



**REQUEST FOR PROPOSAL (RFP)  
FOR  
FINANCIAL STATEMENTS AUDITS  
AND/OR  
ACTUARIAL AUDIT SERVICES  
RFP NO. 4289**

<b>Release Date:</b>	<b>Tuesday, November 5, 2024</b>	
<b>Proposal Due Date:</b>	<b>Monday, December 9, 2024 3:00 P.M. PST</b>  <b>Electronic submission link</b> <a href="#">(link here)</a>	<b>RFP Administrator:</b>  <b>Julie Guan</b> Los Angeles City Employees' Retirement System E-mail: <a href="mailto:julie.guan@lacers.org">julie.guan@lacers.org</a>
<b>All questions must be submitted in writing no later than:</b>	<b>Friday, November 15, 2024, 3:00 P.M. PST</b>  Submit questions to the RFP Administrator. All questions and answers will be posted on the LACERS website ( <a href="https://www.lacers.org/rfps-contracting-opportunities">https://www.lacers.org/rfps-contracting-opportunities</a> ) and the City of Los Angeles' bid opportunities website ( <a href="https://www.RampLA.org">https://www.RampLA.org</a> ) on or about November 22, 2024.	
<b>Official RFP Notices/Addendums:</b>	To ensure that no firm is provided an advantage over another, all requirements are specified in this RFP. Any changes to the requirements will be posted as an addendum to the RFP on the LACERS website ( <a href="https://www.lacers.org/rfps-contracting-opportunities">https://www.lacers.org/rfps-contracting-opportunities</a> ) and the City of Los Angeles' bid opportunities website ( <a href="https://www.RampLA.org">https://www.RampLA.org</a> ). Proposers are solely responsible for monitoring this website and adhering to RFP addendums.	
<b>Prohibited Communications:</b>	From the RFP release date until a contract for these services is fully executed, firms are prohibited from communicating with Board members or staff, other than the RFP Administrator, concerning this RFP or the resulting contract. Communications with Board members about this RFP, other than	

	<p>at a public Board meeting, are prohibited by the City Ethics Ordinance, Los Angeles Municipal Code sec. 49.5.11(A), the violation of which may result in civil, administrative, and/or criminal penalties. Any communications could be considered attempts to lobby or market services and is therefore prohibited by LACERS' Ethical Contract Compliance Policy. Firms will be disqualified from contract consideration if the prohibition is not honored.</p>
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## I. INTRODUCTION

The Los Angeles City Employees' Retirement System ("LACERS" or the "Plan") is a department of the City of Los Angeles, California, established in 1937 under Article XI of the City Charter. LACERS is under the exclusive management and control of the Board of Administration (the "Board"), which has sole authority for the administration of benefits and investment of the assets of the fund.

LACERS is seeking to award two (2) contracts: (1) a three-year full-service contract with a qualified independent firm of certified public accountants to audit its annual financial statements; and (2) a one-time contract with a qualified firm to audit LACERS consulting actuary's valuations for the last three fiscal periods. Proposers may bid for either contracts or for both. The LACERS Board may, at its discretion, authorize the extension of these contracts for subsequent terms, not to exceed one year.

This Request for Proposal (RFP) details the requirements needed by LACERS and instructs interested firms on the application and selection process. All firms meeting the minimum qualifications outlined in Section II of this RFP are invited to propose.

Audited financial statements are needed to comply with the State of California filing requirement under Sections 7501-7504 of the Government Code which provides that all California Public Retirement Systems furnish audited financial statements to the State Controller annually. Audit by certified public accountants is also required under the City of Los Angeles Charter Section 362.

To assist your firm in estimating the level of effort required to render an opinion on the compliance requirements, the Minimum Audit Requirements and Reporting Guidelines for Public Retirement Systems issued by the State of California Controller's Office are available at [https://sco.ca.gov/Files-ARD-Local/LocRep/retirement\\_audreqs.pdf](https://sco.ca.gov/Files-ARD-Local/LocRep/retirement_audreqs.pdf)

Additionally, the audit must be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to financial audits contained in Government Auditing Standards issued by the US Government Accountability Office and established in conjunction with the Comptroller General of the United States.

