards.

### **3.6 PROJECT MANAGEMENT**

The State Contract Manager shall be the sole point of contact between the State and the contractor. The State Contract Manager shall review and approve deliverables, specifications and reports. In cases where direct contact between the auditors and the State Contract Manager is in violation of generally accepted auditing standards and/or regulations/pronouncements of any applicable regulatory body, other arrangements for contact will be addressed prior to the start of the engagement.

For the purpose of scheduling this project, the contractor may assume a three-working-day turnaround on any submission requiring review and approval of the State Contract Manager.

### **3.7 WORKING PAPERS**

The contractor shall, at any given time during the course of this project and at the conclusion thereof, make working papers available to the State Contract Manager(s) or other designated person(s) including the State Auditors and other external auditing firms so designated for their inspection and review at no additional cost. These papers should include but are not limited to the following:

- The facts gathered and documents obtained.
- Computations and analysis performed.
- Other pertinent data and work papers relating to this project.

The contractor shall photocopy these papers upon the request of the State.

The work papers shall be indexed in a logical manner and show evidence that each working paper or group of papers has been subject to appropriate supervisory review. Working papers shall show the name of the auditor who prepared the paper and must be clearly titled and dated. The work papers shall be made available to the State upon request and shall be retained until permission for destruction is granted by the State.

All working papers shall be developed in accordance with generally accepted auditing standards and other applicable standards.

Failure to make working papers available on request shall be considered a contract non-performance item. Working papers are exempt from the conditions noted in Section 5.8 of this contract. The contractor shall retain ownership of working papers.

## **4.0 BID PROPOSAL PREPARATION AND SUBMISSION**

### **4.1 GENERAL**

The bidder is advised to thoroughly read and follow all instructions contained in this RFP, including the instructions on the RFP's signatory page, in preparing and submitting its bid proposal.

Note: Bid proposals shall not contain URLs (Uniform Resource Locators, i.e., the global address of documents and other resources on the world wide web) or web addresses. Inasmuch as the web contains dynamically changing content, inclusion of a URL or web address in a bid response is indicative of potentially changing information. Inclusion of a URL or web address in a bid response implies that the bid's content changes as the referenced web pages change.

### **4.2 BID PROPOSAL DELIVERY AND IDENTIFICATION**

In order to be considered, a bid proposal must arrive at the Purchase Bureau in accordance with the instructions on the RFP signatory page

<http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>. Bidders are cautioned to allow adequate delivery time to ensure timely delivery of bid proposals. **State regulation mandates that late bid proposals are ineligible for consideration. THE EXTERIOR OF ALL BID PROPOSAL PACKAGES ARE TO BE LABELED WITH THE BID IDENTIFICATION NUMBER AND THE FINAL BID OPENING DATE OR RISK NOT BEING RECEIVED IN TIME.**

### **4.3 NUMBER OF BID PROPOSAL COPIES**

The bidder must submit **one (1) complete ORIGINAL bid proposal**, clearly marked as the "ORIGINAL" bid proposal. The bidder should submit **nine (9) full, complete and exact copies and one (1) unbound, complete and exact copy** of the original. The copies requested are necessary in the evaluation of the bid proposal. A bidder failing to provide the requested number of copies will be charged the cost incurred by the State in producing the requested number of copies. It is suggested that the bidder make and retain a copy of its bid proposal.

### **4.4 BID PROPOSAL CONTENT**

The bid proposal should be submitted in one volume and that volume divided into four (4) sections with tabs (separators), and the content of the material located behind each tab, as follows:

- Section 1 - Forms (Section 4.4.1 - 4.4.3.)
- Section 2 - Technical Proposal (Section 4.4.4)
- Section 3 - Organizational Support and Experience (Section 4.4.5)
- Section 4 - Cost Proposal (Section 4.4.6)

#### **4.4.1 FORMS THAT MUST BE SUBMITTED WITH BID PROPOSAL**

##### **4.4.1.1 SIGNATORY PAGE**

The bidder shall complete and submit the Signatory page provided on the Advertised Solicitation, Current Bid Opportunities webpage

<http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>. The Signatory page shall be signed by an authorized representative of the bidder. If the bidder is a limited partnership, the Signatory page must be signed by a general partner. If the bidder is a joint venture, the

Signatory page must be signed by a principal of each party to the joint venture. Failure to comply will result in rejection of the bid proposal.

#### **4.4.1.2 OWNERSHIP DISCLOSURE FORM**

In the event the bidder is a corporation, partnership or sole proprietorship, the bidder must complete the attached Ownership Disclosure Form. A current completed Ownership Disclosure Form must be received prior to or accompany the bid proposal. Failure to do so will preclude the award of a contract.

The Ownership Disclosure Form is located on the Advertised Solicitation, Current Bid Opportunities webpage <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

#### **4.4.1.3 DISCLOSURE OF INVESTIGATIONS/ACTIONS INVOLVING BIDDER**

The bidder shall provide a detailed description of any investigation, litigation, including administrative complaints or other administrative proceedings, involving any public sector clients during the past five years including the nature and status of the investigation, and, for any litigation, the caption of the action, a brief description of the action, the date of inception, current status, and, if applicable, disposition. The bidder shall use the Disclosure of Investigations and Actions Involving Bidder form located on the Advertised Solicitation, Current Bid Opportunities webpage <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

#### **4.4.2 PROOFS OF REGISTRATION THAT MUST BE SUBMITTED WITH THE BID PROPOSAL**

##### **4.4.2.1 BUSINESS REGISTRATION CERTIFICATE FROM THE DIVISION OF REVENUE**

FAILURE TO SUBMIT A COPY OF THE BIDDER'S BUSINESS REGISTRATION CERTIFICATE (OR INTERIM REGISTRATION) FROM THE DIVISION OF REVENUE WITH THE BID PROPOSAL MAY BE CAUSE FOR REJECTION OF THE BID PROPOSAL.

The bidder may go to [www.nj.gov/nibgs](http://www.nj.gov/nibgs) to register with the New Jersey Division of Revenue or to obtain a copy of an existing Business Registration Certificate.

Refer to Section 1.1. of the NJ Standard Terms and Conditions version 07/27/07 located on the Advertised Solicitation, Current Bid Opportunities webpage <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

#### **4.4.3 FORMS THAT MUST BE SUBMITTED BEFORE CONTRACT AWARD AND SHOULD BE SUBMITTED WITH THE BID PROPOSAL.**

##### **4.4.3.1 MACBRIDE PRINCIPLES CERTIFICATION**

The bidder is required to complete the attached MacBride Principles Certification evidencing compliance with the MacBride Principles. The requirement is a precondition to entering into a State contract. The MacBride Principles Certification Form is located on the Advertised Solicitation, Current Bid Opportunities webpage: <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

##### **4.4.3.2 AFFIRMATIVE ACTION**

The bidder is required to submit a copy of Certificate of Employee Information or a copy of Federal Letter of Approval verifying that the bidder is operating under a federally approved or

sanctioned Affirmative Action program. If the bidder has neither document of Affirmative Action evidence, then the bidder must complete the attached Affirmative Action Employee Information Report (AA-302). This requirement is a precondition to entering into a State contract. The Affirmative Action Employee Information Report (AA-302) is located on the Advertised Solicitation, Current Bid Opportunities webpage:

<http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

#### **4.4.3.3 NOTICE OF INTENT TO SUBCONTRACT FORM**

All bidders should complete the attached Notice of Intent to Subcontract Form <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml> to advise the State as to whether or not a subcontractor will be utilized to provide any goods or services under the contract. If this is a Small Business Subcontracting set-aside contract, the bidder must comply with the Procedures for Small Business Participation as Subcontractors set forth in <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

#### **4.4.3.4 SUBCONTRACTOR UTILIZATION FORM**

If the bidder intends to utilize a subcontractor, the Subcontractor Utilization Form <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml> should be completed and submitted with the bid proposal.

#### **4.4.4 TECHNICAL PROPOSAL**

In this Section, the bidder shall describe its approach and plans for accomplishing the work outlined in the Scope of Work Section, i.e., Section 3.0. The bidder must set forth its understanding of the requirements of this RFP and its ability to successfully complete the contract. This Section of the bid proposal should contain at least the following information:

##### **Other Engagement Considerations**

To the extent that the terms or standards described within the scope of work are inconsistent with Generally Accepted Auditing Standards, the Government Accounting Standards Board or other relevant standards, bidders shall provide alternatives and recommend courses of action with respect to such inconsistencies as part of the proposal to the State.

The DOI has not set forth in detail any required form for the proposed audits. The market values, income, gains or losses, etc., are shown in previous audited statements. However, if the bidder believes that it would be appropriate to add to the information contained in these statements, to delete material from the statements, or to recast them in a different form, then the bidder shall describe any such proposed changes and its' reasons for them in its' bid proposal.

##### **4.4.4.1 MANAGEMENT OVERVIEW**

The bidder should set forth its overall technical approach and plans to meet the requirements of the RFP in a narrative format. This narrative should convince the State that the bidder understands the objectives that the contract is intended to meet, the nature of the required work and the level of effort necessary to successfully complete the contract. This narrative should convince the State that the bidder's general approach and plans to undertake and complete the contract are appropriate to the tasks and subtasks involved.

Mere reiterations of RFP tasks and subtasks are strongly discouraged, as they do not provide insight into the bidder's ability to complete the contract. The bidder's response to this section should be designed to convince the State that the bidder's detailed plans and approach

proposed to complete the Scope of Work are realistic, attainable and appropriate and that the bidder's bid proposal will lead to successful contract completion.

