

December 2020



REQUEST FOR PROPOSAL

Auditing and Consulting Services Pool

Kathryn Ton, Senior Internal Auditor
626-564-6000 ext. 3525 | kton@lacera.com
300 N. Lake Avenue, Suite 840
Pasadena, CA 91101

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**LACERA
REQUEST FOR PROPOSAL (RFP)
AUDITING AND CONSULTING SERVICES AUDIT POOL
ISSUED: DECEMBER 2020**

1. INTRODUCTION

1.1. Purpose of Request

The Los Angeles County Employees Retirement Association (LACERA), a \$58.4 billion public pension fund, is seeking proposals to establish a pool of pre-qualified firms (as defined in Section 1.6 below) to perform audits, advisory services, consulting and special projects as it relates to organizational activities, information technology, or investment-related services. The engagement should be performed in accordance with the appropriate auditing standards for the applicable engagement as agreed upon at the time of service.

Firms may be selected, deleted, or added on a continuous basis during the life of the pool, which shall not exceed LACERA's maximum five-year term. LACERA anticipates assigning audit engagements to firms included in the Audit Pool for services as described in section 3, Scope of Services, of this RFP. Inclusion in the Audit Pool does not guarantee a firm will be awarded any engagements.

1.2. Instructions for Response

Respondents to this RFP must submit the following for delivery **no later than 5:00 PM PDT on February 1, 2021** to the Point of Contact specified in Section 1.3. below:

- An electronic copy of the written response to this RFP. Exhibit B specifies the services that LACERA seeks.
- An electronic copy of the written response marked "REDACTED", if applicable (See Section 5, Notice to Respondents Regarding the Public Records Act and Ralph M. Brown Act). The redacted copy should exclude all material from your proposal that you wish to disclose to LACERA but that you believe in good faith is exempt from disclosure under the California Public Records Act, Cal. Government Code Section 6250, et seq. Redactions should appear as blacked out material or blank page(s) with the word "REDACTED" or "PROPRIETARY" inserted. LACERA will comply with its legal obligations under the Public Records Act with respect to disclosure of redacted material. See Section IV below.
- Submittals shall be double sided with text in at least 10-point font, but no larger than 12-point font. Submittals shall address all RFP sections in the same order presented and be responsive to each section. Optional material such as brochures or company information may be included as an attachment but will not be counted as responsive to this RFP.

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Responses received after the specified deadline may be considered for evaluation solely at the discretion of LACERA. In addition, LACERA reserves the right to request additional information or clarifications from respondents, or to allow corrections of errors or omissions.

1.3. Contacts with LACERA Personnel

Contacts with LACERA personnel regarding this RFP, and all inquiries and requests for information shall be directed to the Point of Contact identified below:

Kathryn Ton
Senior Internal Auditor
LACERA

Gateway Plaza
300 North Lake Avenue, Suite 840
Pasadena, CA 91101-4199

Email: kton@lacera.com
Phone: 626-564-6000 ext. 3525

1.4. Intent to Respond

If your firm chooses to respond to this RFP, please submit the Intent to Respond and identify the Exhibits (B-1, B-2 and/or B-3) for which you are applying via email to Kathryn Ton by 5:00 p.m. PDT, January 18, 2021. Failure to submit your Intent to Respond may disqualify your firm from submitting a response to this RFP.

1.5. RFP Questions

All questions, inquiries, and requests for additional information concerning this RFP should be directed to the Point of Contact, either by mail or email no later than December 31, 2020. LACERA's responses to written requests for clarification, or additional information, will be provided to all firms that have submitted an Intent to Respond posted to LACERA's website in the RFP page.

1.6. Quiet Period

Upon publication of this RFP, there shall be a quiet period to ensure that the RFP process is efficient, diligent, and fair. The quiet period is a "no contact period" and is intended to establish guidelines by which Trustees and staff will communicate with any firm that intends to or actually does submit a response to the RFP ("Firm"). Questions concerning the quiet period should be directed to LACERA's Legal Office.

The quiet period shall continue until a final selection is made or the process is otherwise terminated. During the quiet period, all Trustees and staff, except for designated LACERA contact persons, shall refrain from communicating with Firms.

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During the quiet period, no Trustee or staff member shall accept meals, travel, lodging, entertainment, or any other good or service of value from any Firm. If any Trustee or staff member is contacted by a Firm during the quiet period about a matter relating to the pending selection, the Trustee or staff member shall refer the Firm to the Project Manager and report the contact to the Chief Counsel.

The quiet period does not prevent Board-approved meetings or communications by staff with an incumbent contractor that is also a bidding Firm, so long as their communication is strictly limited to matters necessary in connection with the contractor's existing scope of work.

The quiet period does not prevent Board-approved meetings and communications by staff with any bidding Firm to the extent such communication is necessary as part of a due diligence process or necessary in connection with other LACERA business. Other than due diligence, discussion related to the pending selection is not permitted during these activities. A Firm may be disqualified from a search process for a willful violation of this policy.

1.7. RFP Selection Criteria

RFPs will be evaluated according to Exhibit D, Selection Criteria. LACERA staff may select Firms based upon the selection criteria or utilizing a combination of interviews and reference verification.

1.8. RFP Important Dates

The following table provides a tentative schedule of important dates and deadlines for this RFP. All dates are subject to modification by LACERA without notice.

Task	Date
Issuance of Request for Proposal	December 14, 2020
Written Questions and Requests for Clarification Due	December 31, 2020
Responses to Written Questions Posted	January 11, 2021
Intent to Respond Closing Date	January 18, 2021
Request for Proposals Due	February 1, 2021
Selection of Firms	March 1, 2021

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2. BACKGROUND INFORMATION

LACERA was established in 1938 under the provisions of the County Employees Retirement Law of 1937 (Government Code Section 31450 et. seq.) ("CERL"). The California Constitution, CERL, the Public Employees' Pension Reform Act of 2013 (Government Code Section 7522 et seq.) ("PEPRA"), and the bylaws, procedures, and policies adopted by its two governing bodies, the Board of Retirement and Board of Investments, govern LACERA's operations.

LACERA collects, deposits, invests, and manages retirement trust funds solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries. As of June 30, 2019, LACERA's membership included 108,000 active and deferred members and 66,000 retired members. LACERA acts as a fiduciary agent for the accounting and control of member and employer contributions and investment income. As of June 30, 2019, the pension fund had net assets of \$58.4 billion.

The Board of Retirement is responsible for the general management of LACERA. Daily functions include the administration of retirement, disability and death benefits, member services, financial and accounting operations, information technology management, and administration of other post-employment benefits and related funding.

The Board of Investments is responsible for LACERA's investment program. This includes the development of investment strategies, objectives, guidelines, and policies. The Board of Investments may directly invest the assets of LACERA or may delegate investment authority to outside investment managers who are required to operate according to law and in conformance with LACERA's Investment Policy Statement and any other investment policies adopted by the Board of Investments.

2.1 LACERA's Internal Audit

The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. Internal Audit helps LACERA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Chief Audit Executive (CAE) reports directly to LACERA's Board of Retirement and Board of Investments through the Audit Committee for functional purposes and administratively to LACERA's Chief Executive Officer (CEO). Internal Audit consists of ten staff members.

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2.2 Audit Pool Process

In the future, LACERA may seek to “refresh” the Audit Pool by adding new firms. When refreshing the pool, LACERA may either re-issue this RFP or target specific firms for possible inclusion in the pool, in its sole discretion, will determine the necessity of advertising.

LACERA will ensure that all new firms selected must meet the same minimum qualifications as stated in this RFP. Firms shall satisfy all selection criteria as is applicable to the pool.

LACERA may refresh the Audit Pool to change criteria as necessary to meet the needs of the Internal Audit Division as the program evolves over time. Existing pool members will be advised of LACERA's intent to add a new service category and afforded an opportunity to submit a proposal for the service category.

If LACERA determines that an audit pool no longer serves the best interests of LACERA, then it may eliminate it. Contracts awarded to firms at the time of creation of the Audit Pool shall all be of the same defined duration, with a right for LACERA to terminate the contracts for convenience at any time. Any contracts issued to firms joining the pool after its creation shall be awarded for a term necessary to make the expiration date coincide with that of the initial group. Each Audit Pool member is bound to honor the compensation, fee, or proposal that formed the basis for its including in the pool. LACERA will approve changes to fees on an annual basis.

