

## **ATTACHMENT C**



**RFP – Financial Auditor**

**Proposal Questionnaire**

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## **RFP – Financial Auditor Proposal Questionnaire**

### **I. SUMMARY DATA**

Firm Name:

Main Address:

Primary Contact(s) at Firm for this RFP

Name:

Title:

Phone Number:

E-Mail Address:

### **II. CHECKLIST**

**Check the selection box for the service(s) that your firm is including in its response and intends to perform.**

#### Service Categories:

- ☐ 1) Perform an audit and express an opinion on the fair presentation of LACERA's Annual financial statements, including the Pension Trust, OPEB Trust, and OPEB Custodian Fund.
- ☐ 2) Perform an audit and express an opinion on the fair presentation of the Schedule of Changes in Fiduciary Net Position by Employer for Los Angeles County's portion of the OPEB Trust.
- ☐ 3) Perform testing on a sample disability retirement request to ensure the processes and related Board determinations are compliant with Board policies.
- ☐ 4) Perform an audit and express an opinion on the fair presentation of LACERA's GASB 68 schedule.
- ☐ 5) Prepare a report on LACERA's initial readiness assessment review.
- ☐ 6) Review the Annual Comprehensive Financial Report against the guidelines for the Government Financial Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting.
- ☐ 7) Perform other financial statement advisory projects as requested and defined by LACERA.
- ☐ 8) Perform special auditing projects as requested and defined by LACERA.
- ☐ 9) Perform non-attestation consulting projects as requested and defined by LACERA.

**Please confirm that the RFP Package has been reviewed in full.**

_____	Attachment A	Intent to Respond
_____	Attachment B	Minimum Qualifications Certification
_____	Attachment C	Proposal Questionnaire
_____	Attachment D	LACERA's Vendor Questionnaire
_____	Attachment E	Proposed Services Agreement Template
_____	Attachment F	Proposed Statements of Work
_____	Attachment G	Fee Schedule
_____	Attachment H	DEI Attributes Template
_____	Attachment I	Selection Criteria

**Provide the following Exhibits as instructed. If your firm will not provide a requested item, explain why.**

_____	Exhibit A	Completed Intent to Respond (Optional)
_____	Exhibit B	Completed Minimum Qualifications
_____	Exhibit C	Completed Proposal Questionnaire
_____	Exhibit D	Firm's Organizational Chart
_____	Exhibit E	Firm's Audited Financial Reports
_____	Exhibit F	Firm's Peer Review Report
_____	Exhibit G	Firm's Certificates of Insurance
_____	Exhibit H	SOC-2 Type 2 Report and/or LACERA's Vendor Questionnaire
_____	Exhibit I	Incident Response Program
_____	Exhibit J	External Penetration Test Results
_____	Exhibit K	DEI Policy
_____	Exhibit L	DEI Attributes
_____	Exhibit M	Proposed LACERA Team and Credentials
_____	Exhibit N	Sample Financial Auditor Reports
_____	Exhibit O	Video Links to Board Presentations
_____	Exhibit P	Client References
_____	Exhibit Q	Proposed Fee Schedule

### **III. ORGANIZATION BACKGROUND**

#### **Firm History and Structure**

1. Provide a description of the operational structure of the firm, including the following:
  - a. What was the firm's date of inception?
  - b. How many offices and locations does the firm have?
  - c. How many employees are there at locations which will be providing services?
  - d. How many of employees from your firm will be performing the services stated in the proposed RFP?
  - e. Include an organization chart indicating reporting relationships and geographic location of staff proposed for the LACERA account. Include as **Exhibit D**.
  - f. Please provide a primary contact for the duration of the RFP.
  - g. If you anticipate any other significant changes within the next fiscal year, including changes in key personnel considered for this contract, please explain.
  - h. Provide a timeline of past changes in the last five (5) years to the ownership or organizational structure.

2. Provide information to demonstrate the firm's financial stability, including total revenue, net income/(loss), assets, liabilities, and net worth for the last two (2) fiscal years.

	Total Revenue	Net Income/ (Loss)	Assets	Liabilities	Net Worth
<b>FY 2024</b>					
<b>FY 2023</b>					

3. Provide the firm's latest two (2) years of audited financial statements for your firm. Include as **Exhibit E**.
- How often are the financial statements audited by a third party?
  - Has your firm changed its auditors over the last five (5) years? Provide the date of the last audit.
  - Disclose any qualified opinions of financial audits conducted on your firm.
4. Describe the firm's internal and/or external quality control policies and procedures, including independent and peer review of work completed in the last two (years). Include a copy of the firm's most recent report in **Exhibit F**.