#### **4.4.4.2 CONTRACT MANAGEMENT**

The bidder should describe its specific plans to manage, control and supervise the contract to ensure satisfactory contract completion according to the required schedule. The plan should include the bidder's approach to communicate with the State Contract Manager including, but not limited to, status meetings, status reports, etc.

#### **4.4.4.3 CONTRACT SCHEDULE**

The bidder should include a contract schedule. If key dates are a part of this RFP, the bidder's schedule should incorporate such key dates and should identify the completion date for each task and sub-task required by the Scope of Work. Such schedule should also identify the associated deliverable item(s) to be submitted as evidence of completion of each task and/or subtask.

The bidder should identify the contract scheduling and control methodology to be used and should provide the rationale for choosing such methodology. The use of Gantt, PERT or other charts is at the option of the bidder.

#### **4.4.4.4 MOBILIZATION AND IMPLEMENTATION PLAN**

It is essential that the State move forward quickly to have the contract in place. Therefore, the bidder must include as part of its proposal a mobilization and implementation plan, beginning with the date of notification of contract award.

#### **4.4.4.5 POTENTIAL PROBLEMS**

The bidder should set forth a summary of any and all problems that the bidder anticipates during the term of the contract. For each problem identified, the bidder should provide its proposed solution.

#### **4.4.5 ORGANIZATIONAL SUPPORT AND EXPERIENCE**

The bidder should include information relating to its organization, personnel, and experience, including, but not limited to, references, together with contact names and telephone numbers, evidencing the bidder's qualifications, and capabilities to perform the services required by this RFP.

The successful bidder shall have past experience on projects of similar size and scope with experience in auditing public pension funds, common funds, foreign investments multi-currency accounting, trust accounting, derivatives, alternative investments, and portfolios of this magnitude and diversity.

In addition, as of January 1, 2008, the successful bidder shall significant experience in providing auditing services to public and private pension clients.

#### **4.4.5.1 LOCATION**

The bidder should include the location of the bidder's office that will be responsible for managing the contract. The bidder should include the telephone number and name of the individual to contact.

#### 4.4.5.2 ORGANIZATION CHART (CONTRACT SPECIFIC)

The bidder should include a contract organization chart, with names showing management, supervisory and other key personnel (including sub-vendor's management, supervisory or other key personnel) to be assigned to the contract. The chart should include the labor category and title of each such individual.

#### 4.4.5.3 RESUMES

Detailed resumes should be submitted for all management, supervisory and key personnel to be assigned to the contract. Resumes shall be structured in accordance with the attached format (Attachment 1) to emphasize relevant qualifications and experience of these individuals in successfully completing contracts of a similar size and scope to those required by this RFP. Resumes should include the following:

- Clearly identify the individual's previous experience in completing similar contracts.
- Beginning and ending dates should be given for each similar contract.
- A description of the contract should be given and should demonstrate how the individual's work on the completed contract relates to the individual's ability to contribute to successfully providing the services required by this RFP.

With respect to each similar contract, the bidder should include the name and address of each reference together with a person to contact for a reference check and a telephone number.

#### 4.4.5.4 BACKUP STAFF

The bidder should include a list of backup staff that may be called upon to assist or replace primary individuals assigned. Backup staff must be clearly identified as backup staff.

In the event the bidder must hire management, supervisory and/or key personnel if awarded the contract, the bidder should include, as part of its recruitment plan, a plan to secure backup staff in the event personnel initially recruited need assistance or need to be replaced during the contract term.

#### 4.4.5.5 ORGANIZATION CHART (ENTIRE FIRM)

The bidder should include an organization chart showing the bidder's entire organizational structure. This chart should show the relationship of the individuals assigned to the contract to the bidder's overall organizational structure.

#### 4.4.5.6 EXPERIENCE OF BIDDER ON CONTRACTS OF SIMILAR SIZE AND SCOPE

The bidder must provide a comprehensive listing of contracts of similar size and scope that it has successfully completed, as evidence of the bidder's ability to successfully complete the services required by this RFP. Emphasis should be placed on contracts that are similar in size and scope to those required by this RFP. A description of all such contracts should be included and should show how such contracts relate to the ability of the firm to complete the services required by this RFP. For each such contract, the bidder should provide the name and telephone number of a contact person for the other contract party. Beginning and ending dates should also be given for each contract. The comprehensive listing should include:

- 5 largest audit engagements including market value of assets for each.
- Largest audit engagements for governmental agencies.

- Largest audit engagements of retirement systems (public or private) and identify market value of each.
- Identify specific experience with mortgage securities, international securities, multi currency accounting, trust accounting and overall experience with portfolios of this magnitude and diversity.
- Identify specific experience with auditing alternative investments (private equity, real estate, other real assets, and absolute return strategy funds).
- Discuss any experience with QED Systems Q2 software.

#### 4.4.5.7 FINANCIAL CAPABILITY OF THE BIDDER

In order to provide the State with the ability to judge the bidder's financial capacity and capabilities to undertake and successfully complete the contract, the bidder should submit certified financial statements to include a balance sheet, income statement and statement of cash flow, and all applicable notes for the most recent calendar year or the bidder's most recent fiscal year. If certified financial statements are not available, the bidder should provide either a reviewed or compiled statement from an independent accountant setting forth the same information required for the certified financial statements, together with a certification from the Chief Executive Officer and the Chief Financial Officer, that the financial statements and other information included in the statements fairly present in all material respects the financial condition, results of operations and cash flows of the bidder as of, and for, the periods presented in the statements. In addition, the bidder should submit a bank reference.

If the information is not supplied with the bid proposal, the State may still require the bidder to submit it. If the bidder fails to comply with the request within seven (7) business days, the State may deem the proposal non-responsive.

A bidder may designate specific financial information as not subject to disclosure when the bidder has a good faith legal/factual basis for such assertion. Bidder may submit specific financial documents in a separate, sealed package clearly marked "Confidential-Financial Information" along with the Bid Proposal.

The State reserves the right to make the determination to accept the assertion and shall so advise the bidder.

#### 4.4.5.8 SUBCONTRACTOR(S)

**All bidders** must complete the **Notice of Intent to Subcontract Form** whether or not they intend to utilize subcontractors in connection with the work set forth in this RFP. If the bidder intends to utilize subcontractor(s), then the **Subcontractor Utilization Plan** must also be submitted with the bid.

Should the bidder propose to utilize a subcontractor(s) to fulfill any of its obligations, the bidder shall be responsible for the subcontractor's(s): (a) performance; (b) compliance with all of the terms and conditions of the contract; and (c) compliance with the requirements of all applicable laws.

The bidder must provide a detailed description of services to be provided by each subcontractor, referencing the applicable Section or Subsection of this RFP.

The bidder should provide detailed resumes for each subcontractor's management, supervisory and other key personnel that demonstrate knowledge, ability and experience relevant to that part of the work which the subcontractor is designated to perform.

The bidder should provide documented experience to demonstrate that each subcontractor has successfully performed work on contracts of a similar size and scope to the work that the subcontractor is designated to perform in the bidder's proposal.

#### **4.4.6 PRICE SCHEDULE**

The bidder must submit its pricing using the format set forth in the State supplied price sheet(s) attached to this RFP. Failure to submit all information required will result in the bid being considered non-responsive. Each bidder is required to hold its prices firm through issuance of contract.

The bidder, for line one through six, shall submit an all inclusive, firm fixed bid price for each audit required under section 3.0 for contract year one. The bidder shall then add together lines one through six and provide a total firm fixed bid price for contract year one. To support the total firm fixed bid price the bidder shall provide a budget including an all inclusive hourly rate, total hours worked for that year, and subtotal for each labor category listed. The summation of all subtotals in the budget shall equal the total firm fixed bud price for contract year one.

The bidder shall repeat all steps for contract years two, three, four, and five.

### **5.0 SPECIAL CONTRACTUAL TERMS AND CONDITIONS**

#### **5.1 PRECEDENCE OF SPECIAL CONTRACTUAL TERMS AND CONDITIONS**

The contract awarded as a result of this RFP shall consist of this RFP, addendum to this RFP, the contractor's bid proposal and the Division's Notice of Award.

Unless specifically stated within this RFP, the Special Contractual Terms and Conditions of the RFP take precedence over the NJ Standard Terms and Conditions version 07/27/07 located on the Advertised Solicitation, Current Bid Opportunities webpage:

<http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

In the event of a conflict between the provisions of this RFP, including the Special Contractual Terms and Conditions and the NJ Standard Terms and Conditions version 07/27/07, and any Addendum to this RFP, the Addendum shall govern.

In the event of a conflict between the provisions of this RFP, including any Addendum to this RFP, and the bidder's bid proposal, the RFP and/or the Addendum shall govern.

#### **5.2 CONTRACT TERM AND EXTENSION OPTION**

The term of the contract shall be for a period of **five (5)** years. The anticipated "Contract Effective Date" is provided on the signatory page of this RFP located on the Advertised Solicitation, Current Bid Opportunities webpage, <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>. If delays in the bid process result in an adjustment of the anticipated Contract Effective Date, the bidder agrees to accept a contract for the full term of the contract.

The contract may not be extended.