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3. SCOPE OF SERVICES

ORGANIZATIONAL ACTIVITIES

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Engagements could include:

Performing audits/reviews (compliance, performance, operational, investigations, enterprise risk management assessments, and business continuity reviews), co-sourcing audits, and/or providing research and technical assistance for identifying and evaluating the effectiveness of internal controls encompassing LACERA, its business, governance, and operations, including any auditable entity or activity that the Internal Audit Division may identify.

1. Examples of Audit Engagements

The audit engagement may include any or all of the following:

- Perform a risk assessment of auditable activities
- Prepare an engagement letter to the auditee(s) prior to beginning on-site work
- Schedule and lead an entrance conference
- Develop an audit plan and audit program that includes specific audit steps
- Discuss audit plan and audit program with Internal Audit
- Obtain Internal Audit written approval for the audit plan and program
- Provide progress reports to Internal Audit or designee on engagement
- Discuss audit findings with Internal Audit
- Schedule and lead exit conferences
- Prepare draft and final audit reports
- Provide advice and training on the audit area as requested by Internal Audit
- Provide materials and present audit results or be available for questioning during Audit Committee meetings
- Perform follow-up work, as necessary

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2. Examples of Co-source Audits and Co-source Consulting Engagements

- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Examples of Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
- Provide technical assistance for evaluating and analyzing data
- Provide assistance, advice, and training
- Perform and/or provide technical assistance with risk assessments
- Management assessment and planning
- Advise in area of best practices
- Provide subject matter expertise

4. Examples of Training Engagements

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

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INFORMATION TECHNOLOGY

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Information Technology (IT) audit engagements can include a review of information systems-related activities within LACERA. These engagements may require specialists with knowledge and experience in information technology to test or acquire data from an IT system. Some engagements might require the use of portions of Information Systems Audit and Control Association's (ISACA's) Control Objectives for Information and related Technology (CobiT) 5 framework, National Institute of Standards and Technology (NIST) or other frameworks. Some engagements may require data recovery skills. Possible activities could include a technical assessment of LACERA's IT systems or projects, IT risk assessments, data management, integrity and reliability, application development, IT customer service, network security, penetration tests or other activities within LACERA.

1. Examples of Audit Engagements

The audit engagement may include any or all of the following:

- Perform a risk assessment of auditable activities
- Prepare an engagement letter to the auditee(s) prior to beginning on-site work
- Schedule and lead an entrance conference
- Develop an audit plan and audit program that includes specific audit steps
- Discuss audit plan and audit program with Internal Audit
- Obtain Internal Audit written approval for the audit plan and program
- Provide progress reports to Internal Audit or designee on engagement
- Discuss audit findings with Internal Audit
- Schedule and lead exit conferences
- Prepare draft and final audit reports
- Provide advice and training on the audit area as requested by Internal Audit
- Provide materials and present audit results or be available for questioning during Audit Committee meetings
- Perform follow-up work, as necessary

2. Examples of Co-source Audits and Co-source Consulting Engagements

- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit

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or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Examples of Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
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INVESTMENTS

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Investment engagements could include but are not limited to auditing and consulting related to the following asset classes within LACERA's Investments Office. Please reference the Investment Policy Statement at https://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/investment_policy_stmt.pdf

- Growth – such as global equity, private equity, and opportunistic real estate
- Credit-Oriented Fixed Income – such as high-yield bonds, bank loans, emerging market debt, and illiquid credit
- Real Assets and Inflation Hedges – such as core and value-added real estate, natural resources/commodities, infrastructure, and TIPS
- Risk Reducing and Mitigating – such as investment grade (IG) bonds, diversified hedge fund portfolio, and cash

1. Examples of Audit Engagements

The audit engagement may include any or all of the following:

- Perform a risk assessment of auditable activities
- Prepare an engagement letter to the auditee(s) prior to beginning on-site work
- Schedule and lead an entrance conference
- Develop an audit plan and audit program that includes specific audit steps
- Discuss audit plan and audit program with Internal Audit
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- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Examples of Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
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4. MINIMUM QUALIFICATIONS

All respondents must clearly demonstrate and document in the proposal the following minimum qualifications:

- A. The proposing firm must have been a professional firm that provides audit and/or consulting services for the past three (3) years.
- B. The proposing firm must have performed audit and consulting services in the applied for specialty areas in this RFP within the past three (3) years.
- C. Key Personnel (Director, Manager/Supervisor) with planning and on-site supervisory responsibilities must have at least five (5) years of experience in the applied for specialty areas set forth in this RFP.

LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in our sole discretion.

5. NOTICE TO RESPONDENTS REGARDING THE PUBLIC RECORDS ACT AND RALPH M. BROWN ACT

The information you submit in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (Cal. Gov. Code Section 6250, et seq., the "Act") in the sole discretion of LACERA based on its interpretation of its legal obligations under the Act. The Act provides generally that all records relating to a public agency's business are open to public inspection and copying, unless specifically exempted under one of several exemptions set forth in the Act. In addition, if LACERA staff chooses to recommend your Firm to the Board of Retirement for hiring, such recommendation and the relevant proposal(s) will appear on a publicly posted agenda for a public meeting of the Board of Retirement in accordance with the Ralph M. Brown Act (Cal. Gov. Code Section 54950, et seq.), and parts or all of your proposal may be included in the agenda packet that is available to the public generally. If it is included in the agenda packet, your proposal will not be exempt from disclosure under the Act.

If you believe that any portion of your response to this RFP that is provided to LACERA for its review is exempt from public disclosure under the Act and should not be included as part of the agenda packet, you must mark such portion "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," make it readily separable from the balance of your response and offer a brief explanation for the exemption under the Act. Responses marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY" in their entirety will not be honored, and LACERA will not deny disclosure of all or any portion of responses so marked. By submitting a response

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with material marked “TRADE SECRET,” “CONFIDENTIAL,” or “PROPRIETARY” you represent you have a good faith belief that the material is exempt from disclosure under the Act; however, such designations will not be conclusive or bind LACERA.

You may be required to justify in writing why such material should not, upon request, be disclosed by LACERA under the Act and should not be included in the agenda packet. Fee and pricing proposals are not considered “TRADE SECRET,” “CONFIDENTIAL,” OR “PROPRIETARY”. LACERA may also in its sole discretion produce any information in your RPF response, including information marked “TRADE SECRET,” “CONFIDENTIAL,” or “PROPRIETARY,” in response to a Public Records Act request if LACERA believes it is required by law to do so.

If a request is made pursuant to the Act for materials you have marked “TRADE SECRET,” “CONFIDENTIAL,” or “PROPRIETARY,” and LACERA agrees that the material requested is not subject to disclosure under the Act, LACERA will either notify you so you can seek a protective order at your own cost and expense, or LACERA will not disclose those materials. If LACERA denies public disclosure, then by submitting your proposal you agree to reimburse LACERA for, and to indemnify, defend, and hold harmless LACERA, its officers, fiduciaries, employees, and agents from and against any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs, and expenses including, without limitation, attorneys' fees, expenses, and court costs of any nature whatsoever (collectively, “Claims”) arising from, in connection with or relating to LACERA's nondisclosure. By submitting your proposal, you also agree to indemnify, defend, and hold LACERA harmless from and against any and all Claims arising from, in connection with, or relating to LACERA's public disclosure of any such designated portions of your response if LACERA reasonably determines disclosure is required by law, or if disclosure is ordered by a court of competent jurisdiction.

Nothing in this RFP requires LACERA to withhold any documents from production under the Act.

6. NOTICE TO RESPONDENTS REGARDING LACERA DATA PROTECTION

LACERA, its consultants, vendors, and contractors have a duty to protect all LACERA data, including without limitation, information related to members and beneficiaries, finances, systems, and operations.

Depending upon the scope of work, the finalist selected through this procurement may have access to sensitive information protected by LACERA's internal policies, state law, and federal law. In such a case, by submitting a proposal, respondent agrees to subject itself to certain contractual terms designed to protect such information, including without limitation cyber liability insurance, SOC-2 reports (or,

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in the alternative, a *Security Controls Report* as per Exhibit G), systems penetration testing, and HIPAA Business Associate agreements, as the case may be.