#### Firm's Professional Experience Relevant to Auditing Services

5. Provide a breakdown of client type, client size, and client experience at your firm. Describe the firm's prior experience (public sector organizations are preferred) and work of similar scope and magnitude.

Client Type	Clients' Membership Size	Clients' AUM (range)	Pension Experience (Y/N)	OPEB Experience (Y/N)	Years as a Consultant	Years as Auditor	Scope of Work Performed
Ex: Public Sector Client #1							
Ex: Private Sector Client #1							

6. Please complete the following table for auditing services.

Length of time performing auditing services	
Length of time performing auditing services for defined benefit pension plans	
Length of time performing auditing services for OPEB programs	
Percentage of total firm revenue derived from auditing services	
Number of full-time professional consultants employed by the firm	

7. Describe the resources the firm has that specifically address the needs of public retirement fund clients. Describe the firm's ability to access research and professional standards, technical information, and professional groups and societies, for the purpose of obtaining prompt responses to inquiries arising from technical or procedural questions developed in the course of conducting projects.

#### Conflicts of Interest and Legal Matters

8. Describe any potential conflicts of interest your firm may have in the management of this account. Include any activities of affiliated or parent organizations, or any kind of past or current relationships with LACERA Board Trustees. Include any other pertinent activities, actions, or relationships not specifically outlined in this question.
9. Over the past five (5) years, has your organization, affiliates, or parent been involved in any inquiry/investigation, by a federal or state governmental agency and/or business

litigation or other legal proceedings that could impact the financial standing of your organization or affiliates, or your ability to deliver the required services? If so, provide an explanation and indicate status.

10. If resources for this engagement are drawn from subcontractors, identify the proposed contributions of each, and briefly describe how those resources will be applied to this proposal and how the firm will control the quality of services provided to LACERA. If not applicable, please indicate so.
11. Please confirm that your firm has and will comply with LACERA's quiet period for search respondents with regards to contact with staff and trustees.

#### Coverage of Insurance

12. 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, including the dollar amounts and insurance carrier names, with at least the minimum following coverages. List proof of coverage (e.g., a certificate of insurance) for such insurance that would be applicable under the contract as **Exhibit G**.
  - i. General Liability: Liability Insurance, endorsements for Property Damage, Premises-Operations, Products/Completed Operations, Contractual, and Personal/Advertising Injury with a limit of at least two Million Dollars (\$2,000,000) per occurrence and an annual aggregate of at least four Million Dollars (\$4,000,000).
  - ii. Errors and Omissions Insurance: Auditor shall provide and maintain insurance covering liability arising from any error, omission, negligent or wrongful act of the Auditor, its officers, employees or Agents, with limits of at least Ten Million Dollars (\$10,000,000) per claim and an annual aggregate of at least Fifteen Million Dollars (\$15,000,000). The coverage also shall provide an extended one-year reporting period commencing upon termination or cancellation of this Contract.
  - iii. Workers Compensation Insurance: Auditor shall bear sole responsibility and liability for furnishing Workers' Compensation benefits to Auditor's employees for injuries arising from or connected with any services provided to LACERA under this Contract. Auditor shall provide and maintain a program of Workers' Compensation, in an amount and form to meet all applicable statutory requirements. In all cases, worker's compensation insurance also shall include Employer's Liability Insurance with limits of not less than One Million Dollars (\$1,000,000), each accident, and One Million Dollars (\$1,000,000), disease, covering all of Firm's employees.
  - iv. Cyber Liability Insurance: Without limiting any of the obligations or liabilities of Auditor, Auditor shall carry and maintain, at its own expense including any applicable deductibles or retention, Cyber Liability insurance with limits of not less than Five Million Dollars (\$5,000,000) for each occurrence and an annual aggregate of Ten Million Dollars (\$10,000,000) covering claims involving privacy violations, information theft, damage to or destruction of electronic information, intentional and/or unintentional release of private information, alteration of electronic information, extortion and network security
  - v. Auto Liability: Auditor shall provide and maintain a comprehensive auto liability insurance policy covering "non-owned", and "hired" automobiles,

with a combined single limit of not less than One Million Dollars (\$1,000,000) per accident.

#### Security and Access

15. Describe the firm's policies and procedures for securing and maintaining the confidentiality of LACERA's member data.
16. Describe the firm's disaster recovery plans, including plans related to client data files in the firm's possession and the firm's critical information technology systems.
17. Please provide the firm's most recent SOC-2 Type 2 Report or complete LACERA's equivalent document, the Vendor Questionnaire (**Attachment D** of the RFP). Include as **Exhibit H**.
18. Since the auditor will hold LACERA information, please provide the following information:
  - a. Documentation on the type of connection for information exchange between LACERA and the vendor organization.
  - b. Documentation on how vendors protect and safeguards LACERA information.
  - c. Documentation on which groups within your organization have access to the LACERA information.
19. Provide documentation on the firm's program or initiatives for enforcement of Gramm-Leach-Bliley Act (GLBA) and/or the California Consumer Privacy Act (CCPA).
20. Provide documentation on your Incident Response Program and the procedure for notification of LACERA on security breaches. Include as **Exhibit I**.
21. When was the last penetration audit conducted by the firm and what were the results? Please share the executive summary of the test with the external penetration audit firm. Include as **Exhibit J**.