#### **5.3 CONTRACT TRANSITION**

In the event that a new contract has not been awarded prior to the contract expiration date, as may be extended herein, it shall be incumbent upon the contractor to continue the contract under the same terms and conditions until a new contract can be completely operational. At no time

shall this transition period extend more than ninety (90) days beyond the expiration date of the contract.

#### **5.4 CONTRACT AMENDMENT**

Any changes or modifications to the terms of the contract shall be valid only when they have been reduced to writing and signed by the contractor and the Director.

#### **5.5 CONTRACTOR RESPONSIBILITIES**

The contractor shall have sole responsibility for the complete effort specified in the contract. Payment will be made only to the contractor. The contractor shall have sole responsibility for all payments due any subcontractor.

The contractor is responsible for the professional quality, technical accuracy and timely completion and submission of all deliverables, services or commodities required to be provided under the contract. The contractor shall, without additional compensation, correct or revise any errors, omissions, or other deficiencies in its deliverables and other services. The approval of deliverables furnished under this contract shall not in any way relieve the contractor of responsibility for the technical adequacy of its work. The review, approval, acceptance or payment for any of the services shall not be construed as a waiver of any rights that the State may have arising out of the contractor's performance of this contract.

#### **5.6 SUBSTITUTION OF STAFF**

If it becomes necessary for the contractor to substitute any management, supervisory or key personnel, the contractor will identify the substitute personnel and the work to be performed.

The contractor must provide detailed justification documenting the necessity for the substitution. Resumes must be submitted evidencing that the individual(s) proposed as substitution(s) have qualifications and experience equal to or better than the individual(s) originally proposed or currently assigned.

The contractor shall forward a request to substitute staff to the State Contract Manager for consideration and approval. No substitute personnel are authorized to begin work until the contractor has received written approval to proceed from the State Contract Manager.

#### **5.7 SUBSTITUTION OR ADDITION OF SUBCONTRACTOR(S)**

This Subsection serves to supplement but not to supersede Section 3.11 of the NJ Standard Terms and Conditions version 07/27/07 located on the Advertised Solicitation, Current Bid Opportunities webpage.

If it becomes necessary for the contractor to substitute a subcontractor, add a subcontractor or substitute its own staff for a subcontractor, the contractor will identify the proposed new subcontractor or staff member(s) and the work to be performed. The contractor must provide detailed justification documenting the necessity for the substitution or addition.

The contractor must provide detailed resumes of its proposed replacement staff or of the proposed subcontractor's management, supervisory and other key personnel that demonstrate knowledge, ability and experience relevant to that part of the work which the subcontractor is to undertake.

The qualifications and experience of the replacement(s) must equal or exceed those of similar personnel proposed by the contractor in its bid proposal.

The contractor shall forward a written request to substitute or add a subcontractor or to substitute its own staff for a subcontractor to the State Contract Manager for consideration. If the State Contract Manager approves the request, the State Contract Manager will forward the request to the Director for final approval.

No substituted or additional subcontractors are authorized to begin work until the contractor has received written approval from the Director.

#### **5.8 OWNERSHIP OF MATERIAL**

All data, technical information, materials gathered, originated, developed, prepared, used or obtained in the performance of the contract, including, but not limited to, all reports, surveys, plans, charts, literature, brochures, mailings, recordings (video and/or audio), pictures, drawings, analyses, graphic representations, software computer programs and accompanying documentation and print-outs, notes and memoranda, written procedures and documents, regardless of the state of completion, which are prepared for or are a result of the services required under this contract shall be and remain the property of the State of New Jersey and shall be delivered to the State of New Jersey upon 30 days notice by the State. With respect to software computer programs and/or source codes developed for the State, the work shall be considered "work for hire", i.e., the State, not the contractor or subcontractor, shall have full and complete ownership of all software computer programs and/or source codes developed. To the extent that any of such materials may not, by operation of the law, be a work made for hire in accordance with the terms of this Agreement, contractor or subcontractor hereby assigns to the State all right, title and interest in and to any such material, and the State shall have the right to obtain and hold in its own name and copyrights, registrations and any other proprietary rights that may be available.

Should the bidder anticipate bringing pre-existing intellectual property into the project, the intellectual property must be identified in the bid proposal. Otherwise, the language in the first paragraph of this section prevails. If the bidder identifies such intellectual property ("Background IP") in its bid proposal, then the Background IP owned by the bidder on the date of the contract, as well as any modifications or adaptations thereto, remain the property of the bidder. Upon contract award, the bidder or contractor shall grant the State a non-exclusive, perpetual royalty free license to use any of the bidder/contractor's Background IP delivered to the State for the purposes contemplated by the Contract.

#### **5.9 DATA CONFIDENTIALITY**

All financial, statistical, personnel and/or technical data supplied by the State to the contractor are confidential. The contractor is required to use reasonable care to protect the confidentiality of such data. Any use, sale or offering of this data in any form by the contractor, or any individual or entity in the contractor's charge or employ, will be considered a violation of this contract and may result in contract termination and the contractor's suspension or debarment from State contracting. In addition, such conduct may be reported to the State Attorney General for possible criminal prosecution.

#### **5.10 NEWS RELEASES**

The contractor is not permitted to issue news releases pertaining to any aspect of the services being provided under this contract without the prior written consent of the Director.

## 5.11 ADVERTISING

The contractor shall not use the State's name, logos, images, or any data or results arising from this contract as a part of any commercial advertising without first obtaining the prior written consent of the Director.

## 5.12 LICENSES AND PERMITS

The contractor shall obtain and maintain in full force and effect all required licenses, permits, and authorizations necessary to perform this contract. The contractor shall supply the State Contract Manager with evidence of all such licenses, permits and authorizations. This evidence shall be submitted subsequent to the contract award. All costs associated with any such licenses, permits and authorizations must be considered by the bidder in its bid proposal.

## 5.13 CLAIMS AND REMEDIES

### 5.13.1 CLAIMS

All claims asserted against the State by the contractor shall be subject to the New Jersey Tort Claims Act, N.J.S.A. 59:1-1, et seq., and/or the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq.

### 5.13.2 REMEDIES

Nothing in the contract shall be construed to be a waiver by the State of any warranty, expressed or implied, of any remedy at law or equity, except as specifically and expressly stated in a writing executed by the Director.

### 5.13.3 REMEDIES FOR FAILURE TO COMPLY WITH MATERIAL CONTRACT REQUIREMENTS

In the event that the contractor fails to comply with any material contract requirements, the Director may take steps to terminate the contract in accordance with the State administrative code and/or authorize the delivery of contract items by any available means, with the difference between the price paid and the defaulting contractor's price either being deducted from any monies due the defaulting contractor or being an obligation owed the State by the defaulting contractor.

## 5.14 LATE DELIVERY

The contractor must immediately advise the State Contract Manager of any circumstance or event that could result in late completion of any task or subtask called for to be completed on a date certain.

## 5.15 RETAINAGE

Not applicable to this RFP.

## 5.16 STATE'S OPTION TO REDUCE SCOPE OF WORK

The State has the option, in its sole discretion, to reduce the scope of work for any task or subtask called for under this contract. In such an event, the Director shall provide advance written notice to the contractor.

Upon receipt of such written notice, the contractor will submit, within five (5) working days to the Director and the State Contract Manager, an itemization of the work effort already completed by task or subtask. The contractor shall be compensated for such work effort according to the applicable portions of its price schedule.

#### 5.17 SUSPENSION OF WORK

The State Contract Manager may, for valid reason, issue a stop order directing the contractor to suspend work under the contract for a specific time. The contractor shall be paid until the effective date of the stop order. The contractor shall resume work upon the date specified in the stop order, or upon such other date as the State Contract Manager may thereafter direct in writing. The period of suspension shall be deemed added to the contractor's approved schedule of performance. The Director and the contractor shall negotiate an equitable adjustment, if any, to the contract price.

#### 5.18 CHANGE IN LAW

Whenever an unforeseen change in applicable law or regulation affects the services that are the subject of this contract, the contractor shall advise the State Contract Manager and the Director in writing and include in such written transmittal any estimated increase or decrease in the cost of its performance of the services as a result of such change in law or regulation. The Director and the contractor shall negotiate an equitable adjustment, if any, to the contract price.

#### 5.19 CONTRACT PRICE INCREASE (PREVAILING WAGE)

If the Prevailing Wage Act (N.J.S.A. 34:11-56 et seq.) is applicable to the contract, the contractor may apply to the Director, on the anniversary of the effective date of the contract, for a contract price increase. The contract price increase will be available only for an increase in the prevailing wages of trades and occupations covered under this contract during the prior year. The contractor must substantiate with documentation the need for the increase and submit it to the Director for review and determination of the amount, if any, of the requested increase, which shall be available for the upcoming contract year. No retroactive increases will be approved by the Director.

#### 5.20 PUBLIC WORKS CONTRACT-ADDITIONAL AFFIRMATIVE ACTION REQUIREMENT

N.J.S.A. 10:5-33 requires that:

"During the performance of this contract, the contractor agrees as follows:

a) The contractor or subcontractor, where applicable, will not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status, affectional or sexual orientation, gender identity or expression, disability, nationality or sex. Except with respect to affectional or sexual orientation and gender identity or expression, the contractor will take affirmative action to ensure that such applicants are recruited and employed, and that employees are treated during employment, without regard to their age, race, creed, color, national origin, ancestry, marital status, affectional or sexual orientation, gender identity or expression, disability, nationality or sex. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause;

b) The contractor or subcontractor, where applicable will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status, affectional or sexual orientation, gender identity or expression, disability, nationality or sex;

c) The contractor or subcontractor where applicable, will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the contractor's commitments under this act and shall post copies of the notice in conspicuous places available to employees and applicants for employment."

