#### AGENDA

#### A SPECIAL MEETING OF THE AUDIT COMMITTEE

#### AND BOARD OF RETIREMENT AND BOARD OF INVESTMENTS\*

#### LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

#### 300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

#### 9:00 A.M., FRIDAY, APRIL 23, 2021

This meeting will be conducted by the Audit Committee under the Governor's Executive Order No. N-29-20.

Any person may view the meeting online at <a href="https://members.lacera.com/lmpublic/live\_stream.xhtml">https://members.lacera.com/lmpublic/live\_stream.xhtml</a>

The Committee may take action on any item on the agenda and agenda items may be taken out of order.

#### 2021 AUDIT COMMITTEE MEMBERS

Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez

#### AUDIT COMMITTEE CONSULTANT Robert H. Griffin

I. CALL TO ORDER

#### II. APPROVAL OF MINUTES

 A. Approval of the Minutes of the Special Audit Committee Meeting of February 19, 2021 April 23, 2021 Page 2 of 5

#### III. PUBLIC COMMENT

(\*\*You may submit written public comments by email to <u>PublicComment@lacera.com</u>. Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

You may also request to address the Committee. A request to speak must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Committee meeting as a speaker.)

#### IV. NON-CONSENT ITEMS

- A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Christina Logan, Principal Internal Auditor: That the Committee provide direction to staff on the proposed revisions to the Audit Committee Charter, and upon approval, recommend to the Board of Retirement and Board of Investments to adopt the revised Audit Committee Charter. (Memo dated April 15, 2021)
- B. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Christina Logan, Principal Internal Auditor: That the Committee approve a One-Year Extension Request for Plante Moran Financial Audit Contract. (Memo dated April 15, 2021)
- C. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Leisha Collins, Principal Internal Auditor: That the Committee authorize staff to issue a Request for Proposal for an External Assessment of the Internal Audit Division. (Memo dated March 31, 2021)
- D. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, Leisha E. Collins, Principal Internal Auditor and Kathryn Ton, Senior Internal Auditor: That the Committee (1) Review and approve the proposed firms to be included in the pre-qualified pool; and (2) Direct staff to work with the Legal Office to finalize the master contracts with each firm. (Memo dated April 7, 2021)

#### IV. NON-CONSENT ITEMS (Continued)

- E. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Nathan K. Amick, Internal Auditor: That the Committee review and discuss the Death Legal Unit Audit Amendment to Report and provide the following action(s):
  - 1. Accept and file report;
  - 2. Instruct staff to forward report to Boards or Committees;
  - 3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
  - 4. Provide further instruction to staff. (Memo dated March 30, 2021)
- F. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Kristina Sun, Senior Internal Auditor: That the Committee review and discuss the Quality Assurance Operations Review and provide the following action(s):
  - 1. Accept and file report;
  - 2. Instruct staff to forward report to Boards or Committees;
  - 3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
  - 4. Provide further instruction to staff. (Memo dated April 15, 2021)
- V. REPORTS
  - A. The Institute for Internal Auditor's Three Lines Model Richard P. Bendall, Chief Audit Executive Nathan K. Amick, Internal Auditor (Presentation) (Memo dated March 30, 2021)
  - B. 2021 Risk Assessment Survey Results of LACERA Richard P. Bendall, Chief Audit Executive Kristina Sun, Senior Internal Auditor (Presentation) (Memo dated April 15, 2021)

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- V. REPORTS (Continued)
  - C. Status of Other External Audits Not Conducted at the Discretion of Internal Audit Richard P. Bendall, Chief Audit Executive (Verbal Presentation)
  - D. Legal Review of Incorrect SSNs on Form 1099-Rs
     Steven Rice, Chief Counsel
     (For Information Only) (Memo dated April 9, 2021)
  - E. FYE 2021 Audit Plan Status Report Richard P. Bendall, Chief Audit Executive Leisha E. Collins, Principal Internal Auditor (For Information Only) (Memo dated April 15, 2021)
  - F. Ethics Hotline Status Report Richard P. Bendall, Chief Audit Executive Kathryn Ton, Senior Internal Auditor (For Information Only) (Memo dated March 30, 2021)
- VII. CONSULTANT COMMENTS Robert H. Griffin, Audit Committee Consultant (Verbal Presentation)
- VIII. REPORT ON STAFF ACTION ITEMS
- IX. GOOD OF THE ORDER (For Information Purposes Only)
- X. ADJOURNMENT

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The Board of Retirement and Board of Investments have adopted a policy permitting any member of the Boards to attend a standing committee meeting open to the public. In the event five (5) or more members of either the Board of Retirement and/or the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement and/or Board of Investments. Members of the Board of Retirement and Board of Investments who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. Except as set forth in the Committee's Charter, the only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.

Documents subject to public disclosure that relate to an agenda item for an open session of the Board and/or Committee that are distributed less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the members of any such Board and/or Committee at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101 during normal business hours [e.g., 8:00 a.m. to 5:00 p.m. Monday through Friday].

\*\*Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email <u>PublicComment@lacera.com</u>, but no later than 48 hours prior to the time the meeting is to commence.

#### MINUTES OF THE SPECIAL MEETING OF THE AUDIT COMMITTEE OF THE

#### BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

#### LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

#### 300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

#### 9:00 A.M., FRIDAY, FEBRUARY 19, 2021

#### This meeting was conducted by the Audit Committee by teleconference under the Governor's Executive Order No. N-29-20.

PRESENT:	Joseph Kelly, Chair
	Shawn R. Kehoe, Vice Chair
	Vivian H. Gray, Secretary
	Alan J. Bernstein
	Keith Knox
	Ronald A. Okum
	Gina V. Sanchez (Left at 11:30 a.m.)
	MEMBERS AT LARGE
	William Pryor (Arrived at 9:27 a.m.)
	STAFF, ADVISORS, PARTICIPANTS
	Santos H. Kreimann, Chief Executive Officer
	Richard P. Bendall, Chief Audit Executive
	Steven P. Rice, Chief Counsel
	Leisha E. Collins, Principal Internal Auditor

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<u>STAFF, ADVISORS, PARTICIPANTS (Continued)</u>
Christina Logan, Principal Internal Auditor
Kristina Sun, Senior Internal Auditor
Kathryn Ton, Senior Internal Auditor
George Lunde, Senior Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
Nathan K. Amick, Internal Auditor
Bob Schlotfelt, Interim Chief Information Security Officer
Debbie Biddle-Castillo, KPMG
Sami Salam, KPMG

Robert H. Griffin, Audit Committee Consultant

I. CALL TO ORDER

The meeting was virtually called to order at 9:00 a.m.

- II. ELECTION OF OFFICERS (Election of Chair, Vice Chair, and Secretary)
  - A. Chair of the Audit Committee

Mr. Kelly was nominated to the position of Chair of the Audit Committee by

Mr. Kehoe and Ms. Sanchez was nominated to the position of Chair of the Audit Committee by Mr. Okum.

Mr. Knox announced that Mr. Kelly was elected to the position of Chair of the Audit Committee by a roll call vote with Messrs. Bernstein, Kehoe, Kelly, Okum voting yes; and Ms. Gray and Ms. Sanchez voting no and, Mr. Knox abstaining.

#### III. ELECTION OF OFFICERS (Election of Chair, Vice Chair, and Secretary)

B. Vice Chair of the Audit Committee

Mr. Kehoe was nominated to the position of Vice Chair of the Audit Committee by

Mr. Kelly. Hearing no other nominations, Mr. Kehoe was declared Vice Chair of the

Committee for 2021.

#### III. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Special Audit Committee Meeting of

December 11, 2020

Ms. Gray made a motion, Mr. Knox seconded, to approve the minutes of the Special Audit Committee meeting of December 11, 2020. The motion passed (roll call) with Messrs. Kehoe, Kelly, Knox, Okum, Ms. Gray, Ms. Sanchez voting yes; and Mr. Bernstein abstaining.

#### IV. PUBLIC COMMENT

There were no requests from the public to speak.

#### V. NON-CONSENT ITEMS

A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the Audit Committee review the 2021 meeting calendar and schedule Audit Committee Meetings for April, June, August, October and December of 2021. (Memo dated February 1, 2021)

> Mr. Kelly made a motion, Mr. Bernstein seconded, to approve April 23<sup>rd</sup>, June 24<sup>th</sup>, August 26<sup>th</sup>, October 21<sup>st</sup> and December 2<sup>nd</sup> for the 2021 Audit Committee meetings. The motion passed (roll call) with Messrs. Kehoe, Bernstein, Kelly, Knox,

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#### V. NON-CONSENT ITEMS (Continued)

Okum, Ms. Gray and Ms. Sanchez voting yes.

B. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, Leisha E. Collins, Principal Internal Auditor and Christina Logan, Principal Internal Auditor: That the Audit Committee approve the Internal Audit Proposed FYE 2022 Budget and a contingent budget for additional work-related audit findings or other unplanned work. (Memo dated February 2, 2021)

(Ms. Sanchez left the meeting at 11:30 a.m.)

(This item was held after item VI. C.)

Mr. Kelly made a motion, Mr. Kehoe seconded, to approve the Internal Audit Proposed FY 2022 Budget and set the contingency budget to zero. The motion failed (roll call) with Messrs. Kehoe, Kelly, Knox, voting yes; Mr. Okum, Mr. Bernstein and Ms. Gray voting no.

Mr. Bernstein made a motion, Mr. Okum seconded, to approve the Internal Audit Proposed FY 2022 Budget and to amend the contingency to \$250,000. The motion passed (roll call) with Messrs. Kehoe, Bernstein, Kelly, Knox, Okum, and Ms. Gray voting yes.

- C. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Committee review and approve the KPMG Recommendation Follow-Up Audit and provide the following action(s):
  - 1. Accept and file report;
  - 2. Instruct staff to forward report to Boards or Committees;
  - 3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
  - 4. Provide further instruction to staff. (Memo dated February 9, 2021)

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V. NON-CONSENT ITEMS (Continued)

Mr. Kelly made a motion, Ms. Sanchez seconded, to accept and file the report. Furthermore, the Committee directed staff to provide quarterly updates to the Audit Committee of Recommendations Follow-Up until fully implemented and commission KPMG to perform follow-up of audit for next fiscal year.

The motion passed (roll call) with Messrs. Kehoe, Bernstein, Kelly, Knox, Okum, Ms. Gray and Ms. Sanchez voting yes.

- D. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and George Lunde, Senior Internal Auditor: That the Committee review and approve the Social Security Number Verification System Audit and provide the following action(s):
  - 1. Accept and file report;
  - 2. Instruct staff to forward report to Boards or Committees;
  - 3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
  - 4. Provide further instruction to staff. (Memo dated February 3, 2021)

Mr. Kelly made a motion, Ms. Sanchez seconded, to accept and file the report. The motion passed (roll call) with Messrs. Kehoe, Bernstein, Kelly, Knox, Okum, Ms. Gray and Ms. Sanchez voting yes. February 19, 2021 Page 6 of 9

#### V. NON-CONSENT ITEMS (Continued)

- E. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Nathan K. Amick, Internal Auditor: That the Committee review and discuss the Death Legal Unit Audit and provide the following action(s):
  - 1. Accept and file report;
  - 2. Instruct staff to forward report to Boards or Committees;
  - 3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
  - 4. Provide further instruction to staff. (Memo dated February 5, 2021)

Mr. Kelly made a motion, Mr. Kehoe seconded, directing staff to return to the Audit Committee and correct factual inaccuracies and bring original report. The motion passed (roll call) with Messrs. Kehoe, Bernstein, Kelly, Knox, Okum, Ms. Gray and Ms. Sanchez voted yes.

#### VI. REPORTS

 A. Information Security Update Robert Schlotfelt, Interim Chief Information Security Officer (Presentation and Memo dated February 1, 2021)

Messrs. Schlotfelt and Rice were present and answered questions from the

Committee. This report was received and filed.

B. Audit Planning for Fiscal Year 2021-2022
 Richard P. Bendall, Chief Audit Executive
 Christina Logan, Principal Internal Auditor
 Kristina Sun, Senior Internal Auditor
 (Presentation and Memo dated February 2, 2021)

Ms. Logan and Ms. Sun presented a brief presentation and answered questions from

the Committee.

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#### VI. REPORTS (Continued)

 C. FYE 2021 Audit Plan Status Report Richard P. Bendall, Chief Audit Executive Leisha E. Collins, Principal Internal Auditor (Memo dated February 2, 2021)

Mr. Bendall and Ms. Collins were present and answered questions from the

Committee.

 D. Recommendation Follow-Up Information Technology Areas Richard P. Bendall, Chief Audit Executive Christina Logan, Principal Internal Auditor Gabriel Tafoya, Senior Internal Auditor (Memo dated February 2, 2021)

Messrs. Bendall, Tafoya and Ms. Logan were present and answered questions

from the Committee.

E. Recommendation Follow-Up Richard P. Bendall, Chief Audit Executive Gabriel Tafoya, Senior Internal Auditor (Memo dated February 10, 2021)

Mr. Tafoya was present and answered questions from the Committee.

F. Continuous Auditing Program (CAP) Richard P. Bendall, Chief Audit Executive Gabriel Tafoya, Senior Internal Auditor Nathan K. Amick, Internal Auditor (Memo dated February 3, 2021)

Messrs. Tafoya and Amick were present and answered questions from the

Committee.

The following items were received and filed.

G. Status of Other External Audits Not Conducted at the Discretion of Internal Audit Richard P. Bendall, Chief Audit Executive (Verbal Presentation) February 19, 2021 Page 8 of 9

#### VI. REPORTS (Continued)

- H. Internal Audit Staffing Activity Report Richard P. Bendall, Chief Audit Executive (Verbal Presentation)
- I. Real Estate Administration and Performance Conversion Update Esmeralda del Bosque, Senior Investment Officer Trina Sanders, Investment Officer Cindy Rivera, Senior Investment Analyst Calvin Chang, Senior Investment Analyst Michael Huang, Accounting Officer II Margaret Lei Chwa, Senior Accountant (For Information Only) (Memo dated February 5, 2021)
- J. Real Estate Manager Review Report Richard P. Bendall, Chief Audit Executive Kathryn Ton, Senior Internal Auditor (For Information Only) (Memo dated January 29, 2021)

Messrs. Bendall and Rice, and Ms. Ton were present to answer questions from the

#### Committee.

 K. Ethics Hotline Status Report Richard P. Bendall, Chief Audit Executive Kathryn Ton, Senior Internal Auditor (For Information Only) (Memo dated January 29, 2021)

This Item was received and filed.

VII. CONSULTANT COMMENTS Robert H. Griffin, Audit Committee Consultant (Verbal Presentation)

Mr. Griffin provided comments to the Committee.

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#### VIII. REPORT ON STAFF ACTION ITEMS

The Committee requested that staff agendize the Audit Committee Charter for further review at the April 2021 meeting and provide the Committee with the Internal Audit organizational chart including staff names.

#### IX. GOOD OF THE ORDER

The Committee thanked staff for their work.

#### X. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 12:03 p.m.

#### April 15, 2021

TO: 2021 Audit Committee Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez

> Audit Committee Consultant Robert H. Griffin

FROM: Richard P. Bendall Cro Chief Audit Executive

> Christina Logan CC Principal Internal Auditor

FOR: April 23, 2021 Audit Committee Meeting

#### SUBJECT: Revisions to the Audit Committee Charter

#### RECOMMENDATION

- a) Provide direction to staff on the proposed revisions to the Audit Committee Charter,
- b) Upon approval, recommend to the Board of Retirement and Board of Investments to adopt the revised Audit Committee Charter.

#### BACKGROUND

The Institute of Internal Auditors (IIA) recommends that an audit committee formally define its purpose, authority, and responsibilities in a charter. In addition, the IIA recommends periodic reviews of the charter to ensure the charter is aligned with industry best practices and organizational changes.

LACERA's Audit Committee Charter (Charter) was established in 2004, and has been updated throughout the years, most recently in December 2020 (Attachment B). The IIA's current model charter is provided for your reference (Attachment C).

At the February Audit Committee meeting, it was requested that we bring the Charter to this meeting for additional discussion.

Revisions to the Audit Committee Charter April 15, 2021 Page 2 of 2

#### **PROPOSED REVISIONS**

The Audit Committee Chair is proposing the revisions below to the Charter. The Chair has provided a memo detailing the reasoning for his proposal (Attachment A).

**VII. Responsibilities A. Internal Audit Activity** – replacing the language with a new section under **VII. Responsibilities G. Budget.** The wording for the new section is derived from Deloitte's Sample Audit Committee Charter but tailored for LACERA.

#### **PROPOSED EDITS**

Internal Audit and the Audit Committee Chair are proposing the following minor edits to the Charter:

- IV. Authority Remove the third paragraph since two of the three points were already under VII. Responsibilities B. Professional Service Provider Activity.
- V. Audit Committee and Consultant Corrected the job title for the Los Angeles County Treasurer to be consistent with CERL and corrected a grammar error.
- VI. Audit Committee Meetings Added to the fourth paragraph that materials are published to LACERA's website and removed from the sixth paragraph unnecessary language.
- VII. Responsibilities B. Professional Service Providers Corrected "External Financial Auditor" to "Financial Auditor" to be consistent throughout the Charter and added the third point from IV. Authority.

#### RECOMMENDATION

We recommend the Audit Committee Provide direction to staff on the proposed revisions to the Audit Committee Charter, and upon approval, recommend to the Board of Retirement and Board of Investments to adopt the revised Audit Committee Charter.

Attachments

RPB:cl

### Attachment A

April 16, 2021

TO: Audit Committee

FROM: Joseph Kelly, Chair JK

SUBJECT: Audit Committee Funding

This memorandum responds to a discussion at the February 19, 2021 Audit Committee meeting regarding Item V. B. a recommendation that the Audit Committee approve the Internal Audit Proposed Fiscal Year (FY) 2021-2022 Budget and a contingent budget for additional work related to audit findings or other unplanned work. Section VII. A. 1.C. of the Audit Committee Charter requires the Committee to recommend to the Boards a budget to achieve the audit plan, plus a contingent budget.

In the meeting, we discussed replacing the contingent budget language with a statement that LACERA would commit to provide the Committee the funding necessary for the Committee to conduct its mission. The reasons for this included the availability of unspent operating funds in Internal Audit's operating budget as a source to fund unplanned audits, the limitations in the use of the contingent budget to only one area of Committee responsibility (i.e., audit), and the potential that any contingent budget the Committee approved may be insufficient to fund the costs of unplanned audits. Discussion followed regarding the mechanisms through which LACERA would be able to incorporate such a commitment into its budgetary practices. In the end, the Committee approved a contingent budget in the amount of \$250,000.

#### Discussion of an agency commitment to provide appropriate funding.

In presenting charter revisions for the Committee's consideration in calendar year 2020, staff had relied primarily on a sample charter promulgated by the Institute of Internal Auditors - Global (IIA) and a review of peer pension fund charters. The IIA sample charter was designed to illustrate common practices across multiple jurisdictions, including international jurisdictions, and, as such, the IIA cautioned that the generic nature of this document required customization. Like the charter the Audit Committee approved in December 2020, the IIA sample charter grants to the Audit Committee the authority to approve the appointment, compensation, and work of the Financial Auditor hired to audit financial statements and approve the appointment, compensation, and work of other Professional Service Providers to perform non-financial statement audits, reviews, or investigations. The IIA sample charter is silent on the budgetary impact to the organization of the granting of this authority to the Audit Committee. Yet, the charter the Audit Committee approved in December 2020, introduced the concept of a contingent budget and capped that contingent budget at \$500,000.

Deloitte also publishes a *Sample Audit Committee Charter*<sup>1</sup> based on its observations of selected companies and the requirements of the Securities and Exchange Commission (SEC), the New York Stock Exchange (NYSE), and the National Association of Securities Dealers and Nasdaq. The *Sample Audit Committee Charter* delegates to the Audit Committee the same responsibilities regarding the appointment and compensation of the financial auditor and other professional service providers as does the IIA sample charter, but Deloitte addresses the budgetary impact of this delegation as follows: *The issuer [company] will provide appropriate funding, as determined by the audit committee, for compensation to the independent auditor, to any advisers that the audit committee chooses to engage, and for payment of ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.* [Rule 10A-3(b)(5) of the Exchange Act, NYSE Corporate Governance Rule 303A.06, and NASDAQ Corporate Governance Rule 5605(c)(3)].

This language Deloitte recommends regarding Audit Committee funding is sourced from the SEC. Specifically, effective April 25, 2003, the SEC, as directed by the Sarbanes-Oxley Act of 2002 (SOX), adopted a new rule related to audit committee requirements. These requirements related to the independence of audit committee members; the audit committee's responsibility to select and oversee the independent accountant; procedures for handling complaints regarding accounting practices; the authority of the audit committee to engage advisors; and funding for the independent auditor and any outside advisors engaged by the audit committee. LACERA does not issue securities that are listed on national securities exchanges and is therefore not subject to this rule. However, organizations that are not subject to the rule consider its provisions to be best practice and many adopt its provisions, nonetheless, and many of the provisions of this rule are found in the IIA's sample Audit Committee Charter.

In promulgating this rule, the SEC provided the following commentary regarding Audit Committee funding which I found particularly insightful and applicable to the question at hand.

#### E. Funding

An audit committee's effectiveness may be compromised if it is dependent on management's discretion to compensate the independent auditor or the advisors employed by the committee, especially when potential conflicts of interest with management may be apparent. Accordingly, as proposed, the final rule requires the issuer to provide for appropriate funding, as determined by the audit committee, in its capacity as a committee of the board of directors, for payment of compensation:

<sup>&</sup>lt;sup>1</sup> <u>https://www2.deloitte.com/content/dam/Deloitte/us/Documents/center-for-board-effectiveness/us-audit-committee-resource-guide-appendix-a.pdf</u>

- To any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer; and
- To any advisors employed by the audit committee.

This requirement will further the standard relating to the audit committee's responsibility to appoint, compensate, retain and oversee the outside auditor. It also will add meaning to the standard relating to the audit committee's authority to engage independent advisors. Not only could an audit committee be hindered in its ability to perform its duties objectively by not having control over the ability to compensate these advisors, but the role of the advisors also could be compromised if they are required to rely on management for compensation. Thus, absent such a provision, both the audit committee and the advisors could be less willing to address disagreements or other issues with management.

Commenters supported this requirement. We also requested comment on whether there should be limits on the amount of compensation that could be requested by the audit committee. The overwhelming majority of commenters did not support compensation limits, arguing that to do otherwise would subvert the intent of the requirement. These commenters argued that audit committee members' own fiduciary duties to the issuer and natural oversight by the board of directors over the audit committee would address any concerns over abuse. The final rule does not set funding limits.

Some commenters believed it would be appropriate to supplement the funding requirements. While the Commission's proposal would address the compensation of advisors, it would not provide assurance that the audit committee itself can obtain the funding it needs to carry out its duties. Specifically, these commenters believed the final rule should also state that the issuer must provide appropriate funding for ordinary administrative expenses of the audit committee. We find merit in this suggestion. An audit committee's effectiveness may be compromised if it is dependent on management's discretion to pay for the committee's expenses, especially when potential conflicts of interest with management may be apparent. Accordingly, the final rule provides that, in addition to funding for advisors, the issuer must provide appropriate funding for ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

The Government Finance Officers Association (GFOA), a well-respected public sector finance organization, includes the following in its recommendations regarding the establishment of audit committees by state and local governments<sup>2</sup>: *The audit committee should be adequately funded and should be authorized to engage the services of financial experts, legal counsel, and other appropriate specialists, as* 

<sup>&</sup>lt;sup>2</sup> https://www.gfoa.org/materials/audit-committees

*necessary to fulfill its responsibilities.* However, the GFOA also notes that one should not interpret this recommended practice as limiting the full governing body from exercising ultimate authority.

### Analysis of contingent budget with a cap, or an agency commitment to provide appropriate funding

By its very nature, the contingent budget with its current cap of \$250,000 puts guiderails around the Audit Committee's spending authority. Some trustees may believe that is prudent given the fact that the organization's two governing boards, the Board of Retirement and Board of Investment, had never granted budgetary authority to any of its committees before they narrowly approved the granting of budgetary authority to this committee, and that any discretionary use of budgetary authority could be minimized through a very focused audit planning process. I concur that the audit planning process should be thorough and, if it is, would reduce the likelihood that the Audit Committee would need to retain advisory firms beyond those included in the plan. But, establishing guiderails could compromise, at a minimum, the perception that the Audit Committee can achieve its objectives. The Audit Committee in this organization is an important component in the system of internal controls designed to protect the organization's financial assets, which are approaching nearly \$70 billion. Deviations in Committee responsibility and support from recommended best practice could compromise the effectiveness of that system of internal controls, certainly in perception if not also in practice. To put that \$70 billion figure in perspective, it is greater than the market capitalization of each of the following well-known firms: Colgate-Palmolive, BMW, and Marsh & McClellan. This organization's 180,000 members deserve an internal control system that meets or exceeds that which the recommended practices would allow.

There are several mechanisms in place that should, individually and collectively, give comfort to each trustee that this Committee would act responsibly should the boards commit to provide it appropriate funding.

- Fiduciary duty As commenters in the SEC rulemaking note, chief among these mechanisms are audit committee members' own fiduciary duties. I have served as a trustee for nearly ten years and although we may disagree from time to time on different issues, each one of us consistently holds high the fiduciary duty of loyalty and care.
- Number of Committee Members at seven members, three from each board with the County Treasurer serving ex officio, each board is well represented. As well, the size of the group also allows for greater representation of differing opinions, which can be discussed and deliberated, enhancing the quality of decisions.
- Oversight As commenters in the SECF rulemaking noted, natural oversight by the boards over the audit committee would address any concerns over abuse.

This Committee's authorities are those which the boards grant to it. If despite consistent application of our fiduciary duties and quality of decision-making, we run amok in the application of the boards' commitment to provide appropriate funding, then we should expect the boards to engage with the Committee on their concerns.

#### Application of a commitment to provide appropriate funding

Santos Kreimann, Steven Rice, Richard Bendall and I met to discuss the impact of this language, should the Audit Committee adopt it, on LACERA's budget practices. Mr. Kreimann stated that if the Audit Committee engaged a firm related to a matter that had not been included in the Audit Plan, he would first look to the Audit Division's operating budget to determine if any projected savings were available to fund that expenditure, in whole or in part. Secondly, he would identify budgetary savings from the overall budget to transfer to the Audit Division operating budget to fund the additional services. If the projected savings were not sufficient, then, depending on the dollar amount of the deficiency, he may present a budget adjustment for additional appropriation to each board.

#### **Conclusion and Recommendation**

I consider the SEC rulemaking and GFOA to be best practice in this area, which leads me to conclude that the Audit Committee charter should include a statement that LACERA will provide appropriate funding to the Audit Committee, replacing reference to a contingent budget. Applying a limit or a cap to that broad organizational commitment could compromise this organization's comprehensive system of internal controls. Committee abuse of this commitment can be minimized if not curtailed in its entirety through consistent adherence by trustees to their fiduciary duties, the number of trustees on the committee which leaves each board well represented and allows for deliberation of differing opinions, and general oversight by the boards. In my analysis I weight the negative impact to our system of internal controls more heavily than I do the likelihood of Committee abuse of this commitment.

Given this, the Audit Committee Charter before your Committee includes the deletion of the requirement that the Committee recommend a contingent budget and includes the addition of the following language:

LACERA will provide appropriate funding, as determined by the Audit Committee, for compensation to the Financial Auditor, to any Professional Service Provider that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

Thank you for your consideration of this information and recommendation.

C: Santos Kreimann Richard Bendall Steven Rice Johanna Fontenot JJ Popowich

#### ATTACHMENT B



# Audit Committee Charter December 2020



#### AUDIT COMMITTEE CHARTER

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**I**1.

#### AUDIT COMMITTEE CHARTER

#### I. CHARTER

This Charter establishes the authority and responsibilities of the Audit Committee, as assigned by Los Angeles County Employees Retirement Association's (LACERA) Board of Retirement and Board of Investments (Boards). The Audit Committee Charter is a living document and should be reviewed at least every three years.

#### II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

In November 2003, LACERA's Boards established the LACERA Audit Committee.

The purpose of the Audit Committee is to assist the Boards in fulfilling their fiduciary oversight duties for the:

- A. Internal Audit Activity
- B. Professional Service Provider Activity
- C. Financial Reporting Process
- **D.** Values and Ethics, and
- E. Organizational Governance

#### **III. PRINCIPLES OF THE AUDIT COMMITTEE**

The Audit Committee will conduct itself in accordance with LACERA's Code of Ethical Conduct and the following core principles from the Institute of Internal Auditors' (IIA) Code of Ethics. The Audit Committee expects the Boards, Management, and staff will also adhere to these requirements.

**Integrity** – The Audit Committee Members will perform their work with honesty, diligence, and responsibility. The Audit Committee expects and will encourage transparency when fulfilling its duties. Communications between Committee Members, Management, staff, and/or Professional Service Providers will be open, direct, and complete. Subject to applicable laws and organizational limitations, Internal Audit will regularly provide the Audit Committee with updates on audit and consulting projects completed and related findings and follow-up.

**Independence & Objectivity** - The Audit Committee will perform its responsibilities in an independent manner and in compliance with fiduciary duty without exception. Audit Committee Members will disclose any conflicts of interest (actual or perceived) to the Committee.

**Confidentiality** – The Audit Committee Members will be prudent in the use and protection of information acquired during the course of its duties.

**Competency** - Audit Committee Members will receive formal orientation training on the purpose and mandate of the Committee and LACERA's objectives. Audit Committee Members are obligated to prepare for and participate in Committee meetings.

**Professional Standards -** The Audit Committee will ensure all related work will be handled with the highest professional standards consistent with auditing standards of practice and industry guidelines.

#### IV. AUTHORITY

The Audit Committee will have unrestricted access to Management and staff, and any relevant information it considers necessary to discharge its duties. All employees are directed to cooperate with the Committee and its requests. If access to requested information is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, Board approved mechanism for resolution of the matter.

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of duties, including engaging independent counsel and/or other advisors it deems necessary.

The Audit Committee is empowered to:

- 1. Approve the appointment, compensation, and work of the Financial Auditor hired to audit LACERA's financial statements.
- 2. Approve the appointment, compensation, and work of other Professional Service Providers to perform non-financial statement audits, reviews, or investigations, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.
- 3. Resolve any significant disagreements regarding risks, findings, and/or payment between Management and the Financial and/or Other Service Providers.

#### V. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of seven members: three elected annually from each Board and the ex-officio member of both Boards, the LA County's Treasurer and Tax Collector. If any elected Audit Committee member leaves Board service or resigns from the Audit Committee prior to the completion of their term, the Board of the departing member, will elect a new Audit Committee member at the next regularly scheduled Board meeting.



The Committee shall have the authority to approve the hiring of the Audit Committee Consultant as an advisor through a Request for Proposal process. The Audit Committee Consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Audit Committee Consultant's contract will be for three years.

At the first Committee meeting of each calendar year, the Committee shall elect a Chairman, Vice Chair and Secretary, each to serve for a term of one year or until his or her successor is duly elected and qualified, whichever is less. In the event of a vacancy in the office of Chair, the Vice Chair shall immediately assume the office of Chair for the remainder of the term. In the event of a vacancy in the office of Vice Chair or Secretary, the Committee shall elect one of its members to fill such vacancy for the remainder of the term, at its next regular meeting.

#### **VI. AUDIT COMMITTEE MEETINGS**

The Audit Committee will conduct regular meetings at least four times per year, with authority to convene additional meetings, as circumstances require. The time frame between Audit Committee meetings should not exceed four months.

All Committee Members are expected to attend each meeting.

All meetings of the Audit Committee shall be as noticed as joint meetings with the Board of Retirement and Board of Investments to allow for participation of all trustees in open and closed session Audit Committee discussions, provided that non-committee trustees may not make or second motions or vote and provided further that closed sessions to discuss the CAE's annual assessment and the Committee's recommendation to the Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE shall be noticed for attendance by Committee members only.

Regular meeting notices and agendas will be posted at least 72 hours in advance of the regular meetings and will be made available to the public in accordance with the Ralph M. Brown Act (Government Code Sections 54950, et seq.). Public documents referred to in the agenda will be made available for review at the office of the staff secretary to the Committee. The Committee will invite members of Management, Internal Auditors, Financial Auditors, all other Professional Service Providers, and/or others to attend meetings and provide pertinent information, as necessary.

Special meetings of the Committee may be called in the manner provided by Government Code Section 54956(a). The Committee will have such other powers as provided in the Brown Act.

Robert's Rules of Order, except as otherwise provided herein, shall guide the Committee in its proceedings; however, the Chair of the Committee shall have the same rights to vote and participate in discussions as any other member of the Committee without relinquishing the chair. The order of business shall be as determined by formal action of the Committee. Four members of the seven-member Audit Committee, excluding the Audit Committee Consultant, constitute a quorum.

The Secretary of the Committee shall cause to be recorded in the minutes the time and place of each meeting of the Committee, the names of the members present, all official acts of the Committee, the votes given by members except when the action is unanimous, and when requested by a member, that member's dissent or approval with his or her reasons, and shall cause the minutes to be written forthwith and presented for approval at the next regular meeting.

#### **VII. RESPONSIBILITIES**

#### A. Internal Audit Activity

- 1. Internal Audit Strategy and Annual Plan
  - a. Review and provide input on Internal Audit's annual risk assessment
  - b. Review and approve Internal Audit's Annual Audit Plan (Plan) and resource plan, make recommendations concerning audit projects.
  - c. Recommend to the Boards a budget to achieve the Plan plus a contingent budget for additional work related to audit findings or other unplanned work.
  - d. Review and monitor Internal Audit's activity relative to its Plan. Review and approve all major changes to the Plan.
- 2. Internal Audit Engagement & Follow-Up
  - a. Review and discuss engagement reports to take the following action(s):
    - i. accept and file report,
    - ii. instruct staff to forward report to Boards or Committees,
    - iii. make recommendations to the Boards or Committees regarding actions as may be required based on audit findings and/or,
    - iv. provide further instruction to staff.
  - b. Monitor Internal Audit's recommendations to ensure Management has adequately and timely addressed the risk(s) identified, either through implementing a new policy, procedure, or process, or accepting the associated risk.
  - c. Inquire whether any evidence of fraud has been identified during internal or external audit engagements, and evaluate what additional actions, if any, should be taken.
  - d. Inquire whether any audit or non-audit engagements have been completed but not reported to the Audit Committee; if so, inquire whether any matters of significance arose from such work.
  - e. Review and advise Management and the Boards on the results of any special investigations.

- 3. Standards Conformance
  - a. Approve the Internal Audit Charter.
  - b. Ensure the Internal Audit Division conforms with the IIA's International Standards for the Professional Practice of Internal Audit, particularly the independence of Internal Audit and its organizational structure.
  - c. Ensure the Internal Audit Division has a quality assurance and improvement program (QAIP), and that the results of these periodic assessments are presented to the Audit Committee.
  - d. Ensure the Internal Audit Division has an external quality assurance review every five years. Review the results of the external quality assurance review and monitor the implementation of related recommendations.

Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.

4. Chief Audit Executive (CAE)

Since the CAE reports to the Chief Executive Officer (CEO) for administrative purposes, but to the Audit Committee for functional purposes, the Audit Committee will be responsible for the following:

- a. Make recommendations to both Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE, which will be addressed by the Boards in a joint meeting. Both Boards will make the final decisions as to the appointment, discipline, dismissal, and/or removal of the CAE. The CEO has authority to administer minor discipline, which is limited to counseling memos and written warnings, with notice of such discipline to be provided to the Committee and the Boards at their next meetings. Consideration by the Boards and the CAE will be made in executive session under Government Code Section 54957(b).
- b. Perform the CAE's annual assessment with qualitative input from the CAE and CEO. The Committee's discussion regarding the CAE's annual performance evaluation will be made in executive session under Government Code Section 54957(b).
- c. Administer the CAE's annual salary adjustment using the Boards' established compensation structure.

#### **B.** Professional Service Provider Activity

The Audit Committee is responsible for the oversight of all work performed by professional service providers (Service Providers) for audits, reviews, or investigations, including the audit of LACERA's financial statements.

- 1. Approve the appointment and compensation of the External Financial Auditor, hired to perform an independent audit of LACERA's financial statements. Oversee the work of the Financial Auditor, including review of the Financial Auditor's proposed audit scope and approach, as well as coordination with Internal Audit and Management.
- 2. Approve the appointment and compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.
- 3. Review the Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.

#### C. Financial Reporting Process

The Audit Committee is responsible for the oversight of the independent audit of LACERA's financial statement, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

- 1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 2. Review with Management and the Financial Auditors the results of the audit, including any difficulties encountered.
- 3. Review the annual financial statements, consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- 4. Review with Management and the Financial Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards*.

#### D. Values and Ethics

- 1. Review and assess LACERA's Code of Ethical Conduct established by the Boards and Management.
- 2. Annually, review Management's process for communicating LACERA's Code of Ethical Conduct to Trustees, Management, and staff, and for monitoring compliance therewith.

3. Review reports received relating to conflicts of interest and ethics issues, and if appropriate, make a recommendation to the Boards.

#### E. Organizational Governance

To obtain reasonable assurance with respect to LACERA's governance process, the Audit Committee will review and provide advice on the governance process established and maintained, and the procedures in place to ensure they are operating as intended.

- 1. Risk Management
  - a. Annually review LACERA's risk profile.
  - b. Obtain from the CAE an annual report on Management's implementation and maintenance of an appropriate enterprise wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.
  - c. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and the Boards.
- 2. Fraud
  - a. Oversee Management's arrangements for the prevention and detection of fraud, including ensuring adequate time is spent discussing and raising awareness about fraud and the Hotline.
  - b. Review a summary of Hotline reports, and if appropriate make a recommendation to the Boards.
- 3. System of Internal Controls
  - a. Consider the effectiveness of LACERA's internal control system, including information technology security and control, as well as all other aspects of LACERA's operations.
  - b. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
  - c. Review and provide advice on control of LACERA as a whole and its individual divisions.
- 4. System of Compliance
  - a. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.



- b. As needed, review the observations and findings of any examinations by regulatory agencies.
- c. Obtain regular updates from Management and LACERA's Legal Office regarding compliance matters.
- d. At least annually, review reported activity to ensure issues of fraud, noncompliance, and/or inappropriate activities are beingaddressed.

#### F. Other Responsibilities

- 1. Report to the Boards as needed about the Audit Committee's activities, issues, and related recommendations.
- 2. Provide an open avenue of communication between Internal Audit, all Professional Service Providers, including the Financial Auditor, Management, and the Boards.
- 3. Perform other activities related to this Charter as requested by the Boards.
- 4. Review and assess the adequacy of the Committee's Charter at least every three years, requesting the Boards' approval for proposed changes.

#### **VIII. APPROVAL**

This Charter was reviewed by the Audit Committee on December 11, 2020 and approved by the Board of Investments and Board of Retirement on December 16, 2020. This Charter is thereby effective December 16, 2020 and is hereby signed by the following persons who have authority and responsibilities under this Charter.

Gina V Sanchez

**Gina Sanchez** *Chair, Audit Committee* 

### David Green

**David Green** *Chair, Board of Investments* 

### Herman B. Santos

**Herman Santos** *Chair, Board of Retirement*  1/13/2021

Date

1/13/21

Date

1/13/2021

Date

## Model Audit Committee Charter



Revised: March 2017



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### Preface

The Model Audit Committee Charter is designed to illustrate common or leading practices typically set out in an audit committee charter. The generic nature of this draft is intended to encourage customization.

The document may not reflect all legal or regulatory requirements that exist in the every jurisdiction. Additionally, stakeholder expectations may influence the inclusion or deletion of certain practices.

In drafting an audit committee charter, care should be exercised to customize the charter, including replacing bracketed, blue text with language that accurately reflects the user's situation.

### **Organizational Principles**

#### **Introduction** [Optional]

The audit committee plays an important role in providing oversight of the organization's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The audit committee performs its role by providing independent oversight to the governing body e.g. board.

#### **Background** [Optional]

The audit committee was established on [date]. At that time, the charter for the committee was established. The charter, which governs the work of the committee, was reviewed and updated on [date].

#### Purpose

The purpose of the audit committee is to provide a structured, systematic oversight of the organization's governance, risk management, and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the organization's initiatives for:

- Values and ethics.
- Governance structure.
- Risk management.
- Internal control framework.
- Oversight of the internal audit activity, external auditors, and other providers of assurance.
- Financial statements and public accountability reporting.

In broad terms, the audit committee reviews each of the items noted above and provides the board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

#### Mandate [Optional]

The mandate for the establishment of the audit committee was derived from [Insert text; the exact source of the mandate will vary among jurisdictions and depend on the location, government structure, type of public sector services, and relationship to other government entities. This section is typical for public sector organizations and may come in the form of laws, regulations, policies and procedures, or bylaws.].

#### Authority

The audit committee charter sets out the authority of the audit committee to carry out the responsibilities established for it by the board as articulated within the Audit Committee Charter.

In discharging its responsibilities, the audit committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The committee also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, board approved mechanism for resolution of the matter.

The audit committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The organization's management and staff should cooperate with audit committee requests.

The audit committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

The audit committee is empowered to:

- Appoint, compensate, and oversee all audit and non-audit services performed by auditors, including the work of any registered public accounting firm employed by the organization. [Note: This requirement may not be applicable in the public sector if the external auditor is established by legislation; for example, an Auditor General.]
- Resolve any disagreements between management and the external auditor regarding financial reporting and other matters.
- Preapprove all auditing and non-audit services performed by auditors.

#### **Composition of the Audit Committee**

The audit committee will consist of **[Insert number; at least three]** members that are independent of the organization. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk, and control. Because the responsibilities of the audit committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the committee in response to emerging needs.

#### The Chair of the Audit Committee

The board will designate the chair of the audit committee and appointment committee members.

#### **Terms of Office**

The term of office for an audit committee member is **[Insert number; typically three to four]** years. Continuance of audit committee members will be reviewed annually. To ensure continuity

within the audit committee, the appointment of members should be staggered. [Note: In some jurisdictions there are limits to the number of terms which independent members of the committee may serve, if this is the case such limits may be reflected in the charter.]

#### Quorum

The quorum for the audit committee will be a majority of the members.

# **Operational Principles**

#### Audit Committee Values

The audit committee will conduct itself in accordance with the code of values and ethics of the organization and [Add reference to additional pertinent legislation/regulations/policies]. The audit committee expects that management and staff of the organization will adhere to these requirements.

#### **Communications**

The audit committee expects that all communication with management and staff of the organization as well as with any external assurance providers will be direct, open, and complete.

#### Work Plan

The audit committee chair will collaborate with senior management and the chief audit executive (CAE) to establish a work plan to ensure that the responsibilities of the audit committee are scheduled and will be carried out.

#### **Meeting Agenda**

The chair will establish agendas for audit committee meetings in consultation with audit committee members, senior management, and the CAE.

#### **Information Requirements**

The audit committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the audit committee at least one week prior to each audit committee meeting.

#### **Executive Sessions**

The audit committee will schedule, and hold if necessary, a private session with the chief executive officer (CEO), the chief financial officer (CFO), the CAE, external assurance providers, and with any other officials that the audit committee may deem appropriate at each of its meetings.

#### **Preparation and Attendance**

Audit committee members are obligated to prepare for and participate in committee meetings.

#### Conflict(s) of Interest

Audit committee members should adhere to the organizations code of conduct and any values and ethics established by the organization. It is the responsibility of audit committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether audit committee member(s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself.

#### **Orientation and Training**

Audit committee members will receive formal orientation training on the purpose and mandate of the committee and on the organization's objectives. A process of continuing education will be established.

# **Operational Procedures**

#### Meetings

The audit committee will meet at least [Insert number; at least four is generally recommended] times annually or more frequently as the committee deems necessary. The time frame between audit committee meetings should not exceed four months.

#### Minutes

Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at least two weeks after the audit committee meeting.

#### **Required Attendance**

The CAE and [Insert text; include the title of the person to whom the CAE reports and the title of the person responsible for managing the external audit relationship] are required to attend all audit committee meetings.

#### **Secretariat Services**

The CAE (or another appropriate designee) will facilitate and coordinate meetings as well as provide ancillary support to the committee, as time and resources permit.

#### **Remuneration of Committee Members**

Committee members may be reimbursed for travel and committee-related expenses. [If applicable, a policy should be established and outlined in the legal basis and/or a formal travel policy that applies to all committee members.]

Payment rates and allowances for committee members' time and/or services are established formally in [Insert text regarding laws, regulations, or in written policy and procedures by the governing body].

Professional Indemnity Insurance: [Professional indemnity insurance arrangements that are suitable to both the member and the organization should be established. Insert text regarding agreed-upon arrangements].

