FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77K Street, NE Washington, DC 20002

THRIFT SAVINGS PLAN

December 6, 2013

MEMORANDUM FOR BOARD MEMBERS KENNEDY, BILYEU, MCCRAY, JONES, and JASIEN

FROM: GREGORY T. LONG
EXECUTIVE DIRECTOR

SUBJECT: Agency Financial Auditor Re-compete – Update from June 2013 Memorandum Approved by the Board

Section 8439(b) of FERSA requires the Executive Director to engage an independent qualified public accountant to conduct an annual financial audit of the Thrift Savings Plan. CliftonLarsonAllen (CLA) LLP has been the Agency's independent financial auditor for the past six years (five on the original contract and one year extension). The current contract expires on March 31, 2015. The planned period of performance for the follow-on contract is anticipated to be a three-year Base period and two one-year Option periods. The scope of the current contract requires the auditors to perform a 2013 Calendar Year Financial Statement review audit, a June 2014 Mid-Year Financial Statement review, and 2014 Calendar Year Financial Statement audit.

Market analysis was completed in April 2013 to determine that there would be sufficient competition for the follow-on procurement for Financial Auditor services. A Request for Information (RFI) was posted and the results confirmed sufficient industry interest in the procurement that justify competing the Financial Auditor requirement. Given the Agency's contracting workload constraints with numerous parallel contracting priorities and FY13 End of Year activities, a decision was made to extend the contract rather than rush the procurement with limited Agency contracting resources.

We have initiated the pre-award planning activities for the follow-on contract to allow for a smooth transition between the current auditor CLA and a potential new auditor, and are developing an acquisition timeline.

The Agency will leverage the General Services Administration's (GSA) Schedule 520-7 for Financial and Performance Audits. The GSA has established contracts with each of the companies on the respective GSA schedule enabling significant procurement efficiency for the Agency.

To that end, I am seeking your concurrence on the following issue:

Agreement on minimum criteria and evaluation criteria for selection of the audit firm:

Minimum Criteria: minimum qualifications the audit firm must have to respond to the RFP:

- Nationally recognized certified public accounting firm with experience as the prime contractor for the audit of defined contribution plans including at least one plan with participants in excess of 5,000 or with assets in excess of $50 million or large financial institutions with assets in excess of $1 billion;

- At least 5 years' experience in auditing pension plans, 401 (k) plans, and other deferred compensation plans;

- At least 5 years' experience auditing Federal or State Government accounting systems.

Evaluation Criteria: conditions that will be evaluated in the assessment of responses by the audit firms to the RFP

- Expertise – We will evaluate the demonstrated expertise with auditing financial statements of plans with similar financial assets and government entities.

- Past Performance – We will evaluate the demonstrated past performance as prime contractor for the audit of defined contribution plans;

- Cost – We will evaluate the presented cost structure and determine whether it is realistic and reasonable.

The Board had also asked me to investigate whether (i) the Agency was required to change our financial auditors after a customary period of time and (ii) whether the audit partner in charge of the financial audit must be rotated if the incumbent firm is selected. Inquiries made by our Chief Risk Officer, Jay Ahuja, to the American Institute of Certified Public Accountants (AICPA) allow us to conclude that there is no requirement to change auditors or a requirement to rotate the current audit partner if the incumbent firm is selected. However, best practices call for the audit partner to be rotated periodically. If the incumbent firm is successful, I am in agreement with Jay's recommendation that we require a new audit partner be assigned to the audit.