### 5.21 ADDITIONAL WORK AND/OR SPECIAL PROJECTS

The contractor shall not begin performing any additional work or special projects without first obtaining written approval from both the State Contract Manager and the Director.

In the event of additional work and/or special projects, the contractor must present a written proposal to perform the additional work to the State Contract Manager. The proposal should provide justification for the necessity of the additional work. The relationship between the additional work and the base contract work must be clearly established by the contractor in its proposal.

The contractor's written proposal must provide a detailed description of the work to be performed broken down by task and subtask. The proposal should also contain details on the level of effort, including hours, labor categories, etc., necessary to complete the additional work.

The written proposal must detail the cost necessary to complete the additional work in a manner consistent with the contract. The written price schedule must be based upon the hourly rates, unit costs or other cost elements submitted by the contractor in the contractor's original bid proposal submitted in response to this RFP. Whenever possible, the price schedule should be a firm, fixed cost to perform the required work. The firm fixed price should specifically reference and be tied directly to costs submitted by the contractor in its original bid proposal. A payment schedule, tied to successful completion of tasks and subtasks, must be included.

Upon receipt and approval of the contractor's written proposal, the State Contract Manager shall forward same to the Director for the Director's written approval. Complete documentation from the Using Agency, confirming the need for the additional work, must be submitted. Documentation forwarded by the State Contract Manager to the Director must include all other required State approvals, such as those that may be required from the State of New Jersey's Office of Management and Budget (OMB) and Office of Information and Technology (OIT).

No additional work and/or special project may commence without the Director's written approval. In the event the contractor proceeds with additional work and/or special projects without the Director's written approval, it shall be at the contractor's sole risk. The State shall be under no obligation to pay for work performed without the Director's written approval.

### 5.22 FORM OF COMPENSATION AND PAYMENT

This Section supplements Section 4.5 of the NJ Standard Terms and Conditions version 07/27/07, located on the Advertised Solicitation, Current Bid Opportunities webpage <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>. The contractor must submit official State invoice forms to the Using Agency with supporting documentation evidencing that work for which payment is sought has been satisfactorily completed. Invoices must reference the

tasks or subtasks detailed in the Scope of Work section of the RFP and must be in strict accordance with the firm, fixed prices submitted for each task or subtask on the RFP pricing sheets. When applicable, invoices should reference the appropriate RFP price sheet line number from the contractor's bid proposal. All invoices must be approved by the State Contract Manager before payment will be authorized.

In addition, primary contractors must provide, on a monthly and cumulative basis, a breakdown in accordance with the budget submitted, of all monies paid to any small business subcontractor(s). This breakdown shall be sent to the Purchase Bureau Business Unit, Set-Aside Coordinator.

Invoices must also be submitted for any special projects, additional work or other items properly authorized and satisfactorily completed under the contract. Invoices shall be submitted according to the payment schedule agreed upon when the work was authorized and approved. Payment can only be made for work when it has received all required written approvals and has been satisfactorily completed.

#### **5.22.1 PAYMENT TO CONTRACTOR - OPTIONAL METHOD**

Payment for Offsite Audits (Section 3.3 of the RFP) and Training and Education (Section 3.5), if required, shall be based on the hourly rates provided for that contract year.

#### **5.23 MODIFICATIONS AND CHANGES TO THE NJ STANDARD TERMS AND CONDITIONS VERSION 07/27/07**

NJ Standard Terms and Conditions version 07/27/07 are located on the Advertised Solicitation, Current Bid Opportunities webpage  
<http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

#### **5.23.1 PATENT AND COPYRIGHT INDEMNITY**

Section 2.1 of the NJ Standard Terms and Conditions version 07/27/07 is deleted and replaced with the following:

##### **2.1 Patent and Copyright Indemnity**

a) The Contractor shall hold and save the State of New Jersey, its officers, agents, servants and employees, harmless from liability of any nature or kind for or on account of the use of any copyrighted or uncopyrighted composition, secret process, patented or unpatented invention, article or appliance furnished or used in the performance of the contract.

b) The State of New Jersey agrees: (1) to promptly notify the Contractor in writing of such claim or suit; (2) that the Contractor shall have control of the defense of settlement of such claim or suit; and (3) to cooperate with the Contractor in the defense of such claim or suit, to the extent that the interests of the Contractor and the State are consistent.

c) In the event of such claim or suit, the Contractor, at its option, may: (1) procure for the State of New Jersey the legal right to continue the use of the product; (2) replace or modify the product to provide a non-infringing product that is the functional equivalent; or (3) refund the purchase price less a reasonable allowance for use that is agreed to by both parties.

#### **5.23.2 INDEMNIFICATION**

Section 2.2 of the NJ Standard Terms and Conditions version 07/27/07, is deleted and replaced with the following:

## **2.2 Indemnification**

The contractor's liability to the State for actual, direct damages resulting from the contractor's performance or non-performance, or in any manner related to the contract, for any and all claims, shall be limited in the aggregate to 100 % of the value of the contract, except that such limitation of liability shall not apply to the following:

1. The contractor's obligation to indemnify the State of New Jersey and its employees from and against any claim, demand, loss, damage or expense relating to bodily injury or the death of any person or damage to real property or tangible personal property, incurred from the work or materials supplied by the contractor under the contract caused by negligence or willful misconduct of the contractor;
2. The contractor's breach of its obligations of confidentiality; and,
3. Contractor's liability with respect to copyright indemnification.

The contractor's indemnification obligation is not limited by but is in addition to the insurance obligations contained in Section 2.3 of the NJ Standard Terms and Conditions version 07/27/07.

The contractor shall not be liable for special, consequential, or incidental damages.

### **5.23.3 INSURANCE - PROFESSIONAL LIABILITY INSURANCE**

Section 2.3 of the NJ Standard Terms and Conditions version 07/27/07 regarding insurance is modified with the addition of the following section regarding Professional Liability Insurance.

d) Professional Liability Insurance: The Contractor shall carry Errors and Omissions, Professional Liability Insurance and/or Professional Liability Malpractice Insurance sufficient to protect the Contractor from any liability arising out the professional obligations performed pursuant to the requirements of the Contract. The insurance shall be in the amount of not less than \$1,000,000 and in such policy forms as shall be approved by the State. If the Contractor has claims-made coverage and subsequently changes carriers during the term of the Contract, it shall obtain from its new Errors and Omissions, Professional Liability Insurance and/or Professional Malpractice Insurance carrier an endorsement for retroactive coverage.

### **5.24 CONTRACT ACTIVITY REPORT**

Not applicable to this procurement.

## **6.0 PROPOSAL EVALUATION**

### **6.1 PROPOSAL EVALUATION COMMITTEE**

Bid proposals may be evaluated by an Evaluation Committee composed of members of affected departments and agencies together with representative(s) from the Purchase Bureau. Representatives from other governmental agencies may also serve on the Evaluation Committee. On occasion, the Evaluation Committee may choose to make use of the expertise of outside consultant in an advisory role.

## 6.2 ORAL PRESENTATION AND/OR CLARIFICATION OF BID PROPOSAL

After the submission of bid proposals, unless requested by the State as noted below, vendor contact with the State is still not permitted.

A bidder may be required to give an oral presentation to the Evaluation Committee concerning its bid proposal. The Evaluation Committee may also require a bidder to submit written responses to questions regarding its bid proposal.

The purpose of such communication with a bidder, either through an oral presentation or a letter of clarification, is to provide an opportunity for the bidder to clarify or elaborate on its bid proposal. Original bid proposals submitted, however, cannot be supplemented, changed, or corrected in any way. No comments regarding other bid proposals are permitted. Bidders may not attend presentations made by their competitors.

It is within the Evaluation Committee's discretion whether to require a bidder to give an oral presentation or require a bidder to submit written responses to questions regarding its bid proposal. Action by the Evaluation Committee in this regard should not be construed to imply acceptance or rejection of a bid proposal.

The Purchase Bureau buyer will be the sole point of contact regarding any request for an oral presentation or clarification.

## 6.3 EVALUATION CRITERIA

The following evaluation criteria categories, not necessarily listed in order of significance, will be used to evaluate bid proposals received in response to this RFP. The evaluation criteria categories may be used to develop more detailed evaluation criteria to be used in the evaluation process:

### 6.3.1 TECHNICAL EVALUATION CRITERIA

- A) The bidder's general approach and plans in meeting the requirements of this RFP.
- B) The bidder's detailed approach and plans to perform the services required by the Scope of Work of this RFP.
- C) The bidder's documented experience in successfully completing contracts of a similar size and scope to the work required by this RFP.
- D) The qualifications and experience of the bidder's management, supervisory or other key personnel assigned to the contract, with emphasis on documented experience in successfully completing work on contracts of similar size and scope to the work required by this RFP.
- E) The overall ability of the bidder to mobilize, undertake and successfully complete the contract. This judgment will include, but not be limited to, the following factors: the number and qualifications of management, supervisory and other staff proposed by the bidder to complete the contract, the availability and commitment to the contract of the bidder's management, supervisory and other staff proposed and the bidder's contract management plan, including the bidder's contract organizational chart.

