

Audit Committee Agenda

REGULAR MEETING

TUESDAY, FEBRUARY 25, 2025

TIME: 9:30 A.M.

MEETING LOCATION:

LACERS Boardroom
 977 N. Broadway
 Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via one-way audio on Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area).

Disclaimer to Participants

Please be advised that all LACERS Committee meetings are recorded.

LACERS Website Address/link:

www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Committee in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a public record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

Chair: Sung Won Sohn

Committee Members: Elizabeth Lee
 Janna Sidley

Manager-Secretary: Todd Bouey

Executive Assistant: Ani Ghokassian

Legal Counselor: City Attorney's Office
 Public Pensions General
 Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

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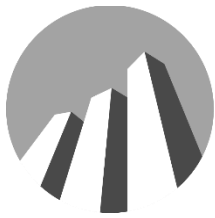
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For additional information, please contact: Board of Administration Office at **(213) 855-9348** and/or email at lacers.board@lacers.org.

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- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA
- II. [APPROVAL OF MINUTES FOR THE MEETING OF MAY 14, 2024 AND POSSIBLE COMMITTEE ACTION](#)
- III. [REQUEST TO APPROVE AWARD OF EXTERNAL AUDIT CONTRACT TO MOSS ADAMS LLP AND POSSIBLE COMMITTEE ACTION](#)
- IV. OTHER BUSINESS
- V. NEXT MEETING: The next Audit Committee Meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.
- VI. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, FEBRUARY 25, 2025

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977 N. Broadway
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President: Annie Chao
Vice President: Janna Sidley

Commissioners: Thuy Huynh
Elizabeth Lee
Gaylord "Rusty" Roten
Sung Won Sohn
Michael R. Wilkinson

Manager-Secretary: Todd Bouey

Executive Assistant: Ani Ghokassian

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- VI. ADJOURNMENT

MINUTES OF THE SPECIAL MEETING
BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

May 14, 2024

9:01 a.m.

PRESENT:	Chair:	Thuy Huynh
	Committee Members:	Elizabeth Lee Janna Sidley
	Commissioners:	Gaylord "Rusty" Roten Michael R. Wilkinson
	Legal Counselor:	Anya Freedman
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian

The Items in the Minutes are numbered to correspond with the Agenda.

Commissioner Roten joined the meeting at 9:16 a.m., and Commissioner Wilkinson joined the meeting at 9:31 a.m. and this was a Special Meeting of the Board of Administration. Any votes were taken by Audit Committee members only.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Chair Huynh asked if there were any public comments on matters within the Committee's jurisdiction, to which there were no public comment cards received.

II

APPROVAL OF MINUTES FOR THE MEETING OF DECEMBER 12, 2023 AND POSSIBLE COMMITTEE ACTION – Committee Member Lee moved approval, and adopted by the following vote: Ayes, Committee Members Lee, Sidley, and Chair Huynh -3; Nays, None.

Commissioner Sidley left the meeting at 9:15 a.m. and returned at 9:32 a.m.

III

RESULTS OF INTERNAL AUDIT'S OPERATIONAL RISK ASSESSMENT SURVEY AND PROPOSED WORKPLAN THROUGH FISCAL YEARS 2024-26 AND POSSIBLE COMMITTEE ACTION – Melani Rejuso, Departmental Audit Manager, Colin Tran, Internal Auditor II, and Mina Habib, Internal Auditor II, presented and discussed this item with the Committee for 30 minutes. There was no action taken on this item.

IV

OTHER BUSINESS – There was no other business.

V

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VI

ADJOURNMENT – There being no further business before the Committee, Chair Huynh adjourned the meeting at 9:34 a.m.