#### **Responsibilities**

It is the responsibility of the audit committee to provide the board with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the organization:

#### Values and Ethics

To obtain reasonable assurance with respect to the organization's values and ethics practices, the audit committee will:

- Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the organization.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all of the managers and staff of the organization.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

#### **Organizational Governance**

To obtain reasonable assurance with respect to the organization's governance process, the audit committee will review and provide advice on the governance process established and maintained within the organization and the procedures in place to ensure that they are operating as intended.

#### **Risk Management**

To obtain reasonable assurance with respect to the organization's risk management practices, the audit committee will:

- Annually review the organization's risk profile.
- Obtain from the CAE an annual report on management's implementation and maintenance of an appropriate enterprise wide risk management process.

- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
- Provide oversight of the adequacy of the combined assurance being provided.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

#### Fraud

To obtain reasonable assurance with respect to the organization's procedures for the prevention and detection of fraud, the audit committee will:

- Oversee management's arrangements for the prevention and deterrence of fraud.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

#### Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of the organization's controls in responding to risks within the organization's governance, operations and information systems, the audit committee will:

- Consider the effectiveness of the organization's control framework, including information technology security and control.
- Review and provide advice on the control of the organization as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the board.

#### Compliance

The audit committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.

- Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance.
- Obtain regular updates from management and the organization's legal counsel regarding compliance matters.

# Oversight of the Internal Audit Activity and Other Assurance Providers

#### **Internal Audit Activity**

To obtain reasonable assurance with respect to work of the internal audit activity, the audit committee will provide oversight related to:

#### Internal Audit Charter and Resources

- Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority, and responsibility, consistent with the mandatory guidance of The IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the organization and reflects developments in the professional practice of internal auditing.
- Advise the board about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.

#### CAE Performance

- Advise the board regarding the qualifications and recruitment, appointment, and removal of the CAE.
- Provide input to management related to evaluating the performance of the CAE.
- Recommend to management or the governing body the appropriate compensation of the CAE.

#### Internal Audit Strategy and Plan

- Review and provide input on the internal audit activity's strategic plan, objectives, performance measures, and outcomes.
- Review and approve proposed risk-based internal audit plan and make recommendations concerning internal audit projects.
- Review and approve the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit activity's performance relative to its audit plan.

#### Internal Audit Engagement and Follow Up

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of internal audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the CAE whether any internal audit engagements or non-audit engagements have been completed but not reported to the committee; if so, inquire whether any matters of significance arose from such work.
- Inquire of the CAE whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

#### Standards Conformance

- Inquire of the CAE about steps taken to ensure that the internal audit activity conforms with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards).
- Ensure that the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the audit committee.
- Ensure that the internal audit activity has an external quality assurance review every five years.
- Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- Advise the board about any recommendations for the continuous improvement of the internal audit activity.

#### **External Auditors**

To obtain reasonable assurance with respect to work of the external assurance providers, the audit committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management.

The audit committee will:

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity. [Note: This may not be applicable in a public sector setting.]
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. [Note: This may not be applicable in a public sector setting.]

- Obtain statements from the external auditors about their relationships with the organization, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence.
- Have regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters.
- Monitor management's progress on action plans.

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the audit committee will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.

#### **Financial Statements and Public Accountability Reporting**

The audit committee is responsible for oversight of the independent audit of the government entity's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

The audit committee will:

- Review with management and the external auditors the results of audit engagements, including any difficulties encountered.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released.
- Review with management and the external auditors all matters required to be communicated to the audit committee under generally accepted external auditing standards.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.
- Review interim financial reports with management and external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

#### **Other Responsibilities**

In addition, the audit committee will:

- Perform other activities related to this charter as requested by the governing body.
- Institute and oversee special investigations as needed.
- Regularly evaluate its performance and that of its individual members. [Note: Annual assessments are recommended.]

#### **Reporting on Audit Committee Performance**

The audit committee will report to the board annually, summarizing the committee's activities and recommendations. The report may be delivered during an audit committee meeting attended by the board or during a regularly scheduled meeting of the board.

The report should include:

- A summary of the work the audit committee performed to fully discharge its responsibilities during the preceding year.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing organization.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.
- The committee may report to the governing body at any time regarding any other matter it deems of sufficient importance.

#### **Approval/Signatures**

Chief Executive Officer	Date
Audit Committee Chair	Date
Chairman of the Board	Date

#### ABOUT THE IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 190,000 members from more than 170 countries and territories. The association's global headquarters are in Lake Mary, Fla., USA. For more information, visit www.globaliia.org.

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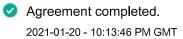
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#### April 15, 2021

TO: 2021 Audit Committee Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez

> Audit Committee Consultant Robert H. Griffin

FROM: Richard P. Bendall

Christina Logan Principal Internal Auditor

FOR: April 23, 2021 Audit Committee Meeting

#### SUBJECT: One-Year Extension Request for Plante Moran Financial Audit Contract

#### RECOMMENDATION

Internal Audit recommends that the Audit Committee review and approve a one-year extension request for the Financial Audit contract.

#### BACKGROUND

On November 16, 2016, LACERA entered a five-year contract Plante Moran (PM) to provide audit services from fiscal year ending (FYE) June 2017 – 2021. The contract provided LACERA an option to extend for an additional two FYEs, June 2022 and 2023.

#### **PM'S PERFORMANCE**

In January 2021, Internal Audit and key internal stakeholders from the Executive Office, Financial & Accounting Services, Investments, Legal, Benefits, Retiree Health Care, and Quality Assurance divisions, formally evaluated LACERA's satisfaction with PM's performance. We used the following rating scale:

- 5 = Exceptional. Vendor consistently exceeds performance standards.
- 4 = Exceeds Expectation. Vendor meets and often exceeds performance standards.
- 3 = Meets Expectations. Vendor consistently meets the performance standards.
- 2 = Improvement Needed. Vendor meets but often falls short of performance standards.
- 1 = Unacceptable. Significant improvement needed.

One-Year Extension Request for Plante Moran Financial Audit Contract April 15, 2021 Page 2 of 3

Quality	Average Score
Current quality of work product or service provided	3.83
Historical quality of work product or service provided	4.00
Technical capability demonstrated	4.17
Service Delivery	Average Score
Responsiveness to LACERA's needs	4.33
Meets or exceed the deliverable deadlines	4.17
Overall professionalism of vendor & their team	4.17

Over the last four fiscal years, PM has consistently provided LACERA with a high-level of service on the financial statements, technical accounting guidance and other non-technical matters. The team has asked insightful questions to help LACERA improve our controls and processes. The team has always been collaborative with LACERA, and this past year, we were able to work together effectively and efficiently to have a remote financial audit that met all required deadlines.

PM has consistently and timely submitted the required annual contract documentation, proof of insurance and a summary of their information technology general controls.

#### **EXTENSION REQUEST**

We are recommending extending PM's contract for one additional year due to the ongoing uncertainty with the pandemic. We believe the success of this past year's remote audit was because of PM's prior experience auditing LACERA. PM will also be completing their first System of Operating Controls (SOC-1) audit in June 2021, and we believe it would be helpful to leverage their experience over an additional year.

PM has provided a detailed proposal for the audit work related to FYE June 2022 in Attachment A. The proposal is based on a significantly discounted hourly rate for each type of service and is consistent with prior years' fees.

Scope of Services	FYE June 30, 2020 (For Reference)	FYE June 30, 2021 (For Reference)	FYE June 30, 2022 (Proposed)
Pension Trust Audit & FASB 68 report	\$129,950	\$131,950	\$134,050
OPEB Trust & Custodial Fund Audit	\$9,720	\$9,845	\$9,985
GASB 75 Schedule of Changes in Fiduciary Net Position	\$30,215	\$30,645	\$31,190
SOC-1 Audit (9 months) *	N/A	\$84,000	
SOC-1 Audit (12 months) *			\$92,000

\*Los Angeles County approved a 9-month testing period for the first year of the SOC-1 audit due to the pandemic but requested that going forward, LACERA have a 12-month testing period, as is standard practice.

One-Year Extension Request for Plante Moran Financial Audit Contract April 15, 2021 Page 3 of 3

Although the stakeholder group is satisfied with PM's work, we are recommending only a one-year extension so that the contract is consistent with California Government Code section 12410.6(b) which requires the lead audit partner to rotate after six years. Since the requirement only requires the lead audit partner to rotate, not the audit firm, PM will be able to bid when we issue a request for proposals for FYE June 2023 – 2028.

#### CONCLUSION

We recommend the Audit Committee review and approve extending PM's contract for audit services work for the upcoming FYE June 2022 based on their proposal.

Attachments

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#### March 31, 2021

- TO: 2021 Audit Committee Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez
  - Audit Committee Consultant Robert H. Griffin
- FROM: Richard P. Bendall Chief Audit Executive

Leisha E. Collins *A*C Principal Internal Auditor

FOR: April 23, 2021 Audit Committee Meeting

#### SUBJECT: External Assessment of Internal Audit Division

#### Recommendation

The Audit Committee authorize staff to issue a Request for Proposal for an External Assessment of the Internal Audit Division.

#### Background

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*) requires that an external assessment of the internal audit department be conducted at least once every five years by a qualified, independent assessor or review team from outside the organization. This external assessment evaluates the internal audit department's conformance with the *Standards* and the Code of Ethics.

External assessments may also focus on identifying opportunities to enhance internal audit processes, offer suggestions to improve the effectiveness of the internal audit activity, promote ideas to enhance the activity's image and credibility, and offer operational or strategic comments. This approach embraces the successful practices of the profession and emphasizes governance, risk management, and control processes as important areas for internal auditors' attention. External assessment recommendations focus on opportunities for continuous improvement and add value to the organization.

External Assessment of Internal Audit March 31, 2021 Page 2 of 5

The external assessment can take on two forms. The first is a self-assessment conducted by the internal audit department and then validated by an external party, defined by the IIA as a Self-Assessment with Independent Validation. The second is a fully outsourced external assessment. The outsourced external assessment is conducted by a qualified, independent assessor or an assessment team from outside the organization. The team approach involves an outside team of competent professionals under the leadership of an experienced, professional project manager or team leader. The team, on a collective basis, must demonstrate competence in the professional practice of internal auditing and the external assessment process. The Internal Audit Division (Internal Audit) has elected to have a full external assessment to ensure maximum transparency and objectivity for the review.

#### Past External Assessments of Internal Audit

To remain in compliance with the *Standards*, Internal Audit has undergone three external assessments. The first was conducted in 2005 and was performed by a peer group consisting of representatives of the Association of Public Pension Fund Auditors (APPFA). The second and third external assessments were completed in 2010 and 2016 by an audit consultant. For all external assessments, Internal Audit received the highest rating and was found to have policies, procedures, and practices in place to implement the *Standards* and other requirements necessary for ensuring a professional Internal Audit Division. Refer to Attachment A for the 2016 External Assessment Report.

#### Scope and Objectives of External Assessments

To achieve the optimum benefits from an external assessment, the scope of work should include benchmarking, identification, and reporting of leading practices to assist audit divisions in becoming more efficient and/or effective. Furthermore, external assessments typically include an assessment of compliance with IIA Code of Ethics and *Standards*, evaluation of charters, policies and procedures, and inspection of audit work papers.

Key elements of the scope:

- The internal audit activity charter that documents the purpose, authority, and responsibility of the internal audit activity and is approved by the board.
- The expectations of the internal audit activity expressed by the oversight group, executive management, and any other stakeholders.
- The entity's control environment and the Chief Audit Executive's (CAE) audit practice environment.
- The focus on evaluating governance processes, enterprise risk, and assessing organizational controls in audit plans.

External Assessment of Internal Audit March 31, 2021 Page 3 of 5

• The integration of internal audit into the organization's governance process, including the combined assurance relationships and communications between the key governance groups and assurance providers involved in that process and the aligning of audit objectives and plans with the objectives of the entity as a whole.

The objectives achieved are to:

- Provide an opinion on the internal audit activity's conformance with the *Standards* and the Code of Ethics.
- Assess the efficiency and effectiveness of the internal audit activity considering its charter; its processes and infrastructure, including the quality assurance and improvement program (QAIP); the mix of knowledge, experience, and expertise; and the expectations of the board (usually represented by a committee of the board oversight body, such as an audit committee), executive management, other stakeholders and assurance providers, and the CAE.
- Consider the internal audit activity's current needs and objectives, as well as the future direction and goals of the organization. Appraise the risk to the organization if the results indicate that the internal audit activity is performing at a less than effective level or is not in conformance with one or more of the Standards.
- Identify opportunities and offer ideas to the CAE and staff for improving the effectiveness of the internal audit activity, thereby raising the value added to management and the audit committee.

#### **Consultant and Qualifications**

Per the *Standards*, a qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience.

Furthermore, the *Standards* specify that the full external assessment must be conducted by a qualified, independent assessor or assessment team from outside the organization. Qualified individuals are persons with the technical proficiency, internal audit experience, business experience, and educational background appropriate for the audit activities to be assessed. This could include internal auditors from outside the organization, independent consultants, or independent outside auditors, but preferably not the external audit firm that audits the organization's financial statements, or consultants providing any co-sourcing for the entity. "From outside the organization" means not a part of, or under the control of, the corporate entity.

External Assessment of Internal Audit March 31, 2021 Page 4 of 5

The following is a list of the qualifications and criteria to assess the competence of a full external assessment team referenced from the *Standards*.

Experience:

- The full external assessment team should comprise of personnel of at least managerial level.
- The team leader should have experience that is comparable to that of the CAE of the internal audit activity being assessed.
- The team leader should be a competent, certified internal audit professional.
- Each team member should have a thorough understanding of current internal audit practices and the International Professional Practices Framework (IPPF) and its application, sound judgment, and good communication and analytical skills.
- The full external assessment team should possess or have ready access to all of the necessary technical expertise (e.g., governance, IT, risk management, internal audit attributes, management consulting, and internal audit management).
- Knowledge of the organization's industry, service, or internal audit activity by at least one team member is an important consideration to be evaluated by the customer.

Objectivity:

- The full external assessment team should objectively consider the expectations of the audit committee, executive management, and the CAE; the audit structure; and the policies and procedures of the organization and the internal audit activity.
- To ensure freedom from bias in the full external assessment, there should not be any relationship, either directly or indirectly, between the organization and the full external assessment team that is, or appears to be, a conflict of interest. Such relationships could significantly negate the benefits of the full external assessment

External Assessment of Internal Audit March 31, 2021 Page 5 of 5

#### **Request for Proposal**

Internal Audit plans to undergo an external assessment this year and is requesting that the Audit Committee approve the issuance of a Request for Proposal (RFP) for this engagement. Refer to Attachment B, for a draft of the RFP. Staff will seek consultants meeting the recommended qualifications as listed in above. If approved, staff will issue the RFP in May 2021 and request the Audit Committee's approval of the selected candidate at the August 2021 Audit Committee Meeting.

#### Conclusion

The Audit Committee authorize staff to issue a Request for Proposal for an External Assessment of the Internal Audit Division.

RPB:lec

Attachments: A: 2016 External Assessment Report B: Draft RFP

# ATTACHMENT A

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#### March 23, 2016

TO:	Each Member 2016 Audit Committee
	Audit Committee Consultant Rick Wentzel
FROM:	Richard Bendall Arb Chief Audit Executive
FOR:	April 15, 2016   Audit Committee Meeting

SUBJECT: QUALITY ASSURANCE REVIEW – 2016

Internal Audit's Quality Assurance Review (QAR) was completed in January 2016. The QAR, which is conducted at least once every five years, is performed in accordance with the Institute of Internal Audit International *Standards for the Professional Practice of Internal Auditing*. The primary objectives of the QAR include:

- Assessing Internal Audit's conformance to the Institute of Internal Audit (IIA) International Standards for the Professional Practice of Internal Auditing (Standards),
- Evaluating Internal Audit's effectiveness in carrying out its mission
- Identifying leading practices and opportunities to enhance Internal Audit's management and work processes.

The consultant, George Shemo, found that Internal Audit **generally conforms** to the *Standards*. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the *Standards* and other requirements necessary for ensuring a professional Internal Audit activity. As part of the QAR, Mr. Shemo also identified opportunities for improvement that will assist Internal Audit in more fully complying with the *Standards* and providing enhanced services to LACERA. Staff will discuss the QAR Report at the April 2016 meeting.

RB:lc

Attachment

# G Shemo Consulting Inc. George J. Shemo, CPA, CGMA

13 Pearce Lane Ballston Lake, New York 12019

Office: 518-399-3235 Cell: 518-894-7477 Email: <u>gjsmo1@nycap.rr.com</u> Certified: NYS Member: AICPA NYSSCPA IIA

# **REPORT ON THE EXTERNAL QUALITY ASSESSMENT OF**

# LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION OFFICE OF INTERNAL AUDIT

January 15, 2016





# **Overall Opinion on Conformance**

#### January 15, 2016

Under a contractual agreement with the Los Angeles County Employees Retirement Association (LACERA), I have conducted an independent external Quality Assessment (QA) of LACERA Internal Audit (IA). Being recognized by the IIA as fully qualified to conduct this QA of LACERA IA, my review was made in accordance with the methodology prescribed within the Institute of Internal Auditors' (IIA) "Quality Assessment Manual" (Issued August 1, 2013), and the requirements of IIA *Standard* 1312. The QA was conducted during the period of January 7, 2016 to January 15, 2016 at the offices of LACERA in Pasadena, California.

As a result of my review, it is my opinion, as of January 15, 2016, LACERA IA "Generally Conforms" with the IIA "Definition of Internal Auditing", the *Standards,* and the Code of Ethics. Further, I have found LACERA IA to be effective in carrying out its mission, as set forth in its charter and expressed in the expectations of the LACERA Audit Committee and senior management.

The overall assessment of "Generally Conforms" is the highest of three possible ratings that can be determined through a Quality Assessment; the others being "Partially Conforms" and "Does Not Conform". Please see "Attachment A", which is an integral part of this report, for an assessment of conformance with individual IIA *Standards*. I have provided recommendations to increase conformance for those individual IIA *Standards* that have been rated as "Partial Conformance", and to enhance the IA efforts in adding value to LACERA.



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Attachment A	17



# **Executive Summary**

### Purpose

As requested by the LACERA Chief Audit Executive (CAE), G Shemo Consulting conducted an independent external QA of LACERA IA. The principal objectives of the QA were to:

- Assess IA conformance to The IIA "Definition of Internal Auditing", International Standards for the Professional Practice of Internal Auditing (Standards), and the Code of Ethics;
- Evaluate IA's effectiveness in carrying out its mission, as set forth in its charter and expressed in the expectations of the LACERA Audit Committee and senior management;
- Identify opportunities to enhance IA management and work processes, as well as its ability to add value to LACERA.

### Scope and Methodology

Prior to my onsite arrival at LACERA to conduct the QA, the CAE provided advance preparation documents to me, which contained detailed information about IA and LACERA. Additionally, I conducted a preliminary meeting with the CAE and his staff in order to gather additional background information, select executives and operating managers for interviews during my onsite field work, and to finalize planning and administrative arrangements for the QA. Onsite fieldwork commenced on January 7, 2016 and concluded on January 15, 2016.

During the onsite fieldwork I conducted extensive interviews with a current member of the Audit Committee, members of executive management, selected operating managers, a representative of the external CPA firm, and selected members of the IA staff. I also evaluated the IA risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a representative sample of the IA work papers and reports.



# **Executive Summary**

### Scope and Methodology (Continued)

The QA consisted of my assessing the following IA functions:

- CAE Reporting Lines and Quality Assurance
- Organization of LACERA IA
- Communications with the Audit Committee and Senior Management
- Risk Assessment and Engagement Planning
- Staff Professional Proficiency
- Information Technology Capabilities
- Productivity and Value Added to LACERA
- Audit Engagement Work Papers and Reports
- Audit Tools and Methodologies
- Engagement and Staff Management Processes

### **Summary of Recommendations**

### For Conformance

The following recommendations are provided to guide LACERA IA in achieving a level of general conformance with the individual *Standards* identified in Attachment A:

- 1. Strengthen and enhance Quality Assurance and Improvement
- 2. Implement procedures for audit engagement work programs



# **Executive Summary**

# **Summary of Recommendations (Continued)**

## For Enhancement

The following recommendations are provided as suggestions for enhancing IA ability for adding value to LACERA operations and processes:

- 1. Review the IA Charter on a more frequent basis
- 2. Expand management and reporting of IA resource requirements
- 3. Update the "IA Operations Guide"
- 4. Enhance engagement audit reports
- 5. Increase operating management's awareness of IA



# **Executive Summary**

## **Commendations**

During my review, I observed the LACERA IA environment to be wellstructured and progressive, that the IIA *Standards* are appropriately understood, and IA management is endeavoring to provide useful audit tools and implement appropriate practices in order to add value to the operations of LACERA. It is appropriate to commend LACERA IA for the following:

- The CAE maintains a very strong relationship with the LACERA Audit Committee, while also being recognized as a well-respected member of senior management.
- IA is perceived as providing value added assurance and consulting services to their LACERA customers.
- IA staff viewed very positively for their professionalism, objectivity, business acumen, and their communication and collaboration skills.
- IA staff is well credentialed with multiple professional certifications
- IA audit engagements and reports are substantial and valuable.
- IA annual planning for excellent interaction with the Audit Committee and all levels of LACERA management
- IA is instrumental in LACERA risk management.



# **Recommendations for Conformance**

1. Strengthen and enhance Quality Assurance and ImprovementImplementing Stakeholder:Internal AuditAssociated Stakeholders:Senior ManagementAudit Committee

References: Standard 1311 Practice Advisory 1311-1 Practice Guides - Measuring IA Effectiveness and Efficiency - Quality Assurance and Improvement Program

The CAE has implemented proper procedures that provide for the elements of a Quality Assurance and Improvement Program (QAIP) as it relates to the <u>ongoing monitoring</u> of the performance of the IA activity. Going forward, the CAE should develop procedures that provide for the required internal <u>periodic self-assessment</u> of IA activity conformance with the IIA *Definition of Internal Auditing*, the *Code of Ethics*, and the *Standards*.

The internal <u>periodic self-assessments</u> should be made by individual(s) having sufficient knowledge of internal audit practices and at least an understanding of the elements of the IIA *International Professional Practices Framework*, and could be performed by members of the IA staff or other qualified audit professionals assigned elsewhere within LACERA. The IIA *Quality Assessment Manual* can serve as the basis for periodic internal assessments.

As a means of further enhancing the <u>ongoing monitoring</u> of IA activity performance, the CAE could consider expanding the use of performance metrics. Expansion of metrics could focus on:

- Improvement in staff productivity
- Adequacy of engagement planning and supervision
- Increase in efficiency and effectiveness of the audit process
- Completion of audits timely and on budget





# **Recommendations for Conformance**

### 1. <u>Strengthen and enhance Quality Assurance and Improvement</u> (<u>(Continued)</u>

The CAE could also consider further enhancements to the QAIP by adding information regarding the QAIP within the formal written status reports provided periodically to the Audit Committee and senior management, and by updating the "IA Operations Guide" to include all elements of the QAIP.

### 2. Implement procedures for audit engagement work programs

### Implementing Stakeholder: Internal Audit

#### **Reference:**

# Standards 2240, 2240.A1

Work performed in conducting audit engagements is appropriately planned and properly supervised. However, only the preliminary planning and general audit procedures (planning memo) are documented within the engagement work papers. The detailed testing procedures, which are developed by the CAE, audit manager, and audit staff, are not formally documented within the work papers. The CAE should implement procedures to ensure that the detailed audit procedures are documented in the form of work programs. The written work programs should be in sufficient detail to include the procedures for identifying, analyzing, evaluating, and documenting information and conclusions. The work programs should also provide evidence that supervisory approval has been given, prior to staff conducting the work. Any adjustments to the original work programs should also be approved appropriately.



# Recommendations for Enhancement

1. Review the IA Charter on a more frequent basis	
Implementing Stakeholder:	Internal Audit
Associated Stakeholders:	Senior Management
	Audit Committee

#### **Reference:**

### Practice Advisory: 1000-1

The IA Charter is intended to facilitate a periodic assessment of the adequacy of IA purpose, authority, and responsibility. While the IA Charter is complete and appropriately approved by the AC and senior management, the CAE could increase the frequency of his periodic assessment of the Charter's viability. An annual review would be appropriate period of time.

2. Expand management and reporting of IA resource requirements

Implementing Stakeholder: Internal Audit

Associated Stakeholders:	Senior Management
	Audit Committee

**References:** 

Practice Advisories 2020-1, 2030-1

The process developed by the CAE appropriately provides the Audit Committee and senior management with a risk based annual plan that determines the priorities of the IA activity consistent with LACERA's goals. The plan, as presented to senior management for their review and for the approval of the Audit Committee, properly communicates IA planned activities and resource requirements, and provides the basis for the CAE to ensure that IA resources are appropriate, sufficient, and effectively deployed.



# **Recommendations for Enhancement**

### 2. Expand management and reporting of IA resource requirements (Continued)

There are potential opportunities to further enhance the CAE's management and reporting of IA resource requirements. The CAE could consider the following:

- Develop audit frequency guidelines, with the approval of the Audit Committee and senior management, which establishes a time period over which all auditable entities within the audit universe receive appropriate audit resources commensurate with their assessed risk. The frequency guidelines will establish and represent the "risk appetite" for LACERA. The length of the time period will be established based on the frequency guideline adopted for low risk entities. High risk entities, depending on their frequency guideline, will be audited more than once over the time period. Moderate risk entities may be audited more than once over the time period.
- Revise the annual plan format to include all auditable entities within the audit universe. For each entity to be audited within the current year, based on the established frequency guidelines, provide a resource estimate and brief scope description. For all the other entities, indicate the future year in which you estimate they will be audited.
- Revise the annual plan format to include time estimates for the expenditure of staff resources for non-audit purposes such as vacations, holidays, sick leave, and training. The plan should account for all staff time, except for the CAE.

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# Recommendations for Enhancement

3. Update the "IA Operations Guide"

Implementing Stakeholder: Internal Audit

Associated Stakeholders: Operating Management

**Reference:** 

# Practice Advisory 2040-1

The CAE could boost IA administrative and audit engagement processes by completing a comprehensive update of the "IA Operations Guide".

The CAE is responsible for establishing policies and procedures to guide IA. While their form and content is not stipulated within the *Standards*, given the size and structure of IA and the complexity of LACERA operations, maintaining a written policies and procedures manual would be appropriate.

A comprehensive update of the Guide would accomplish the following:

- Existing policies and procedures are made current;
- Obsolete information is eliminated;
- New processes are added;
- IA staff functions effectively;
- Consistency added to administrative processes, audit work, and work paper preparation;
- New IA staff members have an authoritative resource for reference and direction;
- Operating management can have a clearer understanding of the purpose and processes of the IA activity;
- Provide a valuable resource in any efforts to implement "Control Self-Assessment" within LACERA.



# **Recommendations for Enhancement**

4. Enhance Audit Engagement Reports

Implementing Stakeholder: Internal Audit

Associated Stakeholders:

LACERA Management

# **Reference:**

# Standard 2430

There are potential opportunities to enhance IA audit reports. The CAE could consider the following:

- Based on the results of the QAIP, LACERA IA audit report opinions could be revised to state that audit engagements are "Conducted in Conformance with the International Standards for the Practice of Internal Auditing".
- Increase the consistency in audit report opinions by always, rather than sometimes, addressing the adequacy of policy, procedure, or process <u>design</u> when it is appropriate, in addition to <u>conformance</u>.
- When appropriate, audit report opinions should provide LACERA management with a clear understanding of the level of assurance they can place in the policy, procedure, or process audited. The objective to be achieved is for management to have reasonable, but not absolute assurance.
- Continue current efforts to increase the timeliness of audit reports.



# **Recommendations for Enhancement**

# 5. <u>Increase operating management's awareness of IA</u> Implementing Stakeholders: Internal Audit

### **Operating Management**

### **Reference:**

# **Successful Practice**

The structure of the reporting relationship of IA within LACERA is entirely appropriate. It achieves complete independence for the IA, and establishes the proper environment to allow the IA to effectively support LACERA in fulfilling its mission and achieving its goals and objectives. However, there appears to be an opportunity to enhance the ability of the IA to add value to LACERA by raising the awareness of IA operations and services by operating managers having limited interaction with IA.

One of the keys to having a highly effective IA is the communication links, both formal and informal, between the CAE and all levels of management. At this point in time, the communication links between the CAE and senior management are well established and working effectively. The communication links between the IA and some operating management could be enhanced. Senior management could encourage these operating managers to reach out and include the CAE in the information flow for their operations. Likewise, the CAE could periodically reach out to all levels of operating management to ensure the IA is poised to continually meet their needs.

The CAE could consider taking the following steps for enhancing the relationship with LACERA management:

• Implement a practice of periodic face to face meetings with all operating managers and their staffs with a focus on current events

### and ways IA can be of assistance to them, and provide them with an



G Shemo Consulting

# **Recommendations for Enhancement**

# 5. Increase operating management's of awareness of IA (Continued)

- Update the intranet web page for IA providing information on services and activities of IA. The web page could be used to relate issues of common interest found in audit engagements, without disclosing the specific department in which the engagement was performed.
- Encourage and assist operating managers in implementing internal control self-assessment processes. Provide training to operating departments on control evaluation techniques, and serve as facilitators for self-assessment implementation.



# **CAE** Response

I have read this report in its entirety, and accept responsibility for communicating it to the appropriate members of the Audit Committee and executive management. I understand that the "Recommendations for Conformance" should be implemented to achieve a rating of "General Conformance" for the individual IIA *Standards* which have been rated "Partial Conformance" as shown in Attachment A to this report. Accordingly, I accept the "Recommendations for Conformance" as appropriate to the IA of LACERA. Further, I understand the "Recommendations for Enhancement" and I will consider incorporating them as part of the IA "Quality Assurance and Improvement Program" as appropriate. I will prepare an action plan for implementing the appropriate recommendations and provide it to executive management and the Audit Committee.

Richard Bendall Chief Audit Executive LACERA Internal Audit

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### G Shemo Consulting

### Attachment A

		GC	PC	DNC
OVERALL EVALUATION		x		
ATTRI	BUTE STANDARDS	x		
1000	Purpose, Authority, and Responsibility	x		
1010	Recognition of the Definition of Internal Auditing	x		
1100	Independence and Objectivity	x		
1110	Organizational Independence	x		
1111	Direct Interaction with the Board	x		
1120	Individual Objectivity	x		
1130	Impairments to Independence or Objectivity	x		
1200	Proficiency and Due Professional Care	x		
1210	Proficiency	x		
1220	Due Professional care	x		
1230	Continuing Professional Development	x		
1300	Quality Assurance and Improvement Program	x		
1310	Requirements of the Quality Assurance and Improvement Program	x		
1311	Internal Assessments		х	
1312	External Assessments	x		
1320	Reporting on the Quality Assurance and Improvement Program	x		
1321	Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"	x		
1322	Disclosure of Noncompliance	x		
PERFORMANCE STANDARDS x				
2000	Managing the Internal Audit Activity	x		
2010	Planning	x		
2020	Communication and Approval	х		
2030	Resource Management	х		
2040	Policies and Procedures	х		



### G Shemo Consulting

### Attachment A

2050	Coordination	Х		
2060	Reporting to Senior Management and the Board	Х		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	NA		
2100	Nature of Work	X		
2110	Governance	Х		
2120	Risk Management	х		
2130	Control	х		
2200	Engagement Planning	x		
2201	Planning Considerations	х		
2210	Engagement Objectives	Х		
2220	Engagement Scope	х		
2230	Engagement Resource Allocation	Х		
2240	Engagement Work Program		х	
2300	Performing the Engagement	x		
2310	Identifying Information	х		
2320	Analysis and Evaluation	х		
2330	Documenting Information	х		
2340	Engagement Supervision	Х		
2400	Communicating Results	x		
2410	Criteria for Communicating	Х		
2420	Quality of Communications	х		
2421	Errors and Omissions	х		
2430	Use of "Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing"	x		
2431	Engagement Disclosure of Nonconformance	NA		
2440	Disseminating Results	х		
2450	Overall Opinions	NA		
2500	Monitoring Progress	X		
2600	Management's Acceptance of Risks	x		
IIA Co	de of Ethics	х		

# L//.CERA

## DRAFT REQUEST FOR PROPOSAL

EXTERNAL ASSESSMENT REVIEW [ISSUE DATE]

> Leisha Collins, Principal Internal Auditor 626-564-6000 ext. 3516 | Icollins@lacera.com 300 N. Lake Avenue, Suite 840 Pasadena, CA 91101

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#### 1. INTRODUCTION

#### 1.1. Purpose of Request

Los Angeles County Employees Retirement Association (LACERA) is seeking qualified consultants to submit proposals to perform the following:

- **1.** Assess the conformity of Internal Audit practices to The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*.
- 2. Evaluate the efficiency and effectiveness of Internal Audit in carrying out its mission as set forth in its charter and expressed in the expectations of the LACERA Audit Committee.
- **3.** Identify opportunities to enhance Internal Audit's management of resources and work processes, as well as its value to LACERA.

#### 1.2. Instructions for Response

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

- An electronic copy of the written response to this RFP. Exhibit [x] 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.

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:

Leisha Collins Principal Internal Auditor LACERA		
Gateway Plaza 300 North Lake Avenue, Suite 840 Pasadena, CA 91101-4199	Email: Icollins@lacera.com Phone: 626-564-6000 ext. 3516	

#### 1.4. Intent to Respond

If your firm chooses to respond to this RFP, please submit the Intent to Respond and identify the Exhibits X for which you are applying via email to Leisha Collins by 5:00 p.m. PDT, [DATE]. 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 [DATE]. 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.

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 [X], 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		
Written Questions and Requests for Clarification Due		
Responses to Written Questions Posted		
Intent to Respond Closing Date		
Request for Proposals Due		
Selection of Firms		

#### 2. BACKGROUND INFORMATION

#### LACERA

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 [DATE], LACERA's membership included 108,000 active and deferred members and XX,XXX retired members. LACERA acts as a fiduciary agent for the accounting and control of member and employer contributions and investment income. As of [DATE], the pension fund had net assets of \$XX.X 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

Established in 1992, LACERA's Internal Audit is comprised of 11 Full Time Employees including the Chief Audit Executive (CAE), two Principal Internal Auditors, 5 Senior Internal Auditors, one Internal Auditors, and a Secretary. Audit staff work under the direction of the Chief Audit Executive. (Please see **Appendix** [X])

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 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.

#### 3. SCOPE OF SERVICES

To achieve the optimum benefits from an external assessment, the scope of work should include benchmarking, identification, and reporting of leading practices to assist audit divisions in becoming more efficient and/or effective. Furthermore, external assessments typically include an assessment of compliance with IIA Code of Ethics and *Standards*, evaluation of charters, policies and procedures, and inspection of audit work papers.

Key elements of the scope:

- The internal audit activity charter that documents the purpose, authority, and responsibility of the internal audit activity and is approved by the board.
- The expectations of the internal audit activity expressed by the oversight group, executive management, and any other stakeholders.
- The entity's control environment and the Chief Audit Executive's (CAE) audit practice environment.
- The focus on evaluating governance processes, enterprise risk, and assessing organizational controls in audit plans.
- The integration of internal audit into the organization's governance process, including the combined assurance relationships and communications between the key governance groups and assurance providers involved in that process and the aligning of audit objectives and plans with the objectives of the entity as a whole.

The objectives achieved are to:

- Provide an opinion on the internal audit activity's conformance with the *Standards* and the Code of Ethics.
- Assess the efficiency and effectiveness of the internal audit activity considering its charter; its processes and infrastructure, including the quality assurance and improvement program (QAIP); the mix of knowledge, experience, and expertise; and the expectations of the board (usually represented by a committee of the board oversight body, such as an audit committee), executive management, other stakeholders and assurance providers, and the CAE.
- Consider the internal audit activity's current needs and objectives, as well as the future direction and goals of the organization. Appraise the risk to the organization if the results indicate that the internal audit activity is performing at a less than effective level or is not in conformance with one or more of the Standards.

Identify opportunities and offer ideas to the CAE and staff for improving the effectiveness
of the internal audit activity, thereby raising the value added to management and the
audit committee.

Refer to Exhibit [x] for STATEMENT OF WORK

#### 4. 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," 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 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.

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

#### 6. 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.

#### 7. 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.

#### 8. **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.

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. If deemed by LACERA to be in 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.

#### 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 Leisha Collins email no later than 5:00 p.m. PDT, [DATE], 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.

То: Со.:	Leisha Colins LACERA – Internal Audit	From: Title: Company:
Phone:	626-564-6000 ext. 3516	Phone:
Email:	LCollins@lacera.com	Email:
Re:	Intent to Respond	Date:

Our firm intends to submit a response for LACERA's RFP for the External Assessment Review.

Please forward inquiries to the following contact:

Name:	
Title:	
Company:	
Mailing Address:	
Telephone:	
Facsimile:	
Email Address:	

#### MINIMUM QUALIFICATIONS CERTIFICATION

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

#### Minimum Qualifications include:

The following is a list of the qualifications referenced from the *Standards*.

	Auditor Minimum Qualifications*	Yes	No
A	The consultant/firm is a professional firm that provides services consistent with the services requested in this RFP for the past 10 years.		
В	The consultant/team leader assigned to this engagement has experience that is comparable to that of the CAE of the internal audit activity being assessed.		
С	The consultant/team are certified internal audit professional.		
D	The consultant/team has a thorough understanding of current internal audit practices and the International Professional Practices Framework (IPPF) and its application, sound judgment, and good communication and analytical skills.		
E	The consultant/team possess or has ready access to all of the necessary technical expertise (e.g., governance, IT, risk management, internal audit attributes, management consulting, and internal audit management).		
F	The consultant/team has knowledge of the organization's industry, service, or internal audit activity by at least one team member assigned to this engagement		

\* 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

#### EXHIBIT B STATEMENT OF WORK

#### **General Scope**

To achieve the optimum benefits from an external assessment, the scope of work should include benchmarking, identification, and reporting of leading practices to assist audit divisions in becoming more efficient and/or effective. Furthermore, external assessments typically include an assessment of compliance with IIA Code of Ethics and *Standards*, evaluation of charters, policies and procedures, and inspection of audit work papers. The IIA Quality Assessment Manual (QA Manual) should be used to provide guidance, criteria, and openended questions to stimulate ideas and deeper insights into the:

- LACERA governance process flowing from executive management, and the Boards
- Enterprise risk assessment process.
- Control environment established by executive management
- Opportunities for consulting services; and
- Operations of the audit activity as observed through the CAE, and audit customers.

#### Specific Elements to be Assessed

- CAE Reporting Lines and Quality Assurance
- Organization of the Audit Activity
- Risk Assessment and Engagement Planning
- Staff Professional Proficiency
- Information Technology
- Production and Value Added
- Review of Selected Work Papers and Reports
- Interview with the LACERA Audit Committee Chair
- Interviews with LACERA Executive Management
- Interviews with LACERA Operating Management
- Interviews with LACERA Audit Staff
- Interview with the LACERA External Auditor

Objectives

- Provide an opinion as to the level of conformance of the Internal Audit Activity with The IIA Standards and Code of Ethics.
- 2. Review LACERA's implementation of the Standards including the existence of a quality assurance and improvement program, and the provision of consulting services.
- 3. Review LACERA's compliance with applicable legislation and regulatory requirements.
- 4. Assess the efficiency and effectiveness of LACERA's Internal Audit Activity in light of (a) its charter, (b) expectations of the Audit Committee and executive management, and (c) LACERA's current needs, exposures to performing at less than an effective level, and the future direction and goals of the organization.
- 5. Identify opportunities and successful practices for improving performance and enhancing LACERA's ability to add value and promote the image and credibility of the internal audit activity.
- 6. Review Internal Audit's interaction with the other members of the governance process and involvement in LACERA enterprise risk management process, the building of the audit universe and preparation of the audit schedule.
- 7. Evaluate LACERA's organizational structure and approach used in auditing to determine whether resources are adequate to ensure proper audit coverage in all phases of business. This will also include the information technology audit function.
- 8. Comment on the background, mix and experience of staff, professional training, certifications, and tools and processes used.
- 9. Determine the LACERA perception of Internal Audit through surveys and interviews with the management. Consultant will provide insights into its level of satisfaction with Internal Audit services, along with appropriate suggestions for changes.
- 10. Examine Internal Audit's techniques and methodology for testing systems of control. This will include a review of LACERA's involvement in any processes developed by LACERA to comply with the provisions of any laws governing the IA activity and internal controls in the State of California.
- 11. Review and identify ways to enhance LACERA's policies and practices, as well as coordination with its external auditors.

#### Deliverables

A detailed project plan should be developed which must include periodic updates presented to the Project Coordinator and relevant staff. A preliminary summary report and a final external assessment review report, both to include observations, findings and organizational change recommendations, will be presented to the Project Coordinator and relevant staff. A presentation on the external quality assessment results will be made to the LACERA Audit Committee.

**Recommendations should include, but are not limited to,** updates to current internal audit policy, training, and practices, including monitoring, and procedures to meet current industry best practices.

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.

#### 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.

Section	<u>Title</u>
1.	Cover Letter
2.	Table of Contents
3.	Organization and Key Personnel
4.	Client References
5.	Project Planning/Approach
6.	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 Proper'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.

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) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services.

#### 4. Client References

The Proposer shall provide three references for whom it has provided services as stated in this RFP. For each client reference listed, please include:

- Entity name, address, and key contact person
- Date of service(s)
- Nature of business
- 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.

#### 5. 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 this audit engagement.

#### 6. Fee Schedules

The Proposer must submit a Fee Proposal.

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**/**/,

#### April 7, 2021

TO: 2021 Audit Committee Joseph Kelly, Chair Shawn Kehoe, Vice Chair Vivian H. Gray, Secretary Alan Bernstein Keith Knox Ronald Okum Gina V. Sanchez

> Audit Committee Consultant Robert Griffin

FROM: Richard P. Bendall

Leisha E. Collins AC Principal Internal Auditor

Kathryn Ton 4 Senior Internal Auditor

FOR: April 23, 2021 Audit Committee Meeting

#### SUBJECT: Approval of Firms for Auditing and Consulting Services Pool

#### RECOMMENDATION

Internal Audit recommends that the Audit Committee:

- (1) Review and approve the proposed firms to be included in the pre-qualified pool, and
- (2) Direct staff to work with the Legal Office to finalize the master contracts with each firm.

#### BACKGROUND

In December 2020, Internal Audit issued an auditing and consulting services Request for Proposal (RFP) as part of its fiscal year 2021 Audit Plan. The intent of the RFP was to establish a pool of pre-qualified firms to perform audits, advisory, consulting, and special projects on an as-needed basis. Inclusion in the audit pool does not guarantee a firm will be awarded any engagements and firms may be deleted or added to the pool, for a maximum five-year term.

Approval of Firms for Auditing and Consulting Services Pool March 30, 2021 Page 2 of 5

Pre-qualified firms may be hired to perform independent assessments on LACERA's organizational activities, information technology, or investment-related services as described in the statement of work. Further details on the scope of work can be found on pages 7-13 of the RFP (Attachment A). Audit engagements relating to these three categories include the following:

- Organizational activities may include performing audits, reviews, research, or technical assistance for identifying and evaluating the effectiveness of internal controls encompassing LACERA's business, governance, and/or operations.
- Information technology services may include technical assessments of LACERA's IT systems or projects, data management, integrity and reliability, application development, customer service, or other activities within the organization.
- Investment activities may include performing audits or reviews and consulting services related to LACERA's asset classes, which includes growth, credit-oriented fixed income, real assets and inflation hedges, and risk reducing and mitigating.

#### FIRM SELECTION PROCESS

At the December 2020 meeting, the Audit Committee approved the issuance of the RFP which was posted to the LACERA website that same month. Nine proposals were received: Crowe LLP, Eide Bailey LLP, Enterprise Iron Financial, KPMG LLP, Moss Adams LLP, Net Force, TAP International, Vasquez & Co LLP, and Weaver and Tidwell LLP.

The evaluation team reviewed and scored each proposal independently, and then met to discuss the proposals. The evaluation criteria consisted of firm qualifications, team experience, proposal and sample reports, and reference checks. Each firm's hourly rates were reviewed for reasonableness but did not impact the overall score. Firms who scored 85 or higher on a 100-point scale in each category were added to the selected pool.

The following table shows the seven firms selected for the pool and their scores, categorized by service area. A brief description of each firm follows.