The actuarial audit will provide an independent actuarial opinion as to the accuracy and veracity of valuation results, actuarial assumptions, application of actuarial cost method and associated activities currently performed by LACERS' actuarial consultant. The successful proposer will perform a complete replication audit covering the valuation results for the last three fiscal periods.

## A. BACKGROUND

In 1937, LACERS was established to provide retirement benefits to the civilian employees of the City of Los Angeles, with the exception of the Department of Water and Power employees, sworn members of the Department of Fire and Police Pensions, and members of the Part-Time Pension Savings Program.

Operating as a single-employer defined benefit plan and a single-employer postemployment health care plan, the Retirement System serves approximately 60,000 members, comprising 26,000 active civilian employees, 11,000 inactive employees, and 23,000 retired members and beneficiaries.

The Board administers the retirement benefits for the plan sponsor, the City of Los Angeles, which currently has two membership tiers (*Tier 1 (including Tier 1 enhanced)* and *Tier 3*). There are seven board members, four of which are appointed by the Mayor and three are elected by the Retirement System members, each serving a five-year term.

The Board sets general policies and adopts rules and regulations necessary to operate LACERS. For example, it directs investment strategies and policies for the System's assets, approves annual cost of living allowance for retirees, determines health insurance carriers and health subsidy levels for retirees, and approves retirement applications, including applications for disability retirement.

As of June 30, 2024, LACERS paid \$1.43 billion in retirement and health benefits which are funded through the City contributions and members contributions along with accumulated investment earnings generated from those contributions. During the same period, LACERS' fiduciary net position was posted at \$23 billion. In addition to the overall financial statement opinion, LACERS requires separate audit opinions for its 115 Trust account (a health account) pursuant to a trust agreement with the plan sponsor, and for its 977 building operations.

LACERS' master custodian bank, Northern Trust, manages the Retirement System's investment portfolios across various asset classes, including publicly traded securities, collection of income, and settlement of security transactions. It also provides Electronic Data Interchange (EDI) and Integrated Disbursement services for monthly Retirement payroll and other periodic and non-periodic benefit payments.

On LACERS Funding Policy, participating members are required by statute and collective bargaining agreements to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry into the Plan.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost), plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL).

For actuarial valuation purposes, plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market values by recognizing the differences between the actual and expected investment return over the amortization period. An Actuarial Experience Study issued last June 2023 was performed for the period covering July 1, 2019 through June 30, 2022.

## **B. STAFF**

The Fiscal Management Division (Fiscal), headed by the Department's Chief Accountant, is responsible for recording transactions and maintaining financial records. Fiscal generates the annual financial statements and publishes the Annual Comprehensive Financial Report (ACFR).

Among its duties include recording and reconciling: (a) retirement and other benefits, (b) the City and its employees' contributions, (c) investment portfolios, and (d) payments for goods and services.

The Internal Audit Section coordinates all audit activities and acts as liaison between the contracted Audit Firm and LACERS Divisions and its key staff Fiscal or Accounting, Investment, Retirement Services, Health Benefits Administration, Information Technology, and other control areas.

## C. PRIOR AUDIT AND ACTUARIAL REPORT

LACERS publishes its audited financial statements through ACFR which presents an annual comprehensive report of its financial position, investment performance, and actuarial valuations of its Assets and Liabilities.

Moss Adams LLP has served as LACERS' external auditor for the last five fiscal years, with the last completed audit covering the period ended June 30, 2024.

The Segal Company (Segal) serves as LACERS' actuary, conducting annual actuarial valuation of the Retirement System's assets and liabilities. The last completed valuation was for the year ended June 30, 2024. Segal also conducts a review of Actuarial Assumptions (Experience Study) every three years.

LACERS ACFR, Audited Financial Statements, and Annual Actuarial valuations can be found at the LACERS' website: <https://www.lacERS.org/financial-reports-and-statistics>

## II. MINIMUM QUALIFICATIONS

### **For Financial Statements Auditor:**

Firms must clearly demonstrate achievement of the minimum qualifications for their proposals to be considered.

- a) The firm must have key personnel with at least five years of experience in auditing governmental agencies and/or public pension funds.
- b) The Engagement Partner must be licensed to practice in the State of California as a certified public accountant and must demonstrate a strong knowledge of governmental accounting and auditing requirements, based on prior experience leading audits of governmental agencies, or large Pension or Retirements systems, with at least \$1 billion dollars in plan net assets. The Engagement Partner must provide direct supervision over all services provided to LACERS under this contract.