7. RESPONSES BECOME LACERA PROPERTY

The information you submit in response to this RFP will become the exclusive property of LACERA. Your response will not be returned to you, and LACERA will not be liable for and will not reimburse you for any costs your Firm incurs in connection with the preparation or submission of any proposal.

8. CONTRACT NEGOTIATIONS

Upon Board approval, staff will enter into contract negotiations with the approved Firm(s). LACERA may terminate negotiations, at its sole discretion, if it believes a satisfactory agreement cannot be negotiated. LACERA reserves the right to award a contract based upon proposals received; you should not rely upon the opportunity to alter your proposal (e.g., services to be provided, fees, etc.) during contract negotiations.

The final contract must allow LACERA to terminate a) for its convenience, b) if funds are not appropriated for the services to be provided, and c) for default.

The general form of the contract LACERA intends to use for this engagement is attached as Exhibit E. By submitting a proposal without comment on the general form contract, Firm agrees to each term in the contract, and will not seek any modifications to the contract. LACERA has the right to change, or negotiate contract terms different than those in Exhibit E in our sole discretion.

If a Firm objects to a term in the general form contract, or wishes to modify or add terms, the Firm's proposal must identify each objection, and propose language for each modification and additional term sought, including the rationale for the change. LACERA reserves the right to make changes to the contract prior to execution, including material changes.

9. RESERVATIONS BY LACERA

LACERA reserves the right to cancel this RFP, in whole or in part, any time before the closing date.

LACERA is not liable and will not reimburse you for any costs your Firm incurs in connection with the preparation or submission of any proposal.

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If you submit a response to this RFP, LACERA reserves the right to make such investigations as it deems necessary to determine your ability to furnish the required services, and you agree to furnish all such information for this purpose as LACERA may request.

LACERA also reserves the right to reject the proposal of anyone who is not currently in a position to perform the contract, or who has previously failed to perform similar contracts properly, or in a timely manner.

LACERA reserves the right to reject, in whole or in part, any and all proposals received; waive minor irregularities; negotiate in any manner necessary to best serve the public interest, and make a whole award, multiple awards, partial award, or no award.

LACERA reserves the right to award a contract, if at all, to the Firm or Firms that, in LACERA's sole discretion and judgment, will provide the best match to the requirements of the RFP and the needs of LACERA, which may not be the proposal offering the lowest fees.

LACERA reserves the right to request additional documentation or information from Firm. Requested information may vary by Firm. LACERA may ask questions of any Firm to seek clarification of a proposal or to ensure the Firm understands the scope of the work or other terms of the RFP. LACERA reserves the right to terminate or modify this RFP.

LACERA reserves the right to submit the final agreement between LACERA and the Firm to the BOR, BOI, or both, as applicable, for approval.

This RFP is not an offer of a contract. Acceptance of a proposal does not commit LACERA to award a contract to any Firm, even if the Firm satisfied all requirements stated in this RFP. Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a proposal. LACERA reserves the right to choose to not enter into an agreement with any of the respondents to this RFP.

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**EXHIBIT A
INTENT TO RESPOND AND
MINIMUM QUALIFICATIONS CERTIFICATION**

Intent to Respond

If you choose to respond to this RFP, please submit this form to Kathryn Ton via email no later than 5:00 p.m. PDT, January 18, 2021. Failure to submit your Intent to Respond may disqualify your firm from submitting a proposal.

LACERA's responses to written requests for clarification or additional information will be provided to all firms that have submitted an Intent to Respond.

To:	Kathryn Ton	From:	
Co.:	LACERA – Internal Audit	Title:	
Phone:	626-564-6000 ext. 3525	Co.:	
Email:	kton@lacera.com	Phone:	
Re:	Intent to Respond	Email:	
		Date:	

Our firm intends to submit a response for LACERA's RFP for the Auditing and Consulting Services Audit Pool. Check all services areas for which you are applying.

Exhibit B-1 _____ Exhibit B-2 _____ Exhibit B-3 _____

Please forward inquiries to the following contact:

Name: _____

Title: _____

Company: _____

Mailing Address: _____

Telephone: _____

Facsimile: _____

Email Address: _____

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MINIMUM QUALIFICATIONS CERTIFICATION

All Firms are required to sign and return this attachment, along with written evidence of how you meet each qualification. The undersigned hereby certifies that the Firm submitting this response fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

Minimum Qualifications include:

Auditor Minimum Qualifications*	Yes	No
The proposing firm must have been a professional firm that provides audit and/or consulting services for the past three (3) years.		
The proposing firm must have performed audit and consulting services in the applied for specialty areas in this RFP within the past three (3) years.		
Key Personnel (Director, Manager/Supervisor) with planning and on-site supervisory responsibilities must have at least five (5) years of experience in the applied for specialty areas set forth in this RFP.		

* LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in our sole discretion.

The undersigned hereby certifies that he/she is an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.

Authorized Signature

Date

Name and Title (please print)

Name of Firm

**LACERA
REQUEST FOR PROPOSALS
AUDITING AND CONSULTING SERVICES AUDIT POOL
ISSUED: DECEMBER 2020**

**EXHIBIT B-1
STATEMENT OF WORK**

ORGANIZATIONAL ACTIVITIES

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Engagements could include:

Performing audits/reviews (compliance, performance, operational, financial, investigations, enterprise risk management assessments, and business continuity reviews), and/or providing research and technical assistance for identifying and evaluating the effectiveness of internal controls encompassing LACERA, its business, governance, and operations, including any auditable entity or activity that the Internal Audit Division may identify.

1. Examples of Audit Engagements

The audit engagement may include any or all of the following:

- Perform a risk assessment of auditable activities
- Prepare an engagement letter to the auditee(s) prior to beginning on-site work
- Schedule and lead an entrance conference
- Develop an audit plan and audit program that includes specific audit steps
- Discuss audit plan and audit program with Internal Audit
- Obtain Internal Audit written approval for the audit plan and program
- Provide progress reports to Internal Audit or designee on engagement
- Discuss audit findings with Internal Audit
- Schedule and lead exit conferences
- Prepare draft and final audit reports
- Provide advice and training on the audit area as requested by Internal Audit
- Provide materials and present audit results or be available for questioning during Audit Committee meetings
- Perform follow-up work, as necessary

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2. Examples of Co-source Audits and Co-source Consulting Engagements

- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Examples of Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
- Provide technical assistance for evaluating and analyzing data
- Provide assistance, advice, and training
- Perform and/or provide technical assistance with risk assessments
- Management assessment and planning
- Advise in area of best practices
- Provide subject matter expertise

4. Examples of Training Engagements

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

**LACERA
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**EXHIBIT B-2
STATEMENT OF WORK**

INFORMATION TECHNOLOGY

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Information Technology (IT) audit engagements can include a review of information systems-related activities within LACERA. These engagements may require specialists with knowledge and experience in information technology to test or acquire data from an IT system. Some engagements might require the use of portions of Information Systems Audit and Control Association's (ISACA's) Control Objectives for Information and related Technology (CobiT) 5 framework, National Institute of Standards and Technology (NIST) or other frameworks. Some engagements may require data recovery skills. Possible activities could include a technical assessment of LACERA's IT systems or projects, IT risk assessments, data management, integrity and reliability, application development, IT customer service, network security, penetration tests or other activities within LACERA.

