



VACo/VML Pooled OPEB Trust
8 E. Canal Street, Suite 100
Richmond, Virginia 23219
(804) 648-0635

Christine Lopilato
Controller

Memorandum

To: Certified Public Accounting Firms

From: Christine Lopilato, Controller
VML/VACo Finance
clopilato@valocalfinance.org

Date: December 19, 2022

Re: Request for Qualifications
Audit Services for the VACo/VML Pooled OPEB Trust

On behalf of the Board of Trustees of the VACo/VML Pooled OPEB Trust, VML/VACo Finance is soliciting Statements of Qualifications from qualified Certified Public Accounting firms for the Pooled OPEB Trust's annual audit services for the three fiscal years ending June 30, 2023 through June 30, 2025, inclusive, and up to one additional year thereafter.

The VACo/VML Pooled OPEB Trust is a trust fund offered to local governments, school divisions and authorities in Virginia. The Trust is used by Virginia political subdivisions for accumulating and investing contributions for funding other post-employment benefits (OPEB) – primarily retiree health care. It is the only pooled OPEB trust fund offered in Virginia; and with investments in excess of \$1.5 billion, it is one of the largest pooled OPEB trust funds in the U.S.

The Trust offers two portfolios: Portfolio I which has a targeted rate of return of 7.5%; and Portfolio II with a targeted rate of return of 6.0%. Each portfolio is composed of up to thirty-eight separate funds ranging from large capitalization U.S. equities to emerging market equities to fixed income to private equity, among others. Diversification helps reduce volatility.

The Trust is governed by a Board of Trustees consisting of local government officials of participants in the Trust Fund and is administered on a day-to-day basis by VML/VACo Finance.

Please provide your response to the attached request for qualifications to my attention by 5:00 p.m., Friday, January 27, 2023.

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If you have any questions about the enclosed Request for Qualifications, please do not hesitate to send me an email (clopilato@valocalfinance.org) or call me at (804) 648-0635.

Thank you for your interest in the VACo/VML Pooled OPEB Trust Fund.

Attachment

Cc: Steven C. Mulroy, VML/VACo Finance



**REQUEST FOR QUALIFICATIONS
FOR AUDIT SERVICES FOR THE
VIRGINIA POOLED OPEB TRUST FUND**

Date Issued: December 19, 2022

Date Due: January 27, 2023

PART I PROCUREMENT INFORMATION

- A. VML/VACo Finance submits this Request for Qualifications (RFQ) to solicit Statements of Qualifications (SOQs) from Certified Public Accounting firms for the Virginia Pooled OPEB Trust Fund's (d/b/a the VACo/VML Pooled OPEB Trust Fund) annual audit services for an initial three (3) year contract term to include the fiscal years ending June 30, 2023, through June 30, 2025. Thereafter, subject to the discretion of the Board of Trustees, the contract may be renewed for one (1) additional year, unless either party provides notice to the other of its intent to terminate this agreement. The Notice to Renew for the additional year must be provided on or before April 1 of the additional year. A Notice to Terminate must be provided to the other party on or before April 1 of the fiscal year to be audited.
- B. Interested firms should submit three (3) copies of their response in the format described below to:
- a. Christine Lopilato, Controller
VML/VACo Finance
8 East Canal Street, Suite 100
Richmond, Virginia 23219
 - b. Also, please send an electronic copy to clopilato@valocalfinance.org.
- C. VML/VACo Finance reserves the right to reject any or all responses and to select the firm which, in its judgment, best meets the needs of the Pooled OPEB Trust. VML/VACo Finance further reserves the right to terminate the contract with proper notice as stated in Part I, Section A.
- D. The selection process contemplated by this request for qualifications will result in the selection of a firm to audit the VACo/VML Pooled OPEB Trust Fund.

PART II AUDIT OBJECTIVES AND SCOPE OF SERVICES

- A. The objective of the audit is to provide an opinion on the financial statements taken as a whole. The audit of the financial statements should conform to the independence standard subject to Government Auditing Standards.

- B. The audit will be a financial audit with an additional report on the Pooled OPEB Trust's internal controls.