### **For Actuarial Auditor:**

Firms must clearly demonstrate achievement of the minimum qualifications for their proposals to be considered.

- c) The firm provides actuarial audits for public pension plans.
- d) The firm must have performed actuarial audit services for a minimum of 10 years.
- e) The primary actuary auditor must be an enrolled actuary.
- f) The firm must have all the necessary permits and licenses to perform this audit.

### III. SCOPE OF SERVICES

For the financial statements audits, LACERS anticipates awarding a three-year contract for this mandate, commencing with the audit of fiscal year ending June 30, 2025, and continuing for the next two fiscal years, with fiscal year ending June 30, 2027 as the last period to be audited.

For the actuarial audit, LACERS anticipates awarding a one-time actuarial audit contract covering the past actuarial valuations for three fiscal periods June 30, 2022, June 30, 2023 and June 30, 2024.

The LACERS Board may, at its discretion, authorize the extension of these contracts for subsequent terms, not to exceed one year.

#### A. REQUIRED SERVICES

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##### AUDIT AND RELATED ADVISORY SERVICES

The selected independent auditor will be required to provide the following services:

1. Perform the audit with the objective of expressing an opinion as to whether LACERS' basic financial statements (Retirement Plan & Postemployment Health Care Plan) and notes to financial statements are fairly presented, in all material aspects, in conformity with auditing standards generally accepted in the United States of America and all applicable federal and state laws, regulations and rules.

LACERS would require two independent auditors' reports on the basic financial statements, as follows:

- (i) The auditor shall issue an independent report expressing an opinion on LACERS' overall financial statements (Retirement Plan & Postemployment Health Care Plan).
  - (ii) The auditor shall issue a separate independent auditor's opinion report on Section 115 Trust Fund financial statements. Note that Section 115 Trust financial transactions are included in the Postemployment Health Care Plan financial statements, however, a separate audit opinion is required pursuant to LACERS' trust agreement with the plan sponsor (City of Los Angeles).
2. Perform the audit with the objective of expressing an opinion as to whether LACERS' 977 Building operations basic financial statements and notes to financial statements are fairly presented, in all material aspects, in conformity with auditing standards generally accepted in the United States of America and all applicable federal and state laws, regulations and rules.

LACERS would require an independent auditor's report on the basic financial statements expressing an opinion on LACERS 977 Building operations.

3. Perform an audit of schedules related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with the objective of expressing an opinion about whether these schedules are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States, including communication with City’s external auditor, LACERS staff and actuaries, as needed.
4. Provide related advisory services regarding:
  - Technical matters related to filing for the Certificate in Excellence in Financial Reporting from the Governmental Finance Officers Association.
  - GASB pension accounting and financial reporting requirements.
5. LACERS requires 30 copies of all reports in MS Word format with LACERS preferred layouts incorporating tables and graphs.

As part of the audit engagement, the independent auditor will be required to:

- Test an appropriate sample of: (1) active member accounts for verification of service credit, (2) benefits given during the year which include service retirements, active death survivorships and lump-sum payments, (3) disability payments. The auditor shall make an independent review of the procedures and payments and report the findings.
- Test census data provided to the actuary for completeness and accuracy. Select sample records of the active, inactive, and retired participants and test the underlying data of selected participants each year to obtain sufficient appropriate evidence that the census data reported to the actuary is correct.
- Examine all investments to ascertain the documented existence of securities, to verify cost data with accounting records, and to review the accumulation of reported cost, book value, and market value of the various investment portfolios.
- Verify the reasonableness of Private Equity Funds’ valuations at each fiscal year ended June 30, 20xx.
- Review “subsequent events” of LACERS as required annually by the City Controller to match the closing date on the Citywide financial statements.
- Issue a Management Letter to the Board and/or the Audit Committee on internal control deficiencies discovered during the audit and opportunities for cost reduction and efficiency in operations.
- Present a report on the fair presentation of LACERS’ overall financial statements to the LACERS Audit Committee and/or the full Board. The auditor is expected to attend a minimum of two Audit Committee and/or Board meetings annually. The auditor may be requested to attend additional meetings if needed to present other audited reports including the Section 115 Trust financial statements or the GASB 68 and GASB 75 schedules.
- Retain all working papers and reports at the auditor’s expense for a minimum of five (5) years. The auditor will be required to make working papers available to LACERS upon request. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.