1. Examples of Audit Engagements

The audit engagement may include any or all of the following:

- Perform a risk assessment of auditable activities
- Prepare an engagement letter to the auditee(s) prior to beginning on-site work
- Schedule and lead an entrance conference
- Develop an audit plan and audit program that includes specific audit steps
- Discuss audit plan and audit program with Internal Audit
- Obtain Internal Audit written approval for the audit plan and program
- Provide progress reports to Internal Audit or designee on engagement
- Discuss audit findings with Internal Audit
- Schedule and lead exit conferences
- Prepare draft and final audit reports
- Provide advice and training on the audit area as requested by Internal Audit
- Provide materials and present audit results or be available for questioning during Audit Committee meetings
- Perform follow-up work, as necessary

2. Examples of Co-source Audits and Co-source Consulting Engagements

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- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Examples of Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
- Provide technical assistance for evaluating and analyzing data
- Provide assistance, advice, and training
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4. Examples of Training Engagements

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

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**EXHIBIT B-3
STATEMENT OF WORK**

INVESTMENTS

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Investment engagements could include but are not limited to auditing and consulting related to the following asset classes within LACERA's Investments Office. Please reference the Investment Policy Statement at https://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/investment_policy_stmt.pdf

- Growth – such as global equity, private equity, and opportunistic real estate
- Credit-Oriented Fixed Income – such as high-yield bonds, bank loans, emerging market debt, and illiquid credit
- Real Assets and Inflation Hedges – such as core and value-added real estate, natural resources/commodities, infrastructure, and TIPS
- Risk Reducing and Mitigating – such as investment grade (IG) bonds, diversified hedge fund portfolio, and cash

1. Examples of Audit Engagements

The audit engagement may include any or all of the following:

- Perform a risk assessment of auditable activities
- Prepare an engagement letter to the auditee(s) prior to beginning on-site work
- Schedule and lead an entrance conference
- Develop an audit plan and audit program that includes specific audit steps
- Discuss audit plan and audit program with Internal Audit
- Obtain Internal Audit written approval for the audit plan and program
- Provide progress reports to Internal Audit or designee on engagement
- Discuss audit findings with Internal Audit
- Schedule and lead exit conferences
- Prepare draft and final audit reports
- Provide advice and training on the audit area as requested by Internal Audit
- Provide materials and present audit results or be available for questioning during Audit Committee meetings
- Perform follow-up work, as necessary

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2. Examples of Co-source Audits and Co-source Consulting Engagements

- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Examples of Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
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4. Examples of Training Engagements

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

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**EXHIBIT C
FEE SCHEDULE**

Proposer must complete the following table with maximum hourly rates for all relevant staff levels. Travel and per diem will be in accordance with LACERA's Education and Travel Policy. Proposer must complete all boxes for the proposing work area(s).

Note: The time period for an awarded agreement may be up to five (5) years. Rates may not increase (1) more than 3% annually and (2) more than once during any 12-month period.

ORGANIZATIONAL ACTIVITIES

Engagement Types	Audits	Co-source Audits	Consulting	Co-source Consulting	Training
	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate
Management Levels	\$	\$	\$	\$	\$
Staff Levels	\$	\$	\$	\$	\$

INFORMATION TECHNOLOGY

Engagement Types	Audits	Co-source Audits	Consulting	Co-source Consulting	Training
	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate
Management Levels	\$	\$	\$	\$	\$
Staff Levels	\$	\$	\$	\$	\$

INVESTMENTS

Engagement Types	Audits	Co-source Audits	Consulting	Co-source Consulting	Training
	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate
Management Levels	\$	\$	\$	\$	\$
Staff Levels	\$	\$	\$	\$	\$

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**EXHIBIT D
SELECTION CRITERIA**

The selection criteria below and the weighting schedule of the evaluation factors is a guide only and does not bind or limit LACERA in any way in its selection of firms.

A. General Information

This section describes the guidelines LACERA will use to analyze and evaluate proposals. LACERA reserves the right to evaluate all factors deemed appropriate, whether or not such factors have been stated in this section. This RFP is not an offer of an agreement (contract). Acceptance of a proposal neither commits LACERA to award a contract to any Proposer, even if the Proposer has satisfied all requirements stated in this RFP. Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a proposal.

B. Evaluation Committee

An Evaluation Committee consisting of LACERA staff will evaluate the proposals.

C. Evaluation of Proposals

LACERA will initially review all proposals to determine the responsiveness to this RFP. LACERA will perform an evaluation of each proposal. Criteria used as the basis for evaluation shall include:

- Adherence to RFP Instructions
- Professional capability, demonstrated competence, and specialized experience of the proposer
- Staffing capability, workload, and ability to meet schedules
- Experience and education of key personnel
- Diversity and inclusion efforts within the Firm
- Nature and quality of completed services for other clients
- Reliability and continuity of firm
- Approach and methodology for performing engagements in the service area(s) you will submit proposal(s)
- Proposed agreement terms and price proposal

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The factors will be considered as a whole, without a specific weighting. The balancing of the factors is in LACERA's sole discretion. Factors other than those listed may be considered by LACERA in making its selection.

D. Right to Reject Proposals

Notwithstanding, anything contained in this RFP to the contrary, LACERA reserves the right without prejudice to reject any or all proposals.

E. Incomplete Proposals

If the information provided in a Proposer's proposal is deemed by the Evaluation Committee to be insufficient for evaluation, LACERA reserves the right to request additional information or to reject the proposal outright. False, incomplete, or unresponsive statements in connection with a proposal may be sufficient cause for its rejection. The evaluation and determination of the fulfillment of the requirements will be determined by LACERA, and LACERA alone, and such judgment shall be final.

F. Formal Presentations

During the evaluation process, any one or more of the Proposers may be requested to make a formal presentation to the Board of Retirement, Board of Investments, or a Committee of the Board such as the Audit Committee. Such presentation will provide the Proposer with an opportunity to answer any questions LACERA may have regarding the Proposer's proposal. Expenses incurred by the Proposer for such presentation will not be reimbursed.

G. Agreement Negotiations

Contract negotiations will be initiated upon CAE approval, LACERA expects contract negotiations to be brief. If the contract cannot be negotiated quickly with the selected Proposer, LACERA may, in its sole discretion, terminate negotiations with the selected Proposer and commence contract negotiations with another party, whether or not that party submitted a proposal to this RFP.

H. Agreement Approval and Award

LACERA reserves the right to submit the final Audit Services Agreement (contract) to the Boards or Committee for approval.

After approval and agreement award by LACERA, all Proposers will be notified of the outcome.

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EXHIBIT E

AGREEMENT FOR SERVICES

This Contract for Auditing and Consulting Services Pool (“Contract”) is made and entered into by and between Los Angeles County Employees Retirement Association (“LACERA”) and [] (“Consultant”), and is effective as of the date shown in Section 5.

Recitals

LACERA seeks to select a pool of external firms with subject matter expertise to perform independent reviews of the organization’s activities, including information technology and investment-related services. Consultant represents that they possess the qualifications and expertise necessary to provide auditing or consulting services to assist the Internal Audit Division in the performance of its duties and desires to provide such services to LACERA.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

Contract

1. Services to be Provided.

1.1 Consultant agrees to perform the services (“Services”) described in the Statement of Work (“Statement of Work”) attached to this Contract as Exhibit B.

1.2 Consultant agrees to perform the Services at LACERA’s offices, and with LACERA’s consent, via telephone or email, and when appropriate, at a location of Consultant’s choice.

1.3 All writings prepared or furnished by Consultant to LACERA in the performance of this Contract shall be the exclusive property of LACERA and may be used by LACERA, as LACERA deems appropriate.

1.4 Consultant’s quality of service will be at least equivalent to that which Consultant provides to other clients he serves in the same capacity. Consultant will be held to the same standard of care, skill, prudence, and diligence that applies to other experts practicing in a like enterprise.

2. Independent Contractor.

2.1 Consultant agrees to perform the Services as an independent contractor and agrees they will be acting at all times as such. Neither party intends, and this Contract may not to be construed, to create any relationship of agent, servant, employee, partnership, joint

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venture, or association between Consultant and LACERA. Consultant is not, and will not, be deemed to be for any purpose (including, without limitation, Workers' Compensation) an employee of Los Angeles County (the "County"). Consultant is not entitled to any rights, benefits, or privileges of County employees. Consultant is not eligible to participate in any insurance, savings, pension, or deferred compensation offered by LACERA or the County.

2.2 Consultant has no power or authority to assume or create any obligation or responsibility, express or implied, on behalf of LACERA or the County, or to bind LACERA or the County in any way whatsoever.

2.3 Consultant accepts full and complete responsibility for filing all tax returns and paying all taxes, which may be required, or due for payments received from LACERA under this Contract. LACERA will memorialize payments for Consultant's services on a Form 1099.

