

## RFP: Financial Auditor Search

### VENDOR QUESTIONS AND ANSWERS

Issued: 6/11/2025

#### 1. Why is LACERA going out for proposal?

Answer: LACERA issued a Request for Proposal (RFP) for financial audit services to comply with legal regulatory requirements such as the California Government Code Sections 31593 and 31598 requiring LACERA to prepare annual financial statements in accordance with generally accepted accounting principles and may retain a certified public accounting firm to perform an annual audit to “*address the financial condition of the retirement system, internal accounting controls, and compliance with applicable laws and regulations*”. Additionally, we are conducting the RFP to evaluate auditor’s cost-effectiveness, audit quality and services, ensure auditor independence, and engage a firm that matches LACERA’s strategic needs.

#### 2. What were the audit fees for fiscal years 2024 and 2023 and expected for 2025, separated for the financial statement audit for the Pension Trust, the OPEB Trust and OPEB Agency Fund, Schedule of changes in fiduciary net position and any special projects?

Answer: We understand that historical fee information is helpful for scoping and pricing. The table below shows the audit fees for fiscal years 2023, 2024, and expected for fiscal year 2025 for Pension Trust, OPEB Trust, and OPEB Agency Fund, covering the baseline financial statements audit and required deliverables.

	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
<b>Pension Trust</b>	\$159,325	\$164,400	\$169,900
<b>OPEB Trust</b>	\$52,800	\$54,350	\$55,875
<b>OPEB Agency Fund</b>	\$17,060	\$17,600	\$18,135

However, we would like to clarify that we anticipate an increase in fees for the new RFP due to several factors:

- A broader scope of work, including expanded testing of internal controls, and possible new GASB implementations.
- An expectation for more in-depth testing and documentation (i.e., internal controls over financial reporting, information technology general controls, investment valuations, etc.).
- A focus on ongoing collaboration with the external audit team and timely interim reviews.

We encourage prospective bidders to base their fee estimates on the current scope and deliverables outlined in the RFP, rather than relying solely on historical audit fees. Please include any assumptions behind your fee proposal, including hours, staffing levels, and support expected from our team. LACERA will evaluate responding firms’ total audit fees and the hourly rates along with the scope of services provided. For more information on the RFP’s evaluation criteria, please refer to the ACRE April 2025 meeting.

- 3. If LACERA could change one thing about the audit process what would that be? Are there any changes or enhancements you aim to achieve in your auditor relationship through this RFP process? Any challenges you have faced in your previous audits that you would like to avoid and if so, what are they? What are the key qualities that LACERA expects from their auditors?**

Answer: In selecting a new auditor, we are seeking a firm that not only demonstrates strong technical competence and public pension experience, but also aligns with our evolving expectations for audit depth and collaboration as articulated in the RFP. We are placing greater emphasis on engagement quality, ongoing communication, and increase collaboration throughout the year.

The key qualities that LACERA is seeking in an financial auditor are:

- ❖ Expertise in public pension plans and GASB standards
- ❖ Commitment to high-quality, risk-based audit execution
- ❖ Proactive, responsive communication and collaboration
- ❖ Value-added insights and board-level engagement
- ❖ Transparent and reasonable fee structure

- 4. Were there any adjustments proposed by the external financial auditors for FY 2024?**

Answer: No adjustments were proposed by the external financial auditors for FY2024.

- 5. How soon after year end can the auditors be in the field?**

Answer: LACERA is committed to working collaboratively with the external audit team and can accommodate early fieldwork to support an efficient and timely audit process. The specific timing of the year end audit is determined based on staff availability and our year-end close process. Generally, interim fieldwork is performed in May and the year end audit is performed from late August to October.

- 6. When were the financial statements available to the auditors for review?**

Answer: In recent years, the draft financial statements, including the ACFR and supporting schedules, have typically been made available to the auditors for review approximately 3 weeks before financial statement issuance date, with preliminary trial balances and key workpapers available earlier to support a phased audit approach.

- 7. What is LACERA's process for responding to and taking action on audit findings?**

Answer: LACERA management proactively responds to and take action to audit findings. We have a structured process for responding to audit findings to ensure management is addressing the findings timely and appropriately.

- 8. What are the expectations regarding the audit team being onsite or offsite? Can the audit fieldwork, such as testing of the census data, be done remotely?**

Answer: Our expectations regarding onsite versus offsite work for audit teams are guided by the nature of the engagement, the sensitivity of the data involved, and the need for effective collaboration. At a minimum, we require the external auditors to attend the two Audit Compliance Risk and Ethics (ACRE) meetings in-person for required board communications, and to be onsite for the fraud interviews with key stakeholders.