The selected actuarial auditor will be required to provide the following services:

- Perform a full-scope actuarial audit of LACERS Retirement and Health Plan valuations. The audit shall be based on the same assumptions, actuarial methodology, and census data most recently used by LACERS consulting actuary.
- The firm shall replicate the results from recent valuations and assess the reasonableness of assumptions and results, appropriateness of plan data; modeling costs and rates of retirement, health, death, and other benefits, sensitivity of results to chosen assumptions.
- Perform a level-three actuarial audit of the LACERS' Experience Study by examining the consulting Actuary's methods and assumptions for reasonableness and internal consistency.
- Reconcile any significant discrepancies as a result of said audits.
- Present findings in-person before the LACERS Board of Administration.

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#### AS-NEEDED SERVICES

Provide as-needed assistance regarding management consulting for special projects as requested by management, the Audit Committee, and/or the Board.

### **B. GENERAL DUTIES**

The firm is expected to perform/handle the following general duties:

- 1) Treat all LACERS' information as confidential as defined in the Confidentiality & Non-Disclosure of Member Information Policy. This applies to all data created, gathered, generated, or acquired within the scope of the contract. The Contractor shall notify LACERS immediately if there are any breaches to the confidentiality of LACERS confidential information. A breach of this Policy is subject to cancellation of contract and the contractor being held liable for damages.
- 2) Maintain confidentiality of any information resulting from this engagement except with written consent from the General Manager of LACERS or designee, prior to the release of any such information. This includes, but not limited to press releases, research, reports, and any publicity given to the Contractor for work provided under the resulting contract. If a disclosure is pre-approved, LACERS shall be credited as the sponsoring agency.
- 3) Refer all requests, reports, and all other communication that use LACERS' database through the General Manager or appointed designee.
- 4) Notify LACERS immediately of any anticipated changes in personnel assigned under the terms of this engagement. The Contractor shall submit resumes of any proposed replacement personnel and obtain written approval from LACERS for any change in the personnel assigned to the work.
- 5) In accordance with LACERS' Contractor Disclosure Reporting Policy, notify LACERS Contracting section in writing, before or after the award of the contract, of any conflicts of interest or possible conflicts of interest discovered regarding the audit services to be rendered.

- 6) During the life of your contract, submit a bi-annual disclosure report addressed to LACERS Internal Audit ([auditor@lacers.org](mailto:auditor@lacers.org)) of any conflicts of interests regarding the audit services under contract. A disclosure form will be provided by Internal Audit.

## IV. CONTENT OF RESPONSE

Response to the information requested below is required to be considered responsive to the RFP. Proposers are encouraged to submit a practical and sustainable proposal. The proposal is requested in the following order, to be tabbed accordingly:

### A. INTRODUCTION

- A. **Title Page** - The title page must clearly state “2024 Proposal for Financial Statements Auditor” or “2024 Proposal for Actuarial Audit” along with vendor’s name, address, and contact information.
- B. **Table of Contents**
- C. **Cover Letter** - Proposers are to include a cover letter indicating their interest in the engagement.
  - 1) The cover letter shall have the following statement:

“This proposal is genuine, and not sham or collusive, nor made in the interest or on behalf of any person not named therein; the proposer has not directly or indirectly induced or solicited any other proposer to put in a sham bid, or any other person, firm or corporation to refrain from submitting a proposal, and the proposer has not in any manner sought by collusion to secure for themselves an advantage over any other proposer.”
  - 2) The legal business name, address, telephone number, website URL, and business status (Individual, limited liability partnership, corporation, etc.) of the firm.
  - 3) The person or persons authorized to represent the proposer in negotiations with LACERS with respect to the RFP and any subsequently awarded contract. Provide the representative’s name, title, address, telephone number, e-mail address and any limitation of authority for the person named.
  - 4) If the firm is proposing any alternatives/conditions to requirements detailed within the RFP, an explanation of the alternatives offered/conditions placed shall be detailed within this cover. LACERS reserves the right to reject proposals where the alternative/conditions are not acceptable.
  - 5) If the response will include any confidential material or proprietary material that is exempt from disclosure under the California Public Records Act (California Government Code Section 7920.000 *et seq.*), then the Proposer must include the following statement in the cover letter: “Proposer agrees to defend, indemnify and hold harmless the City of Los Angeles, LACERS, the LACERS Board of Administration, officers, agents, and employees from and against all suits, claims, and causes of action brought for LACERS’ refusal to disclose any trade secrets or confidential information to any person making a request pursuant to the California Public Records