2.4 Consultant represents and warrants that they comply with all applicable federal, state, and local laws, including without limitation, those laws respecting business licenses, withholding, reporting, and payment of taxes. Consultant further represents and warrants that they will report any income accruing to him from this Contract to the appropriate taxing authorities.

3. LACERA's Project Director.

LACERA's Project Director, or designee, has responsibility for determining whether the Services are performed to LACERA's satisfaction. LACERA's Project Director is Richard Bendall.

4. Indemnification and Insurance.

4.1 Consultant shall indemnify, defend and save harmless LACERA, its agents, officers and employees from and against any and all liability, damage, suit, cost of suit, or expense, including defense costs and attorney's fees, arising out of or connected with third party claims for damages of any nature whatsoever arising from or connected with Consultant's operations or its services, including, without limitation, claims for bodily injury, death, personal injury, or property damage, including damage to Consultant's property, caused by Consultant in the performance of this agreement. Notwithstanding the foregoing, the Consultant shall not be liable for any special, consequential, incidental, exemplary damages or loss (or any lost profits, taxes, interest, tax penalties, savings or business opportunity) or any loss, damage, or liability arising from the negligence or willful misconduct of LACERA.

LACERA agrees that the liability of Consultant, including but not limited to, Consultant's negligence shall not exceed five times the fees he receives for the portion of the work giving rise to such liability. In addition, LACERA agrees that Consultant shall not under any circumstances be liable for any special, consequential, incidental or exemplary damages or

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loss (nor any lost profits, taxes, interest, tax penalties, savings or business opportunity), even if Consultant was advised in advance of such potential damages. This limitation shall not apply to the extent that it is finally determined to be the result of the Consultant's willful misconduct or fraud. This paragraph shall apply to any type of claim asserted, including contract, statute, tort, or strict liability, whether by LACERA, Consultant, or others.

4.2. Without limiting Consultant indemnification of LACERA, Consultant shall provide and maintain at its own expense during the term of this Agreement the following policy or policies of insurance covering its operations hereunder. Such insurance shall be secured through a carrier satisfactory to LACERA and certificates evidencing such insurance shall be delivered to LACERA on or before the effective date of this Agreement. LACERA is to be given by Consultant at least thirty (30) days written notice in advance of any modification or cancellation of any policy of insurance.

4.2.1 Liability. Such insurance shall be primary in all instances and shall name Los Angeles County Employees Retirement Association as an additional insured, and shall include:

Certificate(s) or other evidence of coverage satisfactory to LACERA shall be delivered to prior to commencing services under this Contract and annually thereafter to:

Kathryn Ton, LACERA
300 N. Lake Avenue, Suite 840
Pasadena, CA 91101-4199

4.3 Such certificates or other evidence shall:

4.3.1 Specifically identify this Contract.

4.3.2 Clearly evidence all coverages required in this Contract.

4.3.3. Contain the express condition that LACERA is to be given written notice by mail at least 45 days in advance of cancellation for all policies, or, alternatively, in the event the insurers that otherwise provide satisfactory insurance hereunder do not assume third-party notification provisions, Consultant hereby agrees to notify LACERA at least 45 days in advance of any cancellation of any of the policies provided for herein.

4.3.4 Include copies of the additional insured endorsement to the commercial general liability policy, adding that LACERA, its trustees, officers, and employees as insureds for all activities arising from this Contract.

4.3.5 Self-Insured Retentions must be declared to and approved by the LACERA. LACERA may require Consultant to purchase coverage with no retention or provide proof of ability to pay losses and related investigations, claim administration, and defense

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expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention will be satisfied by the named Consultant

4.3.6 LACERA reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

4.4 Insurer Financial Ratings. Insurance is to be provided by an insurance company acceptable to LACERA with an A.M. Best rating of not less than A-, X, unless otherwise approved by LACERA.

4.5 Failure to Maintain Coverage. Consultant's failure Consultant to maintain the required insurance, or to provide evidence of insurance coverage acceptable to LACERA, shall constitute a material breach of the contract upon which LACERA may immediately terminate or suspend this Contract. LACERA, at its sole option, may obtain damages from Consultant resulting from said breach.

4.6 Compensation for LACERA Costs. In the event that Consultant fails to comply with any of the indemnification or insurance requirements of this Contract, and such failure to comply results in any costs to LACERA, Consultant shall pay full compensation for all costs incurred by LACERA up to levels of insurance stipulated below.

4.7 Cooperation Regarding Insurance. LACERA may elect to procure insurance against loss or damage it may sustain in connection with Consultant's performance under this Contract. Consultant will promptly cooperate with any reasonable request for information regarding Consultant which is required to obtain such insurance.

4.8 Survival of Obligations. Consultant's obligations under this Section 4 shall survive expiration or termination of this Contract.

4.9 Commercial General Liability. Consultant shall provide and maintain a Commercial General Liability insurance policy, which names LACERA as additional insured. Such policy shall cover legal liability for bodily injury and property damage arising out of Consultant's business operations and services that Consultant provides pursuant to this Contract. Such policy shall include, without limitation, endorsements for Property Damage, Premises-Operations, Products/Completed Operations, Contractual, and Personal/Advertising Injury with a limit of at least \$1,000,000 per occurrence and an annual aggregate of at least \$1,000,000.

4.10 Auto Liability. Consultant shall provide and maintain a comprehensive auto liability insurance policy endorsed for all "owned", "non-owned", and "hired" vehicles, or coverage for any "auto", with a combined single limit of not less than \$300,000 each occurrence.

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4.11 Workers' Compensation. Consultant shall bear sole responsibility and liability for furnishing Workers' Compensation benefits to Consultant's employees for injuries arising from or connected with any services provided to LACERA under this Contract. Consultant shall provide and maintain a program of Workers' Compensation, in an amount and form to meet all applicable statutory requirements, if Consultant hires employees.

5. Term.

The term of this Agreement commences on the EFFECTIV DATE and continues through [DATE]. LACERA may terminate this Agreement for its convenience by giving CONSULTANT at least 30 days prior written notice of termination. CONSULTANT may terminate the Agreement for his convenience by giving LACERA's Committee at least 30 days prior written notice of termination.

6. Non-Exclusive Services.

This Contract is not exclusive. Consultant has the right to perform services for others during the term of this Contract, but Consultant agrees not to engage in any business, work or services of any kind under contract, or otherwise, for any person, organization or agency, which in the opinion of LACERA is detrimental to the interests of LACERA or that would materially interfere with the performance of the Services. Consultant agrees to disclose such information regarding business, work, or services they perform on behalf of any person, organization, or agency as LACERA may reasonably require verifying Consultant's compliance with this Section.

7. Compensation.

LACERA will compensate CONSULTANT for services rendered hereunder at the rate of [\$XXX] per hour plus reasonable expenses. Expenses include, for example and without limitation, postage, copying fees, and similar expenses, but specifically exclude, without limitation, workplace rental, office equipment and supplies, internet access, facsimile, pager and telephone expenses, utilities, clerical support, and mileage (except as mileage may be expressly authorized under LACERA's Education and Travel Policy. In no event, except as otherwise provided herein or by law, shall CONSULTANT's compensation exceed [XXXXXX] per calendar year during the term of this Agreement, unless the Audit Committee engages the CONSULTANT to perform assignments supplemental to this agreement. From time to time, Consultant may receive certain incentives in the form of bonuses and rewards from its corporate card and other vendors. Such incentives to the extent received will be retained by Consultant to cover firm expenses.

8. Invoices.

Consultant agrees to submit invoices to LACERA's Project Director, in arrears, by the tenth day of each calendar month for Services performed during the previous calendar month.

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Each invoice must (a) describe in detail the Services performed and expenses incurred by Consultant during the invoice period, (b) show the cumulative charges year-to-date (based on a fiscal year beginning July 1) for all Services and expenses, and (c) include such other information as LACERA may reasonably request. Each invoice will be payable within thirty days of receipt by LACERA. If LACERA's Project Director disputes any portion of an invoice, however, LACERA will pay the undisputed portion only and notify Consultant in writing of the disputed portion. Consultant and LACERA agree to act in good faith to resolve such disputes.