### 6.3.2 BIDDER'S PRICE SCHEDULE

For evaluation purposes, bidders will be ranked according to the total bid price located on the Price Sheet located on the Advertised Solicitation, Current Bid Opportunities webpage, <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

### 6.3.3 BID DISCREPANCIES

In evaluating bids, discrepancies between words and figures will be resolved in favor of words. Discrepancies between unit prices and totals of unit prices will be resolved in favor of unit prices. Discrepancies in the multiplication of units of work and unit prices will be resolved in favor of the unit prices. Discrepancies between the indicated total of multiplied unit prices and units of work and the actual total will be resolved in favor of the actual total. Discrepancies between the indicated sum of any column of figures and the correct sum thereof will be resolved in favor of the corrected sum of the column of figures.

### 6.3.4 EVALUATION OF THE BID PROPOSALS

The Evaluation Committee will complete its evaluation and recommend to the Director for award the responsible bidder(s) whose bid proposal, conforming to this RFP, is most advantageous to the State, price and other factors considered. The Evaluation Committee considers and assesses price, technical criteria, and other factors during the evaluation process.

### 6.4 NEGOTIATION AND BEST AND FINAL OFFER (BAFO)

Following the opening of bid proposals, the State shall, pursuant to N.J.S.A. 52:34-12(f), negotiate one or more of the following contractual issues: the technical services offered, the terms and conditions and/or the price of a proposed contract award with any bidder, and/or solicit a Best and Final Offer (BAFO) from one or more bidders.

Initially, the Evaluation Committee will conduct a review of all the bids and select bidders to contact to negotiate and/or conduct a BAFO based on its evaluation and determination of the bid proposals that best satisfy the evaluation criteria and RFP requirements, and that are most advantageous to the State, price and other factors considered. The Committee may not contact all bidders to negotiate and/or to submit a BAFO.

In response to the State's request to negotiate, bidders must continue to satisfy all mandatory RFP requirements but may improve upon their original technical proposal in any revised technical proposal. However, any revised technical proposal that does not continue to satisfy all mandatory requirements will be rejected as non-responsive and the original technical proposal will be used for any further evaluation purposes in accordance with the following procedure.

In response to the State's request for a BAFO, bidders may submit a revised price proposal that is equal to or lower in price than their original submission, but must continue to satisfy all mandatory requirements. Any revised price proposal that is higher in price than the original will be rejected as non-responsive and the original bid will be used for any further evaluation purposes.

After receipt of the results of the negotiation and/or the BAFO(s), the Evaluation Committee will complete its evaluation and recommend to the Director for award that responsible bidder(s) whose bid proposal, conforming to this RFP, is most advantageous to the State, price and other factors considered.

All contacts, records of initial evaluations, any correspondence with bidders related to any request for negotiation or BAFO, any revised technical and/or price proposals, the Evaluation Committee Report and the Award Recommendation, will remain confidential until a Notice of Intent to Award a contract is issued.

## **7.0 CONTRACT AWARD**

### **7.1 DOCUMENTS REQUIRED BEFORE CONTRACT AWARD**

#### **7.1.1 REQUIREMENTS OF N.J.S.A. 19:44A-20.13-25 (FORMERLY EXECUTIVE ORDER 134)**

In order to safeguard the integrity of State government procurement by imposing restrictions to insulate the negotiation and award of State contracts from political contributions that pose the risk of improper influence, purchase of access, or the appearance thereof, the Legislature enacted N.J.S.A. 19:44A-20.13 – 25 on March 22, 2005 the “Legislation”), retroactive to October 15, 2004, superseding the terms of Executive Order 134. Pursuant to the requirements of the Legislation, the terms and conditions set forth in this section are material terms of any contract resulting from this RFP:

##### **7.1.1.1 DEFINITIONS**

For the purpose of this section, the following shall be defined as follows:

a) Contribution – means a contribution reportable as a recipient under “The New Jersey Campaign Contributions and Expenditures Reporting Act.” P.L. 1973, c. 83 (C.19:44A-1 et seq.), and implementing regulations set forth at N.J.A.C. 19:25-7 and N.J.A.C. 19:25-10.1 et seq. Through December 31, 2004, contributions in excess of \$400 during a reporting period were deemed "reportable" under these laws. As of January 1, 2005, that threshold was reduced to contributions in excess of \$300.

b) Business Entity – means any natural or legal person, business corporation, professional services corporation, Limited Liability Company, partnership, limited partnership, business trust, association or any other legal commercial entity organized under the laws of New Jersey or any other state or foreign jurisdiction. The definition of a business entity includes (i)all principals who own or control more than 10 percent of the profits or assets of a business entity or 10 percent of the stock in the case of a business entity that is a corporation for profit, as appropriate; (ii)any subsidiaries directly or indirectly controlled by the business entity; (iii)any political organization organized under section 527 of the Internal Revenue Code that is directly or indirectly controlled by the business entity, other than a candidate committee, election fund, or political party committee; and (iv)if a business entity is a natural person, that person’s spouse or child, residing in the same household.

##### **7.1.1.2 BREACH OF TERMS OF THE LEGISLATION**

It shall be a breach of the terms of the contract for the Business Entity to (i)make or solicit a contribution in violation of the Legislation, (ii)knowingly conceal or misrepresent a contribution given or received; (iii)make or solicit contributions through intermediaries for the purpose of concealing or misrepresenting the source of the contribution; (iv)make or solicit any contribution on the condition or with the agreement that it will be contributed to a campaign committee or any candidate of holder of the public office of Governor, or to any State or county party committee; (v)engage or employ a lobbyist or consultant with the intent or understanding that such lobbyist or consultant would make or solicit any contribution, which if made or solicited by the business entity itself, would subject that entity to the restrictions of the Legislation; (vi)fund contributions made by third parties, including consultants, attorneys, family members, and employees;

(vii)engage in any exchange of contributions to circumvent the intent of the Legislation; or (viii)directly or indirectly through or by any other person or means, do any act which would subject that entity to the restrictions of the Legislation.

#### **7.1.1.3 CERTIFICATION AND DISCLOSURE REQUIREMENTS**

a) The State shall not enter into a contract to procure from any Business Entity services or any material, supplies or equipment, or to acquire, sell or lease any land or building, where the value of the transaction exceeds \$17,500, if that Business Entity has solicited or made any contribution of money, or pledge of contribution, including in-kind contributions to a candidate committee and/or election fund of any candidate for or holder of the public office of Governor, or to any State or county political party committee during certain specified time periods

b) Prior to awarding any contract or agreement to any Business Entity, the Business Entity proposed as the intended awardee of the contract shall submit the Certification and Disclosure form, certifying that no contributions prohibited by the Legislation have been made by the Business Entity and reporting all contributions the Business Entity made during the preceding four years to any political organization organized under 26 U.S.C.527 of the Internal Revenue Code that also meets the definition of a “continuing political committee” within the mean of N.J.S.A. 19:44A-3(n) and N.J.A.C. 19:25-1.7. The required form and instructions, available for review on the Purchase Bureau website at <http://www.state.nj.us/treasury/purchase/forms.htm#eo134>, shall be provided to the intended awardee for completion and submission to the Purchase Bureau with the Notice of Intent to Award. Upon receipt of a Notice of Intent to Award a Contract, the intended awardee shall submit to the Division, in care of the Purchase Bureau Buyer, the Certification and Disclosure(s) within five (5) business days of the State’s request. Failure to submit the required forms will preclude award of a contract under this RFP, as well as future contract opportunities.

c) Further, the Contractor is required, on a continuing basis, to report any contributions it makes during the term of the contract, and any extension(s) thereof, at the time any such contribution is made. The required form and instructions, available for review on the Purchase Bureau website at <http://www.state.nj.us/treasury/purchase/forms.htm#eo134>, shall be provided to the intended awardee with the Notice of Intent to Award.

#### **7.1.1.4 STATE TREASURER REVIEW**

The State Treasurer or his designee shall review the Disclosures submitted pursuant to this section, as well as any other pertinent information concerning the contributions or reports thereof by the intended awardee, prior to award, or during the term of the contract, by the contractor. If the State Treasurer determines that any contribution or action by the contractor constitutes a breach of contract that poses a conflict of interest in the awarding of the contract under this solicitation, the State Treasurer shall disqualify the Business Entity from award of such contract.

#### **7.1.1.5 ADDITIONAL DISCLOSURE REQUIREMENT OF P.L. 2005, C. 271**

Contractor is advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission (ELEC), pursuant to P.L. 2005, c. 271, section 3 if the contractor receives contracts in excess of \$50,000 from a public entity in a calendar year. It is the contractor’s responsibility to determine if filing is necessary. Failure to so file can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at [www.elec.state.nj.us](http://www.elec.state.nj.us).

## 7.1.2 SOURCE DISCLOSURE REQUIREMENTS

### 7.1.2.1 REQUIREMENTS OF N.J.S.A. 52:34-13.2

Under the referenced statute, effective August 3, 2005, all contracts primarily for services awarded by the Director shall be performed within the United States, except when the Director certifies in writing a finding that a required service cannot be provided by a contractor or subcontractor within the United States and the certification is approved by the State Treasurer.

### 7.1.2.2 SOURCE DISCLOSURE REQUIREMENTS

Pursuant to the statutory requirements, the intended awardee of a contract primarily for services with the State of New Jersey must disclose the location by country where services under the contract, including subcontracted services, will be performed. The Source Disclosure Certification form is located on the Advertised Solicitation, Current Bid Opportunities webpage <http://www.state.nj.us/treasury/purchase/bid/summary/20313.shtml>.