Act (California Government Code Section 7920.000 et seq.)” Failure to include this statement and to identify the exempt information in the proposal as required by Section A.2 of this RFP, shall constitute a waiver of the Proposer’s right to exemption from disclosure.

- 6) The cover letter is to be signed by a person or persons authorized to bind the proposer to all provisions of the RFP, any subsequent changes to the RFP, and to the contract if an award is made. (If the respondent is a partnership, the response must be signed by a general partner in the name of the partnership. If the respondent is a corporation, the response must be signed on behalf of the corporation by two authorized officers [a Chairman of the Board, President or Vice-President, and a Secretary, Treasurer or Chief Financial Officer] or an officer authorized by the Board of Directors to execute such documents on behalf of the corporation).

D. **Executive Summary** – The Executive Summary should provide a concise summary of the services and deliverables being offered to meet the requirements of this solicitation; the Proposer’s approach to providing services; and justification as to why the Proposer is the best qualified to provide services.

**B. QUALIFICATIONS AND EXPERIENCE**

E. DEMONSTRATION OF MINIMUM QUALIFICATIONS

Please provide information to demonstrate that the firm meets the minimum qualifications of the RFP.

- a. Experience with Similar Contracts – Proposer shall provide a description of previous work experience in servicing similar contracts over the past five years for governmental agencies or public pension systems. Provide five references from clients with assets, each in excess of \$1 billion, for whom the primary Engagement Partner or Audit Manager has provided auditing and/or accounting services. Please provide the information in the following format:

Client’s Name and Address	Services Provided	Beginning and Ending Dates of Contract	Primary Engagement Partner or Audit Manager	Contact Person to Provide References (name, telephone number, email)
<i>Sample Table</i>				

Note: Submission of a proposal in response to this RFP constitutes permission for LACERS to contact any identified previous clients to request information on the performance of the Proposer.

- b. Submit resume for the proposed Engagement Partner including: title; key experience relating to this scope of work; professional licenses and certifications held; current clients, past public pension fund clients in last five years, and past California public pension fund clients in last three years.
- c. List the name, office location and duties of the members of the proposed audit team that would be responsible for LACERS account and provide resume including titles, functions, the number of years in auditing with your firm, education background, and related experience in auditing public pension funds. Note that any subsequent changes to the assigned engagement partner, supervisory and/or other audit staff must be approved by LACERS.

#### F. ABOUT THE FIRM

Provide your responses to the questions below by replicating each question in your proposal followed by your response.

- a. Provide a profile of the firm including a brief history, year founded, business entity type, location of headquarters and subsidiaries (if any), services provided, number of employees, other business services, ownership structure (including any business partners), recent or expected ownership structure changes.
- b. Provide affirmative statement that the firm and all assigned key personnel are properly licensed to practice public accountancy or actuarial audit in the State of California.
- c. Indicate the person(s) authorized to represent the proposer in negotiations with LACERS with respect to the RFP and subsequently awarded contract including contact names, titles, telephone and fax numbers and e-mail addresses.
- d. Provide an organizational chart of the management team of the firm.
- e. Describe the turnover in key professional personnel in each of the last five years.
- f. Provide your policy regarding the rotation of partners and Audit Managers on financial statement audits.
- g. What incentives are provided to attract and retain top quality employees at your firm?
- h. Has any officer or principal of your organization been involved in litigation relating to auditing and accounting activities? If so, provide a brief explanation and indicate the current status of the proceedings.
- i. Describe the services of your organization that distinguish your firm from your competitors. Convincingly and briefly explain why your firm is the most qualified for this engagement.
- j. Describe the dollar amounts of coverage for fidelity bonds, errors and omissions coverage and any other fiduciary coverage that your firm carries. List the insurance carriers supplying the coverage, amounts, and expiration dates.
- k. How many of your audit clients are public pension systems?
- l. Provide a list of clients lost in the last five years, including the time period when services were provided and reason(s) for each account lost.
- m. Briefly summarize your philosophy relating to the contractor's relationship with Boards, Staff, Council, etc.
- n. Disclose the nature of any past, present, or pending relationship with any LACERS Board commissioner, consultant, or staff.