9. Contract Not Assignable.

Consultant may not assign any of its rights, duties, or obligations under this Contract without the prior written consent of LACERA, which LACERA may grant or withhold in its sole discretion.

10. Confidentiality.

10.1 Confidential Information. Consultant understands that, during the performance of this Contract, it will have access to confidential and proprietary LACERA information, policies and procedures, benefits, business practices, and technology concerning LACERA's operations, as well as sensitive confidential member information and business critical non-member information (collectively, "Confidential Information"). For clarity, Confidential Information includes all information of any and every kind provided to Consultant, regardless of whether it may previously have been disclosed by LACERA or others in other contexts, in that LACERA needs to know to whom, when, where, and how all of its information has been disseminated and reserves to itself the right to determine to whom, when, where, and how such information is released. Confidential Information further includes all information related in any way to LACERA provided to Consultant.

Confidential Information may be provided to Consultant or generated or stored by Consultant in written, electronic, verbal, and all others forms. Consultant understands and agrees that:

10.1.1 Consultant shall not disclose Confidential Information to any person within its organization except those persons required to perform the services of the Contract.

10.1.2 Consultant shall not disclose Confidential Information to any third party without LACERA's advance written approval.

10.1.3 Consultant's agreement not to disclose Confidential Information includes an agreement not to disclose information even on a no-names basis.

10.1.4 Consultant will use best efforts, including but not limited to the highest level of care Consultant accords to its own most sensitive information and the most sensitive information of its other clients, to secure and maintain the confidential nature of the Confidential Information.

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10.1.5 Consultant will not use the Confidential Information for any purpose other than to perform the services required by this Contract. This confidentiality provision will survive the termination of the Contract.

11. Nondiscrimination.

Consultant hereby promises and agrees that it will comply with Subchapter VII of the Civil Rights Act of 1964, 43USC Section 2000e through 2000e (17), to the end that no person shall, on grounds of race, creed, color, sex, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this Contract, or under any project, program or activity supported by this Contract.

Consultant shall take affirmative action to ensure that applicants and employees are treated in an unbiased manner without regard to their race, color, religion, sex, age, ancestry, or national origin, physical or mental handicap, marital status, or political affiliation. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

12. Compliance with Laws.

Consultant shall comply with all applicable Federal, State and local laws, rules, regulations, ordinances, and directives, and all provisions required to be included in this Contract are incorporated by this reference. Consultant shall indemnify and hold LACERA harmless from any loss, damage or liability resulting from a violation by Consultant of any such laws, rules, regulations, ordinances, and directives. Notwithstanding the foregoing, Consultant shall not be liable for any special, consequential, incidental, exemplary damages or loss (or any lost profits, taxes, interest, tax penalties, savings or business opportunity) or any loss, damage, or liability arising from the negligence or willful misconduct of LACERA.

13. Conflict of Interest.

No officer or employee of LACERA whose position enables him or her to influence the award of this Contract or any competing agreement, and no spouse or economic dependent of such officer or employee shall be employed in any capacity or in any way remunerated by Consultant, or have any direct or indirect financial interest in this Contract or in Consultant.

14. Modifications.

Any modification to this Contract must be in writing, signed by Consultant and LACERA, to be effective.

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15. Termination for Default.

Services performed under this Contract may be terminated in whole or in part by LACERA providing to Consultant a written Notice of Default if (1) Consultant fails to perform the services within the time specified in this Contract or any extension approved by LACERA, provided Consultant shall not be liable for delays beyond his reasonable control, or (2) Consultant fails to materially perform any other covenant or condition of this Contract, or (3) Consultant fails to make progress so as to endanger its performance under this Contract provided Consultant shall not be liable for delays beyond his reasonable control.

Consultant shall have ten (10) calendar days from the date of the Notice of Default in which to cure the Default(s), however, in its sole discretion, LACERA may extend this period or authorize a longer period for cure.

Without limitation of any additional rights or remedies to which it may be entitled, if LACERA terminates all or part of the services for Consultant's Default, LACERA, in its sole discretion, may procure replacement services.

If it is determined that Consultant was not in Default under the provisions of this Contract, or that the Default was excusable, then the rights and obligations of the parties shall be the same as if the Notice of Termination had been issued under Section 16. Termination for Convenience.

16. Termination for Convenience.

Services performed under this Contract may be terminated in whole or in part at any time LACERA or Consultant deems that termination is in its best interest. LACERA or Consultant shall terminate services by delivering a written Termination Notice which specifies the extent to which services are terminated and the effective termination date.

After receiving a Termination Notice under this section, and unless otherwise expressly directed by LACERA, Consultant shall take all necessary steps and shall stop services on the date and to the extent specified in the Termination Notice and shall complete services not so terminated.

In the event that Consultant determines, in his professional judgment, that he cannot complete the services, Consultant may withdraw from the engagement without liability. In addition, Consultant reserves the right to, in whole or in part, decline to perform services if information comes to his attention indicating that performing any Services could cause Consultant to be in violation of applicable law, regulations or standards or in a conflict of interest, or to suffer reputational damage. On termination of this Contract for whatever reason: (i) Consultant shall render an invoice in respect of any Services performed and expenses incurred since the date of the last invoice issued, and (ii) LACERA shall pay the undisputed amounts of such invoice.

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17. Disaster Recovery & Business Continuity

Consultant will implement and maintain disaster recovery and business continuity procedures that are reasonably designed to recover data processing systems, data communications facilities, information, data and other business related functions of LACERA in a manner and time frame consistent with legal, regulatory and business requirements applicable to LACERA.

18. Data Breach Verification

18.1 Consultant shall provide an annual written, signed attestation that to the best of its knowledge, no data breach, hacking, or incidental divulging of Member Records has occurred and that no Member Record has been compromised. The attestation shall verify that adequate internal policies and procedures exist to prevent data theft and unauthorized access.

18.3 Consultant shall comply with California Civil Code § 1798.29(e) and California Civ. Code § 1798.82(f). In the event of a security breach of more than 500 records, the Consultant shall electronically submit a single sample copy of that security breach notification, excluding any personally identifiable information, to the Attorney General.

18.4 Consultant shall notify any California resident whose unencrypted personal information, as defined, was acquired, or reasonably believed to have been acquired, by an unauthorized person as required by California Civil Code §1798.29(a) and California Civ. Code §1798.82(a).

18.5 Notwithstanding the legal notification requirements in the preceding paragraphs, Consultant will immediately notify LACERA upon its discovery of any incident or data breach.

19. Entire Contract and Severability.

This document (including Attachment A) constitutes the final, complete, and exclusive statement of the terms of the Contract between LACERA and Consultant for the services to be performed and supersedes all prior and contemporaneous understandings or Contracts of the parties. The provisions of this Contract are severable, and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions or parts thereof shall nevertheless be binding and enforceable and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision which comes closest to the intent of the parties.

20. Governing Law and Venue.

20.1 This Contract shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to principles of conflicts of laws.

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20.2 Any party bringing a legal action or proceeding against any other party arising out of or relating to this Contract or the transactions it contemplates (whether in contract, tort, equity, or otherwise), shall bring the legal action or proceeding in either the United States District Court or in any court of the State of California sitting in Los Angeles County.

20.3 Each party to this Contract consents to the exclusive personal and subject matter jurisdiction of any United States District Court sitting in the County of Los Angeles and any court of the State of California sitting in the County of Los Angeles, and their appellate courts for the purpose of all legal actions and proceedings arising out of or relating to this Contract or the transactions it contemplates, including all claims of any nature or type, whether in contract, tort, statutory, equitable, legal, or otherwise.

21. Attorney's Fees.

In the event of litigation between the parties concerning this Contract, the prevailing party shall be entitled to recover reasonable costs and expenses incurred therein, including attorney's fees, which shall be included in the limitation of liability described in Section 4. These expenses shall be in addition to any other relief to which the prevailing party may be entitled and shall be included in and as part of the judgment or decision rendered in such proceeding.

22. Interpretation.

Consultant acknowledges they have been given the opportunity to have counsel of their own choosing to participate fully and equally in the review and negotiation of this Contract. The language in all parts of this Contract shall be construed in all cases according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Contract.