FAILURE TO SUBMIT SOURCING INFORMATION WHEN REQUESTED BY THE STATE SHALL PRECLUDE AWARD OF A CONTRACT TO THE BIDDER.

If any of the services cannot be performed within the United States, the bidder shall state with specificity the reasons why the services cannot be so performed. The Director shall determine whether sufficient justification has been provided by the bidder to form the basis of his certification that the services cannot be performed in the United States and whether to seek the approval of the Treasurer.

### 7.1.2.3 BREACH OF CONTRACT OF EXECUTIVE ORDER 129

A SHIFT TO PROVISION OF SERVICES OUTSIDE THE UNITED STATES DURING THE TERM OF THE CONTRACT SHALL BE DEEMED A BREACH OF CONTRACT.

If, during the term of the contract, the contractor or subcontractor, who had on contract award declared that services would be performed in the United States, proceeds to shift the performance of any of the services outside the United States, the contractor shall be deemed to be in breach of its contract, which contract shall be subject to termination for cause pursuant to Section 3.5b.1 of the Standard Terms and Conditions version 07/27/07 of the RFP, unless previously approved by the Director and the Treasurer.

## 7.2 FINAL CONTRACT AWARD

Contract award[s] shall be made with reasonable promptness by written notice to that responsible bidder(s), whose bid proposal(s), conforming to this RFP, is(are) most advantageous to the State, price, and other factors considered. Any or all bid proposals may be rejected when the State Treasurer or the Director determines that it is in the public interest to do so.

## 7.3 INSURANCE CERTIFICATES

The contractor shall provide the State with current certificates of insurance for all coverages required by the terms of this contract, naming the State as an Additional Insured.

## 7.4 PERFORMANCE BOND

Not applicable to this RFP.

## **8.0 CONTRACT ADMINISTRATION**

### **8.1 CONTRACT MANAGER**

The State Contract Manager is the State employee responsible for the overall management and administration of the contract.

The State Contract Manager for this project will be identified at the time of execution of contract. At that time, the contractor will be provided with the State Contract Manager's name, department, division, agency, address, telephone number, fax phone number, and email address.

#### **8.1.1 STATE CONTRACT MANAGER RESPONSIBILITIES**

For an agency contract where only one State office uses the contract, the State Contract Manager will be responsible for engaging the contractor, assuring that Purchase Orders are issued to the contractor, directing the contractor to perform the work of the contract, approving the deliverables and approving payment vouchers. The State Contract Manager is the person that the contractor will contact **after the contract is executed** for answers to any questions and concerns about any aspect of the contract. The State Contract Manager is responsible for coordinating the use and resolving minor disputes between the contractor and any component part of the State Contract Manager's Department.

If the contract has multiple users, then the State Contract Manager shall be the central coordinator of the use of the contract for all Using Agencies, while other State employees engage and pay the contractor. All persons and agencies that use the contract must notify and coordinate the use of the contract with the State Contract Manager.

#### **8.1.2 COORDINATION WITH THE STATE CONTRACT MANAGER**

Any contract user that is unable to resolve disputes with a contractor shall refer those disputes to the State Contract Manager for resolution. Any questions related to performance of the work of the contract by contract users shall be directed to the State Contract Manager. The contractor may contact the State Contract Manager if the contractor can not resolve a dispute with contract users.

## Attachment 1

The resumes should be formatted as depicted below.

### **Resume Format**

Name:

Present Title:

Role for this Project: *Proposed role for the subject contract.*

*Experience Summary: Types of experience the proposed staff has that are applicable to the proposed project, e.g., requirements analysis, project management, training, conversion planning, etc. For each type of experience, the number of years of said experience must be identified.*

*Job A:*

Employed from (month/year) to (month/year):

Title:

Employer name, phone number, fax number and/or e-mail address:

Employer address:

*Specific Project A:*

Customer name:

Current telephone number, fax number and/or e-mail address:

Brief project description:

Time period individual assigned to project:

Percentage of time on specific project (based on full days, five days per week):

*Continue with Projects B, C, etc., as needed.*

*Continue with Jobs B, C, etc., as needed.*

*Educational Background*

School name (post-secondary education):

Location:

Type and date of degree received:

*Specialized Training*

Type of training and dates attended (months/year):

*References:*

*Provide the following information for each of two (2) references.*

Name:

Position:

Current telephone number, fax number and/or e-mail address:

Relationship:

**PRICE SCHEDULES**

Bidder Name \_\_\_\_\_

**Auditing Services for the Division of Investment for  
Contract Year 1**

**Bid Number 08-X-20313**

<b>Line Item</b>	<b>Description of Work</b>	<b>Quantity</b>	<b>Unit</b>	<b>Total Bid Price</b>
1.	Pension Fund Financial Statements, together with auditor's report	1	Each	\$ _____
2.	State of New Jersey Cash Management Fund Financial Statements, together with auditor's report	1	Each	\$ _____
3.	Supplemental Annuity Collective Trust Financial Statements, together with auditor's report	1	Each	\$ _____
4.	New Jersey Better Educational Savings Trust (NJBEST) Financial statements, together with auditor's report and comments	1	Each	\$ _____
5.	Trustees for the Support of Free Public Schools Fund Financial statements, together with auditor's report and letter of compliance (separate agreed-upon procedures report)	1	Each	\$ _____
6.	Issue Management Letter, if applicable	1	Each	\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 1</b>				\$ _____

<b>Staff</b>	<b>Contract Year 1</b>		
	<b>All Inclusive Hourly Rate</b>	<b>Total Hours For Year</b>	<b>Sub-Totals</b>
<b><u>Partner</u></b>	\$ _____/hour		\$ _____
<b><u>Manager</u></b>	\$ _____/hour		\$ _____
<b><u>Supervisor</u></b>	\$ _____/hour		\$ _____
<b><u>Senior</u></b>	\$ _____/hour		\$ _____
<b><u>Staff</u></b>	\$ _____/hour		\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 1</b>			\$ _____

**(NOTE: Total Firm Fixed Bid Price for Contract Year 1 in both tables should be identical)**

**PRICE SCHEDULES**

Bidder Name \_\_\_\_\_

**Auditing Services for the Division of Investment for  
Contract Year 2**

**Bid Number 08-X-20313**

<b>Line Item</b>	<b>Description of Work</b>	<b>Quantity</b>	<b>Unit</b>	<b>Total Bid Price</b>
1.	Pension Fund Financial Statements, together with auditor's report	1	Each	\$ _____
2.	State of New Jersey Cash Management Fund Financial Statements, together with auditor's report	1	Each	\$ _____
3.	Supplemental Annuity Collective Trust Financial Statements, together with auditor's report	1	Each	\$ _____
4.	New Jersey Better Educational Savings Trust (NJBEST) Financial statements, together with auditor's report and comments	1	Each	\$ _____
5.	Trustees for the Support of Free Public Schools Fund Financial statements, together with auditor's report and letter of compliance (separate agreed-upon procedures report)	1	Each	\$ _____
6.	Issue Management Letter, if applicable	1	Each	\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 2</b>				\$ _____

<b>Staff</b>	<b>Contract Year 2</b>		
	<b>All Inclusive Hourly Rate</b>	<b>Total Hours For Year</b>	<b>Sub-Totals</b>
<b><u>Partner</u></b>	\$ _____/hour		\$ _____
<b><u>Manager</u></b>	\$ _____/hour		\$ _____
<b><u>Supervisor</u></b>	\$ _____/hour		\$ _____
<b><u>Senior</u></b>	\$ _____/hour		\$ _____
<b><u>Staff</u></b>	\$ _____/hour		\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 1</b>			\$ _____

**(NOTE: Total Firm Fixed Bid Price for Contract Year 2 in both tables should be identical)**

**PRICE SCHEDULES**

Bidder Name \_\_\_\_\_

**Auditing Services for the Division of Investment for  
Contract Year 3**

**Bid Number 08-X-20313**

<b>Line Item</b>	<b>Description of Work</b>	<b>Quantity</b>	<b>Unit</b>	<b>Total Bid Price</b>
1.	Pension Fund Financial Statements, together with auditor's report	1	Each	\$ _____
2.	State of New Jersey Cash Management Fund Financial Statements, together with auditor's report	1	Each	\$ _____
3.	Supplemental Annuity Collective Trust Financial Statements, together with auditor's report	1	Each	\$ _____
4.	New Jersey Better Educational Savings Trust (NJBEST) Financial statements, together with auditor's report and comments	1	Each	\$ _____
5.	Trustees for the Support of Free Public Schools Fund Financial statements, together with auditor's report and letter of compliance (separate agreed-upon procedures report)	1	Each	\$ _____
6.	Issue Management Letter, if applicable	1	Each	\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 3</b>				\$ _____

<b>Staff</b>	<b>Contract Year 3</b>		
	<b>All Inclusive Hourly Rate</b>	<b>Total Hours For Year</b>	<b>Sub-Totals</b>
<b><u>Partner</u></b>	\$ _____/hour		\$ _____
<b><u>Manager</u></b>	\$ _____/hour		\$ _____
<b><u>Supervisor</u></b>	\$ _____/hour		\$ _____
<b><u>Senior</u></b>	\$ _____/hour		\$ _____
<b><u>Staff</u></b>	\$ _____/hour		\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 3</b>			\$ _____