Firms	Location	Organizational	Technology	Investments
Crowe LLP	Sacramento, CA	92	91	89
Eide Bailly LLP	Pasadena, CA	91	81	84
KPMG LLP	Los Angeles, CA	88	88	86
Moss Adams LLP	Los Angeles, CA	91	88	86
Net Force	City of Industry, CA	73	92	No bid
Vasquez & Co LLP	Glendale, CA	88	84	84
Weaver & Tidwell LLP	Manhattan Beach, CA	93	93	93

#### Crowe LLP

Crowe LLP was founded in 1942 and provides accounting, consulting, and technology services to clients. Crowe's industry specializations consist of the public sector, financial services, banking, construction and real estate, private equity, healthcare, retail, food and commodities, technology, media and telecommunications, and manufacturing and distribution. Headquartered in Chicago, Illinois, Crowe has over 4,000 employees with 30 offices across the US. The engagement team for the LACERA account will be from the Sherman Oaks, CA office location. Firm references and biographies of key personnel can be found in Attachment B.

#### Eide Bailly LLP

Eide Bailly LLP was founded in 1917 in Fargo, North Dakota as Bishop Brissman & Co. The firm eventually transformed into Eide Helmeke, and in 1998, joined with Charles Bailly & Company to form Eide Bailly LLP. Edie Bailly has more than 40 offices in the US and more than 2,500 professionals with diverse skill sets. Eide Bailly has extensive experience with California governments, providing services to more than 300 California government agencies and 1,200 governmental clients firmwide. Eide Bailly serves more than 1,100 employee benefit plans, which includes municipal and state governmental defined benefit pension and healthcare plans, defined contribution plans, agent multiple retirement systems, single-employer governmental defined benefit plans, corporate defined benefit, and finance authorities and investment pools. The firm's profile and biographies of key personnel can be found in Attachment C.

#### KPMG LLP

KPMG LLP was founded in 1897 and is the US firm of the KPMG global organization. KPMG is a leading provider of audit, tax, and advisory services. KPMG has more than 40,000 professionals in 100+ US locations, and more than 226,000 professionals in 146 countries and territories globally. Since 1997, KPMG's Risk Advisory Solutions practice has provided actuarial, compliance, enterprise risk management (ERM), forensic, governance, risk and compliance (GRC), internal audit, and information technology services to more than 2,700 US clients. The engagement team for the LACERA account will be from the Los Angeles, CA office location. Profiles of KPMG's engagement team are further detailed in Attachment D.

#### Moss Adams LLP

Moss Adams LLP was founded in 1913 and its subsidiaries consist of Moss Adams Wealth Advisors LLP, Moss Adams Financial Services LLC, Moss Adams Securities & Insurance LLC, Moss Adams (Cayman) LP, and Moss Adams Foundation. Moss Adams is one of the 15 largest US accounting and consulting firms and is headquartered in Seattle, Washington. The engagement team servicing LACERA will be from the Los Angeles, Albuquerque, and Seattle offices. Moss Adams has over 3,400 professionals across more than 25 locations, with 11 offices in California. Firm biographies for key personnel can be found in Attachment E. Approval of Firms for Auditing and Consulting Services Pool March 30, 2021 Page 4 of 5

#### Net Force

Net Force was founded in 2012 as a boutique consulting and advisory firm. Net Force offers risk management, physical security, cybersecurity, digital forensics, and incident response consulting and advisory services. The firm is headquartered in the City of Industry, CA and specializes in information technology and cybersecurity services. Net Force is a minority owned firm that has serviced clients in the global airlines, state, local and federal agencies, law firms, and businesses in the security, technology, manufacturing, and healthcare sectors. Biographies for key personnel can be found in Attachment F.

#### Vasquez & Company LLP

Vasquez & Company LLP was established in 1969 and provides assurance, attestation, consulting, tax, and business advisory services. Vasquez & Company is part of the RSM US Alliance, an affiliation of independent accounting and consulting firms in the US with more than 75 members in 38 states, the Cayman Islands, and Puerto Rico. The RSM US Alliance provides Vasquez & Company access to RSM US LLP's (RSM) resources. RSM US LLP is the leading provider of audit, tax, and consulting services focused on middle markets with over 8,000 professionals in 80 offices nationwide. Vasquez & Company is also a Minority Business Enterprise (MBE) certified by the Southern California Minority Supplier Development Council. The engagement team assigned to the LACERA account will be based in Glendale, CA. Firm's biographies for key personnel can be found in Attachment G.

#### Weaver and Tidwell, LLP

Weaver and Tidwell (Weaver) is a national CPA and consulting firm founded in 1950 that provides assurance, advisory, and tax services to clients. The firm has 800 professionals in 12 US offices, including three in California. Weaver's headquarters are in Houston, Texas, but the engagement team working with LACERA will be from the Manhattan Beach, CA office and may draw upon talent from other locations as needed. Weaver has a track record of assisting government clients with their strategic planning, processes, and controls. Weaver audits more than 300 benefit plans annually, including defined contribution plans, profit-sharing plans, employee stock ownership plans, defined benefit plans and health and welfare plans. Biographies for key personnel can be found in Attachment H.

# ATTACHMENT A

# LACERA

# REQUEST FOR PROPOSAL

# AUDITING AND CONSULTING SERVICE

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, CA91101

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#### 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.

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		
LA	CERA	
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.

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

#### 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.

#### 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.

#### 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

#### 2. <u>Examples of Co-source Audits and Co-source Consulting Engagements</u>

- 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

#### 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. <u>Examples of Co-source Audits and Co-source Consulting Engagements</u>

- 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

## 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 <a href="https://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/invest\_policy\_stmt.pdf">https://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/invest\_policy\_stmt.pdf</a>

- 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
- 2. <u>Examples of Co-source Audits and Co-source Consulting Engagements</u>

- 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
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- 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

#### 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," make it readily separable secret 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

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,

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.

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.

#### 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.

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

## 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

## 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

## 2. <u>Examples of Co-source Audits and Co-source Consulting Engagements</u>

- 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

## 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. <u>Examples of Co-source Audits and Co-source Consulting Engagements</u>

- 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

## 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 <a href="https://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/invest\_policy\_stmt.pdf">https://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/invest\_policy\_stmt.pdf</a>

- 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

## 2. <u>Examples of Co-source Audits and Co-source Consulting Engagements</u>

- 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

#### 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
Engagement Types	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
Engagement Types	Maximum	Maximum	Maximum	Maximum	Maximum
	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
Management Levels	\$	\$	\$	\$	\$
Staff Levels	\$	\$	\$	\$	\$

#### INVESTMENTS

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

## EXHIBIT D SELECTION CRITERIA

The selection criteria below and the weighting schedule of the evaluation factors is a guide only and does 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

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.

## 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. <u>Services to be Provided</u>.

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 <u>Independent Contractor</u>.

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

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. <u>Indemnification and Insurance</u>.

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

loss (nor any lost profits, taxes, interest, tax penalties, savings or business opportunity), even it 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 <u>Liability</u>. 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

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.

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. <u>Term</u>.

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. <u>Non-Exclusive Services</u>.

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. <u>Compensation</u>.

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 [\$XXXX] 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.

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. <u>Contract Not Assignable</u>.

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. <u>Confidentiality</u>.

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.

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. <u>Compliance with Laws</u>.

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.

#### 15. <u>Termination for Default</u>.

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. <u>Termination for Convenience</u>.

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.

## 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 breech.

## 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. <u>Governing Law and Venue</u>.

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.

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. <u>Attorney's Fees</u>.

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. <u>Interpretation</u>.

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. <u>Waiver</u>.

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

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:

# [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

## 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 of federal regulatory agency for any reason.
- 7. The signatory below is authorized to bind the respondent contractually.

## 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 Proper'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.

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. <u>Table of Contents</u>

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 r e v i e w s or consulting reviews performed. Provide an example of an audit report similar to the services requested in this RFP.

## 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:

- 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.

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.

## 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.

#### 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.

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 Environmenta Security	I Physical security perimeter	Security perimeters shall be defined and used to protect areas that contain either sensitive, critical information or information processing		

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		Secure areas shall be	
		protected by appropriate	
	Physical entry controls	entry controls to ensure that	
		only authorized personnel	
		are allowed access.	
		Physical protection against	
	Protecting against external	natural disasters, malicious	
	and environmental threats	attacks, or accidents shall be	
		designed and applied.	
		Equipment shall be protected	
		from power failures and other	
	Supporting utilities	disruptions caused by	
		failures in supporting utilities.	
		Equipment shall be correctly	
	Equipment maintenance	maintained to ensure its	
	Equipment maintenance	continued availability and	
		integrity.	
Network		Networks shall be managed	
Security		and controlled to protect	
	Network controls		
Management		information in systems and	
		applications.	
		Security mechanisms,	
		service levels, and	
		management requirements	
		of all network services shall	
	Security of network services	be identified and included in	
	county of notwork services	network services	
		agreements, whether these	
		services are provided in-	
		house or outsourced.	
		Formal transfer policies,	
		procedures, and controls	
	Information transfer policies	shall be in place to protect	
	and procedures	the transfer of information	
	and procedures		
		through the use of all types	
		of communication facilities.	
		of communication facilities.	
	Documented operating	of communication facilities. Operating procedures shall	
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Operational	procedures Change management Capacity management	of communication facilities.         Operating procedures shall be documented and made available to all users who need them.         Changes to consultant, business processes, information processing facilities and systems that affect information security shall be controlled.         The use of resources shall be monitored and tuned, and projections made of future capacity requirements to ensure the required system performance.         Detection, prevention, and recovery controls to protect against malware shall be implemented, combined with appropriate user awareness.         Backup copies of information, software, and	
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		Event logs recording user activities, exceptions, faults,	
	Event logging	and information security	
		events shall be produced,	
		kept, and regularly reviewed.	
	Desta stien of the sinforms stien	information shall be	
	Protection of log information	protected against tampering	
		and unauthorized access.	
		The clocks of all relevant	
		information processing	
	Clock Synchronization	systems within an organization or security	
	Clock Synchronization	domain shall be	
		synchronized to a single	
		reference time source.	
		Information about technical	
		vulnerabilities of information	
		systems being used shall be	
	Management of technical	obtained in a timely fashion, consultant's exposure to	
	vulnerabilities	such vulnerabilities	
		evaluated and appropriate	
		measures taken to address	
		the associated risk.	
		Management responsibilities	
Information		and procedures shall be	
Security	Responsibilities and	established to ensure a	
Incident Management	procedures	quick, effective, and orderly response to information	
wanagement		security incidents.	
		Information security events	
	Reporting information security events	shall be reported through	
		appropriate channels as	
		quickly as possible. Employees and contractors	
		using consultant's	
		information systems and	
	Reporting information security weaknesses	services shall be required to	
		note and report any	
		observed or suspected	
		information security weaknesses in systems or	
		services.	
		Information security incidents	
	Response to information	shall be responded to in	
	security incidents	accordance with the	
		documented procedures.	 
		Knowledge gained from analyzing and resolving	
	Learning from information	information security incidents	
	security incidents	shall be used to reduce the	
	-	likelihood or impact of future	
		incidents.	

#### SUMMARY

Internal Audit benefits from establishing a pool of prequalified firms with subject matter expertise in organizational activities, information technology, and investment-related services. Internal Audit can draw from the pool to hire firms on an as-needed basis in accordance with LACERA's Procurement Policy. The firms proposed for the organizational activities, information technology, and investment-related services pool are summarized below.

Firms	Organizational
Weaver & Tidwell LLP	93
Crowe LLP	92
Eide Bailly LLP	91
Moss Adams LLP	91
KPMG LLP	88
Vasquez & Co LLP	88

Firms	Technology
Weaver & Tidwell LLP	93
Net Force	92
Crowe LLP	91
KPMG LLP	88
Moss Adams LLP	88

Firms	Investments
Weaver & Tidwell LLP	93
Crowe LLP	89
KPMG LLP	86
Moss Adams LLP	86

#### RECOMMENDATION

Internal Audit recommends that the Audit Committee review and approve the proposed firms to be included in the pre-qualified pool; approve staff to initiate contracts with proposed firms, and delegate authority to Chief Audit Executive (CAE) up to \$75,000 to select firms from pre-qualified pool to perform audits and projects identified in Internal Audit's Audit Plan.

Attachments RB:lc:kt

# ATTACHMENT B

# **CROWN LLP**

# AUDITING AND CONSULTING SERVICE



# Proposal to Provide Audit and Consulting Services.

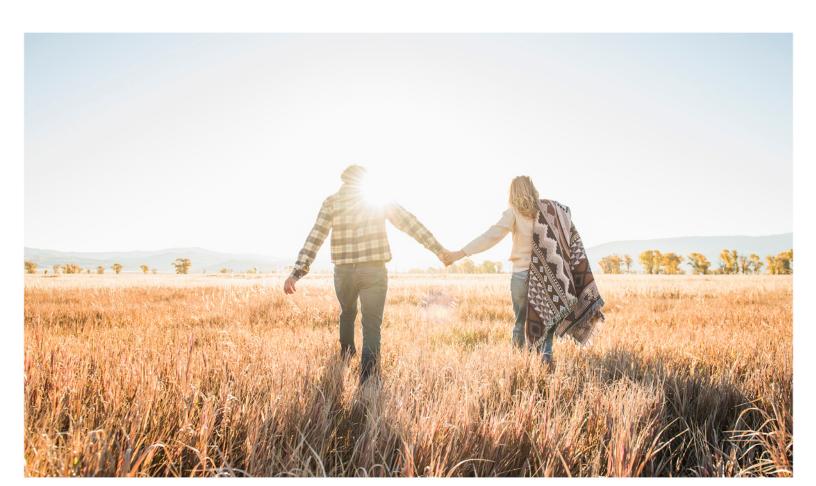
Submitted to: Kathryn Ton, Senior Internal Auditor The Los Angeles County Employees Retirement Association 300 N. Lake Avenue, Suite 840 Pasadena, California 91101

#### Submitted by: Mark Maraccini, Partner Crowe LLP 15233 Ventura Boulevard, Ninth Floor Sherman Oaks, California 91403 Direct 630.990.4410

818.501.5200

mark.maraccini@crowe.com

Tel





Crowe LLP Independent Member of Crowe Global

15233 Ventura Boulevard, Ninth Floor Sherman Oaks, California 91403-2250 Tel 818.501.5200 Fax 818.907.9632 www.crowe.com

February 1, 2021

Kathryn Ton Senior Internal Auditor The Los Angeles County Employees Retirement Association 300 N. Lake Avenue, Suite 840 Pasadena, California 91101

Dear Kathryn:

Crowe LLP (Crowe) is pleased to present our proposal entitled "Proposal to Provide Internal Audit Services" to the Los Angeles County Retirement Association (LACERA).

Crowe is a public accounting, consulting, and technology firm with offices around the world. We appreciate and understand your need for an internal audit partner that has the broad experience and deep expertise to support LACERA with Internal Audit Services.

We bring deep audit expertise, a proven data-driven model, and the creative perspective to create lasting value for your organization. **We would love the opportunity to do this with you.** 

#### Why Crowe? We're more than a provider – we're a partner.

Crowe is reimagining the traditional internal audit experience. We recognize that today's clients need internal auditors to be more than transactional – to go beyond preserving value to create lasting value. Because Internal Audit has visibility into every aspect of an organization, it holds the keys to crucial insights that can't be captured elsewhere. We advocate for our clients by unlocking and responding to these hidden insights, each step of the way. We could be the ideal partner for LACERA, because:

- Expansive expertise, deep retirement experience. Crowe has been auditing employee benefit plans for more than 35 years, including public pension funds. Currently, we serve as a trusted advisor to more than 1,200 ERISA plans. We go deeper by leveraging our expansive network of industry experts. We've served over 800 public sector clients, so have a deep bench of experts well-versed in the government agencies as well as across diverse organizational and governance structures.
- **Our customer-centered approach.** We're ushering in tomorrow's Internal Audit by centering the client in every stage of the audit process. We lead with curiosity and creativity to discover what our client truly needs and then help them realize their desired outcomes.
- **Data-driven, at every turn.** Our proven data-driven model surfaces actionable insights when you need them most providing a strategic advantage. We pair our creative approach with smart technology to get you the right insights, when you need them.
- **Diversity and Inclusion dedication.** Rather than viewing diversity as a box to be checked, we see D&I as the constant examining and questioning of the makeup of our teams to ensure that multiple perspectives are represented. We're dedicated to fostering a sense of inclusion among all involved. Our creative approach is made possible when skilled auditors with diverse perspectives come together to address what matters most to your business.

Kathryn Ton The Los Angeles County Employees Retirement Association page ii

We assign senior managers and partners to principal areas of the project and align expertise with your organizational structure. For the sake of accountability and streamlined communications, we assign a single contact point to oversee consistency in the services provided and to manage information received from multiple teams in a cohesive manner.

For decades, Crowe has leveraged deep audit expertise, a proven data-driven model, and the creative perspective to bring strategic value to our clients. We would love to do the same for you. Thank you for the opportunity to share our passion and excitement for reimagining Internal Audit. We look forward to continuing the conversation.

This proposal is being submitted by Mark Maraccini, who is your primary liaison and is authorized to represent the firm, is empowered to submit the proposal, and is authorized to negotiate and execute a contract with LACERA. Our proposal is a firm and irrevocable offer for a period of one hundred and twenty (120) days from submission.

#### Acceptance of Terms and Conditions

Crowe has reviewed LACERA's Agreement for Services and has provided exceptions to the sample contract in the Terms and Conditions section of our proposal.

Sincerely,

Mark Maraccini

Mark Maraccini, Partner Crowe LLP Direct 630.990.4410 mark.maraccini@crowe.com

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## 01

## Organization and Key Personnel

Crowe is large enough to bring the specialization LACERA needs, with the agility to pivot quickly.

### Organization and Key Personnel

#### For over 75 years, we've led the field.

We have the industry recognition, deep expertise and proven track record to deliver strategic value. Founded in 1942, Crowe has been providing accounting, consulting and technology services for over 75 years. a. Headquartered in Chicago, Illinois, we are is a global with more than 4,000 personnel across over 30 U.S. locations. Crowe is a Principal Partner of the Institute of Internal Auditors from the local to international levels and is recognized as an IIA Industry Leader. Crowe personnel regularly contribute thought leadership pieces to IIA publications; serve as speakers and trainers at chapter meetings and regional, national, and international seminars and conferences.

#### **Organizational structure**

The firm's CEO is responsible for directing the ongoing management of the firm. The CEO appoints people and committees to assist with firm management and recommends initiatives for strategy, policies, and direction to the Board of Directors, which is the firm's governing body.

The Board of Directors functions is responsible for approving the strategic direction of the firm and toplevel governance. You can find information on Crowe's leadership and executive team on our website at the following link: <u>https://www.crowe.com/about-us/leadership</u>.

Industry specialization is the primary go-to-market strategy for the firm, relying on teams of individuals contained within the business units to drive service delivery and growth within key industries.

PUBLIC SECTOR FINANCIAL SERVICES BANKING CONSTRUCTION AND HEALTHCARE RETAIL **REAL ESTATE** PRIVATE EQUITY FOOD AND COMMODITIES **RETAIL DEALER** TECHNOLOGY, MEDIA + MANUFACTURING AND TELECOMMUNICATIONS DISTRIBUTION 

By listening to our clients, we learn about their businesses and the challenges they face. Our dedicated

teams strive to deliver exceptional client service while upholding our core values and strong professional standards. We invest in tomorrow because we know smart decisions build lasting value for our clients, people, and profession.

#### We support our people, so they can support you.



If we take care of the people who take care of our clients, our business will take care of itself. We're committed to cultivating a workplace that supports the professional and personal success of our people and enhances their total well-being.

Our efforts to create a great working environment have been recognized in numerous publications, including by Fortune 100 Best Companies to work for 2018, 2019, 2020 and Best Workplaces in Consulting & Professional Services 2019 and 2020.

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#### The right people in the right place, at the right time.

Our national IA practice has presence where LACERA needs it. Operating under a national practice, we have a deep bench of deeply specialized experts that we can assign to your specific location. Additionally, we're well experienced in coordinating with teams remotely, as well as travelling for onsite fieldwork. We have over 200 individuals that are fully dedicated to serve governments nationally with audit, tax, consulting and advisory services. Local staff from the Los Angeles, California office will also be incorporated into the team. LACERA will benefit from expertise that is best suited to provide high quality services regardless of geographic location to continue to build engagement staffing and provide for greater continuity.

#### **Local Office Location**

15233 Ventura Boulevard, Ninth Floor Sherman Oaks, California 91403-2250

#### Headquarters

225 West Wacker Drive, Suite 2600 Chicago, Illinois 60606-1224

#### **Office Locations**

Crowe serves clients coast to coast from the following office locations:



#### We have diverse and deep specialization in Public Sector

We have diverse and deep specialization in Public Sector Crowe has diverse, in-depth government agency experience that delivers specialized insights while keenly understanding the unique challenges and opportunities facing public sector agencies.

Crowe has been serving the needs of government organizations including internal audit services for more than 50 years. We work with many different types of government organizations, including higher education, public transportation organizations, counties, municipalities, special service districts, school districts, state agencies, and quasi-governmental entities.

Crowe's Public Sector Services Team is comprised of 300 professionals, across many of our disciplines and has worked with hundreds of public sector clients on thousands of engagements throughout the United States to streamline systems and processes, optimize revenue, and enable entities to meet reporting and compliance requirements.

Our approach is to bring the best experience to the client to serve the needs of the client best. In today's environment, specialized skills are needed, and our team spends their time serving clients in the public sector so that the clients receive the best expertise the firm has to offer.

Crowe solutions help address the financial and operational issues most critical to governments in challenging economic times. Our diverse skillsets – business process, technology, finance, accounting, fraud investigation, risk consulting, economic development, and performance - allows us to deliver effective, cost-efficient services and provides your audit team with an in-depth understanding of the unique needs of LACERA.

#### With 75 years of experience, we have a long, proven track record.

Crowe has been providing auditing services for over 75 years and has provided internal audit solutions to over 600 organizations. Our professionals provide governance and risk consulting services to clients on a dedicated, full-time, year-round basis.

Audits performed by a trusted CPA firm can provide peace of mind and identify opportunities to improve accounting and operational performance. We have an unmatched depth of public sector audit knowledge and the functional expertise to deliver superior service. We help public sector agencies succeed by combining our deep industry experience, innovation, and knowledge with a comprehensive set of technical business competencies.

Our specialists are trained to review an organization's systems and controls to provide recommendations to help the organization strengthen risk mitigation strategies.

Crowe internal audit services include:		
Risk and Control Assessments	Enterprise Risk Management (ERM) Facilitation	
Performance Audits	and Training	
Operational Reviews	Agile Audit Programs	
IT Audit Services Data Analytic Programs	Compliance Audits and Examinations	
	Audit Transformation	
Cybersecurity Assessments	IT Risk Assessments	

We believe in bringing practical "hands-on" experience to clients to provide value-added versus reliance on younger, less experienced professionals. We assemble the most qualified team of industry specialists to work on each engagement, rather than simply limiting our team to only the local geography. This approach will provide LACERA with a team of dedicated professionals who understand the issues effecting government and higher education institutions, and thus will be able to focus on adding value and exceeding your expectations immediately.

#### Concerted focus on IT Audit with extensive capabilities

Crowe's internal audit practice also includes over 120 professionals dedicated to assisting companies across the United States to improve the quality of their IT and Cybersecurity posture through risk assessments, IT General Control and Cybersecurity Audits, IT SOx testing, gap analyses, and the implementation of security / technology solutions. The team that would be constructed to assist you includes professionals who have functioned as CISOs, served as security administrators, managed internal risk assessment functions, and previous internal auditors at large financial institutions (greater than 120 billion in assets). A large majority of our professionals are certified and regularly speak on information security issues at global IIA, Information Systems Audit and Control Association (ISACA), and Computer Assisted Coding System (CACS) security conferences.

The firm's IT Internal Audit practice supports a vigorous continuous learning environment for all staff and executives. Our strength is in our people, and because of this, we recognize the need for everyone to continually develop both professionally and personally throughout his or her career.

While Crowe requires each professional to attend 120 hours of continuing professional education over a three-year period, with a minimum of 20 hours in each calendar year, our staff attends over 55 hours of formal continuing professional education programs per year at our Annual Ascend Training event.

Crowe has worked with hundreds of organizations across the United States to improve the quality of their Information Security posture through risk assessments, internal audits, gap analyses, and the implementation of security/technology solutions. Our IT resource teams include access to over hundreds of IT Audit professionals who specialize in the following areas of technology risk:

 IT Audit: Internal Audit, IT General Controls (including business continuity and recovery), Risk Consulting, ERP Integrity  Cybersecurity, Information Security & Privacy: Security Review and Implementations, Penetration Testing, Data Privacy, External/Internal Penetration Testing, Social Engineering, Business Continuity Management and Disaster Recovery

Within the IT Audit group, we maintain a dedicated team of information and cybersecurity professionals. This allows our team to specialize in highly technical assessments and ensuring quality of services that few firms can match. Our two Cybersecurity Labs used for IT penetration testing services are located in Chicago, Illinois and Dallas, Texas.

#### Methodology and approach based on LACERA's relevant accounting standards

Crowe has a thorough understanding of and has based its internal audit methodology on the International Professional Practices Framework published by the Institute of Internal Auditors (IIA Standards). Crowe personnel are also experienced in performing work under Generally Accepted Auditing Standards (GAAS). On an annual basis, Crowe performs a significant number of audits, compliance examinations, agreed-upon procedures and performance audits which adhere to these standards.

#### **Recognized as thought leaders**



Recognized Risk Consulting Leader by ALM Vanguard Intelligence

Our national practice has been recognized as a leader in Strategic Risk Management Consulting services by ALM Vanguard Intelligence in 2018 and 2019, with best in class strengths in Client's Needs Assessment and Client Capability Development. The ALM assessment is based on consulting approach, consulting organization, service delivery model, and future development.



#### Institute of Internal Audit Principal Partner

We are also a principal partner with the Institute of Internal Audit (1 of only 13 professional service firms), with many of our internal audit professionals serving in leadership roles within the IIA (including our team for LACERA), delivering keynote presentations at major conferences with the IIA, and conducting joint research and whitepapers with the IIA.

#### Insurance Coverage

We have provided our certificates of insurance in Appendix A.

## 02

# Qualifications and Experience

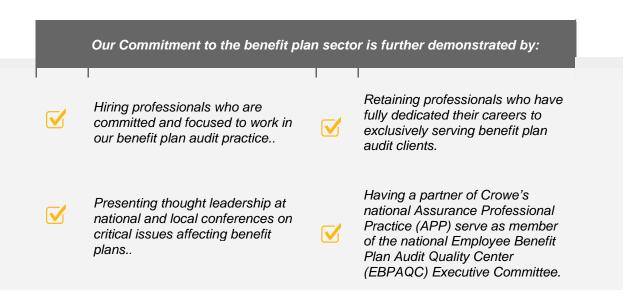
Crowe has direct experience with projects and clients of similar size and scope 8

### Qualifications and Experience

#### Crowe has extensive experience helping clients with internal audit needs

This section highlights Crowe's pertinent experience on projects of similar scope and nature. Crowe is a trusted auditor for more than 1,200 benefit plans and has been auditing employee benefit plans for more than 35 years. Crowe is an original member of the American Institute of Certified Public Accountants' Employee Benefit Plan Audit Quality Center.

Crowe is privileged to work with and provide benefit plan services to a wide variety of organizations across the U.S. We have made a long-term investment in developing our benefit plan practice. This commitment to specialization allows us to develop and retain personnel who are very familiar with the benefit plan audit environment and who work with diverse organizational and governance structures.



Our experience provides us with a deep understanding of the diverse, complex and always changing pension environment. We understand your business processes, stakeholder expectations, regulatory compliance risks, and operational challenges as well as the new accounting and financial reporting requirements facing pension plans and state and local government employers. Additionally, Crowe has a variety of experience working with pension plans, foundations, higher education institutions and other organizations with larger investment portfolios including alternative investments. Our team will be able to leverage from a talent pool within the Firm that perform audits for over \$1 Trillion in investment securities annually including two of the five largest Public Employee Retirement Systems. Our experience has provided us with expertise in auditing the various vehicles that alternative investments may take, including limited partnerships, side-by-side investments, direct lending, hedge funds, REITS, commingled funds, and direct real estate investments (with various ownership and leverage structures).

#### Pension clients served by Crowe include:

- California State Teachers' Retirement System (audit)
- Chicago Transit Authority Supplemental Retirement Plans (audit)
- Tennessee Valley Authority Retirement System (audit)
- State Board of Administration of Florida (advisory) (audit)
- Dallas Area Rapid Transit Retirement Plans (audit)
- Minnesota State Retirement System
- Chicago Teachers' Pension Fund
- City of Lakeland General Employee Pension Plan
- City of Lakeland Police and Fire Pension Plan
- City of Tampa General Employee Pension Plan
- City of Fort Lauderdale General Employee Pension Plan
- City of Fort Lauderdale Fire and Police Pension Plan
- Illinois Municipal Retirement Fund
- Illinois State Treasurer's Office
- Indiana Public Employees' Retirement Fund (prior)
- Pension Benefit Guaranty Corporation

In addition to the above retirement system experience, we have performed various engagements with a focus on internal audit activities. Three of these engagements can be seen in the **Client References** section, but we have included some additional current or recent examples that we think show Crowe's ability to complete projects of similar nature as what we would be doing for LACERA.

#### **Battery Park City Authority**

Crowe was engaged by Battery Park City Authority to perform internal audit services. Crowe designed and implemented an annual risk assessment process for the Authority, developed a risk-based three-year audit plan, and has completed execution of the first three years of the audit plan. Crowe has since performed a second risk assessment completed at the end of last year and is now working through year 1 of the corresponding audit plan (our fourth year overall). Crowe's work, to date, has included reviewing and evaluating the internal controls of information security, accounts payable and accounts receivable, payroll and timekeeping, human resources (FSLA, ADA, EEO), asset management, safety, salary compensation as well as compliance with housing and leasing agreements including but not limited to, electrical submetering and performance rent.

#### **City of Los Angeles, Proposition O Project**

Crowe conducted a performance audit of the City of Los Angeles's Proposition O, a \$500 million general obligation bond to fund projects to provide water quality benefits to the City. The primary objective of the audit was to determine that Proposition O bond funds are being properly accounted for, proper internal controls were in place, and that expenditures incurred were properly supported and meet Proposition O eligibility requirements. The audit included an evaluation of internal controls, governance structures, performance metrics, project management, financial management, administrative costs, and contracting. In preparing the audit report, the project team conducted interviews with City staff and evaluated ten years of project data and documentation.

#### Florida Board of Governors State University System (SUS) | Tallahassee, Florida

Crowe was engaged to evaluate the strength of existing internal controls, and review business processes to identify any areas of risk for the twelve (12) universities within the SUS. Specifically, this included the delivery of comprehensive risk and control assessments which included observations and recommendations for improvement where control gaps or weaknesses were noted. Crowe provided each university and the Board of Governors (BOG) with comprehensive trends, lessons learned, observations and recommendations to improve internal controls system-wide.

#### Utah Transit Authority | Salt Lake City, Utah

Crowe provided risk management consulting services on a two-part engagement. The first was to provide an entity-wide risk and controls assessment to inform the internal audit plan. The second was to assist the UTA in launching its first enterprise risk management (ERM) program. Crowe performed research and interviewed executive and senior-level managers, and Board members to develop the risk register and risk control matrix (RCM) for the organization. Crowe also facilitated an enterprise risk assessment workshop with the management team in order to rank the top risks to UTA and the controls in place to mitigate them. In addition, Crowe performed an independent risk assessment to compare and validate management's results for the Board's consideration. Crowe has delivered the enterprise risk and control assessment and the ERM program components to help management implement the program.

#### **Chicago Public Schools (CPS)**

Crowe executed a school audit program across several schools in the CPS system. While the scope of these audits varied from school to school, they consistently focused on evaluating internal controls, at the school level, over financial reporting and particularly on those controls necessary to provide reliable information for federal and state grant reporting requirements.

Crowe also provided additional internal control solutions, as requested by the Chief Internal Auditor, to augment Internal Audit Department staff on special internal control projects, and internal audits.

#### KY Commonwealth Office of Technology (KY COTS)

Crowe provided KY Commonwealth Office of Technology (KY COTS) with outsourced IT / Cybersecurity consulting services to perform a NIST 800.53 revision 4 (r4) gap assessment. The NIST framework promotes standards, guidelines, and practices to enhance the protection of data and critical infrastructure. The gap assessment reviewed 17 of the 18 control families included in the NIST standard, as well as the privacy controls defined in Appendix J. Crowe conducted 10+ interviews with employees and performed independent research to identify control gaps / risks for each control within the NIST framework.

#### **Ohio Public Employees' Retirement System**

Crowe assisted OPERS by conducting a maturity assessment of cybersecurity capabilities against the NIST PRISMA standard leveraging both strategic and technical aspects of the organization's information security program. Crowe provided the organization with a current state assessment of their maturity as well a series of recommendations to address identified gaps to improved maturity.

#### Metropolitan Water Reclamation District of Greater Chicago

Crowe performed audit services for the Metropolitan Water Reclamation District of Greater Chicago (MWRD) related to two long-form construction contracts. Our procedures included interviewing MWRD staff and management related to the construction management internal controls and processes and reviewing documentation including contracts, insurance, payment applications, procurement items, performance bonds and change orders for compliance with the contract. In addition, we performed sample-based control testing of the payment applications and change orders. Upon completion of our procedures, we issued a report providing the results of procedures and recommendations for MWRD to strengthen existing controls and processes.

# 03 Assigned **Professionals**

12

### Assigned Professionals

#### We bring the right mix of talent to focus on the risks that matter most.

We like to bring in people who know what they're doing. You'll be supported by a specialized team that has spearheaded similar initiatives at other government and public sector organizations. Your proposed engagement team is well-qualified to provide LACERA with responsive, strategic, personalized service. Mark Maraccini will lead the team and will manage the coordination of all services for LACERA. For day-to-day operations, Bill Dykstra will be the single point of contact coordinating delivery and specialists and overseeing all services for consistency and cohesiveness.

Managing Pa	Managing Partner			
	<b>Mark Maraccini</b> CPA Partner	Mr. Mark Maraccini, CPA is a lead partner for providing internal audit services to governmental entities. Mark has almost 20 years' experience working with public sector clients (governments, not for profits and institutions of higher education) on internal and external audits, Federal and state compliance services, risk management services and quality assessment reviews.		
Organization	nal Activities Team			
	<b>Bill Dykstra</b> Project Manager	Mr. Dykstra is a Manager in Crowe Consulting's Public Sector Services group. He is an experienced internal auditor with over 18 years of experience serving public and not-for-profit organizations. During his career, Mr. Dykstra has provided internal audit and risk consulting services public and private universities, community college systems, school districts, public transit authorities, transportation agencies, and a various not-for- profit service organizations and membership associations.		
	Patrick Quinn Senior Staff	Mr. Quinn, CPA is a senior staff within the Crowe Public Sector Consulting Team and has over three years' experience working with not-for-profits, state and local governmental entities, and higher education institutions. Patrick primarily focuses on assurance and regulatory compliance projects, with focuses on risk and internal control assessments, compliance audits, governmental accounting consulting and other internal audit solutions.		
	<b>Alina Galanova</b> Staff	Alina Galanova is a Public Sector Consultant in Crowe Consulting's Group. Ms. Galanova is specializing in Internal Audit, Assurance Services, Regulatory Risk and Compliance. Recently, she has completed the Certified Public Accountant examination and currently is awaiting licensure.		

Information 7	Information Technology Team				
	Mike Del Giudice IT Lead Partner	Mr. Del Giudice, CPA is a Principal in the Consulting Practice with 20 years of experience in the areas of information security and data privacy. He is a security and privacy thought leader, leading Crowe's IT Risk Management and Security Assessment solutions, while providing security services to a broad range of Fortune 500 organizations across industries. Currently Mike is the national practice leader for Crowe's cybersecurity team within the Public Sector industry.			
	<b>Trevor Krause</b> IT Senior Manager	Mr. Krause, CISSP has 10 years of experience in the areas of information security and data privacy. He is a security and privacy thought leader, leading Crowe's IT Risk Management and Security Assessment solutions, while providing security services to a broad range of Fortune 500 organizations across many industries.			
	Staff Member TBD	Other staff level individuals with relevant experience will be deployed as need to assist in completion of the IT consulting services.			
Investments	Investments Team				
	Tim Canupp Investments Co- Lead	Mr. Canupp, CPA has experience in planning, supervising, executing and reporting on audits of financial statements prepared in accordance with GASB. His significant responsibilities include audit planning, engagement management, Uniform Guidance single audit, performance audits, and financial statement review. He has experience auditing large investment portfolios for insurance companies, governmental pension plans, and the California State Teachers Retirement System.			
	<b>Jen Aras</b> Investments Co- Lead	Ms. Aras, CPA has 18 years of experience and currently serves as Audit Managing Director for Crowe's Assurance and Financial Advisory Group overseeing the Public Sector Services Group in Northern California's assurance practice. Jen provides audit and consulting services to public employee retirement systems, and private company employee benefit plans, including defined contribution, defined benefit, health and welfare and SEC- registered 401(k) plans. She is part of the executive leadership team for the CalSTRS audit engagement.			
	Dan O'Malley Investments Co- Lead	Mr. O'Malley, CPA has experience in auditing large complex investment portfolios, qualified retirement plans, and welfare plans and public employee retirement systems. He serves as audit manager on two of the five largest public employee retirement systems in the United States.			

	He also serves as a manager within the Audit Data Analytics group where he is responsible for thought leadership and audit support activities for assurance clients.
Evan Ball Senior Staff	Mr. Ball provides audit services to clients in a wide range of industries including government, not-for-profit and higher education. Mr. Ball has been responsible for engagement planning and management, with a focus in the public sector entities. His experience includes auditing financial statements, auditing compliance and internal controls over compliance in accordance with Government Auditing Standards and Uniform Guidance and financial statement preparation.

#### Crowe people will be LACERA people.

You're looking for creative, quick learners with strong business acumen and excellent partnership skills, who are technically proficient and humble. That sounds like the people we hire too.

#### You can leverage all of Crowe.

We have ready staff of additional resources across all levels, if needed. Our firm has specialized experts in a wide range of fields who can be brought in to advise – and our equal sharing firm model makes it easier to pull in whomever we need quickly.

#### Experts on demand

If new risks emerge or specialized resources are needed to assist with execution of audits, specialized resources are just a phone call away.

#### **PMO** assistance

We have skilled, capable Project Managers to assist in keeping this project on track.

#### **Offshore resources**

To keep down costs, we can draw on Crowe Centers of Excellence that are not geographically constrained. But we will never move work outside the U.S. without collaborating with you first.

#### Resumes

We have provided resumes of the individuals listed above in **Appendix B**. The resumes outline education, years of experience, licenses and certifications, professional affiliations, and other relevant experience.

#### Our approach relies on prioritizing Diversity, Equity, and Inclusion.

Because our creative approach relies on leveraging diverse perspectives, we prioritize Diversity, Equity and Inclusion at every level, every interaction. Rather than viewing diversity as a box to be checked, we see DEI as foundational. We're constantly examining and adjusting the makeup of our teams to ensure that diverse perspectives are represented. We're dedicated to fostering a sense of inclusion among all involved – so that all can contribute their distinct and full potential.

Accordingly, we do the hard and necessary work of identifying what may be barriers to equitable, inclusive participation among staff and clients– and work to remove them.

We have robust CEO and leadership support leading to a firmwide "call to action" and commitment to DEI. This year we named a Chief Diversity Officer, Chris Mitchell, and started firmwide "Moving Forward Together" sessions, with 75% participation for some series.

Our Inclusion Excellence Council is a governance body that oversees the execution of key strategies and initiatives. A strategy for diversity and inclusion is also integrated into firmwide programs, policies, processes, systems, and day-to-day initiatives.

Our firm's commitment to diversity and inclusion is further evidenced in our many programs and outreach initiatives, including five business resource groups (BRGs) that are open to everyone and provide support for African Americans, Asians, Latinos, LGBTQ and allies, and Young Professionals. BRGs serve to educate our people about diversity and provide a forum for networking, support, and recruiting efforts in order to promote inclusion within the firm.

We have provided a description of diversity policies, practices, and procedures *in* Appendix C of our proposal.

#### Our pillars of social responsibility



TRUST AND TRANSPARENCY

Our values ground us. They drive us to act with the utmost integrity and professionalism. They're also the reason we've built such trusted relationships – by operating on the highest ethical standards, communicating with transparency, and delivering on commitments. Š

ENVIRONMENTAL STEWARDSHIP

From remote work opportunities to a volunteer team dedicated to green initiatives, we are establishing environmentally conscientious practices and decisionmaking in every element of our business to minimize negative environmental impact.



STRONG COMMUNITIES

We believe that building a better tomorrow isn't just about our business – it's about the communities we live in. This means supporting causes our employees care about, strengthening communities in which we do business, and encouraging volunteerism in our people to give them a greater sense of purpose, leadership, and teamwork.

# 04 Quality Control and Peer Review

### Quality Control/Peer Review

#### a) Please describe your firm's quality control relating to audit planning, fieldwork, and reporting.

#### We have the systems in place to provide the highest quality

To achieve consistent excellence, we have developed an internal quality control system led by our Assurance Professional Practice (APP) Group. We also undergo a triennial external peer review and as one of twelve firms auditing more than 100 public companies, Crowe is subject to the full, detailed annual inspection process of the Public Company Accounting Oversight Board (PCAOB). In addition, Crowe has a long-standing role of participation and leadership in national professional standards associations and regulatory organizations. Members of our firm serve on the Ethics Committees in their relevant states, the AICPA's national ethics committee and the AICPA's State and Local Government Expert Panel and CPE Advisory Committee.

#### **Internal Quality Control Review**

Crowe has a fully developed set of policy, procedure and review activities supporting our audit practice. Quality control for all assurance efforts is established by the national office of Assurance Professional Practice ("APP") and documented in our Quality Control Manual that includes the following six elements along with the related objectives:

Leadership Responsibilities for Quality Within the Firm.	Acceptance and Continuation of Client Relationships and Specific Engagement
Relevant Ethical Requirements	Human Resources
Engagement Performance	Monitoring

APP is also responsible for managing and communicating independence and ethics directives of the Firm. All audit personnel are responsible for knowing and understanding important Firm protocol, including:

- Independence
- Integrity and Objectivity
- Technical and General Standards, including AICPA and accounting principles
- Information about our responsibilities to clients, including listings regarding commissions, confidential information and contingent fees
- Information about our other responsibilities and practices, including general information and listings related to commissions and discreditable acts

In addition, APP is responsible for handling inquiries from engagement teams on matters related to those policy areas.

APP also performs a function within our firm that we believe is unique among major firms. All Public audit engagements are subject to a pre-issuance review by APP. All other audit engagements are subject to a pre-issuance review by APP or designated individuals in the Audit Business Unit that are not part of the engagement team. This includes a review of the financial statements and certain other deliverables and may include a review of the work papers supporting the judgments made on key accounting and auditing areas.

Another important quality control procedure is subjecting all public-company audit engagements to an engagement quality review by an individual other than the engagement authorized signer.

In addition to the PCAOB and peer review inspections, the firm also performs annual internal inspections of selected audit engagements. These inspections focus on adherence to professional standards and firm policies and procedures. This process is led by a member of APP.

In addition to Crowe's internal quality control system led by the APP Group, every deliverable sent to LACERA will undergo review form Engagement Partner Mark Maraccini. Our project is structured so that staff and senior staff are responsible for preparing workpapers and deliverables, with guidance provided by Project Manager, Bill Dykstra. Bill will act as the day-to-day liaison between LACERA and the Crowe team, and will coordinate all communication. Bill will also conduct the initial review on all workpapers and deliverables, prior to Mark's review. We find this collaborative approach effective, because all deliverables undergo extensive review prior to delivery to you, providing accuracy, consistency and cohesiveness to all project deliverables.

These reviews also help confirm that the procedures were properly completed, the procedures performed achieved the desired objective, and the results support exceptions and potential findings.

#### National Professional Standards Associations and Regulatory Organizations

Crowe has a long-standing role of participation and leadership in national professional standards associations and regulatory organizations such as:

#### National Professional Standards Associations Crowe is involved with:

- American Institute of Certified Public Accountants (AICPA)
- American Institute of Certified Public Accountants Governmental Audit Quality Center
- Public Company Accounting Oversight Board (PCAOB) Standing Advisory Group
- Financial Accounting Standards Board (FASB)
- Center for Audit Quality (CAQ)
- Tax Executives Institute (TEI)
- International Federation of Accountants
- Internal Revenue Service (IRS)
- U.S. Securities Exchange Commission (SEC)
- Institute of Internal Auditors (IIA)
- American Productivity and Quality Center (APQC)
- Association of Certified Fraud Examiners (ACFE)

#### **External Quality Control Review**

Crowe is subject to a Peer Review of our audit practice every three years and has been since 1980. Crowe's current external quality control review organization is Cherry Bekaert LLP. Cherry Bekaert LLP has more than 13 offices located primarily in the Southeastern United States. Our most recent peer review was conducted by Cherry Bekaert LLP, for the year ended March 31, 2019, and our Firm received the highest rating. The review included reviews of specific public sector engagements as well as quality control aspects of our Firm's operations. We have included a copy of our most recent Peer Review Report in **Appendix D** of our proposal.