23. Waiver.

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Contract shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right or remedy shall be deemed a waiver of any other breach, failure, right or remedy, whether or not similar, or preceding or subsequent, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

24. Standards of Performance.

LACERA acknowledges that the Services will involve analysis, judgment and other performance from time to time in a context where the participation of LACERA or others is necessary, where answers often are not certain or verifiable in advance, and where facts and

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available information change with time. Accordingly, evaluation of Consultant's Services shall be based solely on his substantial conformance with any standards or specifications expressly set forth in this Contract and any applicable Statement of Work hereunder, and all applicable federal and state laws and regulations and applicable professional standards (including, but not limited to, the American Institute of Certified Public Accountants ("AICPA") Statements on Standards for Consulting Services). LACERA acknowledges that the Services will involve the participation and cooperation of management and others of LACERA. Unless LACERA and Consultant agree otherwise, in writing, Consultant shall have no responsibility to update any of his work after its completion.

25 Other Costs.

Unless expressly provided for, the Services do not include giving testimony or appearing or participating in discovery proceedings, in administrative hearings, in court, or in other legal or regulatory inquiries or proceedings. Except with respect to a dispute or litigation between Consultant and LACERA, Consultant's costs, expenses, and time spent in legal and regulatory matters or proceedings arising from this Agreement, such as subpoenas, testimony, bankruptcy filings or proceedings, consultation involving private litigation, arbitration, government or industry regulation inquiries, whether made at LACERA's request or the request of a third party, will be billed to LACERA separately at Consultant's standard rates for such services.

26 Third Party Beneficiaries.

The information contained in documents prepared by Consultant in the course of providing services under the terms of this Contract is for the sole use of LACERA in accordance with the purpose of this Contract hereunder. The Deliverables are not for a third party's benefit of reliance, and Consultant disclaims and contractual or other responsibility or duty of care to others based upon the Services, Work Product or Deliverables. Any Work Product, Deliverables, or documents delivered by Consultant shall be released only as redacted in accordance with law or with the prior written permission of Consultant. Except to the extent expressly provided hereto to the contrary, no third-party beneficiaries are intended under this Contract.

IN WITNESS WHEREOF, Consultant has signed this Contract, and the [SIGNATORY TITLE] of LACERA has signed this Contract, effective as of the date indicated in Section 5.

LACERA:

[Consultant Name]:

Los Angeles County Employees
Retirement Association

By: _____

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[TITLE]

[Authorized Signatory Title]

Address for notices:

Address for notices:

Richard Bendall,
Chief Audit Executive
LACERA
300 N. Lake Avenue, Suite [XXX]
Pasadena, CA 91101

[NAME]
[STREET]
[CITY, STATE, ZIP]

Approved as to form:

John Harrington
LACERA Staff Counsel

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**EXHIBIT F
PROPOSAL COVER PAGE AND CHECK LIST
(TO BE SUBMITTED IN FIRM'S LETTERHEAD)**

Respondent Name:

Respondent Address:

By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to comply with all requirements.

Respondent specifically acknowledges the following facts:

1. Respondent possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
2. Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of work.
3. The Fee Schedule Submitted in response to the RFP is for the entire scope of work and no extra charges or expenses will be paid by LACERA.
4. Respondent has completely disclosed to LACERA all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of LACERA, or other officer, agent or employee of LACERA presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
5. Materials contained in proposals and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the Act.
6. Respondent is not currently under investigation by any state or federal regulatory agency for any reason.
7. The signatory below is authorized to bind the respondent contractually.

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A. Proposal Contents

Your response to this RFP must be prepared and submitted according to the specifications set forth below, both for content and sequence. The proposal must provide a straightforward and concise description of the Proposer's capabilities to satisfy the requirements indicated in this RFP. Failure to adhere to these specifications may be cause for rejection of the proposal.

<u>Section</u>	<u>Title</u>
1.	Cover Letter
2.	Table of Contents
3.	Organization and Key Personnel
4.	Qualifications and Experience
5.	Assigned Professionals
6.	Quality Control/Peer Review
7.	Client References
8.	Project Planning/Approach
9.	Potential Conflict
10.	Legal Situations
11.	Fee Schedules

Each required section is listed below with a description of information that must be included in the proposal.

1. Cover Letter

- a) Introduction and background of the Proposer.
- b) Name, title, telephone number, and email address of the Proposer's representative(s) who is/are designated as the primary liaison(s) to LACERA.
- c) Name, title, telephone number, and email address of the representative who is authorized to legally bind the Proposer.
- d) Indicate any or all services areas in the scope of services (organizational, information technology, or investment-related services) that you are submitting a proposal.
- e) A Statement indicating the Proposer's understanding and commitment to providing LACERA with the audit consulting services as described in the Scope of Work in this RFP.

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- f) A Statement that the Proposer's proposal is an irrevocable offer, including proposed fees and proposed assigned staff, for 120 days following the date of proposal.

2. Table of Contents

Your proposal must include a table of contents identifying the proposal sections and corresponding page numbers.

3. Organization and Key Personnel

Please include the following information in this section:

- a) Describe your organizational structure giving specific details about your parent, any affiliated companies, or joint ventures.
- b) Identify the locations of the headquarters and branch office(s) that will be providing services under this LACERA contract.
- c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services.
- d) Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries for negligent acts or omissions. Attach proof of coverage (e.g., a certificate of insurance) for such insurance that apply to proposer's actions under the contract.

4. Qualifications and Experience

- a) Provide a detailed resume for each member of the professional staff who will provide services under this LACERA contract, including their experience in audits and reviews with large retirement systems and other relevant institutions. For key personnel (Partner, Manager/Supervisor) who will have planning and on-site supervisory responsibilities include a description of audit experience and services provided within the last five (5) years.
- b) Provide a schedule of audit and consulting services completed by your firm within the last (5) five years for each of the areas listed in this RFP your firm will submit a proposal. Please indicate the size of investment portfolios reviewed and describe the nature of compliance reviews or consulting reviews performed. Provide an example of an audit report similar to the services requested in this RFP.

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5. Assigned Professionals

The proposal must state the name of the lead consultant and all other professional staff expected to be assigned to LACERA work, including a detailed profile of each person's background and relevant individual experience and the ability of the professionals collectively to function together as a team and also to work effectively with LACERA's Boards and staff in performing the scope of services. Diversity is a core LACERA value, and therefore the proposal must specifically address the diversity of the proposed team members in meaningful roles across levels of seniority to support the firm's work for LACERA. LACERA expects that this section of the response will only include those persons committed to supporting LACERA and investing in a relationship with LACERA on a regular and long-term basis. The proposal should include a commitment by the lead consultant to be reasonably available to LACERA on an ongoing basis.

With respect to diversity, the response must include a description of diversity policies, practices, and procedures maintained by the firm regarding equal employment opportunity, including the recruitment, development, retention, and promotion of a diverse and inclusive workforce, non-discrimination based on gender, race, ethnicity, sexual orientation, age, veteran's status, and other legally protected categories, and prohibition of sexual harassment in the workplace. If the respondent has written policies, a copy should be provided with the response to this RFP. The response should identify the oversight, monitoring, and other compliance processes for implementation and enforcement of the firm's diversity policies, practices, and procedures, including the name of the perform who is responsible for oversight the firm's method to measure the effectiveness of the policies, and conclusions as to effectiveness. Please describe any judicial, regulatory, or other legal finding, formal action, or claims related to equal employment opportunity, workplace discrimination, or sexual harassment during the past ten (10) years.

6. Quality Control/Peer Review

- a) Please describe your firm's quality control relating to audit planning, fieldwork, and reporting.
- b) Please include an external quality control review report (Peer Review) within the last five (5) years.

7. Client References

The Proposer shall provide three clients for whom it has provided information technology or investments-related audit services in the past five (5) years. For each client reference listed, please include:

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- Entity name, address, and key contact person
- Date of service(s)
- Nature of business
- Fund asset size and annual revenue
- Number of plan or program members
- Primary contact name, title, telephone number, and email address
- Nature and length of Proposer's relationship with said entity
- Description of services provided by Proposer

LACERA reserves the right to contact any of the individuals/agencies provided above.

8. Project Planning and Approach

Describe the specific methodology used to accomplish the scope of work set forth in this RFP and describe all services necessary to accomplish the audit and compliance services for LACERA.