**(NOTE: Total Firm Fixed Bid Price for Contract Year 3 in both tables should be identical)**

**PRICE SCHEDULES**

Bidder Name \_\_\_\_\_

**Auditing Services for the Division of Investment for  
Contract Year 4**

**Bid Number 08-X-20313**

<b>Line Item</b>	<b>Description of Work</b>	<b>Quantity</b>	<b>Unit</b>	<b>Total Bid Price</b>
1.	Pension Fund Financial Statements, together with auditor's report	1	Each	\$ _____
2.	State of New Jersey Cash Management Fund Financial Statements, together with auditor's report	1	Each	\$ _____
3.	Supplemental Annuity Collective Trust Financial Statements, together with auditor's report	1	Each	\$ _____
4.	New Jersey Better Educational Savings Trust (NJBEST) Financial statements, together with auditor's report and comments	1	Each	\$ _____
5.	Trustees for the Support of Free Public Schools Fund Financial statements, together with auditor's report and letter of compliance (separate agreed-upon procedures report)	1	Each	\$ _____
6.	Issue Management Letter, if applicable	1	Each	\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 4</b>				\$ _____

<b>Staff</b>	<b>Contract Year 4</b>		
	<b>All Inclusive Hourly Rate</b>	<b>Total Hours For Year</b>	<b>Sub-Totals</b>
<b><u>Partner</u></b>	\$ _____/hour		\$ _____
<b><u>Manager</u></b>	\$ _____/hour		\$ _____
<b><u>Supervisor</u></b>	\$ _____/hour		\$ _____
<b><u>Senior</u></b>	\$ _____/hour		\$ _____
<b><u>Staff</u></b>	\$ _____/hour		\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 4</b>			\$ _____

**(NOTE: Total Firm Fixed Bid Price for Contract Year 4 in both tables should be identical)**

**PRICE SCHEDULES**

Bidder Name \_\_\_\_\_

**Auditing Services for the Division of Investment for  
Contract Year 5**

**Bid Number 08-X-20313**

<b>Line Item</b>	<b>Description of Work</b>	<b>Quantity</b>	<b>Unit</b>	<b>Total Bid Price</b>
1.	Pension Fund Financial Statements, together with auditor's report	1	Each	\$ _____
2.	State of New Jersey Cash Management Fund Financial Statements, together with auditor's report	1	Each	\$ _____
3.	Supplemental Annuity Collective Trust Financial Statements, together with auditor's report	1	Each	\$ _____
4.	New Jersey Better Educational Savings Trust (NJBEST) Financial statements, together with auditor's report and comments	1	Each	\$ _____
5.	Trustees for the Support of Free Public Schools Fund Financial statements, together with auditor's report and letter of compliance (separate agreed-upon procedures report)	1	Each	\$ _____
6.	Issue Management Letter, if applicable	1	Each	\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 5</b>				\$ _____

<b>Staff</b>	<b>Contract Year 5</b>		
	<b>All Inclusive Hourly Rate</b>	<b>Total Hours For Year</b>	<b>Sub-Totals</b>
<b><u>Partner</u></b>	\$ _____/hour		\$ _____
<b><u>Manager</u></b>	\$ _____/hour		\$ _____
<b><u>Supervisor</u></b>	\$ _____/hour		\$ _____
<b><u>Senior</u></b>	\$ _____/hour		\$ _____
<b><u>Staff</u></b>	\$ _____/hour		\$ _____
<b>Total Firm Fixed Bid Price For Contract Year 5</b>			\$ _____

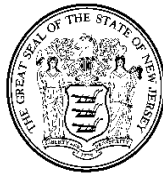
**(NOTE: Total Firm Fixed Bid Price for Contract Year 5 in both tables should be identical)**

**PRICE SCHEDULES**

Bidder Name \_\_\_\_\_

**Auditing Services for the Division of Investment  
Bid Number 08-X-20313**

<b>Total Firm Fixed Contract Price for all Five Years of the Contract</b>	<b>\$</b>
---	-----------



# State of New Jersey

DEPARTMENT OF THE TREASURY  
DIVISION OF PURCHASE AND PROPERTY  
PURCHASE BUREAU  
P.O. BOX 230  
TRENTON, NEW JERSEY 08625-0230

JON S. CORZINE  
*Governor*

R. DAVID ROUSSEAU  
*Acting State Treasurer*

May 23, 2008

To: All Interested Bidders

**Subject: RFP # 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

## **ADDENDUM #1**

The following constitutes Addendum #1 to the above referenced solicitation. This addendum is divided into the following parts:

Part 1: Answers to questions.

Part 2: Additions, deletions, clarifications and modifications to the RFP

It is the bidder's responsibility to ensure that all changes are incorporated into the original RFP.

All other instructions, terms and conditions of the RFP shall remain the same.

**PART 1**

**RFP# 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

**Answers to Questions**

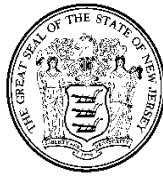
None

**PART 2**

**RFP# 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

**Additions, Deletions, Clarifications and Modifications to the RFP**

#	<b>Additions, Deletions, Clarifications and Modifications</b>
1.	The Bid Opening Date for the subject RFP has been changed from May 30, 2008 to June 13, 2008. All Bids are now due on June 13, 2008 at 2:00pm.



# State of New Jersey

DEPARTMENT OF THE TREASURY  
DIVISION OF PURCHASE AND PROPERTY  
PURCHASE BUREAU  
P.O. BOX 230  
TRENTON, NEW JERSEY 08625-0230

JON S. CORZINE  
*Governor*

R. DAVID ROUSSEAU  
*State Treasurer*

May 30, 2008

To: All Interested Bidders

**Re: RFP # 2008-X-20313**  
**AUDITING SERVICES FOR THE DOI**

Bid Due Date: **June 13, 2008** (2:00 p.m.)

## **ADDENDUM #2**

The following constitutes Addendum #2 to the above referenced solicitation. This addendum is divided into the following parts:

Part 1: Answers to questions.

Part 2: Additions, deletions, clarifications and modifications to the RFP

It is the bidder's responsibility to ensure that all changes are incorporated into the original RFP.

All other instructions, terms and conditions of the RFP shall remain the same.

**PART 1**

**RFP# 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

**Answers to Questions**

Note: Some of the questions have been paraphrased in the interest of readability and clarity. Each question is referenced by the appropriate RFP page number(s) and section where applicable.

<b>#</b>	<b>Page #</b>	<b>RFP Section Reference</b>	<b>Question</b>	<b>Answer</b>
1	4	1.2 Background	1) Who establishes the investment policy/guidelines?  2) Who monitors compliance with such guidelines?  3) What is the monitoring process?	1) The Investment Policy Guidelines are established by the State Investment Council.  2) Compliance is monitored by the Division of Investment.  3) The monitoring process is performed on post trade basis.
2	4	1.2 Background	1) With which financial institutions are investments maintained, and 2) how is the asset allocation between funds determined?	1) <u>US Bank Trust</u> - Common Pension Fund A, Common Pension Fund B, Police and Fire Retirement Systems, State Police, Teachers Pension, Consolidated Police and Fire, Trustees for the Support of Public Schools, Public Employees Retirement System  <u>Bank of America</u> - Judicial Retirement System  <u>PNC</u> - Prison Officers Fund, Supplemental Annuity Collective Trust  Bank of New York Mellon - Common Pension Fund D, Common Pension Fund E  <u>Citibank</u> - Cash Management Fund  <u>Franklin Templeton</u> - New Jersey Better Education Savings Trust  2) Common Pension Fund A invests in domestic equity, Common Pension Fund B invests in domestic fixed income, Common Pension Fund D invests in international securities and Common Pension Fund E

#	Page #	RFP Section Reference	Question	Answer
				invests in alternative investments. The overall asset allocation plan is approved by the State Investment Council.
3	4	1.2 Background	With which financial institutions are bank accounts maintained, and how many individual accounts are involved for the funds being audited?	1) Bank accounts are maintained with the same institutions listed above. DOI is currently seeking a new custodian.  2) There are 186 State accounts.
4	4	1.2 Background	1) What is the valuation process for all investments?  2) To the extent valuations are obtained from external providers what is management's awareness of the valuation techniques employed?  3) What controls have been implemented to verify the accuracy of the underlying data supplied to the provider for pricing and the reasonability of the ultimate valuation determination?	1) See the footnotes to the financial statements at the following link: <a href="http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml">http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml</a> .  2) See the footnotes to the financial statements at the following link: <a href="http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml">http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml</a> .  3) See the footnotes to the financial statements at the following link: <a href="http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml">http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml</a> .
5	4	1.2 Background	1) Detailed by fund, how are the third party service providers utilized?  2) Where applicable, are SAS 70 reports on their internal control processes prepared and obtained by the Department of Investment?  3) Do such SAS 70 reports evaluate and test both the design and effectiveness of the internal control processes, i.e. Type I vs. Type II reports?	<b>Custodians</b> 1) <u>US Bank Trust</u> - Common Pension Fund A, Common Pension Fund B, Police and Fire Retirement Systems, State Police, Teachers Pension, Consolidated Police and Fire, Trustees for the Support of Public Schools, Public Employees Retirement System  <u>Bank of America</u> - Judicial Retirement System  <u>PNC</u> - Prison Officers Fund, Supplemental Annuity Collective Trust  Bank of New York Mellon - Common Pension Fund D, Common Pension Fund E  <u>Citibank</u> - Cash Management Fund