## 05

## **Client References**

We love building relationships with each and every one of our clients and invite you to reach out to them to hear about their experiences with Crowe.

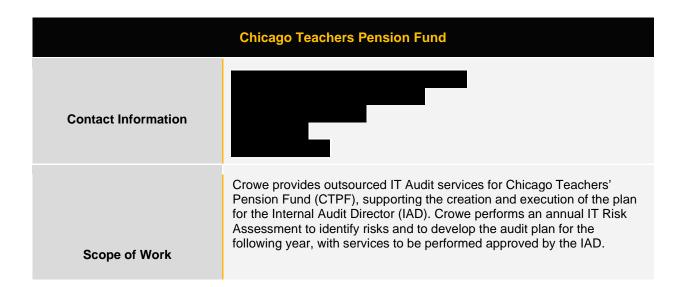
### **Client References**

## We recognize that at its heart, Internal Audit is about relationships. Just ask our clients.

We do whatever it takes to really listen to our clients- and get to the heart of what they really need, tailoring the audit to match their strategic goals. Our clients can vouch for us.

Listed below are three of our clients that we believe have profiles similar to that of LACERA.

California State Teachers Retirement System	
Contact Information	
Scope of Work	Annual financial statement audit which includes the investment portfolio and audit of GASB 68 and 75 schedules
Dates of Work	June 30, 2011 through present
Asset size and Annual Revenue	Assets of \$282 billion; Additions of \$25 billion
Number of Plan or Program Members	975,000 members



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Chicago Teachers Pension Fund	
	Crowe leads the execution of these engagements, including internal and external penetration testing, cybersecurity assessments, application security assessments, and IT general controls reviews.
Dates of Work	2018 – Present
Asset size and Annual Revenue	The June 30, 2019, value of net assets held in trust for pension and health benefits amounted to \$11.0 billion.
Number of Plan or Program Members	The Fund's membership increased to 67,538 total members including 29,295 active members, 28,317 beneficiaries, and 9,926 vested terminated members as of June 30, 2019.

Washington Metropolitan Area Transit Authority	
Contact Information	
Scope of Work	Crowe is currently assisting with the Enterprise Resource Management (ERM) initiative undertaken by Washington Metropolitan Area Transit Authority (WMATA).
	As part of the ERM efforts, we assisted with the development of the ERM framework and policies and procedures, compiling the risk register and assessing risks, and with facilitating management interviews and workshops. We are also leading the implementation of the RSA Archer GRC platform technology to support the ERM program from a technology standpoint.
	Crowe is also working directly with the WMATA team to complete internal management audits including cash collection audits, labor audits, paratransit service audits, procurement audits and indirect costs audits. As part of these audits, our team is developing audit programs, conducting control assessments, substantive testing, and drafting audit reports
Dates of Work	2017 - Present
Asset size and Annual Revenue	N/A
Number of Plan or Program Members	N/A

## 06

# Project Planning and Approach

A concrete audit plan is a key to a successful audit, our approach takes a collaborative approach between all parties to provide the highest value to you.

### Project Planning and Approach

#### A client-centered audit process

We're reimagining the entire audit process by focusing on the user experience through each stage and each interaction. That means uncovering and prioritizing the individual human (client) needs, preferences, and goals at each stage of the audit process.

#### We've embedded lean principles in every facet of the process.

Our internal audit methodology is described more fully below. But the fundamentals are simple. We will:

- Fully grasp your organization, industry, the regulatory environment, through consistent, clear communication.
- Communicate frequently so that managers are aware of our progress and status
- Report risks and recommendations that address the underlying root causes of the issues
- Provide pertinent data on internal controls to management and the audit committee
- Maintain active awareness of the ongoing operations and strategy in order to understand current issues and offer input regarding future plans.



#### **Risk Assessment**

Here, we do whatever it takes to understand your context – your world – so we can fine tune the audit to align with LACERA's strategic priorities.

We will conduct interviews with senior management to discuss risks, controls, and strategic plans within your organization. This insight, along with prior audit results and the regulatory landscape, will generate the risk assessment summary that drives the audit plan and audit. Assessing risk continues throughout each component of the audit process.

#### Inputs

- Client Interviews
- Prior Audit Results
- Regulatory Landscape

#### Audit Plan and Fieldwork

Here, we apply curiosity and creativity to identify key criteria. We read between the lines to go beyond a stated need and address the root cause of the risks.

The risk assessment process provides the information needed to develop the audit plan and audit procedures tailored based on the needs of the organization. A detailed audit plan documenting the audit procedures is provided to the internal audit manager for review and approval prior to each audit. This audit plan outlines the segments and processes that will be audited.

#### Inputs

- Prioritized Risk Universe
- Organizational Strategy

#### Outputs

Outputs

•

Risk-Based Detailed Audit Plan

A Prioritized Risk Universe

#### Reporting

Instead of an exhaustive summary of findings, our reports are always tied to the business's strategic goals. Our dynamic reports provide actionable steps and recommendations when clients need them. Based on client preferences, we can deliver action-oriented feedback throughout the process.

We conduct audits throughout the year at mutually agreed-upon times and request information in advance to make our time in the field, or at home, efficient. Through conversations with you during the audit, we will discuss findings and confirm assumptions and discuss potential issues. Once audit findings are confirmed, we will finalize best practice recommendations and issue a draft report for management's response and action plans.

Your results will be benchmarked to those of other similar organizations, so you can compare your business to peers and identify areas of needed improvement.

#### Inputs

- Process Owner Interviews and Walk-Throughs
- Policy and Procedure Review
- Controlled Testing

#### Outputs

• Prioritized Observations and Actionable Recommendations

#### 🏠 Follow-Up Loop

The internal audit process does not end with communicating audit results. The internal audit results, along with regulator and external audit findings, should be regularly monitored and substantiated. Once management completes remediation efforts to address the audits and examinations, if you choose, we will follow up to validate that the control has been fixed.

We will also maintain ongoing communication with the audit committee, board of directors, executive management, and primary business personnel throughout the organization so that we can react quickly and effectively to changes in risks.

#### Inputs

- Audit Results
- Remediation Plans

#### Outputs

 Confidence, knowing issues have been resolved

#### Transforming your internal audit function

As noted in step 4 above, the internal audit process does not end with communicating audit results. We know that LACERA wants to permanently enhance and transform its internal audit function. In today's ever-changing environment, it is more important than ever for organizations to get a return on the investments they make in business processes throughout their organization. As complexities grow, the risk gap – between new and increasing risks and unchanging risk coverage – continues to expand.

New and increasing risks strain execution of audit plans that already lack resources. LACERA can't afford to simply add consulting hours or new employees to test and assess risk mitigation controls and processes. Organizations need a new approach to internal audit that lessens the gap between risks that matter most to them and their ability to mitigate those risks. Crowe's internal audit transformation approach does this, by focusing on five key steps:

- 1. Aligning internal audit efforts with goals and objectives
- 2. Take advantage of internal expertise to develop an action plan
- 3. Adopt the most effective technology
- 4. Identify data elements
- 5. Connect with a knowledgeable community

#### Working with external auditors

We will meet with your external auditors to provide assistance to them in support of their annual independent audit of the financial statements and internal controls over financial reporting. We can also supply electronic workpapers at their request to facilitate a more efficient review. Your external auditors can have a high degree of comfort and reliance, within the parameters of professional standards, with the work and testing we perform, providing you with greater efficiency in the overall audit process.

#### IT Risk Assessment Methodology

Risk is generally defined as the combination of the probability of an event occurring and the subsequent consequence if that risk is realized. IT risk is business risk associated with the use, ownership, operation, involvement, influence, and adoption of IT within an enterprise. More specifically, IT risk consists of any IT-related events that could potentially impact the business and/or create challenges in meeting strategic goals and objectives.

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Crowe's Enterprise-Wide IT Risk Assessment solution will provide you with a comprehensive analysis of your organization by evaluating the people, processes, and technologies supporting your organizations information technology efforts.



- **People:** Information Technology requires collaboration and support from across the organization. In addition, the consumerization of IT has increased the reliance organizations have on their personnel properly protecting sensitive information. Crowe will evaluate the risks associated with IT organizational structure, recruiting and retention, and employee development.
- **Process:** Processes and Standard operating procedures are the approach the IT organization used to complete specific tasks. Crowe will review the risk within the programs established by IT to support the day to day operations of LACERA.
- **Technology:** Technology supports information technology initiatives by enforcing policy, automating processes, and providing opportunities for real time management of risk that manual processes are unable to achieve. Crowe will evaluate the risks associations with the technology infrastructure and application environment.

#### **IT Risk Assessment Framework**

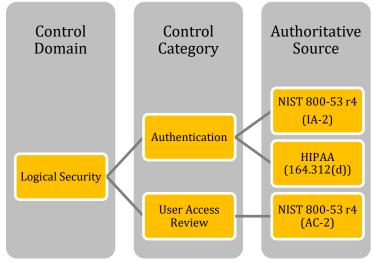
Determining an appropriate risk and control framework for Information Technology is challenging for even mature organizations. The complexities and nuances with existing regulatory requirements (e.g. HIPAA) combined with industry standards (e.g. COBIT5, NIST Cybersecurity Framework) make managing risk and control expectations nearly impossible.

Crowe has established an integrated risk and control framework to ensure a comprehensive evaluation. Defining a comprehensive risk and control framework that seamlessly integrates with existing regulatory

and industry guidance is integral for organizations looking to efficiently evaluate and manage their IT risk.

The framework was established by mapping controls across common regulatory standards and industry frameworks to correlate controls. Controls could be categorized based on like themes, and these themes were utilized to create an integrated control requirement.

By correlating the controls, this integrated control can be defined in a way that includes a single test procedure that allows the organization to understand compliance with all common control requirements across the different standards.



#### A proprietary approach to cybersecurity

Crowe's proprietary methodologies are designed to provide the greatest value to our clients by incorporating a risk-based approach to target key areas of review.

This is due to Crowe developing its methodologies over years of experience with multiple security resources including NIST (SP 800-53, Cybersecurity Framework, etc.), ISO, CIS Top 20 Critical Security Controls, various regulatory requirements (FFIEC Guidelines and Cybersecurity Assessment Tool, HIPAA, PCI, etc.), and vendor best practices.

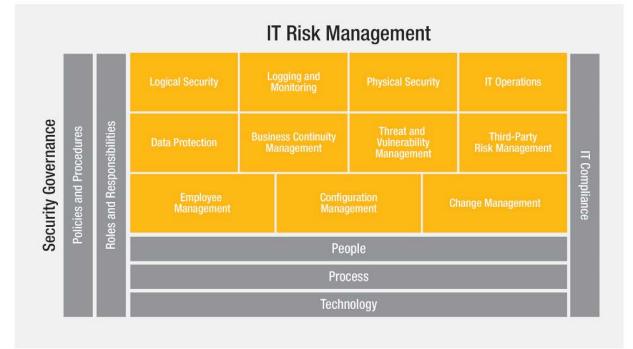
Based upon our experience, we are uniquely positioned to customize these methodologies to provide focused reviews for your environment. Furthermore, our experiences also allow us to avoid 'checklist auditing' and focus review time on areas of new or significant risk. In turn, this enables us to provide sensible, reliable, and proven recommendations to mitigate your information security risks.

Crowe's Cybersecurity Assessment methodology provides balanced IT security coverage across all areas of risk, customizable to your needs. The review will include both information security governance components that support the overall program, as well as the technical implementation of the infrastructure, applications, and endpoints within the organization.

#### **Cybersecurity Governance**

Cybersecurity Governance controls focus on enterprise-wide security programs designed to manage information security risks. The assessment is broken down into key areas of review and based on cybersecurity best practices and your level of risk across each area.

For each risk identified, Crowe will provide detailed recommendations for remediation and mitigation that are specific to your environment and that are based on best practices from your industry as well as the information security community. Crowe's Cybersecurity Framework is depicted below:



#### Training that improves awareness and skill and creates sustainability

Crowe understands that LACERA is also looking for a provider that can develop course materials and train its employees on certain areas of internal audit. Crowe has extensive experienced conducting trainings that help employees expand their knowledge, develop new skills, and produce positive change in the functioning of LACERA. Crowe uses a four-step approach to provide training services.



#### Step 1: Planning

The first step would be to set expectations with you. This includes discussing the nature and extent of the training, confirming the level of technical background of the training program participants, the method of delivery (e.g. in person, virtual) and the goals of the training. This will also help us understand if this should be a basic, intermediate or advanced training session.

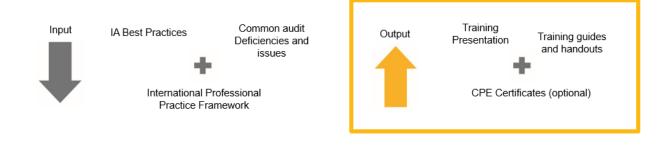


The next step in the process would be to develop training materials that specifically meets the needs of LACERA. Based on our discussions during the planning phase, we will develop detailed training materials for the training session. These materials will be based on a basic, intermediate or advanced scale depending on the outputs and discussions from the Planning Phase.



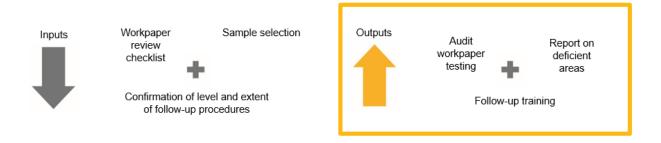
#### Step 3: Conduct Training

The next step would be to conduct the training. We would envision conducting an interactive group training that will entail numerous exercises and group discussions as we navigate through the training program. We will have handouts for each attendee including presentation and group exercise materials. If LACERA would like this to qualify for continued professional education (CPE), we could work with our internal training team to coordinate that effort to provide CPE for this training.





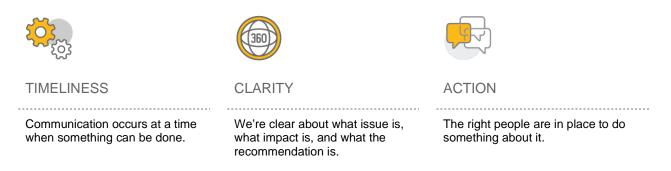
As an optional service, we could provide training follow-up. This would entail performing thorough reviews of a sample of audit workpapers for compliance with guidance outlined in the training. If deficiencies are noted, we would report those to LACERA management. In addition, we could perform a group or individual session to cover deficient areas.



## We have the structure and process in place to have the right conversation, at the right time.

We believe that structure and consistency are key to effective communication, so we take a structured approach to communicating status. We also believe that clarity is critical. We will be clear to each of your global teams when we'll be there, what we'll be doing, and how long we're going to be there. Finally, we believe that communication can only be effective when it results in constructive action, which is why our senior people are involved in the details of the engagement.

#### Our three linchpins of effective communication:



#### Crowe brings technology capabilities that make the project more efficient

Crowe combines the deep industry and functional specialization of an accounting and consulting firm with the continual innovation of a technology company. We were one of the first large accounting and consulting firms to establish a team focused exclusively on data science and powering software products with artificial intelligence (AI).

This dedicated team of machine learning engineers and data scientists combines our analytics, automation, AI, and machine learning capabilities. Their work drives innovation in software solutions across all of Crowe's business units. It also helps shift our engagement teams or clients' perspectives from hindsight to foresight.

While a few non-tech firms have data science teams, it's rare for AI capabilities to be integrated into software products outside of large technology companies. Because of our functional specializations, the technologies we develop are highly systematized and scalable, and these solutions enable us to focus on higher-risk, higher-return areas for our clients.

Our firm's success is built on quality, innovative technology and specialization. Nourishing a culture of innovation allows us to constantly advance our tools and processes – and provide exceptional service delivery

#### **Crowe Secure Information Exchange**

One of the key technological tools that makes working remotely still efficient and effective is our secure information transfer portal. In many engagements, a significant amount of time is spent gathering key documents, data, and reports so we can perform analyses, respond to questions and build recommendations. This is made even more difficult when working remote. To make it easy for you to organize your data and respond to requests, we have developed a secure solution called **Crowe Secure Information Exchange** or Crowe Exchange, for short. This solution makes it easy for you and your team to collaborate with us. This is a secure, easy-to-use, web-based solution that allows us to work efficiently and effectively with you. It includes:

- Multi-factor authentication (MFA), one of the most effective controls in the industry to protect against cyber threats.
- An effective workflow and management of information exchange.
- Streamlines the data and document collection process.
- Reports status updates through dashboards with easy-to-use navigation.
- Centralizes communication and information sharing.
- Documents and tracks requests and historical records.
- Giving you the option of managing workflow through a centralized individual who can assign and delegate requests to other company personnel. This lets you track project activity by assigned individual, due date, and status with a user-friendly, easy-to-use, dashboard interface so you can quickly view and monitor project progress.

Through a single portal, this solution allows you to gain visibility into one or multiple projects you may be running with us. Review this five-minute video for an overview of the solution ( https://crowe.widen.net/s/l82l0p5fy6)

#### Crowe Insight<sup>™</sup>

In addition to the Crowe Secure Exchange Portal, Crowe has also developed an internal audit workpaper system, called **Crowe Insight™** allowing for effective and efficient remote audits and examinations.

Crowe Insight<sup>™</sup> was developed by our Crowe innovation team, Crowe Insight Center for Audit<sup>™</sup> combines leading-edge technology with functional knowledge and industry expertise. This advanced audit platform helps facilitate an effective audit process. It also provides us with the ability to quickly respond and to adapt the platform with the ever-changing technology environment.

The technology we use and continue to enhance for an external audit including planning, assessing risk, setting scopes, and designing procedures is highly systematized and scalable. This technology-rich methodology enables our auditors to place more focus on higher-risk areas and enables advancements in the areas of:

- higher-quality audit evidence
- better correlation of audit tasks to risks and assertions
- higher confidence in the data being reported

#### **Data Security**

We also fully appreciate that technology brings risk as well as rewards. Consequently, our firm has made significant and ongoing investments in systems and resources focused on the protection of our client and employee data. We employ a variety of security specialists and systems as part of a comprehensive security program that utilizes both industry best practices and technology guidance on an ongoing basis. Our security program includes resources and functions focused on Information Security Management, Security Architecture, Security Administration, Data Protection and Encryption, and Security Awareness and Training. The security program, and its related documentation, is built on the ISO 27000 series of standards.

Crowe fully understands its responsibilities regarding client confidentiality, as well as the dynamic nature of security threats, so our systems and processes are regularly reinforced, updated and tested to help protect the security and confidentiality of client records and information.

# 07 Potential Conflicts

### **Potential Conflicts**

a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.

N/A.

*b)* Describe any potential conflicts of interest with the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.

N/A.

c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.

N/A.

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.

N/A.

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).

N/A.

*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. N/A.

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.

Crowe is independent of LACERA and any of its affiliated entities, its officials, and its employees. Crowe is not aware of any conflicts of interest relative to performing the proposed audit for LACERA.

As a firm of certified public accountants, Crowe has policies and procedures to provide reasonable assurance that professional personnel maintain independence, integrity, and objectivity required under professional standards. A dedicated unit within Crowe, the ethics and independence group within the firm's national office, is responsible for managing and communicating independence and ethics guidance and firm protocol.

Independence precludes relationships that might in fact or appearance impair objectivity in performing audit and other attest services. Integrity requires personnel to be honest and candid within the constraints of client confidentiality. Service and the public trust are not to be subordinated to personal gain or advantage. Objectivity is a state of mind and a quality that lends value to a firm's services. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.

Personnel must consciously refuse to subordinate their judgment to that of others and must avoid relationships that may impair objectivity or influence judgments. The Crowe policy is that all personnel must be in fact and appearance independent in attitude, in the conduct of work performed, and in relationships with clients, as required by applicable professional standards.

All professional personnel shall follow the applicable independence rules and regulations of the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct, the state Boards of Accountancy, the Securities and Exchange Commission, the U.S. Government Accountability Office, and other regulatory agencies. We communicate independence rules to help provide assurance that our personnel will comply with applicable rules.

# 08 Legal Situations

### 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.



# 09 Fee Schedules

## **Fee Schedules**

Our goal in setting fees is simple: to provide long-term, cost-effective pricing for our clients. We are confident that we can work together to achieve an optimized plan for Internal Audit Services.

	Audits	Co-source Audits	Consulting	Co-source Consulting	Training	
Engagement Types	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	
Partner/Director	\$ 380	\$ 380	\$ 380	\$ 380	\$ 380	
Senior Manager	\$ 295	\$ 295	\$ 295	\$ 295	\$ 295	
Manager	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	
Senior Staff	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	
Staff	\$ 160	\$ 160	\$ 160	\$ 160	\$ 160	

#### **Organizational Activities**

#### Information Technology

_	Audits	Co-source Audits	Consulting	Co-source Consulting	Training
Engagement Types	Maximum	Maximum	Maximum	Maximum	Maximum
.,pee	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
Partner/Director	\$ 380	\$ 380	\$ 380	\$ 380	\$ 380
Senior Manager	\$ 295	\$ 295	\$ 295	\$ 295	\$ 295
Manager	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225
Senior Staff	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195
Staff	\$ 160	\$ 160	\$ 160	\$ 160	\$ 160

#### Investments

	Audits	Co-source Audits	Consulting	Co-source Consulting	Training	
Engagement Types	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	
Partner/Director	\$ 380	\$ 380	\$ 380	\$ 380	\$ 380	
Senior Manager	\$ 295	\$ 295	\$ 295	\$ 295	\$ 295	
Manager	\$ 225	\$ 225	\$ 225	\$ 225	\$ 225	
Senior Staff	\$ 195	\$ 195	\$ 195	\$ 195	\$ 195	
Staff	\$ 160	\$ 160	\$ 160	\$ 160	\$ 160	

# 10 Terms and Conditions

## Terms and Conditions

We have provided our exceptions to the Terms and Conditions on the following pages. Due to varying file types, these pages will not be reflected in the Table of Contents.











# 11 Appendices

## Appendix A: Insurance Certificates

We have provided our certificates of insurance on the following pages. Due to varying file types, these pages will not be reflected in the Table of Contents.



### **CERTIFICATE OF LIABILITY INSURANCE**

DATE (MM/DD/YYYY)

C					3/2	23/2020	
THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.							
IMPORTANT: If the certificate holder is an ADDITIONAL If SUBROGATION IS WAIVED, subject to the terms and o	INSURED, the policy( conditions of the policy	cy, certain p	olicies may r				
this certificate does not confer rights to the certificate ho	der in lieu of such en		)				
PRODUCER	NAME: PHONE			FAX			
	(A/C, N	o, Ext):		(A/C, No):			
	E-MAIL ADDRE	SS:					
		INS	URER(S) AFFOR	DING COVERAGE		NAIC #	
		INSURER A :					
INSURED	CROWCHIZ	INSURER B :					
Crowe LLP 320 East Jefferson Blvd	INSURI	ER C :					
South Bend IN 46601	INSURI	ER D :					
	INSURI	ER E :					
	INSURI	ER F :					
COVERAGES CERTIFICATE NUMBE	R: 954175658			REVISION NUMBER:			
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LIS							
INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSU EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SH	RANCE AFFORDED BY	THE POLICIE REDUCED BY	S DESCRIBED PAID CLAIMS.				
INSR ADDL SUBR	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMIT	s		
A X COMMERCIAL GENERAL LIABILITY 60760626	99	4/1/2020	4/1/2021	EACH OCCURRENCE	\$ 2,000	,000	
CLAIMS-MADE X OCCUR				DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 1,000	,000	
				MED EXP (Any one person)	\$ 15,00	0	
				PERSONAL & ADV INJURY	\$2,000	,000	
GEN'L AGGREGATE LIMIT APPLIES PER:				GENERAL AGGREGATE	\$4,000	,000	
X POLICY PRO- X LOC				PRODUCTS - COMP/OP AGG	\$4,000	.000	
OTHER:				Deductible	\$0	,	
A AUTOMOBILE LIABILITY 60760626	35	4/1/2020	4/1/2021	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000	,000	
ANY AUTO				BODILY INJURY (Per person)	\$		
OWNED SCHEDULED AUTOS ONLY AUTOS				BODILY INJURY (Per accident)	\$		
X HIRED X NON-OWNED				PROPERTY DAMAGE (Per accident)	\$		
AUTOS ONLY AUTOS ONLY				Collision/Comp	\$ 1,000	/100	
B X UMBRELLA LIAB X OCCUR 60760627	18	4/1/2020	4/1/2021	EACH OCCURRENCE	\$ 5,000	000	
EXCESS LIAB CLAIMS-MADE				AGGREGATE	\$ 5,000		
DED X RETENTION \$ 10.000				AGGILGATE	\$ 0,000	,000	
B WORKERS COMPENSATION 60760627	21	4/1/2020	4/1/2021	X PER OTH-	φ		
				E.L. EACH ACCIDENT	\$ 1,000	000	
OFFICER/MEMBEREXCLUDED?				E.L. DISEASE - EA EMPLOYEE \$1,000,000		,	
If yes, describe under DESCRIPTION OF OPERATIONS below							
				E.L. DISEASE - POLICY LIMIT	φ 1,000	,000	
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additio	nal Remarks Schedule, may h	e attached if more	e space is require	ed)			
Evidence of Insurance	Komarko Gonedule, indy L		- opuse is require	,			
	CAN	CELLATION					
Crowe LLP	THE	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.					
320 East Jefferson Blvd. P.O. Box 7 South Bend IN 46624-0007							
	/u	il K-Hu	ghes_				

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ACORD	

### **CERTIFICATE OF LIABILITY INSURANCE**

DATE (MM/DD/YYYY) 1/01/2020

						2020	
THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.							
IMPORTANT: If the certificate holder	is an	ADDITIONAL INSURED, the	policy(ies) must ha	ve ADDITIO	NAL INSURED provisions or be	e endorsed.	
If SUBROGATION IS WAIVED, subject					quire an endorsement. A state	ement on	
this certificate does not confer rights	o the	certificate holder in lieu of su	ICh endorsement(s	).			
PRODUCER			NAME:				
			PHONE (A/C, No, Ext):		FAX (A/C, No):		
			E-MAIL ADDRESS:				
			INS	URER(S) AFFOF	NDING COVERAGE	NAIC #	
			INSURER A :				
INSURED Crowe LLP			INSURER B :				
320 East Jefferson Boulevard			INSURER C :				
P.O. Box 7			INSURER D :				
South Bend, IN 46624-0007			INSURER E :				
USA			INSURER F :				
COVERAGES CEF	TIFIC	ATE NUMBER:			REVISION NUMBER:		
THIS IS TO CERTIFY THAT THE POLICIES INDICATED. NOTWITHSTANDING ANY R CERTIFICATE MAY BE ISSUED OR MAY EXCLUSIONS AND CONDITIONS OF SUCH	EQUIR PERT/	EMENT, TERM OR CONDITION AIN, THE INSURANCE AFFORD CIES. LIMITS SHOWN MAY HAVE	OF ANY CONTRACT ED BY THE POLICIE	OR OTHER I S DESCRIBEI	DOCUMENT WITH RESPECT TO D HEREIN IS SUBJECT TO ALL	WHICH THIS	
LTR TYPE OF INSURANCE	INSD		(MM/DD/YYYY)	(MM/DD/YYYY)	LIMITS		
COMMERCIAL GENERAL LIABILITY					EACH OCCURRENCE \$		
CLAIMS-MADE OCCUR					PREMISES (Ea occurrence) \$		
					MED EXP (Any one person) \$		
					PERSONAL & ADV INJURY \$		
GEN'L AGGREGATE LIMIT APPLIES PER:					GENERAL AGGREGATE \$		
POLICY PRO- JECT LOC					PRODUCTS - COMP/OP AGG \$		
OTHER:					\$		
AUTOMOBILE LIABILITY					COMBINED SINGLE LIMIT (Ea accident)		
ANY AUTO					BODILY INJURY (Per person) \$		
ALL OWNED SCHEDULED AUTOS AUTOS					BODILY INJURY (Per accident) \$		
HIRED AUTOS AUTOS					PROPERTY DAMAGE (Per accident)		
					\$		
UMBRELLA LIAB OCCUR					EACH OCCURRENCE \$		
EXCESS LIAB CLAIMS-MADE					AGGREGATE \$		
DED RETENTION \$					\$		
WORKERS COMPENSATION					PER OTH- STATUTE ER		
AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE					E.L. EACH ACCIDENT \$		
OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	N/A				E.L. DISEASE - EA EMPLOYEE \$		
If yes, describe under DESCRIPTION OF OPERATIONS below					E.L. DISEASE - POLICY LIMIT \$		
A Professional Indemnity Insurance		P32518.01-01	01-Nov-20	01-Nov-21	Not less than US \$1,000,000 any on all, including costs, charges and exp		
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHIC	LES (A	CORD 101, Additional Remarks Schedu	le, may be attached if mo	re space is requi	red)		
CERTIFICATE HOLDER			CANCELLATION				
Crowe LLP 320 East Jefferson Boulevard P.O. Box 7 South Bend, IN 46624-0007 USA		SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.					
		AUTHORIZED REPRESENTATIVE					
				Aon	Risk Services Northeast, Inc		
			© 19	88-2015 AC	ORD CORPORATION. All rig	hts reserved.	

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## Appendix B: Resumes

We have provided resumes for the proposed engagement team on the following pages.



Mark Maraccini CPA – Partner mark.maraccini@crowe.com www.crowe.com

#### Profile

Mr. Mark Maraccini is a lead partner for providing risk and internal audit services to institutions of higher education. Mark has almost 20 years' experience working with public sector clients (governments, not for profits and institutions of higher education) on internal and external audits, Federal and state compliance services, risk management services and quality assessment reviews. Mark's experience has provided him with a deep specialization in internal control over financial reporting and compliance, and in the implementation of the Institute of Internal Auditors (IIA) standards and International Professional Practices Framework.

Mr. Maraccini has recently presented to IIA Chicago chapter, at the IIA Mexico National Conference and at the IIA international conference on Building a Sustainable ERM program in the Public Sector. Mr. Maraccini also presented to the Texas Association of School Business Officials on Quality Assessment Reviews of the Internal Audit function and served on a panel for the IIA and Association of Government Accountants related to risks surrounding governmental internal audit division. Mr. Maraccini also conducted a webinar for the IIA's Public Sector Audit Center on the revisions in the 2018 Yellow Book.

#### **Education & Certifications**

- Bachelor of Arts, Accounting
  - o DePaul University | Chicago, Illinois
- Certified Public Accountant (CPA)

#### **Client Focus**

#### Services:

- Risk Management Services
- Internal Control Reviews
- Audit Readiness
- Finding Mitigation
- Regulatory Compliance
- Accounting Assistance
- Internal Audits
- Performance Audits
- Examinations

#### Industries:

- Government
- Higher Education
- Not-for-Profit

#### Publications and Speaking Engagements

- Illinois Institute of Internal Auditors |
   Speaker
- Illinois CPA Society | Speaker
- Michigan Association of Certified Public Accountants | Speaker
- Introducing the Internal Audit Function to Smaller Not-for-Profits | Author

#### **Professional Affiliations**

- Illinois CPA Society
- American Institute of Certified Public Accountants
- Association of Local Government Auditors
- Institute of Internal Auditors

#### Education External Audit Experience

- Southern Illinois University
- Triton College
- Morton College
- Elgin College
- South Suburban College

#### **Relevant Experience**

#### State University System of Florida

Mr. Maraccini is serving as a partner on a project with the State University System (SUS) of Florida to conduct business process risk assessments at each of the 12 public universities in the State of Florida. Mark lead a team to conduct these risk and control assessments at each university focusing on risks over business processes and financial reporting. The project will produce risk assessment reports for each of the 12 universities in the system and a summary report to the SUS providing information on common best practices or areas of improvement across the system and other best practices from a national industry perspective.

#### Northeastern Illinois University

Mr. Maraccini lead an internal audit of the University Technology Services (UTS) Modernization Project. Overall, Crowe reviewed the processes related to the UTS Modernization Project to determine if adequate internal controls existed and proper policies and procedures were in place and followed throughout the Modernization Project. Overall, Crowe was able to assist NEIU in identifying internal control improvements needed throughout the UTS Modernization Project and through various departments involved.

#### University of Maryland, Baltimore (UMB)

Mr. Maraccini is leading a financial audit of cooperative agreements awarded by the Centers for Disease Control and Prevention (CDC). The audit includes audit objectives requiring an opinion on whether the schedule of program expenses for the CDC-funded program presents fairly, in all material respects, costs incurred for the period audited in conformity with the terms of the awards and generally accepted accounting principles, reporting on internal controls over compliance and financial reporting, reporting on compliance with Federal requirements (including matters of procurement, allowable costs tested in accordance with 45 CFR Part 75 and the terms and conditions of the awards, reporting, cash management, and other matters), and follow-up on prior audit findings and recommendations. As part of this audit, our team is developing audit programs, conducting risk assessments, substantive testing, and drafting audit report.

#### Franciscan Missionaries of Our Lady University, Baton Rouge, Louisiana

Mr. Maraccini was the partner on a project where Crowe developed a comprehensive risk assessment and internal audit plan for this newly formed university. The timing of this project came at a critical time, since it was scheduled directly in advance of the university's state accreditation review process. The project included interviews with the university's leadership team as well as senior managers in its parent company, a healthcare provider in the Baton Rouge area. In addition to an internal audit plan, the outcome of this initiative provided leaders and key stakeholders with a comprehensive, independent view of the risks facing the university that would benefit from enhanced, structured action plans prior to the accreditation review.

#### Washington Metropolitan Area Transit Authority

Mr. Maraccini is serving as a partner on an internal audit co-sourcing project for the Washington Metropolitan Area Transit Authority (WMATA). This project entails working directly with the WMATA team to complete internal management audits including cash collection audits, labor audits, paratransit service audits, procurement audits and indirect costs audits. As part of these audits, our team is developing audit programs, conducting control assessments, performing substantive testing, and drafting audit reports. In addition to the aforementioned audits, we are assisting with the Enterprise Resource Management (ERM) initiative undertaken by WMATA. As part of the ERM efforts, we assisted WMATA with the development of the ERM framework and policies and procedures, compiling the risk register and assessing risks and with facilitating management interviews and workshops.



**Bill Dykstra** CIA, CRMA - Manager

bill.dykstra@crowe.com www.crowe.com

#### Profile

Mr. Dykstra is a Manager on Crowe Consulting's Public Sector Services team, and is located in our Denver office. He is an experienced auditor with over 19 years of serving public and notfor-profit organizations. During his career, Mr. Dykstra has provided internal audit and risk consulting services to state and local government agencies, public transit authorities, public and private educational institutions, and various not-for-profit service organizations and membership associations. Mr. Dykstra has a Bachelor of Science degree in Accounting and a Master of Arts degree in Nonprofit Management. He is also a Certified Internal Auditor (CIA) and has a Certification in Risk Management Assurance (CRMA).

#### Professional and Industry Experience

Mr. Dykstra has a financial accounting and internal audit background and has served the public sector in a variety of roles. Some key examples include serving as a:

- Internal Audit Manager
- Risk management consultant
- Project manager
- Business process analyst
- Business intelligence program manager
- Leader of a data governance/standardization initiative

#### **Professional Affiliations**

Institute of Internal Auditors

#### **Education & Certifications**

- M.A., Non-profit Management
  - o DePaul University | Chicago, Illinois
- B.S., Accounting
  - Saint Xavier University | Chicago, Illinois
- Certified Internal Auditor, CIA
- Certification in Risk Management Assurance, CRMA

#### **Client Focus**

#### Services:

- Internal Audit
- Risk Management Consulting
- Business Process Redesign
- Enterprise Risk Management

#### Industries:

- Internal Audit
- Risk Management Consulting
- Business Process Redesign
- Enterprise Risk Management

#### Publications and Speaking Engagements:

- 2019 Kentucky CPA Society, "Sustainable Risk Management"
- 2018 Crowe Government Advantage Series, "Launching a Sustainable Enterprise Risk Management Program in the Public Sector"
- 2018 Crowe Not-For-Profit and Higher Education Webinar Series, "How Failure to Manage Risk Could Threaten Your Mission

#### Selected Relevant Experience

- Managed an engagement with the City of San Diego to conduct a risk and control assessment over inventory management. This engagement spanned four major departments which had recently implemented a new enterprise resource planning application to manage inventory and various other business processes. The assessment involved interviewing various department managers, onsite inspections, reviews of policies and procedures, process flowcharts, organization charts, and other materials to evaluate the control structure. Crowe provided the City with observations and recommendations to address gaps and control weaknesses to help them achieve their operational objectives.
- Managed an engagement for the California Public Utilities Commission (CPUC) in San Francisco to perform a compliance examination of a regulated water company's procurement practices. This engagement covered a four-year period and involved a comprehensive examination of all procurement activities stemming from general rate case settlements to capital project budgeting, and from competitive bidding to contract management to vendor payment and project close-out procedures. This is the second of three examinations which have been mandated through a settlement between the company and the CPUC to validate compliance with procurement rules from the years 1994 through 2021.
- Managed compliance evaluation services to the California Alternative Energy and Advanced Transportation Authority (CAEATFA) in Sacramento, specifically focused upon all providers of Property Assessed Clean Energy (PACE) financing in the State of California whom have enrolled in CAEATFA's Loss Reserve Program. This program provides dedicated funding for PACE providers to make them whole in the event of a foreclosure and/or seizure of property. In order to be eligible for the funding, providers must comply with various eligibility requirements and follow specific underwriting practice guidelines. Crowe was engaged to audit the 17 program participants enrolled in the program for compliance with these requirements.
- Managed an engagement with the **Washington Metropolitan Area Transit Authority in Washington D.C. (WMATA)** for internal audits of wire transfer activities, and of the marketing function. Mr. Dykstra also supported WMATA's ERM program implementation. He facilitated an enterprise-level risk assessment workshop with the WMATA executive management team and guided them through the assessment of 24 major risks to the organizations. The results of the assessment were used to develop a robust reporting package for the executive team, and for management to use in developing business plans to address each risk. Prior to the workshop, Mr. Dykstra worked with the Internal Audit team to prepare the information and technology needed to execute a successful session.
- Supported the **Chicago Public Schools' (CPS)** internal audit function by managing an operational audit of their legal department and an audit of parking benefits for CPS employees. Mr. Dykstra has also assisted Chicago Public Schools with the completion of their Comprehensive Annual Financial Report (CAFR) and Single Audit report, including assistance with the financial audit process. He coordinated activities onsite among a team of accountants and consultants in the preparation of the CAFR and Single Audit report. Mr. Dykstra managed communications and updates with CPS' Controller and assisted with completion of grant roll-forwards and fund reconciliations. He also assisted with the mitigation and corrective actions for prior year audit findings.
- Managed an engagement with the Florida Board of Governors State University System (SUS) in Tallahassee, Florida to evaluate the strength of existing internal controls, and review business processes to identify any areas of risk for the twelve (12) universities within the SUS. Specifically, Mr. Dykstra had overseen the delivery of comprehensive risk and control assessment which included observations and recommendations for improvement. Crowe provided each university and the Board of Governors (BOG) with comprehensive trends, lessons learned, observations and recommendations to improve internal controls system-wide.

- Led a project in June 2018 to provide Reno-Tahoe Airport Authority in Reno, Nevada (RTAA or the Authority) leadership with an assessment of the various skillsets that may be needed to establish an Internal Audit (IA) function capable of working in areas of the higher risk to the Authority. This project involved close collaboration with RTAA leadership to develop an enterprise-level perspective of significant risks to RTAA. This knowledge was leveraged in order to determine which risks would best be addressed by IA function and IA skillsets to implement the audit plan. The basis for determining risks were within context of the RTAA's mission and strategic goals, and included risks from a strategic, compliance, operations, and financial reporting perspective. The project involved interviewing key members of management to compile major risks and identify related skillsets needed for adequate audit coverage. The results of the assessment and recommendations were very well-received by RTAA.
- Managed an engagement with the Utah Transit Authority in Salt Lake City to provide risk management consulting services on a two-part engagement. The first was to provide an entity-wide risk assessment to inform the internal audit plan. The second was to assist the UTA in launching its first enterprise risk management (ERM) program. Crowe performed research and interviewed executive and senior-level managers, and Board members to develop the risk register and risk profile for the organization. Crowe also facilitated an enterprise risk assessment workshop with the management team in order to rank the top risks to UTA. In addition, Crowe performed an independent risk assessment to compare and validate management's results for the Board's consideration. Crowe delivered the enterprise risk assessment to the UTA Audit Committee and management team and developed the ERM program components for management to implement.
- Managed an engagement at Denver International Airport (DEN) which includes a wide array of financial assurance and risk management consulting services. The scope of work includes a systematic and independent review of DEN's \$2.3 billion, five-year capital improvement program (CIP), including assessing the scope, financial status, and performance against the project's baseline cost and schedule. The project focus is on providing DEN with early warning signs of delivery issues as well as assessing and measuring the likelihood of CIP financial success.
- Mr. Dykstra led the financial analysis component of an engagement with the **City of Birmingham**, **Alabama** develop a high-level review of key strategic areas for the recently elected Mayor. The project focused on analyzing revenue and expenditure trends, annual operating and capital budget preparation practices, pension and OPEB plan management, and various other financial management practices. The results of the review helped inform the Mayor and his "Transition Team's" priorities and the strategic plan for addressing various financial and operational concerns that had plagued the City for years.



**Patrick Quinn** CPA – Senior Staff patrick.guinn@crowe.com www.crowe.com

#### Profile

Mr. Quinn is a Senior Staff in the firm's State and Federal Public Sector Consulting Group, with three years of experience specializing in Internal Audit and Regulatory Risk and Compliance. Prior to joining Crowe, Patrick studied at the University of Illinois at Urbana-Champaign where he received degrees in Accountancy and Finance.

#### Professional and Industry Experience

Mr. Quinn's experience providing risk-based consulting services to the Public Sector includes financial statement compliance audits, internal control audits, SIGAR audits, financial health analyses, GAAP package preparation, entity-wide risk and control assessments, financial viability reviews, inventory assessments, cost allocations, project management and enterprise risk management. Mr. Quinn is also proud of his work as an Ambassador Board Member with the Sports Shed, which is an organization that provides sporting equipment and opportunities to youth in underfunded communities in the Chicagoland area.

#### **Professional Affiliations**

- American Institute of Certified Professional Accountants
- Illinois CPA Society •
- National Grants Management Association Vice Chairman of the Chicago Chapter

#### Education & Certifications

- Bachelor of Science in Accountancy University of Illinois | Urbana-Champaign, Illinois 0
- Bachelor of Science in Finance University of Illinois | Urbana-Champaign, Illinois 0
- Certified Public Accountant (CPA) | Illinois

#### **Client Focus**

#### Services:

- **Risk Consulting** •
- Internal Audit
- **Regulatory Risk and Compliance**
- Performance Audits
- **Compliance Audits** •
- **GAAP** Package Preparation ٠
- SIGAR Audits •
- Financial Viability Reviews •
- **Risk and Control Assessments**
- Cost Allocation
- **Financial Analysis**
- Enterprise Risk Management •

#### Industries:

- Government
- **Higher Education**
- Not-for-Profit •

#### Community Involvement:

- The Sports Shed | Ambassador Board Member
- Junior Achievement | Volunteer
- United Way of Metro Chicago | Volunteer

#### **Client Listing**

#### Illinois Government's Office of Management and Budget (GOMB)

Role: Senior Staff | Date: January 2018 - Present

Mr. Quinn is part of a team that is responsible for conducting financial statement and single audit report reviews for various State of Illinois grantees who have received State or Federal funding. The reviews are a part of the State of Illinois' grantee monitoring requirements, and include reviewing the financial statements and audit packages for compliance with Government Auditing Standards and Single Audit requirements. Mr. Quinn is completing audit report reviews in the Crowe Activity Review System (CARS) and providing GOMB the data and conclusions through a secure data exchange.

#### **Utah Transit Authority**

#### Role – Senior Staff | Date: December 2019 – January 2020

Mr. Quinn was part of a team that conducted an enterprise-wide risk assessment and ERM implementation. Mr. Quinn was responsible for reviewing documentation including audit reports, internal audit reports, policies and procedures and more, interviewing UTA management, identifying the most pertinent risks and ranking them on a risk register and conducting a Risk Forum with UTA leadership to gain an understanding of their perspective on risks.