Thuy Huynh
Chair

Neil M. Guglielmo
Manager-Secretary



REPORT TO AUDIT COMMITTEE
From: Todd Bouey, Acting General Manager

MEETING: FEBRUARY 25, 2025
ITEM: III

T. Bouey

SUBJECT: REQUEST TO APPROVE AWARD OF EXTERNAL AUDIT CONTRACT TO MOSS ADAMS LLP AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board:

1. Award a three-year contract to Moss Adams LLP (Moss Adams) to provide external auditing services for a total fee not-to-exceed \$393,000; and,
2. Delegate to the Acting General Manager the authority to execute the agreement with Moss Adams substantially consistent with the attached Proposed Resolution (Attachment 1), subject to satisfactory business and legal terms.

Executive Summary

The contract with the current External Auditor, Moss Adams, is set to expire on June 30, 2025. On November 5, 2024 the Request for Proposal (RFP) was published for LACERS' External Auditor with proposals due on December 9, 2024. Six interested firms submitted proposals. After careful review of the proposals and interviews with the top three ranked firms, staff recommend Moss Adams for a contract to provide auditing services. As Moss Adams has provided external auditing services to LACERS for the last five years, staff believe that their familiarity with LACERS operations and processes will increase the overall efficiency, accuracy, and reliability of the financial audit process and resulting reports. It is also considered an industry standard to retain the financial auditor for at least five years.

Discussion

Background

LACERS utilizes the services of an external auditor to audit LACERS' annual financial statements prepared pursuant to the City Charter Section 1158(d). Financial statements audits are conducted in accordance with Generally Accepted Auditing Standards, and results in the publication of an independent opinion by the auditor on whether the financial statements are fairly presented. Audited financial statements are necessary to comply with Section 7504(c) of California Government Code which requires that all California Public Retirement Systems furnish audited financial statements to the

State Controller annually within six months of the close of each fiscal year. The City also requires information from LACERS audited financial statements to be included in the Citywide Annual Comprehensive Financial Report (ACFR).

On June 23, 2020, as the result of an RFP process, the Board approved a three-year contract with Moss Adams for external auditing services. The contract was subsequently extended for two one-year periods in June 2023 and June 2024. Contract fees with Moss Adams totaled \$560,000 in the last five years and \$376,000 in the most recent three years.

As a result of the recently issued RFP for LACERS' External Auditor, proposals were received from six firms listed below with the three-year audit fee ranging from \$343,815 to \$393,000:

- Brown Armstrong
- Eide Bailly LLP
- Insight Examinations, Inc.
- Macias Gini & O'Connell LLP (MGO)
- Moss Adams LLP
- UHY LLP

Evaluation of Proposals

Staff evaluated the proposals based on three levels of review as published in the RFP. Levels 1 & 2 were completed by Administrative Division staff while Level 3 review and final interviews were completed by a panel of four senior staff from Internal Audit and Fiscal Management divisions. The evaluation results are described below:

Level 1 Review – Administrative Responsiveness

Staff conducted a preliminary evaluation of the proposals to determine compliance with proposal requirements and mandatory document submissions. All six proposers submitted requested information and forms within the required timeframe and manner requested in the RFP. Three of the six firms provided acknowledgement of acceptance of the City and LACERS' standard contracting terms while Moss Adams, MGO, and Eide Bailly submitted substitutions for consideration. Staff determined that all six firms successfully passed Level 1 review and moved them forward to Level 2 review.

Level 2 Review – Minimum Qualifications & Experience

Proposals were then reviewed for minimum qualifications and demonstration of positive record as a responsible contractor. Five of the six firms exceeded the required minimum qualifications of previous experience in auditing large governmental agencies/retirement systems with at least one billion dollars in plan net assets with Insight Examinations, Inc. being unconfirmed to meet this minimum requirement. All six firms proposed an engagement partner licensed to practice in the State of California as a certified public accountant to lead LACERS' financial audit engagements. All six proposals were then moved forward to Level 3 review to be ranked by an evaluation panel.