- o. Please describe your company's efforts to protect client's data. Have you had any data breaches?
- p. Describe how the firm has addressed the issue of keeping Social Security numbers and other private information secure.
- q. Describe all non-auditing services you offer. What procedures are in place that would reduce or eliminate potential conflicts of interest?
- r. Is your firm requesting any alternatives and/or substitutions to the LACERS standard RFP and contracting provisions? See General Conditions (Appendix A) and the Standard Provisions for City Contracts (Appendix B). LACERS reserves the right to determine if the alternatives/substitutions are acceptable.
- s. Does your firm have a sexual harassment policy? Please describe the policy and summarize any pending or anticipated litigation against the firm, its employees, or partners, involving allegations of sexual harassment or sexual misconduct (Attachment 7).

## C. PROJECT PROPOSAL

Proposals shall demonstrate the firm's understanding of the services to be provided and their proposed approach. Please provide your responses to the questions below by replicating each question in your proposal followed by your response. Only respond to questions applicable to your firm.

### FIRM'S APPROACH

- a. Provide a description of the overall approach to be used for the work, including your approach to making the transition from LACERS' prior auditor, if applicable.
- b. Please describe your understanding of the scope and level of services required by this RFP.
- c. Indicate how the quality of staff and the audit work will be assured over the term of the agreement. Please provide a copy of your firm's most recent peer review report.
- d. What policies are in effect to control the workload as it relates to the number of clients serviced by each audit staff? Is there a limit on the number of accounts that each staff may handle concurrently?
- e. Describe in detail your firm's experience or ability in accounting/auditing for international currency matters, derivative type of instruments, pooled real estate and private equity investments. List your resources for auditing these areas, such as in-house, outside consultants, etc.
- f. Describe your firm's ability in assisting clients to comply with GASB requirements, including the GASB Statement No. 53 Accounting and Financial Reporting for Derivative Instruments, GASB Statement No. 72 Fair Value Measurement and Application, GASB 87 on leases, GASB 28 and 40 on participation in Securities Lending Program, and other recent GASB statements such as GASB 99 on Conduit Debt related to leases, GASB 100 on Accounting Changes and Errors Correction, and GASB 101 on Compensated Absences.

- g. Describe your experience, on proactive interpretation of new GASB statements, and resolution of accounting issues or ability to work with actuaries to implement the actuarial provisions of the various GASB Statements on pension accounting and financial reporting.
- h. The City of Los Angeles Controller's Office requires LACERS to submit its audited financial statements no later than November 20 to 25, to be included Annual Comprehensive Financial Report (ACFR). To accomplish this objective, the following timetable must be followed:
  - i. July 11 through July 31 – Interim audit fieldwork in LACERS' office.
  - ii. September 6 – LACERS fiscal management staff submits financial statements and backup documentation in an "audit preparation kit" to auditor. Audit final fieldwork begins.
  - iii. September 24 – Exit conference
  - iv. September 25 through October 2 – Audit fieldwork completed to an extent that final numbers may be released to actuary for actuarial valuation.
  - v. November 20-25 – Signed audited financial statements due to LACERS. Thirty bound copies of the audited report delivered to LACERS.

Discuss difficulties, if any, your firm would have in meeting the timetable outlined above.