#### **City of San Diego**

#### Role – Senior Staff | Date: November 2019 – January 2020

Mr. Quinn was part of a team that conducted an inventory risk management and control evaluation for the City of San Diego. The objectives of the project are to evaluate the adequacy of the City's inventory risk management and controls in place to prevent or detect fraud, waste, or abuse, identify any gaps or weaknesses in the City's inventory risk management and control practices and provide recommendations to the City for improving inventory risk management and control practices. Mr. Quinn was responsible for conducting interview with City management, developing process narratives based on interviews and review of documentation, conducting walkthroughs or inventory facilities, and developing recommendations for how the City can improve its inventory processes.

#### State University System of Florida Board of Governors

#### Role - Senior Staff | Date: June 2019 - December 2019

Mr. Quinn was responsible for conducting internal management and accounting/financial control reviews to evaluate existing internal controls and review business processes to identify areas of risk for public universities within the Florida State University System. Tasks include reviewing key documentation including regulations, business policies, procedures, and processes, interviewing university management to learn their perspective on risk, and to gain an understanding of the controls in place to manage risk. Mr. Quinn will analyze the risk/control structure and recommend improvements for business and operational elements.

#### Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)

#### Role: Staff | Date: April 2018 - March 2019

Mr. Quinn has performed multiple financial and performance audits on behalf of the Special Inspector General for Afghanistan Reconstruction (SIGAR). These audits are conducted over contractor's who received reconstruction funds managed by the Department of Defense, Department of State, and the U.S. Agency for International Development. The objectives of these audits are to express an opinion on the Special Purpose Financial Statements, evaluate the internal control system related to the award and report on significant deficiencies, evaluate the auditees compliance with sub-recipient monitoring requirements, determine whether the contactors complied with award requirements, and determine and report on whether contractors have taken adequate corrective action to address findings and recommendations from previous engagements. Mr. Quinn has worked on the audits of the following entities:



Alina Galanova Staff

alina.galanova@crowe.com www.crowe.com

#### Profile

Alina Galanova is a Consultant in Crowe Consulting's Public Sector Services. Ms. Galanova is specializing in Internal Audit, Assurance Services and Regulatory Risk and Compliance. Prior to joining Crowe, Ms. Galanova gained of more than ten years of experience in logistics and transportation sector.

### Professional and Industry Experience

Industry Focus

- Finance and Accounting
- Logistics and Transportation

#### **Education & Certifications**

- Master of Science in Accountancy
   DePaul University | Chicago, Illinois
- Bachelor of Business | Business Logistics

   Pacific State University of Economics
- Master's degree | Business Logistics
  - o Pacific State University of Economics Vladivostok, Russia
- IL CPA Candidate (Awaiting Licensure).

#### **Client Focus**

- Services:
- Audit

•

- Assurance Services
  - Consulting
- Business Process Improvement

#### Industries:

- Government
- Local/State Government
- Transportation
- Logistics



Michael J. Del Giudice CISSP, CRISC – Principal

mike.delgiudice@crowe.com www.crowe.com

#### Profile

Mr. Del Giudice is a Principal in the Consulting Practice with 20 years of experience in the areas of information security and data privacy. He is a security and privacy thought leader, leading Crowe's IT Risk Management and Security Assessment solutions, while providing security services to a broad range of Fortune 500 organizations across industries. Currently Mike is the national practice leader for Crowe's cybersecurity team within the Public Sector industry.

#### Professional and Industry Experience

Mr. Del Giudice evaluates and develops solutions to improve IT capability, maturity, and governance. He is experienced in critical infrastructure environments, including insurance, financial institutions, energy, transportation, healthcare, and government sectors. Mr. Del Giudice assists management in the execution of security strategies, including the solution design, requirements gathering, and vendor selection.

He also designs and implements customized cybersecurity frameworks addressing confidentiality, integrity, and availability requirements. Mr. Del Giudice has experience with data security, including data classification and inventory, control framework design and implementation, and data strategies.

He designs and implements Business Impact Assessments, Business Continuity Plans, and Disaster Recovery Programs. Mr. Del Giudice understands Intellectual Property (IP) protection procedures addressing logical, physical, and business controls; and he has experience with multiple regulatory requirements, such as GLBA, HIPAA, NERC CIP, and FTC Safeguards Rule, as well as security frameworks such as NIST 800-53, NIST Cybersecurity, and ISO.

#### **Education and Certifications**

- Bachelor of Science, Computer Engineering

   University of Illinois | Champaign, Illinois
- Certified Information Systems Security Professional (CISSP)
- Certified in Risk and Information System Control (CRISC)

#### **Client Focus**

#### Services:

- IT Risk Management
- Data Security and Privacy
- Security and Maturity Assessments
- Security Consulting

## Publications and Speaking Engagements

- FSA Times, "Have You Conducted a Data Protection Audit Lately?"
- EUCI NERC Fundamentals course, "NERC CIP Compliance" and "NERC CIP Compliance"
- Trained the Office of the Comptroller of the Currency (OCC) on IT security
- IIA Chicago's annual seminar
- NADA national conference, "Manage your IT Risk and Improve your Bottom Line."
- IIA, "Mobile Device Risk in an Increasingly Connected World."
- NADA national conference, "Technical Security – Protecting your Dealerships Information Assets."
- WI Automobile & Truck Association, the VT Automobile Dealers Association, and the Chicago Automobile Trade Association
- Dealer Magazine and Digital Dealer, FTC's Safeguards Rule.
- IIA IT Fraud seminar
- OH Information Security Conference, "Security Strategy: Planning the Next 3 to 5 Years."
- IL Banker's Association, Community Bankers Association of IL, IN Credit Union League, MI Banker's Association, and ACBA
- BAI Institute, Auditing Technology Risks Instructor

#### **Professional Affiliations**

- Institute of Internal Auditors
- Chicago Chapter of ISACA

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#### Sample Client Lists

#### Chicago Teachers' Pension Fund

Crowe provides outsourced IT Audit services for Chicago Teachers' Pension Fund (CTPF), supporting the creation and execution of the plan for the Internal Audit Director (IAD). Crowe performs an annual IT Risk Assessment to identify risks and to develop the audit plan for the following year, with services to be performed approved by the IAD. Crowe leads the execution of these engagements, including internal and external penetration testing, cybersecurity assessments, application security assessments, and IT general controls reviews.

Mike has been the Engagement Executive on this account since the beginning of the relationship in 2018. His responsibilities include overall relationship management, quality control, providing subject matter expertise, and account management activities.

#### Indiana Public Employees' Retirement System

Crowe has provided various cybersecurity services for Indiana Public Employees' Retirement system. These assessment include internal penetration testing, external penetration testing, cybersecurity maturity assessment, and creating a cybersecurity roadmap.

Mike has been the Engagement Executive on this account since the beginning of the relationship in 2017. His responsibilities include overall relationship management, quality control, providing subject matter expertise, and account management activities.

#### Ohio Public Employees' Retirement System

Crowe assisted OPERS by conducting a maturity assessment of cybersecurity capabilities against the NIST PRISMA standard leveraging both strategic and technical aspects of the organization's information security program. Crowe provided the organization with a current state assessment of their maturity as well a series of recommendations to address identified gaps to improved maturity.

Mike was the Engagement Executive on this project for OPERS. His responsibilities include overall relationship management, quality control, providing subject matter expertise, and account management activities.

#### Minnesota State Retirement System (MSRS)

Crowe provided consulting services for MSRS by designing a program for performing enterprise risk assessments. Crowe collaborated with MSRS to create a custom risk universe. Upon completetion Crowe helped create a program for evaluating the risks to determine the most critical risk components. To help faciliate ongoing execution, Crowe created a tool and embedded the defined methodology in order to support ongoing execution by MSRS personnel.

Mike provided subject matter expertise for IT risks, including addressing them within the risk universe as well as measuring the risk. Mike also led the development of the tool automating the process, which was transitioned to MSRS personnel at the conclusion of the engagement.

#### Commonwealth of Kentucky

Crowe has a Master Agreement with the Commonwealth which allows us to perform varoius cybersecurity services and resell multiple cybersecurity products to public sector organizations across the Commonwealth. The entities provided services under this agreement include state agencies, local governments, municipalities, and higher education institutions. The services performed include internal and external penetration testing, cybersecurity assessments, application security assessments, code review projects, virtual information security officer solutions, and incident response services.

Mike has been the Engagement Executive on this account for 2 years. His responsibilities include overall relationship management, quality control, providing subject matter expertise, and account management activities.

#### Illinois State Board of Education

Crowe provided a project titled a Comprehensive Risk Assessment for the Illinois State Board of Education (SBOE). The assessment included a combination of procedures in order to identify risks across SBOE, including penetration testing, application security, network architecture review, and a NIST gap assessment.

Mike was the Engagement Executive for the duration of the relationship. His responsibilities included overall relationship management, quality control, providing subject matter expertise, and account management activities.

#### Village of Northbrook (Illinois)

Crowe performed a cybersecurity murity assessment and roadmap project for the Village, identfying risks and creating a proposed 3-year roadmap for the Village to execute. Crowe evaluated security risks across all departments within the Village, including Public Safety and the Water Plant, and provided recommendations including process enhancement, technology considerations, and security tools to help manage the overall environment.

Mike is the Engagement Executive for the duration of the relationship. His responsibilities included overall relationship management, quality control, providing subject matter expertise, and account management activities.

#### Lake County, Illinois

Crowe has provided multiple servies for Lake County dating back to 2016, including internal and external penetration testing, a cybersecurity assessment against NIST 800-53, a HIPAA Gap Assessment, a PCI Gap Assessment, and a Ransomware Readiness Assessment. Currently Crowe is offering support to the Chief Information Security Officer through our virtual Information Security Officer (vISO) solution, providing support with target projects and providing guidance on IT risk management initatives.

Mike is the Engagement Executive for the duration of the relationship. His responsibilities included overall relationship management, quality control, providing subject matter expertise, and account management activities.

#### Anthem, Inc.

Crowe has been providing information security risk management services for Anthem since 2011. These services have included the creation of a custom IT risk framework and universe, design and execution of an enterprise IT risk assessment, and documentation of the IT Risk Management Program. Crowe has also provided targeted solutions, including design and implementation of an application risk management, consulting around the vulnerability management program, and consulting for the security exception program.

Mike has been working with Anthem since the relationship started in 2011, acting at the Engagement Executive the entire time. His responsibilities include overall relationship management, quality control, providing subject matter expertise, and account management activities.



**Trevor J. Krause** CISSP – Senior Manager

trevor.krause@crowe.com www.crowe.com

#### Profile

Mr. Krause has been with Crowe LLP for ten years, providing Cybersecurity & Information Security services to clients in multiple service industries, including public sector.

#### Professional and Industry Experience

Mr. Krause's is a member of the Digital Risk Consulting practice public sector division, which includes services such as security assessments, internal and external penetration testing, and supporting clients with compliance to various regulations and security standards. Cybersecurity risk assessments include all elements of an organization's Information Technology infrastructure which include, but not limited to:

- IT Management and Governance,
- Application Infrastructure,
- Server Infrastructure,
- Network Infrastructure; and
- Endpoint Management.

Mr. Krause has provided Cybersecurity services assisting various industries to develop a Cybersecurity Risk Maturity Assessment based on NIST Cybersecurity Frameworks (NIST PRISMA, NIST Cybersecurity, NIST 800-53, NIST 800-171) requirements by:

- Perform monitoring procedures of internal controls and identify compliance and control effectiveness with the NIST Frameworks;
- Proactively identifying the threats that present the greatest risks; and,
- Documenting overall risk values and recommendations.

#### **Education & Certifications**

- Bachelor of Science, Information Technology
   Drexel University | Philadelphia, Pennsylvania
- Certified Information Systems Security Professional (CISSP)

#### **Client Focus**

#### Services:

- Cybersecurity / IT Risk
   Assessments
- Cybersecurity / Information Security Assessments (NYDFS Part 500, FFIEC CAT, NIST SP 800 Series, NERC / CIP, PCI-DSS, GLBA, SOX and HIPAA)
- Penetration Testing, Including Security Awareness

#### Industries:

- Federal Government
- State & Local (Municipalities / Counties)
- Education
- Not-for-Profit
- Transportation

#### **Community Involvement**

Junior Achievement

#### **Professional Affiliations**

- (ISC)<sup>2</sup> Certified Information Systems Security Professional
- Information Systems Security Association

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#### **Representative Experience**

Mr. Krause has performed the roles of a Project Manager and/or a Cybersecurity Subject Matter Expert (SME). The responsibilities for each role are as follows:

#### Project Manager

- Aligning and tracking assigned resources to budgetary requirements;
- Ensuring that all resources and their respective skills are optimally utilized;
- Maintaining necessary communications with the entire project team and client expectations;
- Directing and managing Crowe resources to accomplish the engagement objectives;
- Performing detail planning, scheduling and execution of project activities;
- Coordinating and monitoring the daily tasks of all project team members; and,
- Providing quality assurance of work undertaken by staff assigned to the Project.

#### Subject Matter Expert

- Developed and provided project management oversight for two specialized audit reviewing Cybersecurity controls;
- Performing detail planning, scheduling and execution of project activities;
- Conducted and led interviews (10-15) across multiple departments review Cybersecurity controls to identify Cybersecurity risks;
- Assisted consultants with the development and quality assurance of project deliverables, including status meetings and project reports; and
- Provided on-going support as a Cybersecurity SME for Internal Audit departments.

#### Allice Lloyd College (ACL) – GLBA Compliance Assessment Services

Role: Cybersecurity Project Manager | Date: December 2018 - Feb 2019

As the Project Manager providing Cybersecurity expertise, Mr., Krause lead a team of three staff to assist ACL by performing Cybersecurity Risk Consulting Services, including a Cybersecurity assessment and a web application security assessment. The objectives of the assessments were to determine compliance with Title IV regulations for federal student aid data. The audits assisted ALC in assessing current compliance with the six high level objectives defined in GLBA and the adoption of controls outlined in NIST SP 800-171 in order to identify missing controls or weaknesses within in scope security controls. The assessment included process walkthroughs (interviews) to verify the design of controls for GLBA compliance and concluded with a documented report with findings / recommendation to strengthen internal controls to meet or exceed GLBA requirements.

#### Berea College – GLBA Compliance Assessment Services

Role: Cybersecurity Project Manager | Date: March 2019 – July 2019

As the Project Manager providing Cybersecurity expertise, Mr., Krause lead a team of three staff to assist Berea by performing a GLBA Compliance Gap Assessment to determine if policies, procedures, and the design of controls meet and/or exceed the requirements within Gramm-Leach-Bliley Act, which states six (6) high-level objectives organizations are expected to achieve. The assessment included process walkthroughs (interviews) to verify the design of controls for GLBA compliance and concluded with a documented report with findings / recommendation to strengthen internal controls to meet or exceed GLBA requirements.

#### Washington Metropolitan Area Transit Authority (WMATA) – Cybersecurity Assessment Services

Role: Cybersecurity Subject Matter Expert | Date: June 2018 - March 2020

Mr. Krause assisted WMATA in performing a Cybersecurity Audit with additional (4-6) staff and as a subject matter experts for a badging (logical security) internal audit assessment, which included areas for Cybersecurity governance and a technical information systems review. The Cybersecurity Governance review determined if WMATAs Information / Cybersecurity practices and documented requirements within policies and procedures meet and/or exceeded industry best practice security standards. The technical information system review include a review of configurations and process walkthroughs of implemented security controls for information systems. Configurations were evaluated to verify security controls are in line with requirements stated in policy / industry standards and procedures are consistently followed.

Additionally, process walkthroughs were conducted to verify that the management of security solutions are effective to identify, respond, and recover from malicious activity. Each audit concluded with a documented report with findings / recommendation to strengthen internal controls.

#### Battery City Park Authority (BCPA) – Cybersecurity Risk Assessment Services

Role: Cybersecurity Project Manager | Date: January 2016 - Ongoing)

Mr. Krause assisted Battery City Park Authority through the development of an authority-wide risk assessment, which included the evaluation of IT / Cybersecurity risks. This risk assessment determined the audit plan for future IT / Cybersecurity audits and since the development of the plan Mr. Krause has lead teams as the Project Manager to conduct Cybersecurity, Internal Penetration, and External Penetration audits. For each audit, process walkthroughs (interviews) and technical testing (configuration reviews) were conducted to verify that the management of security solutions are operating effectively to identify, respond, and recover from malicious activity event(s). Each audit concluded with a documented report with findings / recommendation to strengthen internal controls.

#### Indiana Public Retirement System (INPRS) – Cybersecurity Risk Assessment Services Role: Cybersecurity Project Manager | Date: March 2019 – August 2019

Mr. Krause worked with the INPRS to complete a comprehensive risk assessment, based on the NIST Cybersecurity Framework (CSF). The results of the assessment were used to establish a maturity rating for the organization's capability to identify threats/risks, protect assets/data, detect malicious or unauthorized activity, and respond in an appropriate manner to cybersecurity-related incidents. Mr. Krause lead a team of four staff to evaluate the control effectiveness of information systems but focusing on core NIST domains. To accomplish this the team interviewed INPRS personnel and reviewed corresponding system configurations to validate those responses. The team then documented all findings within a detailed report (including step-by-step remediation actions) and detailed the current maturity level of INPRS' capabilities. A maturity roadmap was also created to demonstrate what the projected maturity of the organization will look like once findings have been remediated. Mr. Krause presented to INPRS' executive IT management team the results of the assessment with Crowe's subject matter experts.

#### **Ohio Public Employees' Retirement System (OPERS) – Cybersecurity Risk Assessment Services** *Role: Cybersecurity Project Manager | Date: May 2020 – September 2020*

Mr. Krause developed and completed a comprehensive Cybersecurity / IT risk assessment, based on the industry and regulatory standards, including the NIST frameworks. Mr. Krause lead a team of three staff to document Cybersecurity / IT risks, determine inherent risk (impact / likelihood), and evaluate residual risk (the control effectiveness of information systems). To accomplish this the team interviewed OPERS personnel and reviewed corresponding system configurations to validate those responses. The team then documented all Cybersecurity / IT risks and recommendations within a detailed report (including step-by-step remediation action plans). Mr. Krause presented to OPERS' executive IT management team the results of the assessment with Crowe's subject matter experts.

#### Role: Subject Matter Expert | Date: June 2018 – August 2018

Mr. Krause assisted OPERS to conduct a maturity assessment of Cybersecurity capabilities against the NIST PRISMA standard leveraging both strategic and technical aspects of the organization's information security program. PRISMA incorporates standards from:

- The Federal Information Processing Standards (FIPS), such as FIPS 199 and FIPS 200;
- NIST Special Publications (SPs) such as Special Publication 800-53 (Revision 3);
- Existing federal directives including FISMA; and,
- Other proven techniques and recognized best practices in the area of information security.

PRISMA focuses on nine primary review areas, each of which were derived from FISMA requirements and guidelines found in SP 800-53. Mr. Krause lead a team of three staff to complete this engagement by conducting detailed interviews of key stakeholders across the organization, reviewing selected policies and procedures, and observing certain controls in order to understand the current people, processes, and technology capabilities addressing NIST PRISMA controls. Leveraging this information, Crowe was able to:

- Perform a current state assessment of OPERS cybersecurity capabilities;
- Complete a gap assessment against the NIST PRISMA standard;
- Documented all Cybersecurity / IT risks and recommendations within a detailed report (including stepby-step remediation action plans).



**Tim Canupp** CPA – Manager

#### Profile

Mr. Canupp currently focuses on providing audit services for governmental, local education agency, public employee retirement system, higher education, insurance company, and not-for-profit organizations.

#### Professional and Industry Experience

Mr. Canupp has experience in planning, supervising, executing and reporting on audits of financial statements prepared in accordance with GASB. His significant responsibilities include audit planning, engagement management, Uniform Guidance single audit, performance audits, and financial statement review. He has served as an instructor for both internal and external training programs related to California School Districts. He has extensive experience serving large audit clients including the second largest school district in the State of California.

#### **Professional Affiliations**

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants

#### **Education & Certifications**

- Bachelor of Science, Business Administration/Accounting
   Sacramento State University | Sacramento, California
- Certified Public Accountant (CPA)

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#### Client Focus

#### Services:

- Financial Statement Audits
- Public Employee Retirement System Audits
- Performance Audits
- Industries:
- Public Sector

#### **Client Listing**

#### School Districts / County Office of Education

- San Diego Unified School District
- Sacramento City Unified School District
- San Juan Unified School District
- Sutter County Office of Education
- Davis Joint Unified School District
- Central Unified School District
- Amador County Office of Education
- Amador County Unified School District
- Sutter Union High School District
- Elverta Joint Unified School District
- Colfax Elementary School District
- Placer Hills Union School District
- State Center Community College District
- Feather River Community College District
- Yosemite Community College District

#### Insurance

- Schools Insurance Group
- Northern California Special Districts Insurance Authority
- The Dentists Insurance Company
- Golden Bear Insurance Company

#### **Governmental Agencies**

- Sacramento Transportation Authority
- County Medical Services Program
- California State Teachers Retirement System
- Sacramento Regional Transit District



Jen Aras CPA – Managing Director

jen.aras@crowe.com www.crowe.com

#### Profile

With more than 18 years of experience, Ms. Aras serves as Audit Managing Director for Crowe's Assurance and Financial Advisory Group overseeing the Public Sector Services Group in Northern California's assurance practice. Jen provides audit and consulting services to public employee retirement systems, and private company employee benefit plans, including defined contribution, defined benefit, health and welfare and SECregistered 401(k) plans. She is part of the executive leadership team for the CalSTRS audit engagement.

As a senior manager, Jen was selected for the Women Leading @ Crowe Grow Leadership class, an intensive two year program meant to further the development and upward potential of high performing women at Crowe. After successfully completing the program, Jen has continued to mentor women in subsequent Grow classes.

#### Professional and Industry Experience

Ms. Aras is responsible for directing and performing financial statement, uniform guidance, state compliance and performance audits to organizations of varying sizes. She frequently presents to boards and audit committees and provides training to both internal and external groups.

#### **Professional Affiliations**

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants

#### **Education & Certifications**

- Bachelor of Science, Business Administration, Accounting

   Sonoma State University | Rohnert Park, California
- Certified Public Accountant (CPA)
- Advanced Defined Contributions Plans Audit Certificate (AICPA)

#### **Client Focus**

#### Services:

- Benefit Plan Audits
- Financial Statement Audits
- Uniform Guidance Audits
- State Compliance Audits
- Accounting Standards Development and Quality Control

#### Industries:

- Public Employee Retirement Systems
- Government
- Financial Services
- Not-for-Profit
- Healthcare

#### **Community Involvement**

- CalCPA EBP Conference Planning Committee
- Wellspring Women's Center Board Member and Treasurer
- PTOM Merryhill Millcreek Treasurer
- Women Leading@Crowe Grow Leadership Class Member
- Crowe PDO LEAD Class Member

#### Speaking Engagements

- Speaker, Best Practices to Prepare for an Annual Plan Audit National Institute of Pension Administrators
- Speaker, 401(k) Annual Audits Webinar - Strafford Publications, Inc.
- Speaker, Crowe Annual Employee
   Benefit Plan Training



Dan O'Malley CPA – Senior Manager

#### Profile

Mr. O'Malley is licensed, and in good standing, to practice as a Certified Public Accountant in the state of Illinois. He has experience in auditing large complex investment portfolios, qualified retirement plans, and welfare plans and public employee retirement systems. He serves as audit manager on two of the five largest public employee retirement systems in the United States. He also serves as a manager within the Audit Data Analytics group where he is responsible for thought leadership and audit support activities for assurance clients.

#### Professional and Industry Experience

Recent experience includes:

- Conducting or supervising the annual audits of qualified retirement plans including public employee retirement systems, defined benefit plans, 401(k) profit sharing plans, employee stock ownership plans, and health and welfare plans
- Consulting with clients on a variety of plan qualification and administration issues
- Providing firm wide support and guidance on auditing complex investment portfolios
- Researching new accounting pronouncements and providing technical guidance and expertise, including implementation of GASB 72
- Mr. O'Malley also oversees and supervises execution of data analytics on audit engagements and consults with the engagement managers and partners on interpretation of results.
- Responsible for the innovation and development of advanced analytics and technology solutions for application on audit engagements.

#### **Education & Certifications**

- Bachelor of Science in Business Administration, Accounting & Finance Concentrations
- Valparaiso University | Valparaiso, Indiana
- Certified Public Accountant (CPA) | Indiana
- Advanced Defined Contribution Plans Audit (AICPA)

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#### **Client Focus**

#### Services:

- Attest Services
- Audit Analytics

#### Industries:

- Health & Welfare
- Defined Contribution Plans
- Defined Benefit Plans
- Public Employees Retirement
   Systems

#### PERS

- Florida Retirement System
- California Teachers' Retirement System

#### **Professional Affiliations:**

- American Institute of Certified Public Accountants (AICPA)
- Illinois CPA Society

### Appendix C: Diversity and Inclusion

We have provided our firm's detailed Diversity and Inclusion Summary on the following pages.

Due to varying file types, these pages will not be reflected in the Table of Contents.



Smart decisions. Lasting value.™

## **Diversity and Inclusion Summary**

October 2020 Contact Person: Karen Thompson

#### Crowe's Diversity and Inclusion (D&I)

#### "North Star"

#### Be YOU and Crush it!

## To support and sustain a diverse and inclusive work environment that mirrors the communities in which we live and work.

#### Diversity, Inclusion and Belonging at Crowe – A culture of inclusion

D&I is one of the firm's top key strategies. We have robust CEO and leadership support leading to firm wide "call to action" and commitment. Crowe promotes and fosters an inclusive work environment where respect, trust and integrity are valued and all people are free to contribute in ways that enable them to reach their full potential. Our <u>Inclusive Excellence Council</u> (IEC), is the D&I governance body that oversees and ensures the execution of all key strategic initiatives. Our goals can only be achieved through collaboratively leveraging diversity, thought leadership, perspectives and the needs of all our people, our clients and our communities. D&I is routinely integrated into our day-to-day, culture, firm wide programs, policies, people processes and systems.

#### **Diversity and Inclusion Firmwide Leadership**

**Christopher Mitchell**, Chief Diversity Officer, **Julie Wood**, Chief People Officer and **Karen Thompson**, Firmwide Leader of Diversity and Inclusion collaborate to provide strategic support and direction while ensuring diversity and inclusion strategies are woven into all components of the firm and are consistent with the firm's values. Our goal is to increasingly deliver unique, innovative and valuable solutions. We achieve this by collaboratively leveraging diversity of all people, thought leadership, perspectives and needs of all our people, our clients and our communities.

Jim Powers, Crowe's CEO, joined hundreds of fellow CEOs as a signatory to the CEO Action for Diversity & Inclusion<sup>™</sup>, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. By pledging to take part in this new coalition, CEOs – and the organizations they lead – are committed to taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and where individuals feel encouraged to discuss diversity and inclusion.

#### **Diversity and Inclusion Strategy and Goals**

Our goal is to support and sustain a diverse and inclusive work environment where our teams mirror the communities in which we live and work. To achieve this goal, our D&I strategic components are managed and executed via the IEC and various subcommittees. The goals include:

- Attracting, recruiting and hiring individuals with diverse backgrounds and perspectives
- Engagement including mentoring/sponsoring, retention and career progression
- Education and awareness via a blended approach of learning programs, video, podcasts, storytelling sharing practical application and more
- Market opportunities and business development opening new channels and creating wins
- Metrics determine gaps and show measurable progress
- Communications branding and increasing Crowe's visibility via telling our story internally and externally

#### Recruiting Strategy

Crowe's Talent Acquisition team has significantly sourced and increased hires from underrepresented groups over previous 3-5 years. This effort has broadened and will continue to progress via a blended approach to achieve our goals. Areas of focus is to capture metrics to determine progress and accountability, ongoing review and examination of the recruiting process; capture and act on feedback from recruiting team and hires and ongoing training as we journey to unconscious inclusion.

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Below are some detail recruiting initiatives that drive success:

- Ensuring our recruiting team is as diverse and inclusive as the talent we recruit
- Engaging and sourcing from Historically Black Colleges and Universities (HBCU) and Hispanic-Serving Institutions – expand relationship at Florida Agricultural and Mechanical University (FAMU) to other HBCUs e.g. NC A&T:
  - Integrating within the NC A&T Family
    - Speaking engagements
    - Virtual Classroom sessions
    - Building personal relationship with Faculty
  - o Hiring of students
    - All Levels L2L, Internships, Full-Time
  - o Implementation of Crowe on Campus
  - o Firmwide Leadership involvement on Campus
  - Providing scholarships
- Recruiting successfully at NABA, ALPFA, Ascend, SHPE, and NSBE virtual conferences
- Crowe is also engaged with SWE and STEM
- Partnering with 3<sup>rd</sup> party strategic partners to identify, attract and recruit diverse candidates
- Built and delivered required Unconscious Bias Hiring manager training for those involved in the recruiting process
- Successful Journey Program for interns from underrepresented groups
- Engaging high impact keynote speakers as Steve Robbins into programs
- Partnering with diversity organizations at campuses where we have an on-campus footprint
- Engaging Crowe individuals from our affinity Business Resource Groups (BRGs) into recruiting programs

#### Crowe on Campus Program – A Differentiator

 Crowe on Campus is an opportunity for real-time learning that combines classroom and professional experiences. Crowe partners with University leadership to obtain a workspace on campus to host Spring Audit internships. FAMU is the first Historically Black College and University (HBCU) to participate in this unique collaboration. We are currently in the process of expanding this significant program to additional HBCUs.

### Responding to Current Events - COVID-19 Pandemic, Racial and Social Unrest and Social Responsibility

In response to the current events including the COVID-19 pandemic challenges and racial and social unrests, Crowe has built out the existing foundations of inclusion, belonging and social responsibility.

**COVID-19** – The overall health and well-being of our people is our highest priority as we continue to navigate the current pandemic. We continue to operate in a default work from home approach and support our people in their ability to be productive in their work for the firm and our clients.

**Racial and Social Unrest** – In a show of solidarity and in alignment with our Core Values, Crowe issued a press statement highlighting our stance against racism and social injustice. Leadership has maintained the dialog through a series of blended communications including firmwide forums, emails, videos, team discussions, one-on-one conversations and more. The firmwide forums have allowed our people to engage in open and meaningful dialog and to foster and promote a more inclusive mindset. We are providing our people with programs, courses, books, etc. to increase their knowledge and challenge them to consistently be stewards of inclusion.

**Social Responsibility** – Our core values have sustained our success, guided our business decisions, strengthened our brand promise, and enhanced our social responsibility practices. This has enabled the firm to become a thoughtful, leading corporate citizen.

#### Crowe's Intern Journey Program

This program is focused on directly engaging with summer interns who represent the most underrepresented groups in our firm and in our profession. Crowe Journey Program targets the on-going growth and development of African American/Black and Latino/Hispanic intern professionals. We plan to further expand the program to include Asians. The Journey Program is an interactive educational, discussion and networking session which allows us to hear about the interns' experiences, listening to their feedback and answering any questions they may have about the firm. The impact of these sessions has been significant and led to strengthening our culture of inclusion and belonging.

The current pandemic and the social and racial injustices have disproportionately impacted both the African American/Black and Latino/Hispanic groups. They are also the most highly sought after within our industry, so we want to deepen their brief, but rich internship experience.

#### Our Commitment to an Inclusive Culture - Programs and Initiatives

One of the ways Crowe demonstrates support of diversity, inclusion and belonging to its people is via our Business Resource Groups (BRGs), Crowe's employee affinity groups and our Women Leading at Crowe (WL@C) group initiatives.

#### Business Resource Groups (BRGs):

Crowe's commitment to D&I is further evidenced in the many programs and outreach initiatives. Open to everyone, the firm sponsors five BRGs supporting our African American, Asian, Latino, Pride (LGBTQ people and allies) and Young Professionals. BRGs serve to educate our people about diversity and provide a forum for networking, support, recruiting efforts in order to promote inclusion within the firm. Each BRG has a business charter that aligns with the firm's strategic goals. Our WL@C programming provides career and leadership development support for all women at the firm.

While each BRG group functions independently, many strategies and initiatives are combined for a multicultural and collaborative One Crowe approach. Below are the five BRG teams, firm-wide leader(s) and Executive champion(s):

- African American: Co-leaders Judy Harris (Tax/OB) and Victor Sturgis (Tax/GR); Executive Champions Chris Mitchell (CON/DAL) and Glen Combs (CON/KY).
- Asian: Co-leaders Damaris Perez (Tax/SAC) and Arpit Parikh (Audit/OB); Executive Champions Susie Choy (Audit/SF) and Richard Seo (Tax/NY).
- Latino: Co-leaders Aaron Reyes (AS/SAC) and Maria Mora (CON/NY); Executive Champions Dave Delgado (Audit/OB), Jose Lamela (Tax/FTL); Mario De Castro (Tax/DC).
- **Pride**: Co-leaders Eric Russell (CON/DC) and Rachel Shaw Callahan (TS/OB); Executive Champions Melinda Haag (GS/CHI) and Alan Abel (CON/FL).
- Young Professionals Co-leaders Emily Ford (CON/IN) and Natasha Clements (CON/IN); Executive Champion Rick Childs (AS/IN).

#### Supporting our people annually at various diversity conventions

Through our BRGs, we've built stronger relationships with diverse professional associations such as Ascend (the association for Asian Americans in finance, accounting and other business-related professions), the Association of Latino Professionals in Finance and Accounting (ALPFA) and the National Association of Black Accountants (NABA). We're a corporate sponsor at each of the national conferences for these associations and our professionals often speak on panels and provide thought leadership sessions. Our LGBT members have also participated in and presented sessions at the annual Out & Equal Workplace Advocates Summit. We also leverage diversity conferences as opportunities to recruit high-quality diverse talent and have gained business revenue generating relationships. Through these combined efforts, we have raised Crowe's visibility and competitive brand in the marketplace among potential job candidates, as well as potential clients.

Overall, Crowe's diversity and inclusion initiatives work to help us understand, appreciate and address each individual's perspectives and needs. We share messages about the importance of diversity into Crowe Newswire, our weekly firmwide e-newsletter, by highlighting cultural awareness months, such as Gay and Lesbian Pride Month, Asian/Pacific Heritage Month, National Hispanic Heritage Month, Black History Month and Women's History Month. We also highlight various BRG and WL@C activities and testimonials from members.

Firm leadership and several partners, directors and officers participate annually at the various diversity conferences. These events provide developmental opportunities, including networking with fellow professionals and participating in skill-building sessions, as well as recruiting opportunities to identity new, diverse talent for our teams. BRGs also work closely with campus faculty members to create a presence at various events at universities.

Thanks to the efforts of our BRGs, we have tripled the number of conference attendees who accepted job offers with the firm last year. Beyond the professional associations, our BRG groups also plan office activities for cultural celebrations to educate our people on different customs and traditions such as a group dinners for Lunar New Year, cultural dancing, demonstrating ethnic food preparations, piñata breaking for Cinco De Mayo, Pride Walks, acknowledging Juneteenth and so much more.

#### Women Leading at Crowe (WL@C):

Our Women Leading@ Crowe (WL@C) programming provides career and leadership development support for all women at the firm. WL@C includes three tiers of Connect, all women in the firm; Grow, High-talent, high-potential women at the senior manager level; and Inspire, for female leaders at the partner and director levels. The goals of WL@C are:

- Offering opportunities for both professional and personal growth
- Creating a women's network
- Supporting the changing needs of the workforce
- Attracting women to the firm

WL@C firmwide leader - Mary Ann Travers (AS/OB)

Our WL@C programming provides career and leadership development support for all women at the firm. It includes three tiers that address the changing needs of women at different stages in their careers:

- **Connect**: This group is for all women in the firm. It promotes and supports networking and professional development. Women are invited to take part in quarterly programs that address various topics relevant in the workplace, such as business etiquette, wellness and work/life integration.
- **Grow**: This group targets women at the senior manager level to help prepare them for the partnerdirector track. Over the two-year program, participants expand their network and develop leadership skills.
- **Inspire**: This group empowers our female partners, directors and officers to enhance their mentoring relationships across the firm to help other women develop.

#### **Policies and Programs**

Crowe provides benefits to same- and opposite-sex domestic partners and have policies in place to help ensure a harassment-free workplace. Our firm-paid and floater holidays allow everyone to observe the religious or cultural holiday of their choice. We've also made significant enhancements to our parental and military leave policies this year. We've increased parental leave to provide up to 6 weeks off for parents following the birth, adoption or act of custody of a child. We're providing up to 4 weeks paid time off for those who have ongoing reservist obligations or are deployed for active duty.

#### Crowe University – A blended approach to learning and training solutions

As part of our ongoing efforts to advance diversity and inclusion at Crowe, our people have engaged in a two-part webinar series training titled, "**Diversity To Inclusion**." These sessions are intended to take our people on a journey from: 1) **Unconscious bias to** 2) **Conscious bias to** 3) **Conscious inclusion** to 4) **Unconscious inclusion** in our culture and DNA. Unconscious or implicit bias refers to the attitudes or stereotypes that influence our actions and decisions without us even realizing it. Learning how to uncover and overcome these biases is one of the key components of our D&I strategy at Crowe as we support a workplace environment that embraces everyone, yielding greater innovation, collaboration, ingenuity and A+ delivery and results.

Along with hundreds of companies globally, Crowe engages in multiple series of **"Day of Understanding**" and **"Increasing Understanding and Inclusive Dialog at Crowe**." These trainings are designed to help companies like Crowe bring people together to promote understanding by having conversations about diversity and embracing differences, as well as the potential impact of blind spots and unconscious bias. Focusing on understanding those who are different from ourselves helps create a more inclusive environment for all both inside and outside of the workplace.

In addition to these training opportunities, D&I is integrated ongoing in communications, branding, meetings, training and any initiative or venue possible. Everyone in the firm, including new hires, are encouraged (required for managers and above) to participate in all D&I courses.

#### **The Crowe Advantage**

- Deep specialization:
  - Dedicated industry expertise, technology-based solutions, and focused investment specialists for our more than 150 foundation clients.
- National thought leadership:
  - Keeping you advised on business, regulatory compliance, tax and audit matters through our industry experts, Private Foundation Webinar Series, Roundtable forums, national conferences and key industry committees.
- Client service excellence:
  - Our people come to work every day motivated to provide our clients with an exceptional experience in every interaction, while ensuring that our professionals maintain objectivity in the delivery of our services.
- Community involvement:
  - Crowe has been previously included in Fortune's 50 Best Workplaces for Giving Back. Our people and firm are committed to community service and social responsibility and have logged and exceeded 100,000 of volunteering.
- Technology:
  - We seek to deliver innovative and where needed, customized solutions and tools designed to help our clients manage their businesses more efficiently.

#### **Summary**

Finally, Crowe's commitment is long-term as we assess and address the challenging and changing needs of our people, our clients and our communities. Crowe strives for sustainable and scalable inclusive actions. Diversity, inclusion and belonging is and will remain a critical part of our strategic growth and success.

## Appendix D: Peer Review

We have provided our most recent Peer Review reports on the following pages.



#### Report on the Firm's System of Quality Control

December 5, 2019

To the Partners of Crowe LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Crowe LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

#### Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

#### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

#### **Required Selections and Considerations**

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA; audits of broker-dealers; and examinations of service organizations [SOC 2 engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

#### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Crowe LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail.* Crowe LLP has received a peer review rating of *pass.* 

Cherry Befort LLP

Cherry Bekaert LLP





American Institute of CPAs 220 Leigh Farm Road Durham, NC 27707-8110

December 12, 2019

James Powers Crowe LLP 225 W Wacker DR Ste 2600 Chicago, IL 60606-1228

Dear James Powers:

It is my pleasure to notify you that on December 12, 2019, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is September 30, 2022. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

efichael haven

Michael Fawley Chair, National PRC nprc@aicpa.org +1.919.402.4502

National Peer Review Committee

cc: Samuel Johnson, Scot Ivey

Firm Number: 900010014904

Review Number: 564789

## ATTACHMENT C

# EIDE BAILLY AUDITING AND CONSULTING SERVICES



## INSPIRED TO EMBRACE CHANGES

February 1, 2021

Auditing and Consulting Services Audit Pool for: THE LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Submitted By:

Eide Bailly LLP

Roger Alfaro, CPA – Partner

10681 Foothill Blvd., Ste. 300 Rancho Cucamonga, CA 91730



**CPAs & BUSINESS ADVISORS** 

#### **PROPOSAL COVER PAGE AND CHECK LIST**

Respondent Name: <u>Eide Bailly LLP</u>

Respondent Address: 10681 Foothill Blvd., Ste. 300 Rancho Cucamonga, CA 91730

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 Eide Bailly has reviewed the entire RFP and intends to comply with all requirements.

Eide Bailly specifically acknowledges the following facts:

- 1. Eide Bailly possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
- 2. Eide Bailly 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. Eide Bailly has completely disclosed to LACERA all facts bearing upon any possible interests, direct or indirect, that Eide Bailly 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. Eide Bailly is not currently under investigation by any state of federal regulatory agency for any reason.
- 7. The signatory below is authorized to bind the respondent contractually.

February 1, 2021

Date

#### 1. Cover Letter

#### a) Introduction and background of the Proposer.

Thank you for giving Eide Bailly LLP the opportunity to propose on Audit and Consulting Services for the Los Angeles County Employees Retirement Association ("LACERA").

We want to work with LACERA and believe we are the firm of choice, with qualified independent Certified Internal Auditors (CIAs), Certified Public Accountants (CPAs) and consultants who have the necessary multidisciplinary expertise to meet your needs. Our extensive government knowledge, coupled with internal audit experience and necessary certifications, make us the right firm to meet your current and future internal audit needs.

**Eide Bailly** exceeds LACERA's Minimum Qualifications as outlined on page 19 of the Request for Proposals (RFP) as follows:

Auditor Minimum Qualifications*	Yes	No	How Eide Bailly Exceeds the Minimum Qualifications
The proposing firm must have been a professional firm that provides audit and/or consulting services for the past three (3) years.	√		Eide Bailly has been in business for over 100 years, of which we have served the government industry for more than half that time and work with over 1,200 government clients throughout the nation. We are a large, national Top 25 firm of more than 2,500 professionals, with diverse skill sets serving clients throughout the nation.
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.	~		Eide Bailly has decades of experience providing auditing and consulting services specifically requested in the specialty areas in the RFP.
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.			The partners and managers assigned to LACERA's engagements have decades of experience. At the Manager level, we are proud to include <b>David Sundstrom</b> , Senior Consulting Manager, who was most recently a board member for the Governmental Accounting Standards Board (GASB). Prior to his service with the GASB, his reputation as the Auditor/Controller for Sonoma and Orange Counties and the former Auditor for the 22 campus California State University system, among other governments throughout California, is beyond reproach.
	~		The team will be joined by <b>Audrey Donovan</b> , who has over 20 years' experience in both the public and private sectors. A large portion of her career was spent in the Risk Advisory Services of Big 4 firms. She is the firmwide technical resource for internal audit and performance audit and has held roles in a consulting capacity such as Chief Audit Executive and Internal Audit Director. She was formerly with the City and County of Denver (CCD), Colorado as the Deputy Director for Audit Services, where she managed the City's performance-based auditing, internal auditing, information technology audits and conducted the annual citywide risk assessment.

Auditor Minimum Qualifications*	Yes	No	How Eide Bailly Exceeds the Minimum Qualifications
			During your engagement, we will work closely with LACERA management to identify opportunities and provide responsive solutions that are tailored to your organization. In addition, you will experience partner and manager involvement during all phases of the engagement.

\*We understand LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in (their) sole discretion.

*b)* Name, title, telephone number, and email address of the Proper's representative(s) who is/are designated as the primary liaison(s) to LACERA.

Roger Alfaro will serve as the primary liaison to LACERA.

#### Roger Alfaro, CPA – Partner

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730 Ph. 208.383.4756 | ralfaro@eidebailly.com

c) Name, title, telephone number, and email address of the representative who is authorized to legally bind the Proposer.

Roger Alfaro, a partner with Eide Bailly, is authorized to make representations for the firm, present this proposal and contractually bind the firm.

*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.

This proposal response is for all service areas included in the scope of services: Organizational, Information Technology and Investment Related Services.

## *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.

We have read and understand the services as described in the Scope of Work.

#### **Organizational Activities**

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.

#### 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.

#### 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:
  - o 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.

#### Eide Bailly has the capacity and experience to provide these services as described.

## *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.

This proposal, including the proposed fees and assigned staff, is an irrevocable offer for a period of no less than 120 days following the date of proposal.