#	Page #	RFP Section Reference	Question	Answer
				<p><u>Franklin Templeton</u> - New Jersey Better Education Savings Trust</p> <p><b>Outside Consulting for Common Pension Fund E</b> are SIS; Cliffwater; &amp; Townsend.</p> <p>2) Yes, SAS 70 is obtained, by DOI, for all Custodian banks.</p> <p>3) All SAS 70 are Type II.</p>
6	4	1.2 Background	<p>1) Common Fund E: What comprises the alternative investment portfolio for 2007?</p> <p>2) Is there a limit as to the dollar and/or volume of such investments in the applicable fund?</p> <p>3) How are the unique risks of the alternative investments held identified and managed?</p>	<p>See 2007 Pension Fund Financial Statement with enclosed footnotes (Non-publicly traded investments consisting of Private Equity, Hedge, Real Estate, Real Asset &amp; Commodity Index funds)</p> <p>See the footnotes to the financial statements at the following link: <a href="http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml">http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml</a>.</p>
7	4	1.2 Background	<p>1) Securities Lending: With respect to securities lending activities, how are transaction counterparties identified and approved?</p> <p>2) How is creditworthiness determined? Are there lending limits by counterparty?</p> <p>3) How are such limits monitored and by whom?</p>	<p>See the footnotes to the financial statements for all three questions at the following link: <a href="http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml">http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml</a>.</p>
8	4	1.2 Background	<p>1) Derivatives: What comprises the derivative portfolio for 2007?</p> <p>2) Is there a limit as to the dollar and/or volume of such investments in the applicable fund?</p> <p>3) How are the unique risks of the derivative portfolio held identified and managed?</p> <p>4) To the extent a derivative is anticipated to qualify for hedge accounting treatment, how is hedge effectiveness evaluated?</p> <p>5) Does the Department of Investment</p>	<p>See the footnotes to the financial statements for all five questions at the following link: <a href="http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml">http://www.state.nj.us/treasury/purchase/bid/summary/08x20313.shtml</a>.</p>

#	Page #	RFP Section Reference	Question	Answer
			maintain the required contemporaneous documentation regarding identification of the hedged item, the correlation with the derivative instrument, etc?	
9	18	3.1	Are policies and procedures around internal controls documented for the funds and the Department of Investment?	No, policies and procedures around internal controls are not documented for the funds and the Department of Investment.
10	18	3.1	RFP section 3.1 Financial Audits Compliance: Have key controls been identified and tested?	No, key controls have not been identified and tested.
11	18	3.1	What are the key audit issues and what are the key risks that have been identified that would impact the audit?	Key audit issues and risks should be determined by the contractor based on risk assessment.
12	18	3.1	Financial Audits Compliance: Has an enterprise risk management (ERM) assessment been performed?	No, an enterprise risk management assessment has not been performed.
13	19	3.4	What was the composition of the prior auditors' audit team, and how many weeks did they spend in the field?	The State does not have this information.
14	19	3.4	In year one of the services to be rendered, is there flexibility in the dates as preliminary field work is scheduled to begin May 1st. Since this will not happen will all other dates be pushed back slightly.	There is flexibility in scheduling preliminary field work. It is anticipated that ultimate deadlines for reports issuance will be met.
15	20	3.5	How frequently do you anticipate the training sessions to occur? Approximately how many people will attend the trainings?	It is anticipated that the training sessions will occur monthly and approximately 10-15 participants will participate.
16	20	3.5	If training is to be provided will this be billed separately at the hourly rates approved or is it part of the audit budget? If it is part of the audit budget can you provide history as to how many hours historically has been devoted to training?	<ol style="list-style-type: none"> <li>1) Training will be part of the audit budget.</li> <li>2) The history of hours is not available.</li> </ol>
17	26	4.4.5.7	The RFP requests certified financial statements. Since we are a CPA firm we do not engage another firm to prepare financial statements. Will internally prepared statements be acceptable provided they are certified by the CEO and CFO?	Yes, by industry standards.

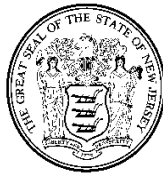
#	Page #	RFP Section Reference	Question	Answer
18	26	4.4.5.8	To the extent our Firm employed a valuation expert to assist in the audit of fair value amounts, what if any specific requirements does the Department of Investment have regarding such expert? How would our Firm pre-clear any conflicts of interest related to the valuation expert identified?	DOI does not have a specific policy on this, potential conflicts will be reviewed on a case-by-case basis.
19	32	5.22	Does the state anticipate all billing under the contract will be done at completion of the engagements or will the firm be permitted to progress bill?	Progress billing is permitted and will be determined by the State Contract Manager based on a percentage of work completed.
20	42	Price Schedules	Can we be provided with the price schedule for 2007 of KPMG to include the number of hours and rates billed under the last contract?	That information must be obtained by filing a Open Public Records Act (OPRA) request.
21	NA	General	Does the Division have a rotation policy relative to independent auditor services?	Not at this time; however, this is subject to change.
22	NA	General	Will the current auditors be excluded from serving an additional contract period?	At this time the current auditors will not be excluded from serving an additional contract period.
23	NA	General	What was the amount expended by the Division for 2007 audit services? What was the all inclusive audit fee?	The last year of the contract was valued at \$150,000.
24	NA	General	How many audit hours, approximately, were incurred by the current independent auditor in performing the 2007 audit?	The State does not have this information.
25	NA	General	Were there any material weaknesses or significant deficiencies identified during the 2007 audit?	There were no material weaknesses or significant deficiencies identified during the 2007 audit.
26	NA	General	Were the reporting deadlines met for the 2007 audit? If no, please explain.	The reporting deadlines were met for the 2007 audit.
27	NA	General	Who is the incumbent vendor that provides these services currently? Or is this new requirement?	KPMG is the current contractor.
28	NA	General	What is the estimated value of this contract?	The awarded bidder's bid price will become the value of the contract.
29	NA	General	Is there an overall budgeted cost for the audits?	Budgetary figures are in transition, and therefore, a firm budget number for this project does not exist at this time.

**PART 2**

**RFP # 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

**Additions, Deletions, Clarifications and Modifications to the RFP**

#	Page #	RFP Section Reference	Additions, Deletions, Clarifications and Modifications
1.			None



# State of New Jersey

DEPARTMENT OF THE TREASURY  
DIVISION OF PURCHASE AND PROPERTY  
PURCHASE BUREAU  
P.O. BOX 230  
TRENTON, NEW JERSEY 08625-0230

JON S. CORZINE  
*Governor*

R. DAVID ROUSSEAU  
*State Treasurer*

June 4, 2008

To: All Interested Bidders

**Re: RFP # 2008-X-20313**  
**AUDITING SERVICES FOR THE DOI**

Bid Due Date: **June 13, 2008** (2:00 p.m.)

## **ADDENDUM #3**

The following constitutes Addendum #3 to the above referenced solicitation. This addendum is divided into the following parts:

Part 1: Answers to questions.

Part 2: Additions, deletions, clarifications and modifications to the RFP

It is the bidder's responsibility to ensure that all changes are incorporated into the original RFP.

All other instructions, terms and conditions of the RFP shall remain the same.

**PART 1**

**RFP# 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

**Answers to Questions**

Note: Some of the questions have been paraphrased in the interest of readability and clarity. Each question is referenced by the appropriate RFP page number(s) and section where applicable.

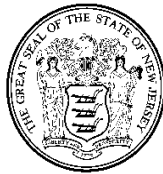
#	Page #	RFP Section Reference	Question	Answer
None				

**PART 2**

**RFP # 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

**Additions, Deletions, Clarifications and Modifications to the RFP**

<b>#</b>	<b>Page #</b>	<b>RFP Section Reference</b>	<b>Additions, Deletions, Clarifications and Modifications</b>
1.	6	Addendum 2	Question 23 of Addendum 2, posted on June 3, 2008, states that the amount expended by the Division for auditing services in 2007 was \$150,000. The amount of \$150,000 is incorrect. The correct amount expended by the Division in 2007 for auditing services was \$180,000.



# State of New Jersey

DEPARTMENT OF THE TREASURY  
DIVISION OF PURCHASE AND PROPERTY  
PURCHASE BUREAU  
P.O. BOX 230  
TRENTON, NEW JERSEY 08625-0230

JON S. CORZINE  
*Governor*

R. DAVID ROUSSEAU  
*Acting State Treasurer*

June 5, 2008

To: All Interested Bidders

**Subject: RFP # 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

## **ADDENDUM #4**

The following constitutes Addendum #4 to the above referenced solicitation. This addendum is divided into the following parts:

Part 1: Answers to questions.

Part 2: Additions, deletions, clarifications and modifications to the RFP

It is the bidder's responsibility to ensure that all changes are incorporated into the original RFP.

All other instructions, terms and conditions of the RFP shall remain the same.

**PART 1**

**RFP# 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

**Answers to Questions**

None

**PART 2**

**RFP# 2008-X-20313  
AUDITING SERVICES FOR THE DOI**

**Additions, Deletions, Clarifications and Modifications to the RFP**

#	<b>Additions, Deletions, Clarifications and Modifications</b>
1.	Please note that the bid opening date of June 13, 2008 for the Auditing Services for the Division of Investment (08-x-20313) has been changed to June 18, 2008.