- i. LACERS does not maintain an investment subsidiary ledger. Investment advisors direct investment trades and reconcile monthly security positions and investment income received with the custodian bank, Northern Trust. LACERS accounting staff performs a quarterly random sample audit of dividend and bond interest income. How would you review this process?
- j. With some specificity, please discuss your approach to auditing active member accounts, retirement rolls, and census data provided to the actuary for accuracy and completeness.
- k. With some specificity, please discuss your approach to auditing information technology systems including cybersecurity.
- l. With some specificity, please discuss your approach to auditing the year-end valuations of Private Equity Funds.
- m. Provide a general discussion of how you would evaluate internal controls.
- n. Provide a general discussion of how you assist your clients with their ACFR.
- o. Describe how you would audit compliance with the investment policy adopted by a governing board.
- p. If your firm is selected, what startup work would you do, for how long and when?
- q. Describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from LACERS' staff.
- r. Include any other information that is believed to be pertinent but not specifically requested elsewhere in this RFP.

## **D. PROPOSED AUDIT FEE SCHEDULE**

For Financial Statements Audits, the proposer's fee schedule shall include a total, detailed comprehensive fee proposal listed by year for each year of the three-year contract. Provide a single fee for services outlined in the Scope of Services for each year. This fee should include all out-of-pockets type expenses and be broken down between annual financial statements audits

and GASB 68/75 audits. For your reference, LACERS paid a total of \$128,000 for all annual audit services (as described in Section III A.1 – A.4) for the most recent year. This fee proposal structure is required with your proposal. For the first year of this contract or for the audit of FY 2024-25, LACERS has budgeted a total of \$140,000 for all the audit services described below.

ANNUAL AUDIT SERVICES	FEES PROPOSED		
	YEAR 1	YEAR 2	YEAR 3
<b>FINANCIAL STATEMENTS AUDIT AND ADVISORY SERVICES</b> Audit fee for provision of services described in Section III. A.1			
<b>GASB 68/75 AUDIT</b> (As stated in Section III. A.3)			
<b>Financial Statements Audit of LACERS' 977 Building Operations</b> (As stated in Section III. A.2)			
<b>ANY SUPPLEMENTAL START UP FEE</b> (First Year Only)			
<b>TOTAL ANNUAL FEE</b>			
<b>HOURLY RATE FOR AS-NEEDED SERVICES</b> Ad-hoc or occasional projects will be billed on an hourly rate. Request for such services must be estimated as to cost and scope of work and approved in advance by LACERS before commencing said work. Provide a fully burdened hourly rate by professional classification for this type of services.	LOADED FULLY BURDENED HOURLY RATE		
<b>Class of Personnel</b>	YEAR 1	YEAR 2	YEAR 3

For the Actuarial Audit, the proposer's fee schedule shall include a detailed comprehensive fee proposal for the one-time contract. Provide the fees for services outlined in the Scope of Services for the contract period. This fee should include all out-of-pockets type expenses. This fee proposal structure is required with your proposal. For your reference, LACERS paid a total of \$74,000 for

the one-time contract (as described in Section III under Actuarial Audit) for the last audit conducted in 2023. LACERS has budgeted a total of \$82,000 for the actuarial audit.

## V. PROPOSAL SUBMISSION & EVALUATION

### A. PROPOSAL SUBMISSION INSTRUCTIONS

1. Deadline for submission and the location for submission are located on the cover sheet of this RFP. **Electronic submissions only.**
2. **If your proposal contains any trade secrets or other proprietary, confidential information that the proposer claims is exempt from disclosure under the California Public Records Act (California Government Code §7920 et seq.), then you must submit electronically one (1) redacted copy of the proposal in addition to the original version and provide the required statement in the Cover Letter (see Section IV.A.C.5).**

Note: Proposers selected to make presentations to the Board/Committee will be expected to submit electronic copies of their responses.

3. Late proposals will not be considered for review. LACERS reserves the right to determine the timelines of all proposals submitted and to extend the deadline. LACERS may inform proposers if a response is incomplete, but it is the proposer's responsibility to ensure their response is complete and timely. At the day and time appointed, all timely submitted proposals will be opened and the name of the Proposers announced. No other information about the proposals will be made public until such time as a recommendation concerning proposals is made to the Board.
4. Please direct comments and questions to the RFP Administrator indicated on the cover page of this RFP. All contact regarding this RFP or any matter relating thereto must be in writing and may be e-mailed to the administrator listed on the cover page.