- C. The examination of the Pooled OPEB Trust's financial records must be made in accordance with United States of America generally accepted accounting principles (GAAP), and Government Auditing Standards.

- D. Accompanying the financial statements, the Auditor will submit a Management Letter of Comments and Recommendations, if applicable, for improvement of program and financial management per the Auditor's opinion after examining the Pooled OPEB Trust's systems and procedures.

- E. The Auditor shall submit an audit report which shall comply with the applicable reporting standards. Twenty copies of each report shall be provided, as well as an electronic version. Each audit report shall contain at least the following:
 - 1. An index.
 - 2. The auditor's reports on:
 - a. The annual financial statements and any supplementary data within the scope of the audit.
 - b. The Auditor's study and evaluation of the entity's system of internal control over financial reporting and, where applicable, pertinent other control systems. The auditor's report shall identify those systems established, those systems evaluated, those systems not evaluated and also shall disclose any deficiencies in internal control that it considers to be material weaknesses.
 - c. Compliance matters that may have a material effect on the financial statements reported upon. The auditor's report shall include statements of positive assurance based on all items tested and negative assurance on items not tested.
 - d. Additional activities, if any, required to be included within the scope of the annual financial audit and required to be included in the audit reports.
 - 3. A statement that the audit was made in accordance with Government Auditing Standards as well as all applicable laws and provisions.
 - 4. The Auditor will provide a Report to the Board of Trustees (Communication with Those Charged with Governance) as required by professional auditing standards.

- F. An exit conference with the Managing Director and staff of VML/VACo Finance will be conducted by the auditor in charge. At the exit conference, findings and recommendations regarding compliance and internal control shall be discussed. The Managing Director, or a designee, shall have the opportunity to respond, orally or in writing, to the findings. Any written responses shall be included in the audit report.

- G. The Auditor shall present each annual audit to the Pooled OPEB Trust Board of Trustees at a Board meeting, and be prepared to answer any questions from the Trustees about the audit.

- H. The Audit working papers shall be retained by the Auditor for five years, and shall be made available to VML/VACo Finance should the need arise during that time.

PART III BACKGROUND

A. THE VACo/VML POOLED OPEB TRUST FUND

- 1. In response to the change in accounting standards (GASB 45) related to post-employment benefits other than pensions (OPEB), the Virginia General Assembly passed legislation effective July 1, 2007 allowing local governments, authorities and school divisions to establish an irrevocable trust for the purpose of accumulating and investing assets to fund OPEB liabilities. All such funds are to be invested in accordance with the prudent person standard.

- 2. VACo/VML Pooled OPEB Trust: In an effort to assist local governments in funding their OPEB liabilities, the Virginia Municipal League and the Virginia Association of Counties sponsor the **VACo/VML Pooled OPEB Trust Fund**. The Pooled OPEB Trust is an irrevocable trust fund offered to local governments and authorities and is governed by local officials of participants in the Trust. The Trust provides two diversified portfolio consisting of investments in various asset classes such as fixed income, domestic equities, international equities, private equity, real estate, commodities, and hedge funds.

Fairfax County and Henrico County jointly created the Trust in the spring of 2008 through the Joint Exercise of Powers Act in the code of Virginia (Section 15.2-1300). A number of other localities and school divisions have since joined the Trust. Current investments in the Trust total approximately \$1.6 billion. The Trust is expected to grow as current participating employers make additional contributions and as new political subdivisions join the Trust.

The Pooled OPEB Trust is governed by a nine-member Board of Trustees.

Additional information about the Pooled OPEB Trust, including a list of current Trustees, can be found at valocalfinance.org.

3. VML/VACo Finance serves the Board of Trustees as the day-to-day program administrator, which includes, but is not limited to, coordinating and managing legal, auditing, investment and custodian services, and promoting and educating Virginia’s localities, authorities and school divisions on the benefits of the VACo/VML Pooled OPEB Trust Fund.