- 9. Does internal audit provide direct assistance to the external audit firm? How much work has been performed by internal audit that has been relied upon by the external auditors? Is there a set number of hours available to assist with the audit or other measure that could be provided to gauge the level of involvement?**

Answer: Internal Audit does not provide direct assistance to the external audit firm. Internal Audit support the external audit by sharing relevant internal audit reports and risk assessments, as well as facilitating meetings and discussions between key stakeholders throughout the audit engagement.

- 10. Regarding the initial readiness assessment review noted in the scope of work, the first two bullets we perform as part of the procedures to complete the financial statement audit. As the financial audit is to be completed in accordance with Government Auditing Standards we would already anticipate issuing the required report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. Would LACERA clarify whether a separate written report is requested as part of this item in the scope of work?**

Answer: The RFP includes a scope of services for an initial readiness assessment review. This component is intended to add value whether we are transitioning to a new auditor or retaining the current one. We view this readiness assessment as a foundational phase to support a smooth and effective audit process and to reinforce our commitment to strong internal control and financial transparency. Furthermore, the readiness review may be scheduled as a pre-audit phase, with findings communicated prior to the start of substantive fieldwork. While not required to issue an opinion, the auditor is expected to deliver a written assessment and recommendations as part of this review.

- 11. Item 42 of the Proposal Questionnaire requests a video link for past client Board meetings to be included as Exhibit O. As we do not have access to these recordings, would LACERA instead accept a copy of a past board presentation slide deck to satisfy this requirement?**

Answer: Yes, LACERA will accept a past board presentation slide decks or other alternative files.

**12. On page 11 of the RFP, respondents are asked to provide copies of Proposer's audited Financial Statements. As a partnership, our firm does not have audited financials, nor do we have balance sheets, statement of income or statement of cash flows available for public release or to be included in a proposal. We can submit our current and past net fees, a summary D&B report and a letter of financial stability verification from our financial institution. Will these suffice as an alternative to financial statements?**

Answer: Yes, LACERA will accept alternative files to audited financial statements.

**13. Our process also includes a requirement to sign an annual engagement letter on commercially reasonable terms. Is LACERA amenable to signing that? Should we include a sample engagement letter in our response?**

Answer: Please include a sample engagement letter in your response for LACERA to review. LACERA's Legal Team will review the engagement letter and make the determination during the contracting phase.

**14. How is payroll structured for contributory plan members and for employer contributions? Is this centralized or disaggregated in nature?**

Answer: Payroll for contributory plan members and for employer contributions are both centralized.

**15. Related to the census data testing, how many employers were tested for 2024 and 2023? Were all members of LACERA sampled or just certain classes selected for testing?**

Answer: LACERA administers a cost-sharing multiple employers defined benefit retirement plan (Pension Plan) for eligible employees of the County of Los Angeles (County), Los Angeles Superior Court (Superior Court), LACERA, and four outside districts (i.e., Little Lake Cemetery District, Local Agency Formation Commission for the County of Los Angeles, Los Angeles County Office of Education, and South Coast Air Quality Management District. The external auditors perform testing on all members of LACERA.

**16. Are there going to be any significant changes to LACERA that would significantly change its investment vehicles or benefits provided? If so, what are they?**

Answer: We are not aware of any significant changes to LACERA that would significantly change its investment vehicles or benefits provided.

**17. Are there any internally managed funds for LACERA? If so, what are the investment types and the approximate dollar amounts?**

Answer: No, LACERA does not manage any internal funds.

**18. Does LACERA anticipate any computer or accounting systems upgrades over the next three years?**

Answer: LACERA is continuously evaluating and updating its IT infrastructure and applications. We are not aware of any significant changes to computer or accounting systems over the next three years.

**19. Historically, have there been any challenges in obtaining investment-related information including audited financial statements and confirmations well before the issuance deadline?**

Answer: No, there has not been any challenges in obtaining investment-related information well before the issuance deadline.

**20. Are there any service providers involved in the portfolio or investment management process (such as brokers, fund administrators, or investment management system providers) that lack a SOC-1 report?**

Answer: We are not aware of any service providers involved in the portfolio or investment management process that lack a SOC-1 report.

**21. Compared to the last audited financial statements, are there any expected material unusual or nonroutine transactions expected, changes in accounting policies, significant increase in certain account balances/activities expected compared to the prior year, or methodology changes in estimates? If so, please provide detail of them.**

Answer: We are not aware of any material unusual or nonroutine transactions described above.

**22. Are you aware of any operational errors that have occurred or are still uncorrected that you would like us to be aware of at this point to price into our proposal?**

Answer: We are not aware of such operational errors that would affect the proposed pricing.