Level 3 Review – Panel Ranking

Four senior staff with Internal Audit and Fiscal Management Division ranked the proposals based on scoring criteria and corresponding weightings published in the RFP as follows:

Criteria	Weight/Max Points
Qualifications, Experience, and Accomplishments	35
Proposed Scope of Services	30
Value of Cost	20
Professionalism	15

Panel members individually rated the bids. Individual scores were averaged and tabulated to compute the overall final score for each firm. Based on the panel's average scores prior to the interview, the following firms ranked as the top three:

- Moss Adams
- MGO
- Brown Armstrong

Interviews

All three firms are fully qualified and would provide good value to LACERS. Panel members interviewed the three firms on topics including but not limited to additional information on the firm's audit approach, transition process, auditing of private investment assets, quality control process, review of actuarial valuation numbers, and the nature of assistance provided to clients on implementation of Governmental Accounting Standards Board (GASB) and other pension accounting and financial reporting standards.

The goal of the RFP is to survey the marketplace to identify other interested qualified firms and to secure services at a reasonable cost which best fits LACERS' needs. In accordance with proposal review and additional interviews conducted, the RFP panel believes Moss Adams provides the best overall value to LACERS.

Moss Adams is one of the 15 largest accounting firms in the nation and the fourth largest pension and employee benefit plan audit provider. As one of the largest firms in California, Moss Adams can provide the necessary resources for LACERS' needs. The firm also has teams devoted to retirement and benefit plan audits which gives the firm a deep understanding of public retirement systems. Moss Adams is an active member of the American Institute of Certified Public Accountants (AICPA) State & Local Government Expert Panel Task Force for Public Employee Retirement Systems and frequently speaks on governmental pensions and retirement and other post-employment benefits (OPEB) systems to local and national audiences. Staff believe LACERS would benefit greatly from the industry expertise and thorough audit approach that the Moss Adams team would bring to LACERS' audit engagement.

Scope of Required Audit and Related Services

Below is a summary of services required to be provided by the selected independent auditor:

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 the City's external auditor, LACERS staff and actuaries, as needed.
4. Provide related advisory services regarding:
 - Technical matters related to filing for the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.
 - GASB pension accounting and financial reporting requirements.

Fees

LACERS paid approximately \$128,000 for audit services for the most recent fiscal year ended June 30, 2024. Moss Adam's proposed fee, to include all out-of-pocket type expenses for each year, are as follows:

- June 30, 2025 Audit Fee - \$129,000
- June 30, 2026 Audit Fee - \$131,000
- June 30, 2027 Audit Fee - \$133,000

Prepared By: Colin Tran, Internal Auditor III

TB/CT

Attachments: 1. Proposed Resolution

CONTRACT WITH MOSS ADAMS LLP
FOR EXTERNAL AUDITING SERVICES

PROPOSED RESOLUTION

WHEREAS, LACERS desires to engage the services of a public accounting firm to provide external auditing services, included but not limited to: (1) performing the audit to express an opinion on fair presentation of LACERS' basic financial statements (Retirement Plan & Postemployment Health Care Plan); (2) performing the audit to express an opinion on schedules related to Governmental Accounting Standards Board (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; (3) performing the audit to express an opinion on fair presentation of LACERS' 977 Building operations basic financial statements and notes to financial statements (4) issuing a separate audit opinion on Section 115 Trust Fund financial statements; and (5) providing ongoing advisory services regarding GASB pension accounting and reporting requirements, as well as technical matters related to filing for the Certificate in Excellence in Financial Reporting from the Governmental Finance Officers Association;

WHEREAS, LACERS issued a Request for Proposal for External Auditor on November 5, 2024 and received six proposals for the external auditing engagement by the December 9, 2024 deadline; and,

WHEREAS, Moss Adams LLP was selected by a review panel as the best qualified firm to meet LACERS' needs;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves a contract with Moss Adams, and authorizes the General Manager to execute the necessary documents, within the following terms, subject to City Attorney review:

EXTERNAL AUDITOR: Moss Adams LLP

TERM: July 1, 2025 to June 30, 2028

AMOUNT: \$393,000, as follows:

- FYE June 30, 2025 Audit Fee - \$129,000
- FYE June 30, 2026 Audit Fee - \$131,000
- FYE June 30, 2027 Audit Fee - \$133,000