B. FUNDS AT COMERICA BANK (CUSTODIAN)

1. The Pooled OPEB Trust maintains participant accounts, an expense account and investment accounts at Comerica Bank. Each participant in the Trust has a separate account within the trust. The following table provides details on the various accounts held by the Trust:

	As of 06/30/2022
No. of Participant Accounts	52
No. of Investment Accounts	4
No. of Investments Funds	38

2. As Program Administrator, VML/VACo Finance is empowered by the Board of Trustees to direct the Custodian to pay invoices and expenses from the Expense Account. The investment managers’ fees are paid directly from the Investment Accounts.

PART IV INFORMATION TO BE INCLUDED IN THE SOQ

In order to facilitate the evaluation of the Statement of Qualifications, it is requested that the required information be arranged in the following format:

SECTION I - INDIVIDUAL AUDIT STAFF TECHNICAL QUALIFICATIONS

1. Describe the experience in government audits of the senior and staff level person(s) assigned to the audit, including years of experience with governmental audits and number and types of governmental clients served. Furthermore, describe the experience of the individuals specifically as it relates to audits of governmental trust funds, retirement funds, and pooled investment funds, if any.
2. Describe the relevant educational background of each individual to be assigned to the audit. This should include coursework and relevant continuing education attended within the past three years.
3. Describe any specialized skills, training, or background in public finance by assigned individuals. This may include participation in state or national professional organizations, speaker or instructor roles at conferences or seminars, or authorship of articles and books.

SECTION II - AUDIT ORGANIZATION/LOCAL OFFICE TECHNICAL QUALIFICATIONS

1. Describe the organization, size, and structure of your firm.
2. State the address of the local office that will be conducting the audit.
3. Affirm whether your audit organization is properly licensed in the Commonwealth of Virginia for public practice as a certified public accountant or a public accountant. Affirm that your organization meets the independence requirements of Standards for Audit of Governmental organizations, Programs, Activities and Functions, published by the U.S. GAO or any subsequent amendments or superseding revisions.
4. Indicate the staff members by level within the local office who will be assigned to the audit. State your policy on notification of changes in key personnel. Also, indicate the overall supervision to be exercised over the audit team by the firm's management.
5. Indicate whether each such person is licensed to practice as a public accountant in Virginia.
6. Provide a list of the local office's current, and for the three preceding years prior, government audit clients indicating the type(s) of services performed and the number of years served for each. Indicate your experience in auditing governmental trust funds, retirement funds, and pooled investment funds, if any.

SECTION III - AUDIT APPROACH

Describe your technical approach to the audit. Describe your understanding of the work to be performed and indicate time estimates for the audit.

SECTION IV -CLIENT REFERENCE

List the names, email addresses, and phone numbers of three government audit client references, preferably similar in nature to the Pooled OPEB Trust.

SECTION V – EVALUATION PROCEDURES AND SELECTION OF FIRM

	Evaluation Criteria
1.	Understanding of the Trust Fund’s audit requirements
2.	The firm's experience with government investment pools and/or comparable entities; and references
3.	Assigned staff's experience and professional achievements
4.	Audit approach and work plan
5.	Fees

SECTION VI - OTHER INFORMATION

Include any other information which may be helpful in evaluating your firm's qualifications, including peer reviews within the past three years. Identify any disciplinary action received within the past three years. Also, describe any regulatory action taken by any oversight body against the proposing audit organization or local office.

SECTION VII - AUDIT FEE

Fee proposals should contain a fixed price listed separately for each of the three fiscal year audits. Depending on the quotes reviewed, the Pooled OPEB Trust may decide to include an optional one-year renewal. In the event such renewal is included in the contract, please quote a fixed fee for this additional year. The cost proposals should include the projected hours for various levels of staff and other individuals proposed to be used. The fees quoted should be inclusive of all expenses.

PART V PROCUREMENT AND CONTRACT DATES

Although the following dates are subject to change, it is anticipated that the following schedule will apply:

Action Item	Date
RFQ Issued	December 19, 2022
Response Deadline	January 27, 2023
Interviews with Selected Offerors	February 2023
Award by Pooled OPEB Trust Board	March 17, 2023
Contract Executed	April 2023