9. Potential Conflicts

- a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.
- b) Describe any potential conflicts of interest with the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.
- c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.
- d) Provide details of any other affiliates offering services to LACERA that could represent conflicts of interest. Briefly describe your firm's policies and procedures for doing business with these affiliates, while safeguarding against conflicts of interest.
- e) Describe any known relationship your Firm or any staff have with any member of LACERA's Boards, management, staff, or plan sponsors (including, but not limited to, Los Angeles County).
- f) Describe the purpose and monetary value of any gifts, travel, expenses, entertainment, or meals given to any member of the LACERA Boards, management, or staff in the last two (2) years.

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- g) Describe your firm's approach to resolving potential conflict issues that may be encountered during the performance of audit or consulting services for LACERA and any special assistance that will be requested from LACERA.

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10. Legal Situations

- a) Describe the circumstances and status of any investigation, non-routine examination, complaint, disciplinary action, or other proceeding against your firm or any officer or principal of your firm commenced by any state or federal regulatory body or professional organization during the past five (5) years.
- b) Describe any situation whereby your firm or any officer or principal of your firm was censured or fined by any regulatory body within the last five (5) years.
- c) Describe any claims or litigation brought against your firm or any officer or principal of your firm by any entity for fraud, malpractice, misrepresentation, negligence, or similar cause of action within the last five (5) years.
- d) Describe each audit engagement with other clients, involving any member of the team that would be assigned to the LACERA, which has been the subject of litigation, arbitration, mediation, or other dispute resolution mechanisms within the past five (5) years. Identify the individual(s) involved, and provide the case name and number, the damages sought, and the outcome.
- e) Describe any situation within the last five (5) years, when your firm was notified, by any actuarial consulting or actuarial auditing client, that your firm is in default of its contract, or that conditions exist jeopardizing the continuation of that contract. State the client's name, the year the notice was received, reasons for the notice, and resolutions or current status of the relationship.

11. Terms and Conditions

If a Firm from the Audit Pool is selected for an engagement, the CAE will authorize staff to enter into negotiations with the approved firm(s) which will result in a formal Contract between the parties, An Audit Engagement Letter, approved by LACERA, will serve as the formal contract of services. LACERA may terminate negotiations, at its sole discretion, if it believes a satisfactory agreement cannot be negotiated. LACERA reserves the right to award a contract based upon proposals received; you should not rely upon the opportunity to alter your proposal (e.g., services to be provided, fees, etc.) during contract negotiations.

The final contract must allow LACERA to terminate (a) for its convenience upon not more than 30 days' notice, (b) if funds are not appropriated for the services to be provided, and (c) for default. The contract must also include indemnity by your firm to LACERA from third party claims.

12. Fee Schedules

The Proposer must submit a Fee Proposal in the format prescribed in Exhibit C.

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**EXHIBIT G
IT SECURITY CONTROLS**

Respondent shall provide an initial Security Controls Report in the form attached hereto prior to executing the agreement. All subsequent Security Controls Reports that are required after this first report shall be performed and submitted annually. The questionnaires are to focus on security as it applies to the technologies impacting services provided in relation the scope of work. If a control is found to be inadequate, respondent will develop a remediation plan within 30 days. Respondent will implement the plan and inform LACERA of the change within a mutually agreed upon and reasonable time.

The Security Controls Reports shall report in writing on the respondent's system(s) and the suitability of the design and operating effectiveness of controls, information functions, and/or processes applicable to the environment in which the respondent receives and maintains LACERA records, including the security requirements.

Respondent shall provide to LACERA, within 30 calendar days of the issuance of each Security Controls Report, a documented corrective action plan that addresses each audit finding or exception contained therein. The corrective action plan shall identify in detail the required remedial action by respondent along with the implementation date(s) for each remedial action.

If respondent fails to obtain an annual Security Controls Report, LACERA shall have the right to retain an independent audit firm to perform such an audit engagement for such a report. The audit will include the controls, information functions, and processes utilized or provided by respondent. Respondent agrees to allow the independent audit firm to access its facilities for purposes of conducting this audit engagement. They will provide the necessary support and cooperation to the independent audit firm.

The independent audit firm will be engaged by LACERA's legal department and subject to the same confidentiality requirements provided for in this agreement, and any disclosure will be on a need-to-know basis only for the purpose of the Security Controls Report. LACERA will invoice respondent for the expense of the report(s), or deduct the cost from future payments to the respondent.

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IT Security Controls - LACERA Environment				
Control Section	Control Name	Control Description	Control Validation Test/ Review Performed	Control Validation Results
Access Control	Access control policy	An access control policy shall be established, documented, and reviewed based on business and information security requirements.		
	Access to networks and network services	Users shall only be provided with access to the network and network services that they have been specifically authorized to use.		
	User registration and de-registration	A formal user registration and de-registration process shall be implemented to enable assignment of access rights.		
	User access provisioning	A formal user access provisioning process shall be implemented to assign or revoke access rights for all user types to all systems and services.		
	Review of user access rights	Asset owners shall review users' access rights at regular intervals.		
	Removal or adjustment of access rights	The access rights of all employees and external party users to information and information processing facilities shall be removed upon termination of their employment, contract, or agreement, or adjusted upon change.		
	Use of password information	Users shall be required to follow consultant's practices in the use of password information.		
	Secure log-on procedures	Where required by the access control policy, access to systems and applications shall be controlled by a secure log-on procedure.		
	Password management	Password management systems shall be interactive and shall ensure quality passwords.		
Physical and Environmental Security	Physical security perimeter	Security perimeters shall be defined and used to protect areas that contain either sensitive, critical information or information processing facilities.		

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	Physical entry controls	Secure areas shall be protected by appropriate entry controls to ensure that only authorized personnel are allowed access.		
	Protecting against external and environmental threats	Physical protection against natural disasters, malicious attacks, or accidents shall be designed and applied.		
	Supporting utilities	Equipment shall be protected from power failures and other disruptions caused by failures in supporting utilities.		
	Equipment maintenance	Equipment shall be correctly maintained to ensure its continued availability and integrity.		
Network Security Management	Network controls	Networks shall be managed and controlled to protect information in systems and applications.		
	Security of network services	Security mechanisms, service levels, and management requirements of all network services shall be identified and included in network services agreements, whether these services are provided in-house or outsourced.		
	Information transfer policies and procedures	Formal transfer policies, procedures, and controls shall be in place to protect the transfer of information through the use of all types of communication facilities.		
Operational	Documented operating procedures	Operating procedures shall be documented and made available to all users who need them.		
	Change management	Changes to consultant, business processes, information processing facilities and systems that affect information security shall be controlled.		
	Capacity management	The use of resources shall be monitored and tuned, and projections made of future capacity requirements to ensure the required system performance.		
	Controls against malware	Detection, prevention, and recovery controls to protect against malware shall be implemented, combined with appropriate user awareness.		
	Information backup	Backup copies of information, software, and system images shall be taken and tested regularly in accordance with an agreed backup policy.		

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	Event logging	Event logs recording user activities, exceptions, faults, and information security events shall be produced, kept, and regularly reviewed.		
	Protection of log information	Logging facilities and log information shall be protected against tampering and unauthorized access.		
	Clock Synchronization	The clocks of all relevant information processing systems within an organization or security domain shall be synchronized to a single reference time source.		
	Management of technical vulnerabilities	Information about technical vulnerabilities of information systems being used shall be obtained in a timely fashion, consultant's exposure to such vulnerabilities evaluated and appropriate measures taken to address the associated risk.		
Information Security Incident Management	Responsibilities and procedures	Management responsibilities and procedures shall be established to ensure a quick, effective, and orderly response to information security incidents.		
	Reporting information security events	Information security events shall be reported through appropriate channels as quickly as possible.		
	Reporting information security weaknesses	Employees and contractors using consultant's information systems and services shall be required to note and report any observed or suspected information security weaknesses in systems or services.		
	Response to information security incidents	Information security incidents shall be responded to in accordance with the documented procedures.		
	Learning from information security incidents	Knowledge gained from analyzing and resolving information security incidents shall be used to reduce the likelihood or impact of future incidents.		