## 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

February 1, 2021 Date

Roger Alfaro, Partner Name and Title (please print)

Eide Bailly LLP

Name of Firm

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## 3. Organization and Key Personnel WHAT INSPIRES YOU, INSPIRES US

#### **General Description and History**

Eide Bailly LLP was founded in 1917 in Fargo, North Dakota as Bishop Brissman & Co. Eventually, it transformed into Eide Helmeke and in 1998, the firm joined with Charles Bailly & Co. to form Eide Bailly LLP. With our more than 100 years of service, your experience will be different than working with other CPA firms. Our professionals deliver industry and subject matter expertise resourcefully, ensuring that we're providing guidance that directly reflects your needs. Our clients benefit from local, personal service and, at the same time, enjoy access to more than 2,500 professionals with diverse skill sets and experiences.

## a) Describe your organizational structure giving specific details about your parent, any affiliated companies, or joint ventures.

Eide Bailly is a limited liability partnership with more than 40 offices across the nation. The firm is led by our Board of Directors and our Managing Partner.



Eide Bailly does not have a parent or affiliated companies.

## *b)* Identify the locations of the headquarters and branch office(s) that will be providing services under this LACERA contract.

We have assigned the engagement team based on their experience working with large retirement systems as well as internal control examinations. In addition to the strong experience profiles of your assigned engagement team combined with the local offices, LACERA will benefit from the overall experience of the firm. We provide services as a team regardless of location. This means, as a firm, the best resources will work with you, encouraging a high level of connection and quality service.

Your team members will have direct access to professionals throughout the firm who serve or have served similar organizations. In other words, we talk to each other and share experiences. If LACERA encounters a seemingly unique situation, we've likely seen it before and can help LACERA navigate the proper course.

### CLOSE PROXIMITY TO LACERA



Eide Bailly has an office in the Gateway Plaza Building, one floor above LACERA. Yes, we're right upstairs. The service team for LACERA will be from the following offices, with assistance from other offices as needed. The following is a breakdown of professional staff currently located in these offices.

Offices — Local & Support Capabilities							
Staff Level	California	Nevada	Denver	Boise	Salt Lake City	Total	
Partners	40	18	16	18	12	104	
Sr. Managers & Managers	68	43	58	33	22	224	
Sr. Associates & Associates	164	85	59	55	48	411	
Total	272	146	133	106	82	739	



Experience with California Governments: 10 of our 43 offices are in the State of California and we perform services for more than 300 government agencies throughout the state. The offices closest to LACERA are our Pasadena and Rancho Cucamonga offices. Our geographic location ensures that you will receive the resources of a national firm with the convenience of a local firm.

Local service is often an important factor to many of our clients and they often tell us they "feel as though we are in their backyard." We are committed to making our relationships work and do what it takes to make our clients feel comfortable even if it means midnight conference calls. We share resources and collaborate on a regional and national level to ensure we have the right resources dedicated to your engagement.

#### Home Office/Headquarters

With offices throughout 14 states, Eide Bailly does not have a traditional 'Home Office' or 'Headquarters' and our leadership is spread throughout the firm. However, we are domiciled in Minnesota as a limited liability partnership.

#### c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services

#### **Range of Services**

Eide Bailly is a full-service CPA firm performing traditional CPA firm services of attest (audits, reviews, compilations) and tax. Serving state and local governments (public practice) is our primary focus.

In addition, our service specialties include: Technology Consulting, Forensic & Valuation, Internal Control Evaluations, Arbitrage Calculations and IT Security Services.

We also provide ACFR assistance, audit preparation, year-end close, budget assistance and controllership support where it does not impair our independence.



Our core services offered include the following, with bolded services pertinent to LACERA and this proposal:

Audit & Assurance	Tax	Consulting
Internal and Performance Audits	Cost Segregation Studies	• Technology Consulting
Agreed Upon Procedures (AUPs)	• Estate, Trust & Gift Services	• Enterprise Risk
Audits	International Tax	Management
Compilations	• Low Income Housing Credits	Financial Services
Examinations	R&D Tax Credits	Forensic & Valuation
401(k) and Employee Benefit Plan Audits	• State & Local Tax	Transaction Services
International Financial Reporting Standards	• Tax Authority Audit &	Wealth Management
Reviews	Correspondence	Cybersecurity
Agreed-Upon Procedures	Tax Planning & Preparation	
SEC Services	Tax Research	
Service Organization Control (SOC)	<ul> <li>Nonprofit and unrelated</li> </ul>	
• Single Audits	business income tax	

We invite you to view our website and learn more about the many services we offer at eidebailly.com.

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.

Eide Bailly is able to meet all of your insurance requirements. If awarded the work, we will provide the appropriate certificates of insurance. We have included sample certificates in <u>Appendix C</u>.

Below is our current insurance policy information.

COMMERCIAL GENERAL LIABILITY Phoenix Insurance Company 6307206X385 4/29/2020 - 4/29/2021

#### WORKERS COMPENSATION AND EMPLOYERS' LIABILITY

Travelers Indemnity Co of America UB9L19981A1943G 4/29/2020 - 4/29/2021

#### PROFESSIONAL LIABILITY

SCOTTSDALE INS CO and various insurers HWS0000102 05/01/20 - 05/01/21

#### **AUTOMOBILE LIABILITY**

Phoenix Insurance Company BA8M6636071943G 4/29/2020 - 4/29/2021

#### **CYBER INSURANCE**

Liberty Surplus Ins. Corp EO5CABGU2A004 05/01/20 - 05/01/21



#### 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

We're passionate about our work—and your success. We've selected a large group of professionals for your service team who are the right fit for your engagement, based on their knowledge and experience in the benefit plan industry and with internal control testing. We know the importance of a strong relationship, so we keep staffing changes to a minimum. Eide Bailly has a high retention rate, allowing us to provide stability. You'll find profiles for each team member in <u>Appendix B</u>, with relevant continuing professional education (CPE) included. The following information will provide an overview of your service team, led by Eide Bailly's Postemployment Benefits Group.

#### References for similar clients served by the service team can be found in <u>Client References</u>.

Team Member	Qualifications and Experience			
	Engagement Leads			
<b>Roger Alfaro,</b> CPA Client Relationship Partner	With over 20 years of experience serving California local governments, Roger will be the local Client Relationship Partner. He will work closely with the partners and LACERA to make sure the needs of LACERA are met. He can meet with LACERA in person at any given time. His experience includes performing financial and compliance audits for large/complex local governments. Clients served include County of San Bernardino, County of Orange and the Southern California Regional Rail Authority (Metrolink). He has assisted clients with the implementation of new GASB pronouncements, including pension and other post-employment benefit standards, internal audit services, risk assessment, performance audits, internal control reviews and cost studies.			

Team Member	Qualifications and Experience
<b>Lealan Miller,</b> CPA, CGMA Engagement Partner	Lealan will serve as Engagement Partner and will be responsible for directing the team and ensuring timely delivery of services. He will be available throughout the engagement to discuss any questions that LACERA may have.
	Lealan has 30 years in public accounting with experience in the government and public plan industries throughout his career. His public pension plan experience includes: Public Employee Retirement System of Idaho, Wyoming Retirement System, South Dakota Retirement System, Public Employees' Retirement System of Mississippi, Fire and Police Pension Association of Colorado, West Virginia Consolidated Public Retirement Board and the Municipal Fire and Police Retirement System of Iowa. He is also the partner in charge of the Washington Statement Investment Board. All these clients have similar operations and extensive investment portfolios very similar to LACERA. Lealan will bring an expertise of not only accounting but operational experience to the engagement.
	Organizational Activities
<b>Brad Berls</b> , CPA Quality Control Partner	Brad will serve as Quality Control Partner and will oversee the engagement for quality assurance. He has more than 16 years in public accounting with experience in the government and benefit plan industries throughout his career. Brad's experience in the public retirement systems includes: Public Employees' Retirement System of Mississippi, Public Employee Retirement System of Idaho, Fort Worth Employees Retirement Fund, Washington State Investment Board, Missouri State Employees' Retirement System and New Mexico Public Employee's Deferred Compensation Plan. He has extensive investment experience including equities, domestic and international, fixed income, real estate and alternative investments.
<b>Kimberley Higgins</b> , CPA Partner	Kim leads Eide Bailly's Internal and Performance Audit practice for state and local governments. She has more than 30 years in public accounting, focused on governments throughout her career. She is the Director of Eide Bailly's Colorado governmental practice and serves some of our firm's largest clients.
<b>Paul Kane,</b> CPA Partner	Paul has more than 17 years of public accounting experience and works with government, for-profit and nonprofit sector clients. He also has experience with single audits, including working with a variety of federal grants and agencies. Paul co- instructed a session on the implementation of GASB 87 at the 2019 CGFOA conference; most recently, he facilitated our internal single audit training held in June and July 2020. His client base includes several governmental clients including the Colorado Fire and
	Police Pension Association, Jefferson County, Adams County, the City of Durango, the City of Louisville, the City of Commerce City, the Colorado State Lottery and the Colorado Department of Corrections.
<b>Audrey Donovan,</b> CIA, CGAP, CRMA Senior Manager	Audrey has 25 years of experience in internal audit, performance/operational audit and financial consulting for both the public and private sectors. A large portion of her career was spent in the Risk Advisory Services sectors of two international firms. Her experience includes managing internal audit consulting services, enterprise-wide risk assessments, process design and documentation engagements.

Team Member	Qualifications and Experience
	She's the firmwide technical resource for internal audit and performance audit. Audrey works closely with Eide Bailly's Special Advisory and Risk Advisory Services, including fraud and forensic, information technology and quality assurance review. She has managed and performed hundreds of operational and performance audits and utilized various performance audit methodologies, including benchmarking, surveys, data analytics, social impact analysis and facilitated sessions.
<b>David Sundstrom</b> , CPA, CIA Senior Manager	David delivers projects that concentrate on economy, efficiency and the effectiveness of operations. He understands government, having served as Orange County's Auditor-Controller for 13 years and, as Sonoma County's Auditor-Controller, Treasurer Tax Collector for four years. During his tenure at Orange County, he was instrumental in restructuring the county's OPEB plan thereby reducing the county's liability by \$943 million. While at Sonoma, he served as a board member of the Sonoma County Employee Retirement Association, Chair of the Audit Committee and as a member of the Investment Committee in that capacity. He also served for 10 years as a member of the Governmental Accounting Standards Board (GASB) where he helped develop 38 standards including seven standards related to pensions, pension plans and OPEB.
<b>Eric Berman,</b> CPA, CGFM Partner – GASB Consultant	<ul> <li>Eric has 30 years of experience auditing and controllership for state and local governments, specializing in employee benefit plans. He not only possesses nationally recognized audit experience, but also preparer, educator and authorship experience. His experience includes acting as the Deputy Comptroller for the Commonwealth of Massachusetts.</li> <li>Eric served on the Massachusetts Pension Reserves Investment Management Board as an alternate in his capacity deputy comptroller of the Commonwealth. His duties included implementing the Board's OPEB investment program. He is well known to LACERA's management and will also be available to answer any questions the team or LACERA may have relating to the various statements of work. Eric will also be available throughout the year to answer any questions LACERA may have especially regarding implementation of new GASB standards.</li> </ul>
	Information Technology
<b>Eric Pulse</b> , CISA, CISM, CRISC, GSEC, CFSA Principal-in-Charge of Risk Advisory Services, Information Technology Principal	Eric has nearly 20 years in the public accounting and consulting industry, specializing in Performing SOC 1, as well as SOC 2/SOC 3, and third-party audits. He also provides information technology, risk advisory, and cybersecurity consulting services to a variety of industries, including health care, insurance, banking, credit unions, retail, manufacturing and governments. He advises Eide Bailly clients on how to keep their valuable data secure in a world of increasingly sophisticated cyber threats. With his many years of experience, Eric has become a true thought leader in the culture of cybersecurity. When you work with Eric, you can expect a forward-thinking, big-picture approach to securing and protecting your data and implementing controls. In today's world of ever- changing risks and threats, Eric's first concern is your needs. When he's working on your behalf, you can expect a prompt response that is well thought out and tailored to those needs.

Team Member	Qualifications and Experience
<b>David Rowan</b> , CPA, CSSP Senior Manager	David has been in the public accounting and consulting industry since 1999. He provides information technology risk advisory services to public and privately held companies in a variety of industries, including healthcare, financial services, retail, manufacturing and oil and gas. David has provided specific IT risk advisory services to the public retirement industry.
Anders Erickson, CISA, CISSP, CRISC Principal-in-Charge of Cybersecurity	Anders assists clients in establishing a culture of security within their organization. He leads organizations through the process of identifying their cyber security risks and brings practical solutions to help manage and mitigate those risks. When you work with Anders, you can expect him to take time to understand the cyber security challenges your organization faces, provide solutions that are tailored to your environment, and ensure you understand how your organization is affected by its cyber security risks. His experience includes managing the execution of IT controls and security assessments for federal government agencies, including Department of Defense (DoD), Department of Homeland Security (DHS) and the Intelligence Community (IC). Anders and his team service a broad range of clients across all industries, including public, private and nonprofit sectors. Their experiences include audits of large enterprise systems, including Oracle, JD Edwards and SAP. Many of the
	group members maintain relevant certifications including CISSP, CISM and CISA.
<b>TJ Bert,</b> CPA Partner	TJ began his public accounting career in 2000 and serves as the Partner-in-Charge of Energy Services. He specializes with private equity funds including those that are considered registered investment advisors. Some of his funds include real estate fair value funds, private hedge fund and private equity real estate funds. Additionally, he has extensive experience in conducting SEC reporting and compliance standards for publicly traded companies. He will bring a depth of knowledge when it comes to these types of investments.
<b>Thomas Madison</b> , CPA, CFA Partner	Thomas has been obtaining public accounting experience since 2001, providing services to industries including trust companies, nonprofit, foundations, construction, manufacturing, aggregates and wholesale and retail companies. He provides public accounting services to more than 120 organizations, many with significant investment portfolios, and has experience with derivatives and alternative assets. He is a member of the Chartered Financial Analyst Institute.
<b>Chad Flanagan</b> , CPA, ABV Principal-in-Charge of Valuation	Chad specializes in valuing intangible assets, including technology, patents and contractual agreements, as well as countless business valuation services for estate and gift tax purposes, litigation, and purchasing and selling businesses. To share his expertise, Chad has presented for the Business Law Institute in Minnesota, Enterprise Minnesota, Red River Estate Planning Council and various other organizations. Chad has experience performing financial projections and forecasts and strategic planning for a variety of clients, including professional service companies, manufacturers, distribution companies, equipment dealers and health care providers.



*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.

The governmental industry represents one of Eide Bailly's largest niche area with more than 1,200 governmental clients firmwide. Through serving these clients, our professionals have gained focused expertise in the governmental industry and will provide you with insightful advice that aids in improving your operations and managing the finances of LACERA. Our experience includes organizational activities, information technology and investment services.

Unlike many of our peers, we don't consider government an afterthought. We participate in the AICPA State and Local Government Expert Panel, Governmental Audit Quality Center and its Executive Committee and the Private Companies Practice Section (PCPS) Technical Committee, national boards of the AGA, including the Financial Management Standards Board and the review committee for the Government Finance Officers Association's (GFOA) Certificate



Organizational Activities
 Information Technology
 Investments Services

of Excellence for Achievement in Financial Reporting. We also participate with the pension plan industry with involvement with P2F2 and NASRA. Due to our leadership positions and pension plan involvement, **LACERA will have access to information not available from other firms to help the decision-making process.** 

**Firmwide, Eide Bailly serves more than 1,100 employee benefit plans,** which includes municipal and statewide governmental defined benefit pension and healthcare plans, defined contribution plans, agent multiple retirement systems, single-employer governmental defined benefit plans, corporate defined benefit and contributions plans, finance authorities and investment pools, many of which are peers of LACERA. A few of the services we provide our pension plan clients include assurance services, **information security (IS) and information technology (IT) consulting**, forensic consulting and **internal control examinations**.

Many of these entities have automated internal control environments that are communicating and transferring large amounts of data. On a regular basis, data-driven audits are preformed through consultation with management, execution of a series of queries and analysis of the results. Clients select and choose to remain with Eide Bailly because of our nationally recognized expertise coupled with our approach tailored to each system. We do not apply the cookie-cutter approach in our engagements. **LACERA will be an important part of our portfolio of exceptional clients.** 

#### **Government Clients – Sample List**

Just a few of our largest governments we serve (or have served) include:

Boise City (Idaho)	Golden Gate Bridge, Highway and Transportation District
City of Roseville	Oklahoma University Health Sciences Center
Clark County (Nevada)	Orange County Transportation Authority (OCTA)
Clark County School District	Salt Lake City Corporation
Corona-Norco Unified School District	San Bernardino County Transportation Authority
County of Orange	San Bernardino City School District
County of Placer	San Francisco Unified SD
County of Sacramento	Santa Ana Unified School District
County of San Bernardino	Santa Clara County Valley Transportation Authority
County of San Diego	Southern California Regional Rail Authority (Metrolink)
County of San Joaquin	State of Montana Bureau of Investments
County of Santa Barbara	Southern Nevada Health District
County of Sonoma	State of Nevada
County of Ventura	State of South Dakota
Oakland Unified School District	California State Water Resource Development System
Idaho Housing & Finance	Summit County
Jefferson County Colorado	University of Oklahoma
Los Angeles County Office of Education	Virginia College Savings Plan
Los Rios Community College District	Washoe County
Massachusetts Gaming Commission	

#### **Current Public Postemployment Benefit Plans and Investment Pool Clients**

Our experience with similar public plans across the United States has allowed us to build extensive expertise in providing best practices for our pension plans as well as expertise with various investments, including fund of funds, derivatives, real estate, alternative investments, commingled funds and private equity. We also have the necessary expertise dealing with the various distribution options that are available to participants and the associated complexities involved with those calculations. **All this experience and expertise will make working with Eide Bailly more seamless.** Following is a summary of our experience with public plans and investment pools; this totals nearly \$350 billion in plan assets.

Client Entity Name	Services Provided	Plan Assets	Dates of Service
GOVERNMENTAL INVESTMENT FU			
Washington State Investment Board – Investments for Washington Retirement System	Financial Statement Audit, IS / IT Evaluation of Internal Controls	\$140 Billion	2015 – present
Washington Local Investment Pool	Annual Comprehensive Financial Report (ACFR) <sup>1</sup> , IS / IT Evaluation of Internal Controls	\$18 Billion	2018 – present

<sup>&</sup>lt;sup>1</sup> As of the date of this submittal, the GASB is in the process of proposing to change the name of the Comprehensive Annual Financial Report to the *Annual Comprehensive Financial Report*. The abbreviation for the Comprehensive Annual Financial Report is derogatory to some cultures. References to the former abbreviation have been changed in our proposal.

#### AUDITING AND CONSULTING SERVICES AUDIT POOL - LACERA

Client Entity Name	Services Provided	Plan Assets	Dates of Service		
GOVERNMENTAL RETIREMENT SYSTEMS					
Utah Retirement System	ACFR, IS / IT Evaluation of Internal Controls, SOC examination of internal controls.	\$41.0 Billion	2018 – present		
Public Employees' Retirement System of Mississippi	ACFR, IS / IT Evaluation of Internal Controls	\$35.0 Billion	2016 – present		
Public Employee Retirement System of Idaho	ACFR, IS / IT Evaluation of Internal Controls, Internal Control Examination	\$19.6 Billion	2008 – present		
Teachers' Retirement System of Oklahoma	Financial Statement Audit, IS / IT Evaluation of Internal Controls	\$19.2 Billion	2016 – present		
West Virginia Consolidated Public Retirement Board	ACFR, IS / IT Evaluation of Internal Controls	\$16.6 Billion	2020 – present		
South Dakota Retirement System	ACFR, IS / IT Evaluation of Internal Controls	\$13.2 Billion	2012 – present		
Missouri State Employees' Retirement System	ACFR, IS / IT Evaluation of Internal Controls	\$12.9 Billion	2019 – present		
Wyoming Retirement System	ACFR, IS / IT Evaluation of Internal Controls	\$11.0 Billion	2015 – present		
Oklahoma Public Employees Retirement System	Financial Audit Statement, IS / IT Evaluation of Internal Controls	\$10.8 Billion	2017 – present		
Fire and Police Pension Association of Colorado	<b>SOC examination of internal controls.</b> ACFR, IS / IT Evaluation of Internal Controls	\$5.4 Billion	2018 – present		
Fort Worth Employees' Retirement Fund	ACFR, IS / IT Evaluation of Internal Controls	\$2.9 Billion	2017 – present		
Municipal Fire and Police Retirement System of Iowa	Financial Statement Audit IS / IT Evaluation of Internal Controls	\$2.6 Billion	2014 – present		
Nevada Deferred Compensation Plan	Financial Statement Audit, IS / IT Evaluation of Internal Controls	\$700 Million	2016 – 2019		
New Mexico Public Employee's Deferred Compensation Plan	Financial Statement Audit, IS / IT Evaluation of Internal Controls	\$600 Million	2013 – 2019		

Please feel free to reach out to any of the above clients to learn more about their Eide Bailly experiences.

#### **Sample Reports**

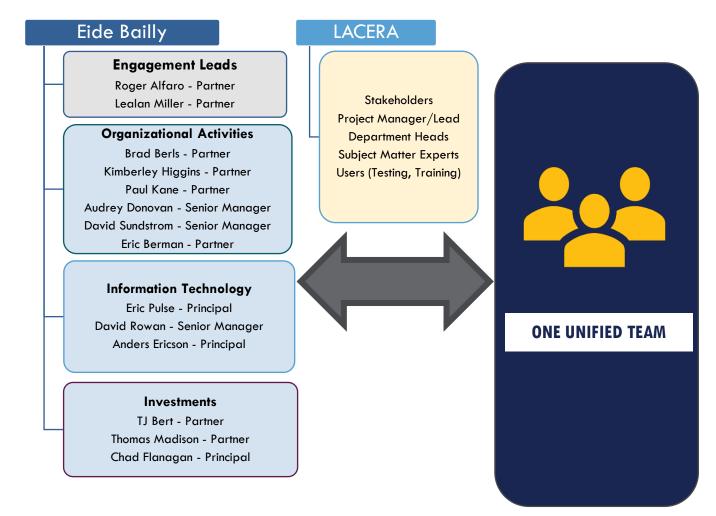
Due to size, we have included sampled reports as <u>Appendix E.</u> These reports are examples and samples of what your report could look like. We understand and believe that these are your reports and we will work with you to deliver a final product that meets your approval while maintaining compliance with applicable standards.

#### **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

See <u>Section 4- Qualifications and Experience</u> for details regarding the background and experience for each team member. We have also included full profiles, with relevant CPE, in <u>Appendix B.</u>

#### **Organizational Chart**



All personal selected to provide LACERA have specific knowledge and experience conducting multidisciplinary internal audits and consulting for government entities and other internal audit engagements. Your service team has extensive experience in the government industry, Information Security and Information Technology Audits, and Internal Audits including risk identification, analysis and mitigation measures, adequacy of governance analysis, risk management, control processes and applicable frameworks. Additionally, your team will consist of professionals dedicated to IS/IT security and risk management practices. We invest heavily in CPE for our people, so you can rest assured your service team is up to date on the latest trends, regulations and changes in the industry.

You will benefit from our team approach, which includes working with our CPAs, Certified Internal Auditors (CIA), Certified Government Audit Professionals (CGAP), Certified Information Systems Auditors (CISA), Certification in Risk Management Assurance (CRMA) and Certified Information Systems Security Professionals (CISSP).

Below is a summary of LACERA team's certifications:

Team Member	State	СРА	CISA	CGFM	CIA	CGAP	CRMA	CCSFP	CFSA	CRISC	CISM	CITP	CGMA	CISSP	CFA	ABV
Roger Alfaro	CA	V										v				
Lealan Miller	ID	٧		٧												
				Orgo	aniza	tiona	l Acti	ivities	;							
Brad Berls	ID	٧														
Kimberley Higgins	CO	٧														
Paul Kane	CO	٧														
Audrey Donovan	CO				٧	٧	٧									
David Sundstrom	CA	v			v											
Eric Berman	MA	٧											٧			
				Info	rmati	on Te	echno	logy								
Eric Pulse	SD		٧					٧	٧	٧	٧					
David Rowan	CO	٧						٧								
Anders Erickson	ID		٧							٧				٧		
			-	÷	Inv	estme	ents	÷	÷				÷	÷		
TJ Bert	CO	٧														
Thomas Madison	SD	٧													٧	
Chad Flanagan	ND	٧														٧



#### **Commitments to Diversity**

#### **Inclusion & Diversity Council and Task Forces**

At Eide Bailly, we believe it's more than just our responsibility to promote an inclusive and diverse work environment – it's the right thing to do. In 2018, our leadership team defined these terms as follows:

- **Diversity** A variety of thoughts, abilities, experiences and backgrounds.
- **Inclusion** Embracing differences to create a culture where we feel free to be our authentic selves.

To fulfill this belief, the Inclusion and Diversity (I&D) Council was formed.

This Council, made up of firmwide leaders from a variety of offices, works to build diversity awareness into our culture through education and training, targeted employee resource groups, recruitment strategies and staff

involvement. I&D is not only a key initiative, but a mantra being woven into the culture of Eide Bailly. A few recent achievements of the Council include:

- Formed five task forces to examine and improve key areas of the firm:
  - o Communications
  - Corporate Responsibility
  - o Education and Development
  - o Recruitment
  - o Staff Involvement
- Hired a diversity recruiter.
- Hosted guest presenters and open discussion forums on inclusion and diversity topics.

Throughout our history, Eide Bailly has supported an inclusive and diverse workplace by upholding a firm culture of respecting our peers and their individual contributions and promoting positive working relationships, and our recent achievements launch our commitment from mindset to action. To us, inclusion and diversity are not ideals, they are desired outcomes, and we are committed to the action needed to get us there.





#### **First Focus**

Another key Eide Bailly initiative is our First Focus Program, which strives to foster and improve the advancement of women in their careers at Eide Bailly. This is an important element of the firm's Strategic Plan. The First Focus Program is designed to enable the retention and advancement of female leaders and to ensure career opportunities for women parallel those afforded men in the firm. All Eide Bailly personnel receive training and education to increase awareness of the unintentional biases we may have both positive and negative—which shape and affect our behaviors and interactions with those around us.

The First Focus Program is also designed to empower women to think of themselves as executives on paths of progression to firm leadership and to increase the number of female leaders in the firm to better reflect the demographics of the firm at large. Firmwide, women make up 31% of Eide Bailly partners. The national average for women partners in CPA firms, recently reported by the American Institute of Certified Public Accountants' (AICPA), is 17%. We are proud of the progress seen since the program began and are excited to see it continue to grow and shape our firm for years to come.

#### Judicial, Regulatory or Other Legal Findings Regarding EEO, Discrimination or Sexual Harassment.

There have been no judicial, regulatory, or other legal findings against the firm relating to equal employment opportunity, workplace discrimination, or sexual harassment during the last 10 years. It is otherwise the policy of the firm not to discuss internal employment-related matters outside of the firm.

We have included a copy of our firm's EEO and Sexual Harassment policies as **Appendix D**.

As the Chief Human Resources Officer, Lisa Fitzgerald is responsible for oversight of Eide Bailly's method to measure the effectiveness of the policies, and conclusions as to effectiveness.



Eide Bailly desires to create an inclusive and diverse environment where we build a workforce reflective of the communities in which we serve. Different people and different perspectives help us to provide innovative solutions for our clients, opportunities for our people and successes for the firm.

At Eide Bailly, we are committed to the principles of Equal Employment Opportunity and Affirmative Action. The success of our vision depends on the full and effective utilization of qualified persons, regardless of race, color, creed, religion, national origin, sex (including gender identity or pregnancy), age, handicap, marital status, Vietnam Era military service and any other legally protected class. All staff recruiting, hiring, training, compensation, benefits, tuition aid, transfers, promotions, social or recreational programs, and on-the-job treatment are to be administered in accordance with this commitment.

#### **Diversity in Recruiting**

To become more diverse in its recruiting practices, Eide Bailly has committed to casting a wider net in order to connect with diverse candidates and are continually reviewing our recruiting process to weed out any bias. To help accomplish these goals, a diversity recruiter has been added to the team.

Recruiting has changed in many ways, for example a main recruiting event 'Meet Eide Bailly' was traditionally held through in-person meetings at various Eide Bailly offices. Now, these introductory events are held virtually. This allows us to invite a greater number and – more importantly – a wider variety of schools.

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## 6. Quality Control/Peer Review

#### a) Please describe your firm's quality control relating to audit planning, fieldwork, and reporting.

Eide Bailly is a member of both the Center for Public Company Audit Firms and the Private Companies Practice Section of the American Institute of Certified Public Accountants (AICPA). We are also currently registered with the Public Company Accounting Oversight Board (PCAOB), for which the portion of our practice related to PCAOB/SEC engagements is subject to an inspection of the PCAOB at least once every three years. A copy of our most recent PCAOB inspection report can be found on the PCAOB website at <u>www.pcaobus.org</u>.

These memberships require strict adherence to established technical and behavioral standards. Compliance is regulated through member participation in an extensive peer review program. The objective of the Independence, Integrity and Objectivity element of a system of quality control is to provide the firm with reasonable assurance that personnel maintain independence in fact and in appearance in all required circumstances, perform all professional responsibilities with integrity and maintain objectivity in discharging professional responsibilities. The implementation of the elements of quality for our audit and accounting practice, in accordance with AICPA's Statements on Quality Control Standards, is adhered to by all Eide Bailly personnel and is described in the Eide Bailly Quality Control Document. This internal document guides the system of quality control, which is a process to provide the firm with reasonable assurance that personnel comply with applicable professional standards, including independence, integrity and objectivity. Confidentiality of your information is of utmost importance to us. This includes the guidance of quality control as it pertains to confidentiality and the relevant care and use of client information and documents. We use a file check out system and computer passwords to help ensure confidentiality.

#### Independence

As part of our quality control system, on an annual basis, each professional is required to complete an independence questionnaire to determine any potential conflicts with any of our clients. Biannually each professional must attend a four-hour training session on the profession's independence standards. We also require that all professionals provide statements of their independence, or potential conflicts of interests, with clients. We are pleased to report that we are aware of no conflict of interest or other situations that would impair our independence with LACERA, as defined by the rules of the AICPA. Should Eide Bailly contemplate any professional relationships deemed relevant during our engagement with LACERA, we are required to notify you in writing of such relationship in advance of commencing such services.

#### b) Please include an external quality control review report (Peer Review) within the last five (5) years.

#### **Peer Review**

Our membership with the AICPA requires a third-party peer review of our audit and accounting practice every three years and is included in <u>Appendix A</u>. This review included several government engagements and received a rating of 'Pass'.

# 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.

We've built our business on relationships and believe our clients to be the best critics of our service. The clients below have similarities to LACERA; we encourage you to contact them to learn about their Eide Bailly experiences.

Similar (	Clients					
	Address & Key Contacts	201 N Carson St., Ste. 3, Carson City, NV 89701				
		Audrey Donovan, Kimberley Higgins				
	Dates of Service	Client 2014 – Present				
	Nature of Business	Local Government				
	Fund Asset Size & Annual Revenue	N/A				
Carson City,	Number of plan or program members	N/A				
Nevada	Primary Contact	Sheri Russell, Deputy Chief Financial Officer				
	-	775.283.7222   srussell@carson.org				
	Nature & Length of Relationship	CPA and Business Advisor for the City since 2014				
		External Network Testing, Outsourced Internal Audit Services,				
	Description of Services	Operational Risk Review, Annual Audit, Single Audit, Business				
		Consulting and Agreed Upon Procedures.				
	Address & Key Contacts	1525 Sherman St 7th Floor, Denver, CO 80203				
	-	Anders Erickson, Kimberley Higgins				
	Dates of Service	Client 2020 – Present				
	Nature of Business	Local Government				
Colorado	Fund Asset Size & Annual Revenue	N/A				
Office of the	Number of plan or program members	N/A				
State Auditor	Primary Contact	Greg Fugate, Contract Monitor				
		303.869.2800   greg.fugate@state.co.us				
	Nature & Length of Relationship	CPA and Business Advisor for the Office of the State Auditor since 2020				
	Description of Services	IT Controls Review/IT Audit, Web/Application Testing				
	Address & Key Contacts	565 W Myrtle, Boise, ID 83707				
	Address & Rey Contacts	Eric Pulse				
	Dates of Service	Client 2012 – Present				
Idaho	Nature of Business	State Government/Housing and Finance Authority				
Housing and	Fund Asset Size & Annual Revenue	N/A				
Finance	Number of plan or program members	N/A				
Authority	Primary Contact	Greg Blake, CIO				
		208.331.4745   gregb@ihda.org				
	Nature & Length of Relationship	CPA and Business Advisor for the Authority since 2012				
	Description of Services	SOC Audit, Internal/external penetration testing, Annual Audit				

#### AUDITING AND CONSULTING SERVICES AUDIT POOL - LACERA



### 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.

At Eide Bailly, we promise you a better overall experience. While we recognize that multiple firms can accomplish the objectives of an Internal Controls Examination, Eide Bailly appreciates that every situation and every organization is different, and we tailor our approach based on the needs of each client. We have reviewed our workload and are confident that through the size of our firm and the resources we have – not only in California, but also across the firm – we have the capacity to complete this examination of LACERA.

Once selected for a statement of work, we will schedule an **Opening (Planning / Pre-Audit) Conference** with LACERA to confirm timing, goals and objectives. Additionally, we will work with LACERA to identify known project constraints and discuss the approach for managing communications between Eide Bailly and LACERA. We will discuss our approach to scope, risk and the prioritization of tasks; the types of information and documentation that exists for the examination; and the level of anticipated involvement of LACERA personnel.

By engaging in thorough examination planning and communications with LACERA management, we begin each engagement building a strong understanding of the various deadlines involved to complete the engagement on time and on budget in the most efficient means possible. An examination project plan will be developed between our team and LACERA and then followed closely. We will work with LACERA management team to customize our auditing services and specific timelines to your needs. We believe in clear, up-front and open communication with no surprises.

During the engagement, we will hold periodic meetings with your management. This continuous communication ensures you're fully informed and provides us with timely information that will enable us to best serve your organization. We firmly believe in no surprises when it comes to potential findings. It will be during these periodic meetings where we will discuss the potential issues and come to a conclusion early in the process and not at the end.

During the Opening Conference, we'll discuss with management:

- The engagement timeline.
- The statement of work approach and process.
- Additional considerations that may affect scope, schedules and workpapers to be prepared by your personnel.

# **OVERALL METHODOLOGY**

We will work with you to ensure the control activities, objectives and descriptions align with what is required by laws of the State of California, along with the elements of the RFP and reflect the current operating environment. The following is a summary of a sample Work Plan for any of the services, aligned to which personnel will have what responsibility and the negotiated Statement of Work between LACERA's Chief Audit Executive (CAE) and Eide Bailly, LLP:

Sample Project Planning and A	Appro	oach	– L/	ACER	A E	nga	age	me	nt a	and	Re	spoi	nsibilities
		gani Acti		onal s			۲/ uri	ty	Inv	vest	tme	ents	ilities
Description of Phases and Potential Tasks	Audits	Co-Sourced*	Consulting	Training	Audits	Co-Sourced*	Consulting	Training	Audits	Co-Sourced*	Consulting	Training	Responsibilities
I. PRELIMINARY ACTIVITIES - INVOLVES FROM EIDE BAILLY	PART	NER	S AM	ND P	RIN	CIP	ALS	5, N	۱AN	AG	ERS	5, ST	AFF AS ASSIGNED
Entrance conference scheduling / performance													
Establish audit plan and delineate steps to be performed, dates, deliverables, control objectives and other related requirements.													Eide Bailly, LACERA Liaisons
Send engagement letter for statement of work.													Eide Bailly
Approve audit plan (or training plan) and engagement letter.													LACERA (CAE)
Send a prepared by client (PBC) document request list, including any access needed for systems, custodial banks and third parties (systems providers).													Eide Bailly
Coordinate training for CPE requirements as needed.													Eide Bailly (Learning and Development)
II. PERFORM ENGAGEMENT BASED ON PRINCIPALS, MANAGERS, STAFF AS ASS								1VC	DLVE	ES P	PAR	TNE	rs and
Identify specific controls necessary to achieve the control objectives as identified and agreed to by management. Develop, review and comment on testing plans for consulting engagements.													Eide Bailly (or working with LACERA Internal Audit in co-sourcing
Design a test of controls for the specific identified controls. Consider the use of sampling techniques versus advanced data analytics.													engagements)

Sample Project Planning and A	Appro	oach	– L/	ACER	A E	nga	age	me	nt a	nd	Res	spoi	nsibilities
		gani Acti		onal s		רו Sec	۲/ urit	ty	In۱	/est	tme	ents	ilities
Description of Phases and Potential Tasks	Audits	Co-Sourced*	Consulting	Training	Audits	Co-Sourced*	Consulting	Training	Audits	Co-Sourced*	Consulting	Training	Responsibilities
Apply the designed tests of controls and summarize the results.													
Conclude whether controls are operating with enough effectiveness to achieve specified control objectives.													
Transfer knowledge to LACERA designated Internal Audit staff as determined in preliminary activities.													
Provide assistance and advice, best practices, subject matter expertise. Perform training based on training plan, including such advice, best practices and subject matter													Eide Bailly / LACERA Internal Audit
Conduct periodic status meetings throughout statement of work. Provide updates on potential findings.													
III. HOLD EXIT CONFERENCE- INVOLVES	PAR	TNE	RS A	ND I	PRIN	1CI	PAI	.s, /	MAN	VAC	Ger	s, s	TAFF AS ASSIGNED
Discuss all findings.													
Document the initial response from Internal Audit and LACERA management.													Eide Bailly (or working with LACERA Internal Audit in co-sourcing
Perform verification procedures to resolve any additional evidence.													engagements)
IV. PREPARE REPORT- INVOLVES PARTN BAILLY	ERS .	AND	PRI	NCIP	ALS	i, M	AN	IAG	ERS	5 A S	5 AS	SSIC	GNED FROM EIDE
Prepare draft report. Prepare file for review.													Eide Bailly
Obtain LACERA's official responses to reported exceptions.													
V. REVIEW FOR QUALITY ASSURANCE-I FROM EIDE BAILLY	NVC	DLVE:	S PA	rtne	RS	AN	ID I	ENC	GAG	€EW	EN.	T QI	
Partner review.													Eide Bailly

AUI	DITING	AND	CONSULTIN	۱G	SERVICES	AUDIT	POOL - LA	CERA

Sample Project Planning and Approach – LACERA Engagement and Responsibilities													
		gani: Activ			IT / Security				Investments				oilities
Description of Phases and Potential Tasks	Audits	Co-Sourced*	Consulting	Training	Audits	Co-Sourced*	Consulting	Training	Audits	Co-Sourced*	Consulting	Training	Responsibilities
Engagement quality assurance review of report and workpapers. LACERA review.													
VI. RELEASE REPORT - INVOLVES PARTN	IERS .	AND	PRI	NCIP	ALS	i, N		IAG	ERS	5 A 5	5 A 9	SSIC	GNED
Finalize report and present with materials as requested during Audit Committee Meetings.													
Obtain client's letter of representations. Present report and management letter to management.													Eide Bailly / LACERA Internal Audit / CAE
Present with materials as requested during Audit Committee Meetings.													
Note any suggestions.													
VII. PERFORM FOLLOW-UP WORK AS N								/ITH	H EN	IGA	AGE	MEI	NT PROVISIONS -
INVOLVES PARTNERS AND PRINCIPALS, Follow up with management coordinating with Internal Audit as required by Statement of Work, including further training	MAN	AG		AS A	5510	Nى	ED						Eide Bailly

\*Includes Co-Source Audits and Co-Sourced Consulting Engagements

*Communication*. Communication is the key to performing effective examinations. We have found when we work *with our clients*, rather than for our clients, the professional services rendered take on a much higher value. We strive for a "no gotchas" environment – you can expect to be informed along our journey.

We recognize each client is unique and design our work plan according to your specific needs and the risks identified. We customize our approach and procedures based on the existing foundation of the control objectives and activities that have already been established, taking into consideration changes, enhancements or other modifications to your processes and procedures. We also consider feedback you have received from your regulatory bodies and users so that the value received by user organizations is enhanced by addressing those specific questions.

At Eide Bailly, we promise you a better overall experience. While we recognize that multiple firms can accomplish the objectives of an examination, we appreciate that every situation and every organization is different, and we tailor our approach based on the needs of each client.

The examinations within the scope of this engagement require effective planning and a coordinated approach to capitalize on efficiencies across similar systems and processes. To take full advantage of these efficiencies, our scope, approach, and methodology will be coordinated across the teams working in the areas of examination as discussed in the next section. Each team member will have access to all workpapers and all decisions, allowing parallel tracks of the engagement.

#### Network, Data Security and Confidentiality

Eide Bailly has an Information Security Program in place to address information security risk and ensuring the that the availability, integrity and confidentiality for the firm's systems and sensitive assets is maintained. This is especially important due to our current remote work environment. The program is reviewed and approved annually by firm leadership.

An Information Technology Risk Assessment is performed annually or whenever there is a material change in the firm's business practices that may affect confidentiality, integrity and availability of records containing personal or sensitive information. The firm has information security policies, procedures and safeguards in place, the specifics of those are proprietary and not shared externally.

Physical security and environmental controls help reduce the risk of accidental or intentional destruction of data and processing capabilities. Eide Bailly client data is backed up to encrypted backup files that are stored on an encrypted storage system. That local system replicates (using an encrypted network connection) the backup data over an encrypted WAN link to a duplicate encrypted storage system at our offsite disaster recovery (DR) facility.

**Eide Bailly does not share client data with non-affiliated third parties for marketing purposes or use such personal information for its own marketing purposes**. We make the following commitment to you:

- We'll use reasonable procedures to ensure that information collected, used and exchanged while providing services will be accurate and complete.
- We'll ensure security measures are in place to protect all information we receive from you from unauthorized access, use and disclosure.

- This agreement does not apply to disclosures of nonpublic personal information in the following instances:
  - As necessary to effect, administer or enforce a transaction requested or authorized by the client or to service or process a financial product or service requested or authorized by the client;
  - o With the consent of the client or at the direction of the client;
  - To comply with federal, state or local laws, rules and other applicable legal requirements as authorized by law.

All computers in use by Eide Bailly staff have stringent password requirements including the use of multiple characters and updating every 90 days. Additionally, all software containing sensitive client information requires additional password logins and utilize industry best practice requirements.

Any nonpublic personal client information obtained from LACERA will remain confidential as provided above and will not be used for any purposes other than that for which it was provided. Our reputation is the basis of our success.

#### My Eide Bailly (Web-Based Client Site)

*My Eide Bailly* is an online client site that gives clients the ability to transfer files securely and connect digitally with Eide Bailly. Email is not a secure way to exchange documents, and *My Eide Bailly* can handle large file uploads in a safe, secure manner.

In addition, *My Eide Bailly* offers clients visibility into their projects with us, control over who can access and see files related to those projects (including third parties), and an easy way to browse invoices, articles and upcoming webinars and other events. *My Eide Bailly* has an Apple and Android app as well.

*My Eide Bailly* makes it easy to share and stay connected with Eide Bailly, creating efficiencies for both our clients and our staff during engagements. We'll continue to add additional features to *My Eide Bailly* as we build our digital strategy to empower our clients to work with us in this fashion, if they choose.

We've taken advantage of technology during these times, such as using our client platform *My Eide Bailly* for exchanging documents securely and safely. We also use Skype and Microsoft Teams, which allows us to communicate with our clients face to face, while sharing screens and to make the process as seamless as possible. We are also utilizing Zoom to host webinars and town hall meetings to educate and assist our clients on the rapidly changing circumstances and on how to successfully navigate through those changes. As a result, **we don't have concerns completing this examination remotely if necessary**.

## 9. Potential Conflicts

a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.

We are not aware of any potential conflicts of interest related to any other client relationship 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.

We are pleased to report that we are not aware of any potential conflict of interest or other situations that would impair our independence with LACERA, as defined by the rules of the AICPA.

# c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.

There are no perceived conflicts of interest anticipated if awarded this LACERA engagement, other than as described herein. However, as previously noted in our proposal, one of our firm's offices is leased space one floor above LACERA's in Pasadena in Gateway Plaza, which is held within a Title Holding Company with LACERA as the sole shareholder. Under the AICPA's *Code of Professional Conduct*, ET Section 1.260.040 *Leases*, we would apply safeguards available to eliminate or reduce threats to an acceptable level to LACERA. At the present time, the predominance of work performed in our offices in LACERA's building are related to taxation. Covered members (as described in the *Code*) that are assigned to those offices would not be participating in the potential statements of work assigned by LACERA.

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.

Eide Bailly LLP does not have any affiliates offering services to LACERA.

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).

There are no known relationships between Eide Bailly nor any staff with any member of LACERA's Boards, management, staff or plan sponsors.

# *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.

No gifts, travel, expenses, entertainment or meals of monetary value have been given to any member of the LACERA Boards, management or staff in the last two (2) years.