#### Diversity, Equity, and Inclusion

22. Describe your firm's approach to diversity, equity, and inclusion ("DEI") in the workplace and its relation to your strategic objectives.
23. Does your firm have a written policy (or policies) addressing workplace DEI ("Policy")? A Policy defines the firm's commitment, policies, and practices regarding equal employment opportunity, including the recruitment, development, retention and promotion of a diverse and inclusive workforce and non-discrimination based on gender, race, ethnicity, sexual orientation, gender identity, age, veteran's status, and other legally protected categories. A Policy (or policies) may be a standalone document or part of a larger firm document. Please provide a copy of the firm's policy as **Exhibit K**.
24. LACERA takes a broad view of diversity and welcomes firms to report on diversity attributes relevant to your business. However, as a standard baseline, LACERA requests all firms with U.S. operations to provide reporting consistent with the gender, race, and ethnicity categories used by the United States Equal Employment Commission (EEOC) in your firm's Employer Report EEO-1. See [www.eeoc.gov/employers/eeo1survey/index.cfm](http://www.eeoc.gov/employers/eeo1survey/index.cfm) for further information. Please complete the DEI Attributes Template (**Attachment H** of the RFP) as **Exhibit L**.

#### IV. TEAM CREDENTIALS

##### Team's Professional and Academic Qualifications

25. Provide a list of key personnel and the proposed team that will have direct responsibility for LACERA's auditing services.

Name	Location of Office	Professional & Title	Professional Credentials	Length of Experience

26. Include in **Exhibit M**, biographies for each team member listed above, no longer than two (2) pages each, that includes the following information:
- Name
  - Title
  - Years of experience
  - Years and positions held within the firm
  - Degrees and professional designations and dates obtained
  - Institution awarding each degree and designation
  - Membership in professional organizations relevant to the public pension fund industry
  - Publications authored in the last five (5) years
  - Statements of qualifications including years of experience in performing audits for public retirement systems, large employee benefit plans, private sector employee benefit plans, other clients, actuarial auditing, and any specialized expertise such individuals may have which are applicable to LACERA's audit.

##### Team's Professional Experience Relevant to Auditing Services

27. Provide a breakdown of client type, client size, and client experience that the Lead Project Manager and the Principal Auditors have worked on in the past five (5) years. Describe the actuaries' prior experience (public sector organizations are preferred) and work of similar scope and magnitude.

Name	Client Type	Client Membership Size	Clients' AUM (range)	Pension Experience	OPEB Experience
	Public Sector				
	Private Sector				

28. For each team member listed, identify the role (e.g., principal auditors, supervising auditors, supporting auditors, etc.) everyone would play in accomplishing the services required by this RFP.
- Estimate the percentage of time (on an annual basis) each person would spend performing services for LACERA.
  - For the Principal Auditors, describe the accessibility of these individuals to LACERA staff and stakeholder groups.
29. Please provide the number of clients that the proposed team has worked with in the past five (5) years with the following experience:
- Experience with audits of defined benefit pension plans with assets that exceeded two billion dollars (\$2,000,000,000).
  - Experience with consulting services to OPEB program.



- c. Experience with at least one defined benefit pension plan with projects for defined benefit pension plans falling under the County Employees Retirement Law of 1937.
30. Indicate how long the proposed LACERA team has worked together as a team.
31. Describe the level of ongoing support LACERA would receive if selected (e.g., frequency of contact, training, support, etc.).
32. Describe the firm's commitment to assigning qualified staff to the LACERA audit projects during the term of the agreement. In the event the engagement's Leading Audit Project Manager and/or the Principal Auditors must be replaced, the replacement must meet the same standards as outlined in this proposal and be pre-approved by LACERA.
33. Describe the firm's transition plan for unanticipated departures of key professionals assigned to LACERA's audit projects.