### B. EVALUATION OF PROPOSALS

1. The selected proposer must successfully pass all the following levels of review:

#### a. Level I – Administrative Responsiveness

LACERS will conduct a preliminary evaluation of all proposals submitted by the deadline to determine compliance with proposal requirements and mandatory document submissions. Firm's proposal must demonstrate its responsiveness to the administrative requirements outlined in the RFP. Firm's ability to adhere to LACERS' standard contract provisions will also be considered (see General Conditions (Appendix A) and the Standard Provisions for City Contracts (Appendix B)).

#### b. Level II – Review of Qualifications, Experience, & References

Proposer must demonstrate it meets the minimum qualifications and must demonstrate a positive record as a responsible contractor through due diligence reviews conducted by LACERS.



**c. Level III – Proposed Services and Compensation (“Proposal”)**

Firm’s proposed plan of services, and fees for providing the required services are evaluated and ranked by the evaluation panel. Interviews may also be conducted by panel and/or the Audit Committee.

<b>Criteria</b>	<b>Possible Weight</b>
<p><b>Professionalism</b></p> <p>Proposer demonstrated professionalism in the response to the RFP, such as: RFP presentation, well-written summary of the important features of the RFP, etc.</p>	15
<p><b>Proposed Scope of Services Description and Methodology</b></p> <p>Proposer demonstrated strong understanding of LACERS’ objectives and provides a proposed methodology and further refinement of the RFP’s Scope of Services to meet LACERS’ objectives, audit timeline, and budget .</p>	30
<p><b>Qualifications, Experience, and Accomplishments</b></p> <p>Demonstrated commitment to the governmental audit practice; actuarial audit practice; strength of experience in providing audit services to public pension systems; demonstration of expertise in/knowledge of the proposed team in providing the scope of services; strength of favorable references during the due diligence review process.</p>	35
<p><b>Value of Cost</b></p> <p>The evaluation of the relative cost and value indicated in the proposed fee.</p>	20
<b>Total</b>	100

**d. Level IV – Interview by the Audit Committee & Final Approval by the Board**

The most qualified proposer or proposers to provide the required services at the best overall value to LACERS, as determined by the evaluation panel, will be presented to the

Audit Committee and there may be a possible interview process. The Committee will recommend one proposer to the LACERS Board for a contract award. The Board, at its sole discretion, makes the final award determination.

## 2. Tentative Schedule

This schedule shows the estimated dates for the RFP process. LACERS reserves the right to adjust this schedule when appropriate.

<b>Date</b>	<b>Event</b>
11/5/2024	Release RFP to Potential Proposers
11/15/2024	3:00 p.m. PST – Deadline to Submit Questions
11/22/2024	LACERS Responds to Questions
12/09/2024	RFP Response Due – must be received by 3:00 p.m. PST
12/16/2024	Evaluation Period Begins
01/07/2025	Interview by the Audit Committee (if not needed, award recommendation to Board)
01/21/2025	Recommendation of Contract Award to Board

## VI. GENERAL CONDITIONS AND COMPLIANCE DOCUMENTS

Proposers are to submit required documents specified in the General Conditions and Compliance Documents (Appendix A). The General Conditions also indicate several standard contracting provisions and requirements of every LACERS and City of Los Angeles contract. You are encouraged to read the documents thoroughly, including the Standard Provisions for City Contracts (Appendix B), as they may result in additional expense to your firm, such as certain insurance requirements and a Los Angeles Business Tax Registration Certificate. This RFP is for a new contract. Previous document submittals and/or waivers do not apply. New forms must be completed and processed.

## VII. EXECUTIVE DIRECTIVE 35

Respondents are advised, pursuant to the Mayor's Executive Directive 35, after the contract is awarded, the contractor must respond to an annual survey if the contractor is a privately held, for-profit company or corporation. Within 30 days of the effective date of the contract and on an annual basis thereafter (i.e., within 30 days of the anniversary of the effective date of the contract), the contractor will report the following demographic information to the City via the Regional Alliance Marketplace for Procurement (RAMP): contractor's and any subcontractor's annual revenue, number of employees, location, industry, race/ethnicity, and gender of majority owner ("contractor/subcontractor information"). On an annual basis, the contractor shall further request that any subcontractor input or update its business profile, including the contractor/subcontractor information, on RAMP or via another method prescribed by City.

Disclosure of demographic information is only used for informational purposes, occurs only after a contract mandate is awarded, and will in no way impact the bidding, selection, or awarding process of a contract.