# *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.

Should Eide Bailly engage in any professional relationships that may be judged as an impairment to independence during this engagement, we will notify you in writing of such relationship.

As part of our quality control system, on an annual basis, each professional is required to complete an independence questionnaire to determine any potential conflicts with any of our clients. Biannually each professional must attend a four-hour training session on the profession's independence standards. We also require that all professionals provide statements of their independence, or potential conflicts of interests, with clients. We are pleased to report that we are not aware of any conflict of interest or other situations that would impair our independence with LACERA.

## **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.

The firm and its partners, as well as our clients, may periodically be the subject of investigations, formal or informal inquiries, or requests for information from a variety of regulatory agencies. It is the policy of the firm not to discuss these matters, or any client-related matters, outside of the firm. It is the firm's opinion that none of these activities have a material impact to the firm.

*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.

#### See previous response.

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.

#### See previous response.

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.

No member of the proposed engagement team assigned to LACERA has been the subject of investigation or action by any law enforcement or regulatory agency in the past five (5) years.

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.

To the best of our knowledge, the firm has not defaulted in any contract, nor have conditions existed jeopardizing the continuation of a contract.

## 11. Terms and Conditions

We understand that, if selected for an engagement, the CAE will authorize staff to enter into negotiations, 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.

The final contract will 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 will also include indemnity by Eide Bailly to LACERA from third party claims.

#### **Contract Exceptions**

We have reviewed the contract included in the RFP and have the following suggestions to note:

#### Section 1 – Services to be Provided

1.3 All writings prepared or required to be 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.

<u>Reasoning</u>: Consultant is glad to transfer full IP ownership of all contract deliverables. However, all methods, tools, know-how, templates, workpapers, and the like must remain Consultant's property. Consultant is a provider of professional services and must retain the ability to perform similar services for future clients.

#### Section 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.

<u>Reasoning</u>: "Satisfaction" and words of similar import is a subjective measure of contract performance. Consultant either performs in accordance with the objective requirements of the agreement and applicable professional standards or it does not.

Subjective performance standard is also an unworkable undue influence threat to auditor independence under AICPA Code of Conduct Rule 1.000.010.16.

#### Section 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 under this Agreement, 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.

<u>Reasoning</u>: (Removal of 'defend') Anything short of an unequivocal admission of liability by Consultant makes this requirement impractical and results in a conflict of interest for Consultant and any attorney retained to represent LACERA in a dispute.

If Consultant is negligent or violated professional standards, fee shifting provision puts LACERA in same place as if Consultant had defended LACERA.

In addition, Consultant's professional liability policies provide a defense to Consultant; they do not provide a defense to Consultant's clients such as LACERA. Places Consultant in position where any defense obligation is borne solely by Consultant and its owners.

(Removal of 'operations') Consultant can indemnify LACERA for its errors and omissions but indemnification for any and all losses connected in any way with Consultant's "operations" reads too broad.

4.2.1 Liability. Such insurance shall be primary in all instances and shall (with the exception of worker's compensation and professional liability policies) name Los Angeles County Employees Retirement Association as an additional insured, and shall include:

*Reasoning: Worker's Compensation and Professional Liability insurers will not name clients as additional insured.* 

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 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

<u>Reasoning</u>: The amount of the firm's self-insured retention (SIR) is the firm's confidential business information that, as a matter of longstanding firm policy, is not disclosed outside the firm. In lieu of disclosure, the firm would be glad to provide a letter from its insurers stating (in effect) that the amount of the firm's SIR is reasonable and appropriate given factors such as the applicable market and the firm's financial resources to pay for same.

#### Section 10 – Confidentiality

10.1.2 Unless required by law or applicable professional standards, Consultant shall not disclose Confidential Information to any third party without LACERA's advance written approval.

Reasoning: 'Law' examples include a subpoena or regulatory action. 'Professional Standards' would apply, for example, to a peer review required by state law and AICPA Code of Conduct. Peer reviewers are required by law to maintain same level of confidentiality as CPA providing services to the client.

## 12. Fee Schedules

#### 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.

	Audits	Co-Source Audits	Consulting	Co-Source Consulting	Training
Engagement Types	Maximum	Maximum	Maximum	Maximum	Maximum
	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
Management Levels	\$250	\$250	\$250	\$250	\$250
Staff Levels	\$140	\$140	\$140	\$140	\$140

#### **ORGANIZATIONAL ACTIVITIES**

#### INFORMATION TECHNOLOGY

Engagement Types	Audits	Co-Source Audits	Consulting	Co-Source Consulting	Training
Engagement Types	Maximum	Maximum	Maximum	Maximum	Maximum
	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
Management Levels	\$300	\$300	\$300	\$300	\$300
Staff Levels	\$165	\$165	\$165	\$165	\$165

#### INVESTMENTS

Francisco Trancis	Audits	Co-Source Audits	Consulting	Co-Source Consulting	Training
Engagement Types	Maximum	Maximum	Maximum	Maximum	Maximum
	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
Management Levels	\$250	\$250	\$250	\$250	\$250
Staff Levels	\$140	\$140	\$140	\$140	\$140



# The Right Choice for the Los Angeles County Employees Retirement Association BUILDING A SUCCESSFUL PARTNERSHIP

To us, work isn't just work; we see it as a chance to help you solve problems, achieve goals and pursue passions. After thoughtfully reviewing your needs and taking the time to understand your business, we feel we're the best fit for this opportunity.

#### **Experience the Eide Bailly Difference**

The value of being an Eide Bailly client is that we offer you the best of all worlds. Since we're a fullservice firm, you'll have multiple industry specialists available when you need them, but your service team will always be client focused. You'll experience partner involvement during all phases of the engagement, as well as throughout the year. At Eide Bailly, we promise our clients an experience, second to none, where they feel understood, connected and confident.

#### Understood

You have goals and dreams. We're inspired to help you achieve those goals now and in the future. By applying our technical and industry knowledge, we make the complex simple.

#### Connected

Our professionals bring their expertise and thought leadership to every interaction with you. You'll benefit from new ideas, opportunities and solutions as they happen. We'll connect you with the right resources and deliver comprehensive solutions in a respectful, peer-to-peer approach. We keep the answers within your reach.



#### Confident

With Eide Bailly beside you, you'll feel confident addressing challenges and embracing opportunities as they arise. We go the extra mile to deliver unmatched solutions for your business. Success is demanding. We've got your back.

#### **Our Culture**

It's no secret that culture speaks volumes about a company. Some companies stand for honesty, trust, accountability, respect and integrity. Others value passion, teamwork, innovation and superior customer service. At Eide Bailly, these values and more are at the forefront of our business.

Culture has been the unshakable foundation underpinning 100 years of growth and innovation. Without it, Eide Bailly would be just a name, instead of the symbol for 'business done right' that it is today.

We can connect you with the knowledge, resources and solutions that help bring confidence to your business decisions. We want to work with you!

If you have questions or would like additional information, don't hesitate to contact us. We want to make sure you have everything you need to make your decision.



#### We Want to Work with You

We're driven to help clients take on the now and the next with inspired ideas, solutions and results. We look forward to working with you.

# Appendix A - Peer Review **PEER REVIEW**

	Report on the Firm's System of Quality Control
Dec	ember 28, 2017
	he Partners of Eide Bailly LLP and the onal Peer Review Committee
firm 201 Rev	have reviewed the system of quality control for the accounting and auditing practice of Eide Bailly LLP (th ) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended July 3' 7. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer iews established by the Peer Review Board of the American Institute of Certified Public Accountant indards).
des expl	ummary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review a cribed in the Standards may be found at www.aicpa.org/prsummary. The summary also includes a lanation of how engagements identified as not performed or reported in conformity with applicable profession idards, if any, are evaluated by a peer reviewer to determine a peer review rating.
Firn	n's Responsibility
reas mat as r	firm is responsible for designing a system of quality control and complying with it to provide the firm wit conable assurance of performing and reporting in conformity with applicable professional standards in a erial respects. The firm is also responsible for evaluating actions to promptly remediate engagements deeme not performed or reported in conformity with professional standards, when appropriate, and for remediatin knesses in its system of quality control, if any.
Pee	r Reviewer's Responsibility
	responsibility is to express an opinion on the design of the system of quality control and the firm's complianc ewith based on our review.
Req	uired Selections and Considerations
inclu	agements selected for review included engagements performed under <i>Government Auditing Standards</i> Iding compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under CIA, and examinations of service organizations [SOC 1 and SOC 2 engagements].
	a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, licable, in determining the nature and extent of our procedures.
Opi	nion
eng suita cont	ur opinion, the system of quality control for the accounting and auditing practice of Eide Bailly LLP applicable t agements not subject to PCAOB permanent inspection in effect for the year ended July 31, 2017, has bee ably designed and complied with to provide the firm with reasonable assurance of performing and reporting i formity with applicable professional standards in all material respects. Firms can receive a rating of <i>pass, pas</i> <i>deficiency(ies)</i> or <i>fail</i> . Eide Bailly LLP has received a peer review rating of <i>pass</i> .
Ch	erg Befoet LLP
Che	my Bekaert LLP

# Appendix B — Team Profiles **TEAM PROFILES**

**ROGER ALFARO**, CPA, CITP Partner

909.755.2829 | ralfaro@eidebailly.com

Roger provides accounting, audit and advisory services to commercial and governmental entities throughout California. His experience includes manufacturing, healthcare, nonprofit and governmental entities including cities, counties, special districts and state agencies.

Roger began his professional career with a Big 4 International firm working with large commercial and governmental entities. His expertise includes the complex accounting and regulatory requirements for single audit compliance, and he is recognized as a leader in Uniform Guidance audit requirements. He has conducted financial statement audits for commercial and public companies and single audits for governmental agencies with assets exceeding \$1 billion.

As a speaker and trainer, Roger has provided individualized workshops focusing on reporting requirements, new accounting pronouncements and AICPA professional standards. His expertise in this area is recognized by his clients, his peers and staff.



Memberships American Institute of Certified Public Accountants

California Society of Certified Public Accountants

Government finance Officers Association (GFOA) Certificate Program Special Review Committee

Designation/Licensures Certified Public Accountant

Certified Information Technology Professional

Education Bachelor of Science, Business Administration – California State University, San Bernardino

# Roger Alfaro — Relevant CPE Courses

Course Title	Sponsor	Date	Total Credits
2021			
Single Audit Webcast: 2020 Compliance Supplement Addendum	Eide Bailly LLP	01/05/2021	1.0
2020			
Assurance Partner - Internal Inspection and NAO Update	Eide Bailly LLP	10/23/2020	2.0
Single Audit Update: 2020 Uniform Guidance Changes	Eide Bailly LLP	10/21/2020	1.0
Single Audit Update: 2020 Compliance Supplement and COVID-19 Impact	Eide Bailly LLP	09/21/2020	1.0
Internal Audit Summit 2020	Eide Bailly LLP	08/13/2020	3.0
Healthcare Retreat Audit Breakout	Eide Bailly LLP	07/20/2020	2.0
Government & NPO Conference 2020	Eide Bailly LLP	07/17/2020	11.5
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	07/09/2020	2.0
Single Audit	Eide Bailly LLP	06/18/2020	7.0
A&A Update 2020	Eide Bailly LLP	05/26/2020	8.0
Budgeting and Cash Flow Modeling in a Crisis for States and Local Governments Webinar	Eide Bailly LLP	05/13/2020	1.0
COVID-19 & Relief Funding: Single Audit Compliance Considerations 2020	Eide Bailly LLP	04/30/2020	1.0
Government Methodology Update	Eide Bailly LLP	01/23/2020	13.5
2019			
Introduction to Cyber Security	The SANS Institute	09/13/2019	30.0
GASB/GAO Update/Single Audit Training	VTD	07/24/2019	8.5
Fraud Training	VTD	07/23/2019	4.0
Assurance On Boarding	VTD	07/23/2019	4.0
General Government Interim Training	VTD	04/16/2019	16.5
Accountancy Laws, Ethics, Taxes and Financial Reporting	CalCPA	02/20/2019	4.0
Not-For-Profit Training	Galasso Learning Solutions	02/06/2019	8.0
California Regulatory Review	Becker Prof. Education	01/16/2019	2.0
2018			
State Controller's Conference with County Auditors	State Association of County Auditors	11/26/2018	3.0
2018 Governmental Accounting and Auditing Update Conference	AICPA	08/14/2018	17.5
General Government Training	VTD	07/19/2018	18.0
Single Audit Training - Southern CA	VTD	07/16/2018	8.0
Commercial Training	VTD	06/11/2018	8.0
General Government Interim Training - Day 1	VTD	04/18/2018	8.0
Governmental and Not-For-Profit Annual Update	VTD	02/01/2018	8.0

# LEALAN I. MILLER, CPA, CGFM

Partner

**INSPIRATION:** I enjoy helping my clients achieve their goals and sharing my knowledge with professionals so they can better understand and expand their expertise in accounting.

208.383.4756 | Imiller@eidebailly.com

Lealan has 30 years in public accounting with experience in the government and employee benefit plan industries throughout his career. He has current and past partner responsibility with many similar clients in the past five years including the Public Employee Retirement System of Idaho, Public Employees' Retirement System of Mississippi, Municipal Fire and Police Retirement System of Iowa, Fire and Police Pension Association of Colorado, Wyoming Retirement System, Washington State Investment Board and the South Dakota Retirement System.

He is the past Director of the Firm's Governmental Services Group. Lealan has served as a member of the AICPA's State and Local Government Expert Panel (Panel). His involvement with the Panel includes reviewing and suggesting changes to the AICPA's State and Local Government Accounting and Audit Guide and the AICPA's Government Auditing and A-133 Audit Guide. Lealan is a past member of GASAC which advises GASB on government standards. He has government experience for various entities, including pension plans, cities, school districts, colleges and universities, counties, state agencies, single audits and nonprofits.

Lealan has presented several training courses over the years including single audit, pension plan, grant management, accounting and update, yellow book updates and GASB 67 and 68. He has also presented at the national level for the National Association of State Auditors, Controllers and Treasurers (NASACT), GFOA (An Accountant, an Actuary and an Auditor Walk into a Bar, 2019) and AGA.

#### **Client Work**

Provided training for a state agency client pertaining to the new Uniform Guidance, which included a review of the Guidance, group discussions and case studies. As a result of this training and improvements made by the client, they were able to see a drop in the number of findings during their single audit.



Memberships American Institute of Certified Public Accountants, Past member of State and Local Government Expert Panel

Government Accounting Standards Advisory Council (GASAC), Member

Eide Bailly Governmental Services Group, Past Director

Idaho Society of Certified Public Accountants, Past President and Treasurer

Association of Government Accountants, Chair -- Financial Management Standards Board

Designation/Licensures Certified Public Accountant

Certified Government Financial Manager

#### Education

Master of Science, Accounting – California State University, Sacramento

Bachelor of Administration, Accounting – Idaho State University, Pocatello

# Lealan Miller – Relevant CPE Courses

2020Single Audit Update - 2020 Compliance Supplement and COVID-19 ImpactEide Bailly LLP09/21/20201.02020 Virtual Professional Development TrainingAGA07/22/20206.5Government & NPO Conference 2020 - Single Audit TrackEide Bailly LLP07/16/20204.0Government & NPO Conference 2020 - NPO Audit TrackEide Bailly LLP07/15/20203.02020 Virtual Professional Development and Single Audit UpdateAICPA06/30/20202.02020 State and Local Government Audit Planning ConsiderationsAICPA05/28/20202.0Omnibus & Gearing Up for June 30thEide Bailly LLP05/14/20204.0RISA Industry UpdateEide Bailly LLP05/14/20204.0Student Financial Aid Single Audit TrainingEide Bailly LLP05/13/20203.0COVID19 & Relief Funding: Single Audit ComplianceEide Bailly LLP05/08/20202.0COVID19 & Relief Funding: Single Audit ComplianceEide Bailly LLP04/09/20201.0Governmental Update 2020 (GASB Webinar Series)Eide Bailly LLP04/09/20201.0Governmental Update 2020 (GASB Webinar Series)Eide Bailly LLP04/16/20201.0CO19Ascation of Government Accountants continuing Professional EducationAGA07/24/201916.0Governmenta & NPO Conference 2019 - Gov't Track-Gov & Brode Sinal EducationEide Bailly LLP07/10/20196.0Government & NPO Conference 2019 - Gov't Track-Gov & Brode Sinal EducationGFOA05/19/201917.5Governmental Inan	Course Title	Sponsor	Date	Total Credits
COVID-19 ImpactEide Bailly LLP09/11/20201.02020 Virtual Professional Development TrainingAGA07/22/20206.5Government & NPO Conference 2020 - NPO Audit TrackEide Bailly LLP07/16/20204.0Government & NPO Conference 2020 - NPO Audit TrackEide Bailly LLP07/15/20203.02020 OMB Compliance Supplement and Single Audit UpdateAICPA06/30/20202.02020 State and Local Government Audit PlanningAICPA05/28/20202.0ConsiderationsEide Bailly LLP05/14/20204.0ERISA Industry UpdateEide Bailly LLP05/14/20203.0BISA Industry UpdateEide Bailly LLP05/13/20203.0Student Financial Aid Single Audit TrainingEide Bailly LLP05/30/20202.0COVID19 & Relief Funding: Single Audit ComplianceEide Bailly LLP04/30/20201.0Considerations 2020GASB Webinar Series)Eide Bailly LLP04/16/20201.5Internal Staff Training for GASB-87Eide Bailly LLP04/16/20201.0Governmental Update 2020 (GASB Webinar Series)Eide Bailly LLP07/11/20197.0Professional EducationGovernment Accountants continuingAGA07/24/201916.0Professional EducationGovernment & NPO Conference 2019 - Single Audit/YellowEide Bailly LLP07/11/20197.0Government & NPO Conference 2019 - Gov't Track-Gov & NPO Conference 2019 - Gov't Track-Gov & NPO Conference 2019 - Gov't Track-Gov & NPO Conference 2019 - Gov't Track-Gov & 	2020			
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ConferenceGFOA05/19/201917.5Governmental A&A Update 2019Eide Bailly LLP05/08/20198.02018In Focus: GASB Preliminary Views, Financial Reporting Model ImprovementsFinancial Accounting Foundation, FASB, GASB11/07/20182.02018 Professional Development TrainingAGA07/25/201810.0		Eide Bailly LLP	07/10/2019	6.0
2018In Focus: GASB Preliminary Views, Financial Reporting Model ImprovementsFinancial Accounting Foundation, FASB, GASB11/07/20182.02018 Professional Development TrainingAGA07/25/201810.0		GFOA	05/19/2019	17.5
In Focus: GASB Preliminary Views, Financial Reporting Model ImprovementsFinancial Accounting Foundation, FASB, GASB11/07/20182.02018 Professional Development TrainingAGA07/25/201810.0	Governmental A&A Update 2019	Eide Bailly LLP	05/08/2019	8.0
In Focus: GASB Preliminary Views, Financial Reporting ModelFoundation, FASB, GASB11/07/20182.0ImprovementsGASB07/25/201810.0	· · · · · · · · · · · · · · · · · · ·		· · ·	
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	2018 Professional Development Training	AGA	07/25/2018	10.0
		AGA		8.5

# **ORGANIZATIONAL ACTIVITIES TEAM**

BRAD A. BERLS, CPA

Partner

**INSPIRATION:** I like the constant challenges that my jobs brings. Be it the difficulties encountered on an audit or assisting clients with one of their problems, the constant challenges makes this job enjoyable.

208.383.4711 | bberls@eidebailly.com

Brad joined Eide Bailly in 2006 and has experience providing the full range of public accounting services to a wide variety of clients, including those in the manufacturing and nonprofit industries, as well as governmental entities. He also has experience servicing employee benefit plans for business clients, and regularly conducts audits and financial reviews.

Brad has more than 16 years in public accounting with experience in the government and benefit plan industries throughout his career. He has extensive experience working on Public Employee Retirement System of Idaho (PERSI), South Dakota Retirement System, Washington State Investment Board, Public Employees' Retirement System of Mississippi, Wyoming Retirement System, Missouri State Employees' Retirement System, Fort Worth Employees' Retirement Fund, Nevada Deferred Compensation Plan and the New Mexico Deferred Compensation Plan.

Brad has more than 10 years of auditing PERSI and 6 years auditing the New Mexico Deferred Compensation Plan, giving him the expertise to meet the needs of LACERA. Brad will be able to bring more than just audit experience, but also operational expertise as well.

#### **Client Work**

Provided public accounting services to clients in various industries, including manufacturing and startups.

Consulted various government entities, focusing largely on state retirement systems.

Provided accounting and planning services related to employee benefit plans, including 401(k)s, health and welfare plans, employee stock ownership plans and defined benefit plans.



Memberships Idaho Society of Certified Public Accountants

American Institute of Certified Public Accountants

Designation/Licensures Certified Public Accountant

Education Bachelor of Business Administration,

Accounting and Finance – Idaho State University, Pocatello

Community Idaho State Society of CPAs CPE Committee

Life's Kitchen, Past Treasurer and Board of Directors member

# Brad Berls— Relevant CPE Courses

Course Title	Sponsor	Date	Total Credits
2020			
Single Audit Update: 2020 Uniform Guidance Changes	Eide Bailly LLP	10/21/2020	1.0
Single Audit Update – 2020 Compliance Supplement and COVID-19 Impact	Eide Bailly LLP	09/21/2020	1.0
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	09/16/2020	2.0
A&A Update 2020	Eide Bailly LLP	08/13/2020	8.0
66th Annual NASRA Virtual Conference	NASRA	08/12/2020	10.25
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	08/04/2020	2.0
Government & NPO Conference 2020 - Governmental Track	Eide Bailly LLP	07/17/2020	4.5
Government & NPO Conference 2020 - Single Audit Track	Eide Bailly LLP	07/16/2020	4.0
Budgeting and Cash Flow Modeling in a Crisis for States and Local Governments Webinar	Eide Bailly LLP	05/13/2020	1.0
ERISA Industry Update	Eide Bailly LLP	04/29/2020	3.0
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	04/16/2020	1.5
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	03/10/2020	1.0
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	03/03/2020	1.5
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	02/19/2020	1.0
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	01/14/2020	1.0
Single Audit Update: 2020 Uniform Guidance Changes	Eide Bailly LLP	10/21/2020	1.0
2019			
16th Annual Conference "Achieving the Gold Standard"	Public Pension Financial Forum	10/23/2019	8.0
Government & NPO Conference 2019 - Single Audit/Yellow Book Track-Gov & NPO Conference 2019 - Single Audit/Yellow Book Track	Eide Bailly LLP	07/11/2019	2.0
Government & NPO Conference 2019 - Gov't Track-Gov & NPO Conference 2019 - Gov Track	Eide Bailly LLP	07/10/2019	6.0
Governmental A&A Update 2019	Eide Bailly LLP	05/08/2019	8.0
GASB Statement No.84, Fiduciary Activities and Student Activity Fund	Eide Bailly LLP	003/21/2019	1.0
2018			
Audit Update for Multifamily Housing	Eide Bailly LLP	08/24/2018	4.0
Governmental A&A Update 2018-Boise	Eide Bailly LLP	05/30/2018	8.0

# KIMBERLEY K. HIGGINS, CPA

Partner

**INSPIRATION:** Client service is being available when my clients need me and being seen as their trusted advisor—someone able to help find answers and solutions to issues, and someone able to help them sleep better at night.

303.539.5905 | khiggins@eidebailly.com

Since 1979, Kim has been providing public accounting services to a variety of clients, including governmental and quasi-governmental entities, nonprofits and state agencies. She performs audits for some of the largest counties and cities in Colorado. As a widely respected leader in her field, Kim also serves on several local and national conference planning committees, and is a frequent speaker and trainer on governmental and nonprofit topics.

When working with Kim, clients can expect a trusted advisor who is able to break down high-level financial information into digestible content that anyone can understand. Serving on boards of directors also gives Kim a unique perspective to governance that she shares with her clients. Kim believes finding solutions is a crucial part of client service, and is something she enjoys doing with both staff and clients.

Aside from her career, Kim loves to walk, golf, play pickle ball and spend time outdoors tending her herb garden which fuels her passion for cooking. Now an empty nester, Kim looks forward to watching her sons grow and thrive as they launch their professional careers—one in NYC and the other in Chicago.

#### **Client Work**

Performs audits of some of the largest Colorado counties, cities and sizeable state agencies/departments.

Conducts audits in accordance with Generally Accepted Auditing Standards (GAAS), GAGAS (the Yellow Book) and Uniform Guidance.

Serves on Eide Bailly's Governmental Executive Committee, which guides the firm's practice goals in the governmental industry, as well as the Internal Audit Executive Committee, which guides the firm's internal audit practice goals.

Conducts consulting and internal audit engagements of governmental entities.



Memberships Colorado Society of Certified Public Accountants, Governmental Issues Committee Member

American Institute of Certified Public Accountants, Member

Colorado Government Finance Officers Association, Member

Government Finance Officers Association (SRC), Member

Special District Association of Colorado, Member

Designation/Licensures Certified Public Accountant, Colorado (Certificate No. 7950)

Education Bachelor of Science in Business, Accounting – Murray State University, Ky.

Associate in Arts – University of Kentucky, HCC

Community Susan G. Komen Breast Cancer Race for the Cure and 3-Day/60 Mile team member and team captain

Juvenile Diabetes Research Foundation board member, executive committee member and NBDC chair

Father Woody committee member, serving the homeless

# Kim Higgins – Relevant CPE Courses

Course Title	Sponsor	Date	Total Credits
2020			
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	11/18/2020	6.5
ASN 2020	Eide Bailly LLP	11/13/2020	2.0
Jeffrey Kleintop Presents the Global Market Outlook	Eide Bailly LLP	11/10/2020	1.0
Single Audit Update: 2020 Uniform Guidance Changes	Eide Bailly LLP	10/21/2020	1.0
Single Audit Update – 2020 Compliance Supplement and COVID-19 Impact	Eide Bailly LLP	09/21/2020	1.0
Internal Audit Summit 2020	Eide Bailly LLP	09/09/2020	9.5
A&A Update 2020	Eide Bailly LLP	08/10/2020	8.0
Government & NPO Conference 2020	Eide Bailly LLP	07/17/2020	11.5
Governmental Update 2020	Eide Bailly LLP	07/09/2020	2.0
2020 OMB Compliance Supplement & Single Audit Update	AICPA	06/30/2020	2.0
Single Audit	Eide Bailly LLP	06/18/2020	3.5
Trusted Advisor Series	Eide Bailly LLP	05/28/2020	4.0
COVID19 & Relief Funding: Single Audit Compliance Considerations 2020	Eide Bailly LLP	04/30/2020	1.0
2019			
ASN - November 2019	Eide Bailly LLP	11/15/2019	1.5
Ethics for CPAs	Checkpoint Learning	11/12/2019	4.0
Internal Audit Summit	Eide Bailly LLP	08/19/2019	8.0
Government & NPO Conference 2019 - Single Audit/Yellow Book Track	Eide Bailly LLP	07/11/2019	8.0
Smart Sampling in a Single Audit	AICPA	06/27/2019	2.0
GASB Leases: What Preparers & Auditors Need to Know to be Ready for Implementation	AICPA	06/26/2019	2.0
Tackling Internal Control Over Compliance in a Single Audit	AICPA	06/26/2019	2.0
Fiduciary Activities: Understanding the Impacts of the GASB 84	AICPA	06/25/2019	2.0
The 2018 Yellow Book: What You Need to Know	AICPA	06/24/2019	2.0
GASB Statement No.84, Fiduciary Activities and Student Activity Fund	Eide Bailly LLP	03/21/2019	1.0
ASN - June 2019	Eide Bailly LLP	06/28/2019	1.5
Governmental A&A Update 2019	Eide Bailly LLP	05/08/2019	8.0
ASN - May 2019	Eide Bailly LLP	05/03/2019	1.5
2018			
Governmental A&A Update 2018-Denver	Eide Bailly LLP	08/16/2018	8.0
Government & NPO Industry Conference - Gov't Track-Live Option	Eide Bailly LLP	07/12/2018	11.5

# PAUL KANE, CPA

Partner

**INSPIRATION:** I find great fulfillment in the time I spend working and building relationships with my clients. A favorite quote of mine is, "the key is to set realistic customer expectations, and then not to just meet them, but to exceed them — preferably in unexpected and helpful ways."

303.459.6758 | pkane@eidebailly.com

Paul provides audit and other assurance services. He works directly with clients and our staff to ensure that client needs are exceeded and goals are met. Paul also ensures that work is done efficiently and delivered as promised. He enjoys learning as much as he can about the industries that he serves so he can be sure to understand the key issues that affect his clients.

When you work with Paul, you can expect him to always be available. He will take the time to understand your company, your expectations, your needs and your situation. Paul enjoys building relationships with his clients and team, and works onsite throughout the audit to ensure that issues and questions are handled as they arise.

While Paul is not busy with work and other professional commitments, he is a huge fan of music, (listening, not playing) and thoroughly enjoys the live music scene Denver has to offer. Additionally, he is a huge sports fan (both playing and watching) and is a very passionate fan of both the Denver Nuggets and Broncos. He also loves hanging out with his family and cherishes every minute he gets to spend with his wife and four kids who are growing up way too fast!

#### **Client Work**

Paul has more than 15 years of public accounting experience providing services to a variety of industries, including construction and real estate clients. He has worked with several real estate private equity investment funds, some of which are considered registered investment advisors.

Paul also spends time working with local and state governments, agencies and districts. He serves some of the largest local governments in Colorado and Nevada, including cities, counties and school districts. He also has experience with Uniform Guidance, including working with a variety of federal grants and agencies.



Memberships American Institute of Certified Public Accountants

Colorado Society of Certified Public Accountants

Construction Financial Management Association

Colorado Government Finance Officers Association

Designation/Licensures Certified Public Accountant, Colorado (Certificate No. 28164)

Education Bachelor of Science, Accounting – University of Colorado, Denver

Community Denver Metro Chamber Leadership Foundation – Impact Denver Class of 2015

Junior Achievement Volunteer

## Paul Kane – Relevant CPE Courses

Course Title	Sponsor	Date	Total Credits
2020			
Construction & Real Estate Conference 2020	Eide Bailly LLP	10/28/2020	2.5
Construction & Real Estate Conference 2020	Eide Bailly LLP	10/27/2020	3.0
A&A Update 2020	Eide Bailly LLP	10/01/2020	4.0
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	08/04/2020	2.0
Government & NPO Conference 2020 - Governmental Track	Eide Bailly LLP	07/17/2020	4.5
Government & NPO Conference 2020 - Single Audit Track	Eide Bailly LLP	07/16/2020	4.0
Single Audit 2020	Eide Bailly LLP	06/18/2020	7.0
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	05/27/2020	1.5
Budgeting and Cash Flow Modeling in a Crisis for States and Local Governments Webinar	Eide Bailly LLP	05/13/2020	1.0
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	04/16/2020	1.5
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	01/14/2020	1.0
2019			
Construction and Real Estate Conference 2019	AICPA	12/05/2019	15.0
Colorado Rules and Regulations	Checkpoint Learning	10/31/2019	2.0
A&A Update 2019	Eide Bailly LLP	10/18/2019	8.0
Government & NPO Conference 2019 - Single Audit/Yellow Book Track	Eide Bailly LLP	07/11/2019	7.0
Government & NPO Conference 2019 - Gov't Track	Eide Bailly LLP	07/10/2019	6.0
Governmental A&A Update 2019	Eide Bailly LLP	06/26/2019	8.0
2018			
Governmental A&A Update 2018 – Denver	Eide Bailly LLP	08/16/2018	8.0
Governmental Accounting and Auditing Update Conference	AICPA	08/15/2018	20.5
Government & NPO Industry Conference	Eide Bailly LLP	07/12/2018	11.5

# AUDREY DONOVAN, CIA, CGAP, CRMA

#### Senior Manager

**INSPIRATION:** Old-time sailors would sometimes get the phrase "hold fast" tattooed across their fingers. It was a reminder to stay vigilant in gripping the rigging of the ship. Without grasping the ropes firmly, a sailor could get a ship off course, or be himself swept overboard by wind and wave.

I live by the core principle to hold fast to my values and vision of who I am and where I am going, even when hit with the storms of setbacks. To maintain our grip on the ropes of our values, we need reminders written not on our hands, but in the books we read, the habits we perform and the hearts of those we love and befriend.

#### 303.586.8533 | adonovan@eidebailly.com

Audrey helps state and local governments with performance audits. She also assists privately held and publicly traded companies with internal audits.

Audrey is detail-oriented and focused and takes the time to understand the overall expected outcomes. She will work with you to identify the best approach that is both efficient and effective.

Outside of work, Audrey enjoys spending time skiing, golfing, sewing, painting, visiting craft breweries and spending time with her family.

#### **Client Work**

Audrey has 25 years of experience in internal audit, performance/ operational audit and financial consulting for both the public and private sectors. A large portion of her career was spent in the Risk Advisory Services sectors of two international firms. Her experience includes managing internal audit consulting services, enterprise-wide risk assessments, process design and documentation engagements. She is the firmwide technical resource for internal audit and performance audit. She works closely with Eide Bailly's Special Advisory and Risk Advisory Services, such as, fraud and forensic, information technology, and quality assurance review. Audrey has managed and performance audit methodologies, including benchmarking, surveys, data analytics, social impact analysis and facilitated sessions.

Experienced in applying professional accounting and audit standards, including the Institute of Internal Auditors International Professional Practices Framework (IIA - IPPF); Generally Accepted Audit Standards (GAAS); Generally Accepted Government Audit Standards (GAGAS); and Generally Accepted Accounting Principles (GAAP).

Knowledgeable in internal control and risk management framework, theory, and techniques such as COSO - Internal Control Framework and COSO -Enterprise Risk Management Framework. Well-versed in applying performance audit, professional audit standards, analysis, methodology and evaluation techniques.





Memberships Institute of Internal Auditors

Association for Local Government Auditors

Association of Government Accountants

Colorado Government Finance Officers Association

Finance Executive International

Designation/Licensures Certified Internal Auditor

Certified Government Audit Professional

Certified Risk Management Assurance

Education Bachelor of Science, Accounting – University of Utah

Master of Science, Management – Colorado State University

Community Super Twins of the Rocky Mountains (STORM)

# Audrey Donovan — Relevant CPE Courses

Course Title	Sponsor	Date	Total Credits
2020			
Oct Lunch Meeting - Getting Started in Data Analytics	IIA	10/08/2020	1.0
Total Quality Auditing - Lean Internal Audit Techniques	Audit. Consulting. Education	06/16/2020	1.0
Ethics for Fraud Examiners	IIA	06/16/2020	1.0
Target These 5 Areas if COVID-19 Wasn't on Your Risk Radar	Workiva	06/09/2020	1.0
2020 Association of Local Government Auditors Summer CPE Series	ALGA	06/09/2020	4.0
Process Improvement Benefits of Internal & Performance Audit	Eide Bailly LLP	06/04/2020	1.0
IIA May 2020 Seminar	IIA	05/28/2020	4.0
Health Care Internal Audit Rapid Risk Assessment	AHIA	05/12/2020	1.0
Data Analytics: Actual Analytics Anyone Can Do	cRisk	04/22/2020	1.0
Is Your Risk Assessment Too Complex	cRisk Academy	04/22/2020	1.0
Total Quality Auditing - Feedback Inside and Outside Your Engagements	Audit Consulting Education LLC	04/21/2020	1.0
Don't Get Duped By Strangers	Audit Consulting Education	04/15/2020	1.0
Remote Control: Prioritizing Audit and SOX Success in Uncertain Times	Workiva	04/15/2020	1.0
Introduction to Total Quality Auditing	Audit Consulting Education LLC	04/15/2020	1.0
2019			
PART TWO: Climbing the Ranks: Best practices for preventing fraud and misreporting in admissions and institutional data reporting	ACUA	12/12/2019	1.0
Next Gen 2019: Expanding Horizons	Eide Bailly LLP	11/07/2019	23.5
Risk Based Audit Approach with Q&A	cRisk Acadamy	10/31/2019	1.5
Risk Advisory Summit	Eide Bailly LLP	08/21/2019	7.5
Internal Audit Summit	Eide Bailly LLP	08/20/2019	8.5
How ERM and Audit Work Together	AuditNet	08/08/2019	1.0
Internal Control and COSO Essentials: GAAS — Risk Assessment and Internal	4165.4		4 5
Control; Internal Control Definitions & Overview of the COSO Framework	AICPA	07/30/2019	1.5
Performance Audit: A Tool for Both Private and Public Sectors	Eide Bailly LLP	05/30/2019	2.0
CAE Roundtable	IIA	05/13/2019	2.0
ISACA - Threat Hunting	ISACA	04/30/2019	1.0
Innovation in Internal Audit	IIA	04/18/2019	16.0
Yellow Book: Government Auditing Standards: Fieldwork and Reporting Standards for Performance Audits	AICPA	03/26/2019	1.5
Auditing Grants in the Public Sector	IIA	02/20/2019	1.5
2018			
EY Q4 2018 Financial reporting update	EY	12/20/2018	1.5
Internal Audit Innovation - Leveraging Technology and New Methods to Build			
an Internal Audit Group of the Future	IIA	10/25/2018	2.0
2018 Denver IIA Seminar	IIA	08/28/2018	4.0
Governmental A&A Update 2018	Eide Bailly LLP	08/16/2018	1.5
Internal Audit Summit	Eide Bailly LLP	08/09/2018	9.0
SOC Training	Eide Bailly LLP	08/02/2018	9.0
State and Local Governmental Performance Management	Thomson Reuters	06/13/2018	12.0
Internal Controls for Auditors and Managers Evaluation	Thomson Reuters	06/05/2018	6.0
Internal Audit Awareness Month Conference	IIA	05/22/2018	8.0

# DAVID SUNDSTROM, CPA, CIA

Senior Manager

**INSPIRATION:** Always ask of money spent where the spender thinks it went (with apologies to Robert Frost).

916.246.4740 | dsundstrom@eidebailly.com

David is an exceptional listener and uses a systems approach to identify impairments to achieving peak performance and to exploit opportunities.

David delivers projects that concentrate on economy, efficiency, and the effectiveness of operations. He has a well-established record of being a champion of transparency.

Outside of work, David enjoys gardening and an occasional round of golf.

#### **Client Work**

Established internal audit functions at the University of California, Davis, the California State University System, the County of Orange and the County of Sonoma.

Served as the elected Auditor-Controller of the County of Orange for twelve years and as the elected Auditor-Controller/Treasurer Tax Collector of the County of Sonoma for four years. Led successful (on time, under budget and within scope) financial and personnel system implementations.

Restructured county retiree medical program eliminating a liability of \$943 million.

Co-developed 38 standards of the Governmental Accounting Standards Board.

Helped move a county bond rating from unrated status (bankruptcy) to AA+.

Made several presentations to the California Society of CPAs concerning new GASB statements, to the GFOA on establishing internal audit functions and to the Colorado GFOA on implementing GASB 87.



Memberships American Institute of Certified Public Accountants

California Society of Certified Public Accountants

Institute of Internal Auditors

Designation/Licensures Certified Public Accountant

**Certified Internal Auditor** 

Education Bachelor of Management, Accounting Emphasis – Sonoma State University

Master of Administration, Finance and Accounting Emphasis – University of California at Davis

Community Orange County Chapter of the Institute of Internal Auditors, Past President

California State Association of County Auditors, Past President

California State Controller's Advisory Committee on Accounting Procedures, Past Chair

**Orange Rotary Treasurer** 

#### David Sundstrom – Relevant CPE Courses Total **Course Title** Sponsor Date Credits 2020 Internal Audit Summit 2020 **Eide Bailly LLP** 09/09/2020 3.5 **Eide Bailly LLP** 3.0 Internal Audit Summit 2020 08/27/2020 Data Analytics in Internal Audit **Eide Bailly LLP** 08/18/2020 1.0 **Eide Bailly LLP** 08/13/2020 3.0 Internal Audit Summit 2020 **Eide Bailly LLP** 07/17/2020 4.5 Government & NPO Conference 2020 - Governmental Track Government & NPO Conference 2020 - Single Audit Track **Eide Bailly LLP** 07/16/2020 4.0 Government & NPO Conference 2020 - NPO Audit Track **Eide Bailly LLP** 07/15/2020 3.0 Government Methodology Update (NorCal) - Day 2 **Eide Bailly LLP** 01/21/2020 4.5 **Eide Bailly LLP** Government Methodology Update (NorCal) - Day 1 01/20/2020 5.5 Various **Financial Accounting** dates 20.0 GASB Board Member Meetings (Author) Foundation 01/01/2019 -06/30/2019 State Association of 12.0 Annual Conference of the State Association of Auditors 04/18/2019 County Auditors California Society of CPAs Government Accounting and California Society of 10.0 05/8/2019 Auditing Conference (instructor) CPAs Its an Inside Job - developing an internal audit function GFOA 05/19/2019 4.5 (instructor) GFOA 113th Annual Conference GFOA 05/22/2019 18.0 **Financial Accounting** GASB At 35 06/07/2019 4.0 Foundation Internal Audit Conference **Eide Bailly LLP** 8/20/2019 9.0 GASB-87 Leases - Getting Going (instructor) Colorado GFOA 11/20/2019 4.5 **Financial Accounting** Various GASB Board Member Meetings (Author) 20.0 Foundation dates in 2018 California Society of CPAs Government Accounting and California Society of 05/7/2018 6.0 Auditing Conference (Instructor) CPAs Professional **California Ethics Regulatory Review** 09/03/2018 2.0 **Education Services** California State GASB Update (instructor) 10/26/2018 4.5 Controller California State State Controllers Conference with County Auditors 12.5 10/26/2018 Controller **Financial Accounting** 11/7/2018 2 In Focus: GASB Preliminary views on financial reporting Foundation

## ERIC S. BERMAN, CPA, CGMA

Partner

**INSPIRATION:** I enjoy helping governments achieve the next level of operations, transparency and knowledge. As I like to say, Think like a taxpayer, because you are one.' We're all working for the same goals, and if our clients succeed, we succeed.

208.424.3524 | eberman@eidebailly.com

Eric is a nationally recognized speaker, author, thought leader and auditor with a wealth of government client experience. He brings a unique perspective to the firm's clients as a former Deputy Comptroller of the Commonwealth of Massachusetts, a chief financial officer of a state agency and an audit partner with clients ranging from a well-known stadium to statewide pension systems.

Eric's unique background and decades of governmental accounting, auditing and controllership experience allows his clients to meet their standards and goals and achieve new success along the way. He's been recognized with several major awards for his public service and work, and his insight means he can help you solve problems before they happen.

In his free time, Eric enjoys spending time with family, especially his new grandson Jonah! He enjoys watching Boston sports—Red Sox, Patriots, Celtics and Bruins—but Jonah tops them all.

#### **Client Work**

Helped government entities across the U.S. understand and implement GASB Standards.

Consulted with state and local governmental clients with governmental accounting, auditing and controllership services.

Assisted clients in earning the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.

Authored the entire governmental library of reference information and audit programs for CCH Wolters Kluwer.

Served as Deputy Comptroller of the Commonwealth of Massachusetts for 11 years and held the position of Chief Financial Officer of the Massachusetts Water Pollution Abatement Trust for five years.



Memberships Represented the Association of Government Accounts (AGA) as the Vice Chairman of the Government Accounting Standards Advisory Council (GASAC) to GASB

AGA Boston chapter president and host of the 2017 Professional Development Training conference

California Society of Certified Public Accountants, Governmental Accounting and Audit Committee

Massachusetts Society of Certified Public Accountants, Governmental Accounting and Auditing Committee

Designation/Licensures Certified Public Accountant

Chartered Global Management Accountant

Education Master of Science, Accountancy – Bentley University, Waltham, Massachusetts

Bachelor of Science, Broadcast Journalism – Boston University, Boston, Massachusetts

Community Serves on a finance advisory committee for a community safety net for basic needs in the Boston area.