## **V. EVALUATION OF APPROACH TO PERFORMANCE OF REQUIRED SERVICES**

### **Methodology and Approach**

34. Describe the specific methodology used to accomplish the Statements of Work (**Attachment F** of the RFP) and describe all the services necessary to accomplish the projects for LACERA:

- Description of audit approach
- Proposed sections of the engagement (see table below)
- Estimated timeline including information or data gathering, interim and fieldwork dates
- Approach to gain and document an understanding of LACERA's internal control structure, including IT controls.
- Approach to auditing various types of investments
- Approach and extent of member data testing
- Approach and extent of census data testing
- Describe the Firm's process for ensuring LACERA staff is educated and up to date on all new auditing standards, relevant federal, state and local laws, and all required areas of compliance.

The table below provides a proposed breakdown of the audit sections identified when performing a financial statement audit. The Firm may use the format presented or a modified version prepared at the Firm's discretion to address the proposal requirements in noted at the second above "Proposed sections of the engagement."

<b>Section No.</b>	<b>Audit Section (Categories) Description</b>	<b>Proposed Audit Hours</b>	<b>% of Total Audit Hours</b>
1.	Audit Planning & Risk Assessment		
2.	Audited F/S – General Procedures		
3.	Benefit Payments		
4.	Cash and Treasury		
5.	Expenditures and Payables		
6.	Internal Controls including IT General Controls		
7.	Investments		

8	Partner Review		
9	Pension Contributions		
10.	Pension Census		
11.	Report Preparation		
12.	SAS 99 and Conflicts of Interest		
13.	Financial Reporting		
14.	Other		
	Total		

35. Describe the firm's competitive advantages over other firms in providing auditing services. Describe any new, alternative, or different approaches available to complete the work described in the relevant Statement of Work.
36. Describe the firm's process for transitioning from the previous auditor if selected by LACERA as the new auditor. Describe any work that the firm will perform to gain comfort over the readiness assessment.
37. Describe the firm's process for ensuring reporting deadlines are met.
38. Describe the firm's process for monitoring changes to professional standards and ensuring that LACERA is aware of all new developments, trends, or changes in GASB standards and in the retirement industry that are applicable to LACERA's projects in a timely manner.
39. Describe the firm's approach to resolving potential issues that may be encountered during the performance of LACERA's audit and any special assistance that will be requested from LACERA.
40. Describe how the firm monitors and measures client satisfaction.

#### Sample Work and Reports

41. Provide samples of written work in a PDF document. Include as **Exhibit N**:
  - a. A sample Independent Auditor's Report on Financial Statements.
  - b. A sample Independent Auditor's Report of the GASB Pronouncements 68.
  - c. A sample Independent Auditor's Report re Fair presentation of the schedule of changes in fiduciary net position by employer for Los Angeles County's portion of the OPEB Trust.
  - d. A sample Report on Internal Control and Compliance.
  - e. A sample Required Communication to the Audit Committee Report.
  - f. A Sample Report to Management.
42. For each team member listed, describe the individual's experience and expertise in communicating audit information to various groups of people, including but not limited to: governing boards and committees, plan administrative staff, plan sponsors, unions, professional associations, and the public.
  - a. Please provide at least one (1) video link of the proposed engagement partner or engagement manager's presentation to client's past Board meetings. Include as **Exhibit O**.

### Non-Attestation Consulting Services

43. Describe your approach to financial accounting consultation services, to audit client management on any technical, policy, or plan administration related to the Retirement Plan or OPEB during the course of operations.
44. Describe your approach to providing educational training on financial statements related topics to the audit committee and audit client staff.
45. Describe how your consulting team evaluates and provides audit client management with timely information on new developments, trends, or changes in the financial accounting standards relevant to the audit client.

## **VI. CLIENT REFERENCES**

46. Provide at least three (3) client references most comparable to LACERA who have engaged your **proposed team** for consulting or auditing services and can be contacted. Include the following in **Exhibit P**.
  - Client name, address, and website
  - Nature of business
  - Account type (defined benefit, defined contribution, endowment, etc.)
  - Fund asset size and/or annual revenue
  - Number of plans or program members
  - Primary contact name, title, telephone number, and email address
  - Nature and length of relationship with said entity
  - Description of services provided by bidder

## **VII. FEE PROPOSAL**

47. If your Firm has selected to bid for the audit work, the Firm must include a proposed fee schedule in the format in the Fee Schedule (**Attachment G** of the RFP). Include in **Exhibit Q**.

Separate Fee Schedules must be prepared for the Pension Trust and for the (combined) OPEB Trust and OPEB Custodial Fund. A separate Firm's Fee Schedule must be prepared for each fiscal year's financial statement audit. The Firm must identify the classification of audit staff, specialists and administrative staff, along with the number of hours assigned to the engagement and the hourly rates.

The Firm must estimate all out-of-pocket expenses and administrative expenses and include them in the Firm's Fee Schedules. All out-of-pocket expenses will be charged against the Total Not-To-Exceed Maximum Fee submitted by the Firm and not reimbursed separately.