



## Risk and Audit Committee

# Agenda Item 3a

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**September 11, 2025**

**Item Name:** External Auditor Request for Proposal: Finalist Interviews and Finalist Selection

**Program:** Financial Reporting and Accounting Services

**Item Type:** Action

### **Recommendation**

1. Issue Notice of CalPERS intent to award under the Request for Proposal (RFP) No. 2025-9427 to the Finalist having the highest total score.
2. Approve CalPERS to enter contract negotiations with the Finalist, and in the event negotiations are unsuccessful, approve CalPERS to enter contract negotiations with the finalist having the second highest total score, and so on.

### **Executive Summary**

On May 20, 2025, CalPERS released RFP No. 2025-9427 to initiate a competitive selection to process to engage the services of a qualified audit firm to perform audits of CalPERS' financial statements for Fiscal Years ending June 30, 2026, 2027, 2028, 2029 and 2030.

CalPERS received seven proposals by the final filing date of July 7, 2025. BDO USA, P.C. (BDO), Crowe LLP (Crowe), KPMG LLP (KPMG) and Plante Moran, P.C. (Plante Moran) passed the technical and fee proposal evaluations.

### **Strategic Plan**

This item is not specifically in the Strategic Plan but assists the Board in fulfilling its fiduciary role and statutory responsibility to employ an audit firm to conduct annual independent financial statement audits.

### **Background**

Government Code section 20228 requires the Board to annually employ a certified public accountant to audit CalPERS' financial statements. According to the applicable statutes, the Board is also required to file copies of the audit report with the Governor, the Secretary of the Senate, and the Chief Clerk of the Assembly. In addition, a copy of the final audited financial statements must be provided to the State Controller's Office and the California State Auditor's Office for inclusion in the State of California Annual Comprehensive Financial Report within six

months of the close of each fiscal year. The contract with the current Board's Independent Auditor, BDO, expires on April 30, 2026 with conclusion of the Fiscal Year 2024-25 financial statement audit.

## Analysis

On May 20, 2025, CalPERS released RFP No. 2025-9427 to solicit proposals from qualified firms to provide independent financial statement auditing services to the Board. CalPERS received seven proposals by the final filing date of July 7, 2025. Four proposals which consist of BDO, Crowe, KPMG and Plante Moran passed the technical evaluation and had their fee proposals opened and scored.

The chart summarizes the current ranking and preliminary total scores of the four finalists, including the Fee Proposal Scores and Disabled Veteran Business Enterprise (DVBE) Incentive Points.

| Independent Financial Statement Auditor |                                    |                    |                       |                         |
|---|------------------------------------|--------------------|-----------------------|-------------------------|
| Proposer                                | Total Proposed Fees for Five Years | Fee Proposal Score | DVBE Incentive Points | Preliminary Total Score |
| BDO                                     | \$12,750,000                       | 300                | 50                    | 350                     |
| Crowe                                   | \$13,146,325                       | 290.96             | 50                    | 340.96                  |
| KPMG                                    | \$13,250,000                       | 288.68             | 50                    | 338.68                  |
| Plante Moran                            | \$12,984,185                       | 294.59             | 50                    | 344.59                  |

Interviews provide the RAC an opportunity to further consider each Finalist's proposal, including fees and any other specific areas of the proposals for which clarification is necessary. The Finalists are available to be interviewed at today's meeting.

In preparation for the interviews, the Finalists interview packets are provided separately to assist the Committee with its interviews and evaluations. Each Finalist will have 50 minutes for an interview before the Committee, which will consist of a five-minute presentation and a forty-five-minute question and answer session. If needed, the committee will have a five-minute period for clarifying or follow up questions based on the Finalist's interview questions.

Following the interviews, the Committee will determine a score as a group for each Finalist and motion the Interview Score, with a maximum of 700 points. Each Finalist's interview score will be combined with the Fee Proposal Score and any applicable Preference and/or incentive points for a Total Score. The Finalists will be ranked according to the Total Scores from highest to lowest.

The distribution of maximum possible points is as follows:

- Technical Proposal: Pass/Fail<sup>1</sup>
- Fee Proposal: 300 points maximum
- Risk and Audit Committee Interview: 700 points maximum
- Preference or Incentive Points:
  - Disabled Veteran Business Enterprise (DVBE) Incentive – DVBE incentive points of 30-50 will be awarded to proposers based on confirmed DVBE participation level from 3.01 to 5 percent.

The RAC will award the contract to the Finalist receiving the highest Total Score, subject to final negotiations and satisfaction of all requirements. If negotiations are not successful, the contract award will be made to the Finalist receiving the next highest Total Score, subject to final negotiations and satisfaction of all requirements. Notice of CalPERS intent to award to the selected Finalist will be posted at CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) for five State business days before the award is made.

### **Budget and Fiscal Impacts**

The total costs associated with any contract will be negotiated.

### **Benefits and Risks**

Selection of independent financial statement auditor services supports the Board and the RAC in meeting their objectives to prudently manage the System and fulfill their fiduciary role and statutory responsibility in selecting an independent external financial statement auditor.

Failure to secure independent financial statement audits would result in non-compliance with Government Code section 20228. In addition, CalPERS could impact the issuance of the State of California Annual Comprehensive Financial Report if CalPERS fails to timely file the annual audited financial statements with the applicable State agencies.

### **Attachments**

Attachment 1 – Services to be Provided

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Janie Rajasuncy  
 Controller  
 Financial Reporting and Accounting Services

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Michele L. Nix  
 Chief Financial Officer

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<sup>1</sup> A minimum score of 140 points is required to pass the technical proposal evaluation to advance to the Fee Proposal Evaluation. These points do not carry over and are not factored into the Proposer's final score.