# Relevant CPE Courses for Eric Berman

Course Title	Sponsor	Date	Total Credits
2020	Sponsor	Dule	Crean
ASN 2020	Fide Bailly up	06/26/2020	1.5
	Eide Bailly LLP		
Omnibus & Gearing Up for June 30th	Eide Bailly LLP	05/27/2020 05/18/2020	1.5
Budgeting and Cash Flow Modeling in a Crisis for States and Local Governments	Eide Bailly LLP	05/18/2020	1.0
Government COVID-19 Town Hall	The Pun Group	05/01/2020	3.0
COVID19 & Relief Funding: Single Audit Compliance	•	04/30/2020	1.0
Considerations 2020	Eide Bailly LLP	- , ,	2.0
Governmental Update 2020 (GASB Webinar Series)	Eide Bailly LLP	04/16/2020	4.5
Internal Staff Training for GASB-87 Engagements	Eide Bailly LLP	04/09/2020	6.0
Ethics for CPAs	Checkpoint Learning	03/18/2020	4.0
Special GASB Update – Note Disclosure Framework	Eide Bailly LLP	03/10/2020	3.0
GASB 84 One More Time – The Basics	Eide Bailly LLP	03/03/2020	4.5
GASB 90 and Other Reporting Entity Issues	Eide Bailly LLP	02/19/2020	3.0
2019			
GASB Statement No. 87 Leases – Getting Going and a Deeper	Fide Deilleure	11/10/2010	2.0
Dive Part 2	Eide Bailly LLP	11/18/2019	2.0
In Focus: GASB Implementation Guides for Fiduciary Activities		09/26/2019	2.0
and Leases	FASB/GASB	09/20/2019	2.0
2019 NASACT Annual Conference	NASACT	08/21/2019	12.5
2019 Professional Development Training	AGA	07/22/2019	5.5
2019 GAQC Annual Update Webcast	AICPA	04/30/2019	2.0
GASB Statement No. 84, fiduciary Activities and Student	Eide Bailly LLP	03/21/2019	1.0
Activity Fund		,,	
GASB Leases: What Preparers 7 Auditors need to Know to be Ready for Implementation	Eide Bailly LLP	03/12/2019	2.0
Understanding the Changes to yellow Book Independence	AICPA	02/02/2019	2.0
Association of Government Accounts	AGA	02/06/2019	2.0
Governmental A&A Update 2019	Eide Bailly LLP	01/24/2019	16.0
GASB Financial Reporting Preliminary Views Document Part 2	Eide Bailly LLP	01/17/2019	3.0
GASB Financial Reporting Preliminary Views Document	Eide Bailly LLP	01/16/2019	2.0
2018			
In Focus: GASB Preliminary views, Financial Reporting Model	<b>Financial Accounting</b>	11/07/2010	2.0
Improvements	Foundation	11/07/2018	2.0
2018 Professional Development Training	AGA	07/25/2018	10
ERISA Industry Update – Boise	Eide Bailly LLP	06/08/2018	3.0
CGFM Job Analysis	AGA	05/24/2018	8.5
Single Audit Basics & Case Studies	Eide Bailly LLP	06/25/2018	5.5
Employee Benefit Plans Conference	AICPA	05/16/2018	10.5
Nonprofit Financial Reporting Changes and Tax Reform:	Eide Bailly LLP	04/10/2019	3.0
Preparing Your Organization- Boise		Eide Bailly LLP 04/19/2018	
Nonprofit Financial Reporting Changes and Tax Reform:	Eide Bailly LLP	04/19/2018	6.0
Preparing Your Organization- Instructor Credit	LIGE Daily LLP	07/10/2010	0.0

# **INFORMATION TECHNOLOGY TEAM**

### **ERIC A. PULSE**, CISA, CISM, CRISC, CCSFP, CFSA Principal-in-Charge of Risk Advisory Services

**INSPIRATION:** In the words of Walt Disney, "Keep moving forward." Providing value to our clients is my driving force. Our priority is to enhance the security and control structure that protects our clients' data. I am committed to partnerships with our clients, providing quality and timely service that has a positive impact on their risk, security and control environment so they can minimize risk and sleep better each night.

#### 605.977.4847 | epulse@eidebailly.com

Eric joined Eide Bailly in 2013 and has over 25 years of experience in public accounting and consulting. He leads Eide Bailly's Risk Advisory Services practice and specializes in providing information technology, risk advisory and cybersecurity consulting services to a variety of industries, including banking, healthcare, insurance and governments. He advises Eide Bailly clients on how to keep their valuable data secure in a world of increasingly sophisticated cyber threats. With his many years of experience, Eric has become a true thought leader in the culture of cybersecurity.

When you work with Eric, you can expect a forward-thinking, big-picture approach to securing and protecting your data, assessing risk and implementing controls. In today's world of ever-changing risks and threats, Eric's first concern is your needs and you can expect a prompt response that is well thought out and tailored to those needs.

#### **Client Work**

Performs IT audits, cybersecurity and control reviews that include business continuity planning, organizational and operational controls, physical and logical access security, application and processing controls and regulatory security compliance testing. Clients include large SEC registered financial institutions.

Performs SOC 1, SOC 2 and SOC 3 third-party audits.

Works with clients on information system security certification and accreditation activities as required under Federal Information Security Management Act of 2002 for low, moderate and high impact federal information systems.

Performs comprehensive assessments of technical systems and networks to determine security features and capabilities, as well as to identify potential cybersecurity vulnerabilities.

Assesses organizations' controls to the HITRUST Common Security Framework.



Memberships Information Systems Audit and Control Association

Designation/Licensures Certified Information Systems Auditor – Information Systems Audit and Control Association

Certified Information Security Manager – Information Systems Audit and Control Association

Certified in Risk and Information Systems Control – Information Systems Audit and Control Association

Certified Common Security Framework (CSF) Practitioner – HITRUST Alliance

Certified Financial Services Auditor – National Association of Financial Services Auditors

#### Education

Bachelor of Arts, Accounting and Business Management – Dakota Wesleyan University, Mitchell, SD

Community Abiding Savior Free Lutheran Church, Member and volunteer

Eide Bailly community volunteer opportunities

## Relevant CPE Courses for Eric Pulse

Course Title	Sponsor	Date	Total Credits
2020			
Internal Audit Summit 2020	Eide Bailly LLP	09/09/2020	3.0
Internal Audit Summit 2020	Eide Bailly LLP	08/27/2020`	3.0
Internal Audit Summit 2020	Eide Bailly LLP	08/13/2020	3.0
SOC Training	Eide Bailly LLP	08/12/2020	4.0
Certified CSF Practitioner	HITRUST	04/03/2020	27.0
2019			
Consulting Essentials: October	Eide Bailly LLP	10/11/2019	6.0
Risk Advisory Summit	Eide Bailly LLP	08/21/2019	6.5
Internal Audit Summit	Eide Bailly LLP	08/20/2019	8.5
Partner Meeting Registration – Consulting	Eide Bailly LLP	06/19/2019	2.0
Partner Meeting Registration – Consulting (Optional)	Eide Bailly LLP	06/18/2019	2.0
2018			
Internal Audit Summit	Eide Bailly LLP	08/09/2018	9.0
SOC Training	Eide Bailly LLP	08/02/2018	9.0
2017			
Cyber Risk: Lesson on Mitigation	Eide Bailly LLP	11/30/2017	1.0
2017 Partner Meeting: Risk Advisory Services	Eide Bailly LLP	10/24/2017	1.0
2017 Partner Meeting: The Consulting Academy	Eide Bailly LLP	10/23/2017	3.5

## DAVID ROWAN, CPA, CCSFP

IT Risk Advisory Senior Manager

**INSPIRATION:** "What is the difference between an obstacle and an opportunity? Our attitude toward it. Every opportunity has a difficulty, and every difficulty has an opportunity" — J. Sidlow Baxter

303.586.8526 | drowan@eidebailly.com

Since 1999, David has been in the public accounting and consulting industry. He provides information technology risk advisory services to public and privately held companies in a variety of industries, including healthcare, financial services, retail, manufacturing and oil and gas.

David performs HITRUST, System and Organization Controls (SOC) 1, SOC 2, SOC 3 and independent informational technology audits. He specializes in HITRUST, HIPPA, General Computer Controls, Sarbanes-Oxley reviews, IT examinations for financial institutions, SOC audits, FFIEC IT handbook and the Gramm-Leach Bliley Act. He also has managed the Sarbanes-Oxley 404 Internal Audit efforts for multiple companies in a variety of industries. He performs reviews focused on controls over all primary finance functions in addition to IT Change, Project Development, Access / Security and IT Operations. Engagements include performing the financial statement risk assessments, preparation of audit programs, execution and review of the audit programs, communicating real time to clients on status of the engagements and being the key point of contact for the company's external auditors.

#### **Client Work**

Performed independent Medicare Part C and D Centers for Medicare and Medicaid Services (CMS) Data Validation Audits. Worked with Medicare Subject Matter Expert to develop a plan and execute Part C and D Data Validation Audits, which included process reviews and data validation for multiple CMS-mandated reporting measures.

Managed the Sarbanes-Oxley 404 Internal Audit efforts for multiple companies in a variety of industries – from healthcare to online retailer. All reviews focused on controls over all primary finance functions in addition to IT Change, Project Development, Access / Security and IT Operations. Engagements include performing the financial statement risk assessments, preparation of audit programs, execution and review of the audit programs, communicating real time to client on status of the engagements and being the key point of contact for the company's external auditors.

Developed a disaster recovery plan for a multinational software company. Documented the IT infrastructure, resource requirements, disaster scenarios and response procedures. Developed desktop procedures by scenario and an overarching recovery plan.



Memberships American Institute of Certified Public Accountants

Information Systems Audit and Control Association

Institute of Internal Auditors

Designation/Licensures Certified Public Accountant

Certified Common Security Framework Practitioner

ISO27001 Lead Auditor

#### Education Bachelor of Science, Business Administration – University of Nebraska

## Relevant CPE Courses for David Rowan

Course Title	Sponsor	Date	Total Credits
2020			
Internal Audit Summit	Eide Bailly LLP	08/27/2020	3.0
Internal Audit Summit	Eide Bailly LLP	08/13/2020	3.0
SOC Training	Eide Bailly LLP	08/12/2020	2.5
2019			
Risk Advisory Summit	Eide Bailly LLP	08/21/2019	6.5
Internal Audit Summit	Eide Bailly LLP	08/20/2019	8.5
Consulting Essentials Webinar 2019	Eide Bailly LLP	06/14/ 2019	1.0
Economic and Market Review – 2019 – CDT	Eide Bailly LLP	02/06/2019	1.0
Certified CSF Practitioner 1 <sup>st</sup> Annual Refresher	HITRUST	01/02/2019	4.0
2018			
Ambassador Program 2018: Specialty Services	Eide Bailly LLP	11/15/2018	1.0
Internal Audit Summit	Eide Bailly LLP	08/09/2018	9.0
SOC Training	Eide Bailly LLP	08/02/2018	9.0
2018 SOC for Service Organizations School	AICPA	06/29/2018	15
Economic and Market Review – 2018 January	Eide Bailly LLP	01/30/2018	1.0

## **ANDERS ERICKSON**, CISA, CISSP, CRISC Principal-in-Charge of Cybersecurity

**INSPIRATION:** Nobody wants to be up at night worrying about whether their data is protected. My goal is to help clients feel more confident in the security of their systems.

208.383.4731 | aerickson@eidebailly.com

Anders assists clients in establishing a culture of security within their organization. He leads organizations through the process of identifying their cybersecurity risks and brings practical solutions to help manage and mitigate those risks.

When you work with Anders, you can expect him to take time to understand the cybersecurity challenges your organization faces, provide solutions that are tailored to your environment, and ensure you understand how your organization is affected by its cybersecurity risks.

#### **Client Work**

Leads the Eide Bailly cybersecurity services team, helping clients understand their cybersecurity risks and creating a plan for remediating weaknesses and managing ongoing risks.

Plans and executes assessments of IT security practices, risks and controls against organizational, industry and government standards.

Leads evaluations of logical and physical security, continuous monitoring programs, business continuity plans, change management processes and system implementation.

Leads readiness assessments to prepare both public and private clients for future third-party attestations related to IT security management and computer network defense.

Managed the execution of IT controls and security assessments for federal government agencies, including Department of Defense (DoD), Department of Homeland Security (DHS) and the Intelligence Community (IC). Scope of reviews included financial management and reporting, service organization assessments and compliance with Federal Information Security Management Act (FISMA). Supervised audit remediation activities through the development of Corrective Action Planning (CAP) processes.



Memberships Information Systems Audit and Control Association

International Information Systems Security Certification Consortium

Designation/Licensures Certified Information System Security Professional

Certified in Risk and Information Systems Control

Certified Information Systems Auditor

Education Master of Information Systems Management – Brigham Young University, Provo, Utah

Community Boy Scouts of America

Relevant CPE Courses for Anders Erickson			
Course Title	Sponsor	Date	Total Credits
2020			
Trusted Advisor Series_3169	Eide Bailly LLP	5/28/2020	1.0
Trusted Advisor Series_3162	Eide Bailly LLP	5/21/2020	1.0
Trusted Advisor Series_3160	Eide Bailly LLP	5/14/2020	1.0
Cybersecurity Trends in 2020	Eide Bailly LLP	4/21/2020	1.0
The Importance of Planning in Light of COVID-19: A Panel	Eide Bailly	4/17/2020	1.0

## **INVESTMENTS TEAM**

### **TJ BERT**, CPA Partner-in-Charge of Energy Services

**INSPIRATION:** I believe superior client service is knowing and understanding your client's organization as well as their industry. In knowing that, I can provide the most accurate and up-to-date advice to help them succeed.

303.459.6778 | tbert@eidebailly.com

TJ began his public accounting career in 2000 and serves as the Partner-in-Charge of Energy Services. He specializes in working with oil and gas companies, specifically with exploration, production and oilfield services. He also works with the construction and real estate industries and assists developers, owners and operators, general contractors and private equity funds. In addition, TJ leads Eide Bailly's Colorado college recruiting efforts.

When working with TJ, clients can expect a partner that is involved in the audit working with his audit team on-site to address issues that arise in a timely manner. TJ also brings a depth of knowledge and experience in the industries he serves.

Aside from his professional life, TJ enjoys spending time in the great outdoors by camping, hiking, fishing, skiing or relaxing with a round of golf when time permits. He's passionate about mentoring kids, guiding them as they grow and learn. In order to spend more time with his own children, TJ coaches many of their sports teams, including soccer, basketball and baseball.

#### **Client Work**

Conducts SEC reporting and compliance standards for publicly traded companies.

Works with private equity funds including those that are considered registered investment advisors.

Has more than 20 years of experience with oil and gas exploration and production companies.



Memberships American Institute of Certified Public Accountants, Member

Colorado Society of Certified Public Accountants, Member

NAIOP - Commercial Real Estate Development Association, Colorado Chapter, Member

Council of Petroleum Accountants Societies, Inc., Colorado Chapter

Construction Financial Management Association, Member

Designation/Licensures Certified Public Accountant, Colorado (Certificate No. 21021)

Education Bachelor of Arts, Accounting and Finance – Fort Lewis College, Durango, Colo.

Community Denver Metro Chamber Leadership Foundation – Impact Denver Class of 2012, Leadership Denver Class of 2013

Board member of Friends First, a Colorado-based nonprofit organization that enables teens to make positive life choices

## Relevant CPE Courses for TJ Bert

Course Title	Sponsor	Date	Total Credits
2020			
SEC Training 2020	Eide Bailly LLP	11/19/2020	10.0
Live Training Session: ASN 2020	Eide Bailly LLP	11/13/2020	2.0
Construction & Real Estate Conference 2020	Eide Bailly LLP	10/27/2020	3.0
A&A Update 2020	Eide Bailly LLP	10/15/2020	8.0
Colorado Rules and Regulations	Accountant's Education Services / CPE4U Colorado	9/28/2020	2.0
ERISA Industry Update	Eide Bailly LLP	5/8/2020	3.0
ERISA Event- Eide Bailly & Innovest	Eide Bailly LLP	2/11/2020	2.5
2019			
AICPA Construction & Real Estate	AICPA	12/6/2019	15.0
SEC Training_2277	Eide Bailly LLP	11/19/2019	9.0
AICPA Oil & Gas Conference	AICPA	11/12/2019	6.0
Construction & Real Estate Conference	Eide Bailly	10/23/2019	10.0
Employee Benefit Plans Must - select Update	AICPA	8/15/2019	2.0
A&A Update 2019_1870	Eide Bailly LLP	6/27/2019	8.0
Partner Meeting Registration 2019 - Lisa Bode_2473	Eide Bailly LLP	6/20/2019	2.0
Partner Meeting 2019 - Salesforce Session_2472	Eide Bailly LLP	6/20/2019	2.0
Partner Meeting Registration 2019 - Audit_2477	Eide Bailly LLP	6/19/2019	2.0
COPAS Education Day	COPAS	5/21/2019	8.0
NAPAC Conerence	PDI	5/17/2019	9.0
ERISA Industry Update_2432	Eide Bailly LLP	5/13/2019	4.0
Mandatory EBPAQC Designated Partners 2019 Audit Planning	AICPA	4/22/2019	2.0
Employee Benefit Plan Audits Common Misconceptions and How to Address Them	AICPA	4/3/2019	2.0
SEC Training_1609	Eide Bailly LLP	1/8/2019	9.0
2018			
Young Partner Leadership Summit	Eide Bailly LLP	12/6/2018	8.0
AICPA/PDI Oil & Gas Conference	AICPA	11/13/2018	8.0
Colorado Education Day	COPAS	5/21/2018	8.0
North American Petroleum Accounting Conference	Professional Development Institute	5/18/2018	11.5
SEC Training	Eide Bailly LLP	1/9/2018	9.0

### THOMAS H. MADISON, CPA, CFA

Partner

**INSPIRATION:** Client service is providing practical, thorough, thoughtful solutions for my clients in a timely and responsive manner. The most rewarding part of my job is helping my clients succeed.

605.367.6726 | tmadison@eidebailly.com

Thomas has public accounting experience since 2001, providing services to industries including trust companies, nonprofit, foundations, construction, manufacturing, aggregates, and wholesale and retail companies. He provides public accounting services to more than 120 organizations.

Thomas helps the people he works with better understand their circumstances and organization. He often makes matters that are invisible to the decision makers visible, so they can make better decisions.

When Thomas is not counting beans, he is helping his dad and brother grow beans (and corn, oats and alfalfa) on the family farm where he grew up, so their dairy cows can have a balanced and nutritious diet. He also enjoys traveling with his family -- preferably to warm, tropical destinations.

#### **Client Work**

Advised a client to change the proposed structure of an acquisition, saving millions of dollars in taxes.

Assisted a client to better understand their costing so they could make better pricing decisions and move their business from break even to profitability.



Memberships American Institute of Certified Public Accountants

South Dakota Society of Certified Public Accountants

Chartered Financial Analyst Institute

Designation/Licensures Certified Public Accountant

Chartered Financial Analyst Charterholder

#### Education

Bachelor of Science, Accounting and Finance – Carlson School of Management, University of Minnesota, Minneapolis

#### Community

Ronald McDonald House Charities of South Dakota, Past President

Lamb Catholic Radio in Eastern South Dakota, Treasurer

## Relevant CPE Courses for Thomas H. Madison

Course Title	Sponsor	Date	Total Credits
2020			
PPP - Legislative Updates	Eide Bailly LLP	12/22/2020	1.0
A&A Update 2020	Eide Bailly LLP	11/20/2020	8.0
Manufacturing & Distribution Summit 2020	Eide Bailly LLP	11/16/2020	1.5
Live Training Session: ASN 2020	Eide Bailly LLP	11/13/2020	2.0
Manufacturing & Distribution Summit 2020	Eide Bailly LLP	11/9/2020	1.5
Manufacturing & Distribution Summit 2020	Eide Bailly LLP	11/2/2020	1.5
Construction & Real Estate Conference 2020	Eide Bailly LLP	10/28/2020	3.0
Construction & Real Estate Conference 2020	Eide Bailly LLP	10/27/2020	3.0
Assurance Partner - Internal Inspection and NAO Update	Eide Bailly LLP	10/23/2020	2.0
Intro to Kira	Eide Bailly LLP	10/8/2020	1.0
Technology in The Construction Industry	Siouxland Chapter CFMA	9/16/2020	3.0
2019			
Procrastination on Purpose and Understanding Medicare	Siouxland Chapter CFMA	12/4/2019	3.0
Yellow Book: Government Auditing Standards: Fieldwork and Reporting Standards for Performance Audits	AICPA	11/29/2019	1.5
Ethics, Integrity, and the AICPA Code of Professional Conduct (Expanded Version)	Becker Professional Education	11/27/2019	4.0
ASN - November 2019	Eide Bailly LLP	11/15/2019	1.5
Construction & Real Estate Conference	Eide Bailly	10/23/2019	11.0
A&A Update 2019	Eide Bailly LLP	10/11/2019	8.0
2018			
ASN - 2018 December	Eide Bailly LLP	12/14/2018	1.5
Tax Update 2018	Eide Bailly LLP	12/4/2018	8.0
ASN - 2018 October	Eide Bailly LLP	10/26/2018	1.5
A&A Update 2018	Eide Bailly LLP	10/19/2018	4.0
Nonprofit Breakfast Series: Keeping up with Accounting Changes – a Look at Accounting Standards Updates Most Impactful to Nonprofits, Including Two New Revenue Recognition Standards	Eide Bailly LLP	9/27/2018	1.0
TeamMate Analytics Overview for Partners and Sr. Managers	Eide Bailly LLP	9/20/2018	1.0
FMLA overview and success strategies for organizational change	Siouxland Chapter CFMA	9/19/2018	3.0
Nonprofit Breakfast Series: Are You Ready? Preparing for the Changes of the New Nonprofit Reporting Standards	Eide Bailly LLP	9/6/2018	1.0
Change Management with MindBridge Ai	Eide Bailly LLP	8/29/2018	17.0
2018 Partner Meeting: Keynote – Innovation and the Client Experience	Eide Bailly LLP	6/20/2018	1.5

### **CHAD M. FLANAGAN**, CPA, ABV Partner-in-Charge of Business Valuation

**INSPIRATION:** It's very rewarding for me to work with clients and assist them with the complex progression of their most important asset-their business. We have a great team at Eide Bailly, and we strive to help our clients successfully advance through the various business steps, making sure their goals are met.

701.239.8587 | cflanagan@eidebailly.com

Chad specializes in valuing intangible assets, including technology, patents and contractual agreements, as well as countless business valuation services for estate and gift tax purposes, litigation, and purchasing and selling businesses. To share his expertise, Chad has presented for the Business Law Institute in Minnesota, Enterprise Minnesota, Red River Estate Planning Council and various other organizations.

When working with Chad, clients can expect an advisor that will help them through various stages of their business. Not only does he play an integral part in the early stages to understand value and proper capitalization, he stands by businesses as they mature, increasing value and developing strategies for growth and risk management.

When he's not working, Chad utilizes his business and accounting background to help nonprofit organizations, such as churches, schools and hockey organizations. In his free time, Chad enjoys a pickup game of basketball or a relaxing round of golf on a summer day.

#### **Client Work**

Performs financial projections and forecasts and strategic planning for a variety of clients, including professional service companies, manufacturers, distribution companies, equipment dealers and health care providers.

Work with clients to facilitate a succession plan to family, employees or third parties.

Prepares financial models for strategic growth.



Memberships American Institute of Certified Public Accountants

North Dakota Society of Certified Public Accountants

Institute of Business Appraisers

Red River Valley Estate Planning Council

Healthcare Financial Management Association

Designation/Licensures Certified Public Accountant

Accredited in Business Valuation

Education Bachelor of Business Administration – University of North Dakota, Fargo

Community American Heart Association

Fueling Our Future (Collaborative Initiative of The Fargo Moorhead West Fargo Chamber of Commerce and the Greater Fargo Moorhead Economic Development Corporation), Governance Board

The Fargo Moorhead West Fargo Chamber of Commerce, Board of Directors

St. Anne & Joachim Finance Council

## Relevant CPE Courses for Chad Flannagan

Course Title	Sponsor	Date	Total Credits
2020			
WPS Series - Teaching & Prep	Eide Bailly LLP	12/2/2020	16.0
Forensic & Valuation Services Conference 2020	Eide Bailly LLP	11/11/2020	17.5
American Business Appraisers & BVR Annual Key Issues Update	Eide Bailly LLP	10/29/2020	4.0
Family Matters: Standard of Value, DLOM/DLOC Discounts and Drama in BV	Eide Bailly LLP	10/28/2020	2.0
Control Discounts and Premiums - What is Old and What is New	Eide Bailly LLP	10/15/2020	2.0
Valuing Micro and Small Businesses in the Shadows of COVID- 19	Eide Bailly LLP	10/14/2020	2.0
Valuation of Inventory: Taking Stock of the Guidance	Eide Bailly LLP	10/8/2020	2.0
VPS Business Valuation StraightTalk Webinar Hardball with Hitchner, Fishman, and Gallagher - They Tackle the Tough Questions on Business Valuation Issues	Valuation Products & Services LLC	2/25/2020	2.0
2019			
Ethics, Integrity, and the AICPA Code of Professional Conduct (Expanded Version)	Becker Professional Education	11/2/2019	4.0
Eide Bailly Bank Forum 2019	Eide Bailly LLP	10/24/2019	2.0
Wealth Planning Summit - Business Valuation Track	Eide Bailly LLP	7/24/2019	12.0
Wealth Planning Summit - Combined session	Eide Bailly LLP	7/22/2019	4.0
Partner Meeting Registration 2019	Eide Bailly LLP	6/20/2019	2.0
Partner Meeting 2019 - Salesforce Session	Eide Bailly LLP	6/20/2019	2.0
Partner Meeting Registration 2019	Eide Bailly LLP	6/19/2019	2.0
2018			
High Impact Presentation	Eide Bailly LLP	10/11/2018	18.0
S Corp Valuations and the Tax Cuts and Jobs Act Including New Detailed S Corp Case Study	Valuation Products & Services LLC	8/14/2018	2.0
Wealth Planning Summit - Business Valuation Trac	Eide Bailly LLP	7/25/2018	12.0

## Appendix C — Sample Insurance Certificates

**Redacted as Confidential Information** 

## Appendix D — EEO and Sexual Harassment Policies

**Redacted as Confidential Information** 

## Appendix E — Sample Reports

## Redacted as Confidential Information



Caring for our external and internal clients with a passion to go the extra mile.

Respecting our peers and their individual contributions.

Conducting ourselves with the highest level of integrity at all times.

Trusting and supporting one another.

Being accountable for the overall success of the firm, not just individual or office success.

Stretching ourselves to be innovative and creative, while managing the related risks.

Recognizing the importance of maintaining a balance between work and home life.

Promoting positive working relationships.

And, most of all, enjoying our jobs ... and having fun!



What inspires you, inspires us. eidebailly.com

## ATTACHMENT D

# KPMG LLP AUDITING AND CONSULTING SERVICES



Proposal to serve The Los Angeles County Employees Retirement Association (LACERA)

Request for proposal: Auditing and Consulting Services Pool

Submitted by: KPMG LLP

February 01, 2021

kpmg.com



**KPMG LLP** 550 South Hope St. Suite 1500, Los Angeles, CA, 90071-1568 Tel +1-213-972-4000 Fax +1-213-622-1217 kpmg.com

## Exhibit F – Proposal cover page and check list

#### Respondent Name: KPMG LLP

Respondent Address: 550 South Hope St. Suite 1500, Los Angeles, CA, 90071-1568

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.

**Response:** Please refer to Section 03, 04 and 05 of the proposal for further details.

2. Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of work.

Response: We have responded all questions in very clear and precise.

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.

**Response:** Please refer to Section 11 of the proposal document for further details.

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.

Response: Yes, except as further explained in the submitted proposal in Section 09

5. Materials contained in proposals and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the Act.

Response: Yes, except as further explained in the submitted proposal in Section 12

- Respondent is not currently under investigation by any state of federal regulatory agency for any reason.
   Response: Yes, except as further explained in the submitted proposal in Section 09 and Section 10
- 7. The signatory below is authorized to bind the respondent contractually.

Response: Yes



KPMG LLP 550 South Hope St. Suite 1500, Los Angeles, CA, 90071-1568 Tel +1-213-972-4000 Fax +1-213-622-1217 kpmg.com

## 1. Cover letter

February 01, 2021

Los Angeles County Employees Retirement Association ATTN: Kathryn Ton Senior Internal Auditor, LACERA Gateway Plaza 300 North Lake Avenue, Suite 840 Pasadena, CA 91101-4199

#### Re: Request for Proposal Auditing and Consulting Services Pool

#### Dear Ms. Ton,

On behalf of KPMG, we are pleased to present our qualifications to provide Internal Auditing and Consulting Services Pool to Los Angeles County Employee Retirement Association (LACERA). To accomplish these imperatives, you need a service provider who can immediately provide the right functional and operational skill sets. Our objective in this proposal is to clearly articulate why KPMG, and more specifically our proposed engagement team. We believe we offer LACERA great value and are suited to serve your needs.

We look forward to continuing to build our long lasting professional relationship with LACERA, and believe that you would benefit from a professional service provider that can bring a thoughtful, client-first perspective, and an engaged responsiveness to your varied needs.

#### We understand your objectives

KPMG understands that LACERA may need assistance in internal audit, co-source, consulting services and training. We understand that our duties under each of these are as follows:

- Internal Audit: We will perform internal audit work in accordance with Professional Standards of the American Institute of Certified Public Accountants (AICPA) and Institute of Internal Auditors (IIA).
- Co-source: We will provide on-site assistance to LACERA' Audit Services staff in the performance of audits in accordance with the AICPA Advisory standards. The assistance provided will result in "knowledge transfer" to LACERA audit staff to help enable them to conduct these audits independently in the future.
- Consulting: We may be asked to assist LACERA management within identified business areas to utilize our industry knowledge and experience to propose innovative recommendations, assist in training and development, or provide technical assistance and to review and comment on internal audit plans, internal audit programs, and testing plans and assist in evaluating and analyzing data.
- Training: We may be asked to develop course material for the area(s) specified by LACERA management and/or
  provide training (continuing professional education) to Audit Services staff.

KPMG also understands that the types of engagements will vary and may include any of the following:

- Organizational activities: Assist LACERA in auditing and reviewing all aspects of LACERA's business, including compliance, operational, financial, and business continuity reviews, and providing research and technical assistance for identifying and evaluating the effectiveness of internal controls encompassing LACERA, its business, governance, and operations
- Information technology: Assist LACERA in reviewing and analyzing information technology and information security-related activities in accordance with applicable auditing standards.
- Investments: Assist LACERA in reviewing and analyzing investment-related activities in accordance with applicable auditing standards.

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KPMG LLP 550 South Hope St. Suite 1500, Los Angeles, CA, 90071-1568 Tel +1-213-972-4000 Fax +1-213-622-1217 kpmg.com

## 1. Cover letter (cont'd)

Among the specific advantages that KPMG offers LACERA with this initiative are:

- KPMG is demonstrating its commitment to LACERA by assembling a dedicated team of highly experienced partners and professionals. Led by Debbie Biddle-Castillo, the team can apply their wealth of audit knowledge to provide the right perspectives and insights for LACERA; conducting high-quality audits and consulting services focused on your risks and issues. We will have a consistent core team of professionals that know you, know your industry, and can deploy immediately to meet your needs, who are supported by subject matter professionals (SMPs) from our Investments and IT Advisory practices. We will thoughtfully utilize our pool of subject-matter professionals that span the corporate and pension value chain to support our Audit activities, as necessary.
- Our approach is based on a structured, yet flexible methodology which can be tailored to help maximize the impact and value to LACERA. Our approach will merge KPMG leading practice Internal Audit Methodology that includes monitoring, remediation testing and reporting for identified audit issues. By utilizing both methodologies, we will bring not only the IIA's IPPF standards, but also KPMG leading Internal Audit practices.
- For close to 100 years, KPMG's state and local government practice has assisted a wide variety of public sector clients, including federal agencies, states, cities, counties, school districts, public hospitals, airports, and transit authorities, among other institutions. Today, our Public Sector practice serves more than 2,300 clients throughout the country, including the audits of nearly two thirds of the nation's "billion dollar" governments that are audited by an independent audit firm more than any other professional services firm.
- We know that project success requires regular, open, and forthright dialogue with you. Our approach to this project will be characterized by close collaboration and continuous communication. To this end, we will schedule periodic update meetings and will be in regular contact with the designated project sponsor and Internal Audit management to help ensure that there are no surprises and that you are kept fully informed of our progress.
- We recognize that cultural fit is a critical ingredient in teaming together. Our strategy to provide our clients with a great client experience includes listening and understanding your needs, a relentless focus on quality and excellent service, seamless collaboration, passionate focus on our clients, and valuable insights and innovative ideas. These strategies along with our core values define who we want to be as a firm.

Understanding your needs and expectations is essential to our ability to deliver an unmatched client experience. Our approach to this project is designed to be focused, impactful, and tailored to LACERA. As you will see in the proposal details below, this document summarizes our approach for this project, and the experience that each team member brings passionate focus on our clients, and valuable insights and innovative ideas. These strategies along with our core values define who we want to be as a firm.

We appreciate this opportunity to present our proposal and look forward to working with you on this important initiative.

Please Note: Our submittal is firm for a period of at least one-hundred twenty (120) days. We welcome the opportunity to discuss our qualifications with you further during an oral presentation.

We are excited about this opportunity to serve you. Please contact me at 310-977-4853 or dlbiddle@kpmg.com with any questions. If there are any elements of this response that are not in alignment with your expectations, we will clarify and revise.

Very truly yours,

delle Pastllo

Deborah Biddle-Castillo Managing Director KPMG LLP

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# Organization and key personnel

## 3. Organization and key personnel

## a) Describe your organizational structure giving specific details about your parent, any affiliated companies, or joint ventures.

KPMG LLP is the U.S. firm of the KPMG global organization of independent professional services firms providing Audit, Tax and Advisory services. The KPMG global organization operates in 146 countries and territories and has more than 226,000 people working in member firms around the world.

KPMG LLP traces our origin back to 1897 and since 1994 have been a limited liability partnership registered in the state of Delaware. With more than 40,000 people, including more than 2,300 partners, we are a leader among professional services firms. We provide services from over 100 offices serving clients in all 50 states.

#### Chair & CEO Deputy Chair and COO $\mathbf{0}\mathbf{0}\mathbf{0}$ **Board of Directors** Paul Knopp Laura M. Newinski Management Committee Vice Chair -Vice Chair -Vice Chair -Human Resources Advisory Tax Darren H. Burton Carl S. Carande Greg Engel Vice Chair -Vice Chair -Vice Chair -Audit Growth & Strategy **Risk Management** Lisa Madden Scott Flynn Tandra Jackson Vice Chair and General Vice Chair -Vice Chair -Counsel-Legal – Regulatory Culture Operations and Compliance Will Williams **Claudia Saran** Tonya Robinson

KPMG LLP (U.S.) organizational chart

Our high performing people mobilize around our clients, using our experience and insight to deliver informed perspectives and clear solutions that our clients and stakeholders' value. Our client focus, commitment to excellence, global mindset, and consistent delivery build trusted relationships that are at the core of our business and reputation.



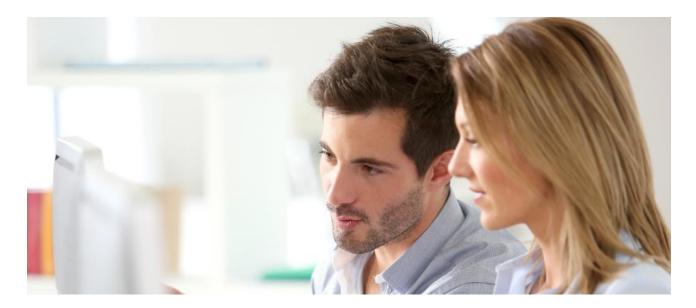
## b) Identify the locations of the headquarters and branch office(s) that will be providing services under this LACERA contract.

Location detail	
Headquarter address	KPMG LLP 345 Park Avenue, New York, NY 10154-0102, Tel: +1-212-758-9700
Servicing Office address	KPMG LLP 550 South Hope St. Suite 1500 Los Angeles, CA, 90071-1568 Tel: +1-213-972-4000, Fax: +1-213-622-1217

## c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services.

Since 1997, KPMG Risk Advisory Solutions practice leverages the right complement of Actuarial, Compliance, Enterprise Risk Management (ERM), Forensic, Governance, Risk & Compliance (GRC), Internal Audit, and Information Technology (IT) Audit professionals to deliver a host of technology-enabled risk and compliance services to more than 2,700 U.S. clients. Depending on client needs, any one of these services may take the "lead role" on an engagement, while the team draws on the bench strength of all Risk Advisory Solutions professionals to place subject-matter resources where and when they are needed most.

We help clients establish or improve governance, risk, and compliance functions across an organization's Internal Audit, IT Audit Risk Management, Regulatory, and Compliance functions. We also support organizations' fraud and third-party risk management functions and perform due diligence, investigations, ediscovery and forensic data analysis, help establish or monitor anti-fraud and corruption programs, and monitor or advise on disputes.





#### **Cross-Functional**

- Conflict Minerals - Client Onboarding

#### — Conduct and Culture

Forensic

— Data & Analytics Strategy

Anti-Bribery and Corruption Services

Corporate Intelligence and Integrity

eDiscovery/Enterprise Discovery

- Healthcare Fraud Waste and Abuse

Third-Party Risk Management

Anti-Money Laundering

Crisis Management

- Dispute Advisory Services

Financial Reporting Fraud

Forensic Data Analysis Fraud Risk Management

Due Diligence

Management

Investigations

Enhanced Prudential Standards (EPS)

Practice

Operations and Compliance Risk

Banking Safety and Soundness Strategy &

Mortgage and Consumer Lending (MCL)

Capital Markets Regulatory Services

- KPMG LINK Partner Track

#### ERM, Internal and IT Audit and SOX

- Continuous Auditing/Continuous Monitoring and
- Data & Analytics-enabled Internal Audit Enterprise Risk Management – Implementation and Maturity
- Governance, Risk and Compliance
- Internal Audit Strategic Sourcing
- IT Internal Audit
- IT Risk Assessments
- Sarbanes-Oxley Assistance Services

#### **Risk Analytics**

- Actuarial Services Commodity and
- Energy Risk Management - Insurance Risk
- Model Risk
- Management

GRC

Model Validation Services

— Facts 2 Value

Services

GRC Technology

#### Cybersecurity

#### **Emerging Technology Risk**

#### **Investment Audit Services**

- Due Diligence Gap Analysis Services
- Alternative Investment Benchmarking Services
- Valuation Policy and Process Review
- Investment Monitoring Services

#### Major Projects Advisory

- Contract Compliance Services
- Major Projects Advisory
- Sustainability Services



#### **Risk Advisory Solutions**

- 2,910 U.S. Risk Advisory professionals
- 2,063 North American entities to which we provide actuarial, compliance, ERM, forensic, IA and IT audit, and SOX services

#### IA and IT Audit, ERM, GRC, SOX

- 2,700 U.S. internal and IT audit, ERM, GRC and SOX
- Internal Audit, Risk and Compliance services to more than 900 U.S. clients, of which 247 are Fortune 1000 companies or private/government equivalents in size.



- **Innovation and Enterprise Solutions**
- Corporates with Start-ups

Strategy & Governance

## c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services. (cont'd)

#### Internal Audit (IA) capabilities and experience

KPMG has been performing audits (compliance, performance operational, financial, investigative audits/reviews, and business continuity reviews), co-source audits and/or providing research and evaluating the effectiveness of internal controls, business, governance and operations to its clients since its inception.

As a testament to our commitment and dedication to Internal Audit, in 1997 (23+ years), KPMG made IA Services a priority service line with a global footprint of dedicated professionals. Our client focus, commitment to excellence, global mind-set, and consistent delivery build trusted professional relationships that are at the core of our business and reputation. Our firm has established rigorous standards against which performance is measured to help determine that quality drives everything we do.

KPMG is a leading IA strategic sourcing provider to Fortune 1000, Global 500, and equivalent private/government entities. Our IA practice is comprised of financial, operational, compliance, technology, and Enterprise Risk Management (ERM) professionals, many of whom have worked in corporate Internal Audit or related industry positions.

Our goal is to assist internal audit risk management and compliance functions achieve their defined missions and/or value propositions by leveraging the knowledge, experience, tools and methodologies of our internal audit practice as well as the various subject matter professionals from our other Advisory professionals. KPMG makes significant investments in a variety of professional and trade associations such as the Institute of Internal Auditors (IIA), American Institute of Certified Public Accountants (AICPA), State Societies of CPAs, Information Systems Audit and Control Association (ISACA), and the Association of Certified Fraud Examiners.

We pride ourselves not only on the strength of our IA practice, but in our 'One Firm' philosophy, which promotes a culture of collaboration across service areas to bring our clients excellent skills, experience and knowledge for the challenges they face. Our purpose is to turn knowledge into value for the benefit of our clients, our people, and the capital markets. KPMG aligns business strategy, enhances service delivery, improves technology, and uses D&A proactively to help organizations run better.





#### Internal Audit services practice

#### **Big Four**

KPMG is a leading provider of internal audit & enterprise risk services to market leaders worldwide



#### **84 countries**

KPMG internal audit, IT audit, and risk and compliance professionals are present in 84 countries worldwide.

#### Clients

We deliver these services to more than 2,200 clients worldwide.

#### **Professionals**

We have 12,000+ internal audit and IT audit professionals operating worldwide and 2,200+ in the U.S.



#### **Key services**

- IA Strategic Sourcing, including Data Analytics-Enabled IA
- Internal Controls Over Financial Reporting
- Risk-Based Strategic services
- Enterprise Risk Management and Governance, Risk and Compliance
- Contract Compliance services
- Regulatory Compliance
- Sustainability.

Internal Audit and Enterprise Risk (IAER) services to more than **900** U.S. clients, of which **247** are Fortune 1000 companies or private/government equivalents in size.

Internal Audit Outsourcing or Co-Sourcing services to **363** clients, **154** of which are on the Fortune 1000 or are private or government equivalents in size.







#### Our Information technology capabilities and experience

Our dedicated IT Internal Audit professionals are embedded in our internal audit teams. They are engaged throughout all components and phases of the audit, from strategic analysis to risk assessment to plan development to reporting. They serve a critical role by helping the audit teams and our clients understand IT risks and the impact they can have on the business. We believe that an integrated team provides good insight into the audit subject and an efficient approach.

With lessons learned from delivering IT Audit engagements and assisting organizations both in state and local government and commercial sector, our IT internal audit professionals have the experience necessary to perform IT risk assessments, implement and test IT controls and provide consulting services.

Our IT internal audit professionals have earned a wide range of relevant certifications including CPA, CIA, CISA, CISSP, CFE, and Six Sigma. The majority of our management group has at least five years of internal audit experience. Our IT auditors include individuals with degrees in information systems, accounting, computer science, and engineering; former technology consultants and system integrators; and former IT engineers or IT internal auditors from large non-Big-Four corporations.

The complexities supporting technologies of today's business environment require an IT audit function to deploy professionals who are deeply experienced in specific areas (such as project management, business continuity, IT governance, and network security). Given the diverse nature of IT, and the importance of depth-of-knowledge when performing IT audits, we have established proprietary methodologies that provide broad coverage over IT.

#### KPMG IT IA by the numbers:

- IT internal audit services to 500+ organizations in North America and hundreds more globally
- 12,000+ IT internal audit professionals globally
- 15,000+ cybersecurity professionals globally.
- 1,600+ IT internal audit professionals in the US

#### People

- Competency frameworks
- Required IT IA & SOX trainings
- IT IA and Cyber Academy Programs
- Incentives for Certification
- Experienced hire recruiting
- Industry communities

#### Solutions

- IT Audit centers of excellence (COE)
- Innovation centers
- As-A-Service (e.g., SOX, Identity Management, User Certification, etc.)
- Knowledge management and collaboration platform

#### Technology

- Proprietary KPMG Intelligent
   Platform for Automation
- KPMG OnDemand Workflow
- Strategic Alliances
   (For example: Oracle, Archer, ServiceNow, Workiva)





#### Investment management capabilities and experience

For decades, KPMG Investments practice has been composed of audit, tax, and advisory professionals with deep industry experience across the broad range of alternative investment funds, including hedge funds, private equity funds, Infrastructure funds, real estate funds, and fund of funds. Throughout the life cycle of the fund, from formation and capital accumulation to realization and exit, KPMG investment funds professionals have the experience to help you deal with the issues and challenges that impact your business.

KPMG Investments practice is an integral part of the firm's Financial Services (FS) line of business. The FS line of business serves more than 20,000 organizations worldwide. KPMG depth of experience in auditing State and Local Government entities that invest in these types of portfolios has resulted in clear guidance being provided on a national basis to assist in performing the audit of these investments. Many of the organizations we serve have significant investment portfolios.

KPMG Investments practice is composed of more than 1,990 professionals including 268 partners with deep industry experience across the broad range of investment funds, including hedge funds, private equity funds, Infrastructure funds, real estate funds, and fund of funds.

#### Our professionals, your resources

KPMG Investment Management practice comprises professionals with deep industry knowledge and, through a global network of member firms, the ability to serve many of the world's leading markets for investment management. The combination of global reach, deep investment management industry knowledge and experience, and a cultural commitment to providing outstanding client service makes KPMG the right team to serve your investment management business.

KPMG Investment Management practice is highly qualified to serve the investment management and investment product industry. Our professionals:

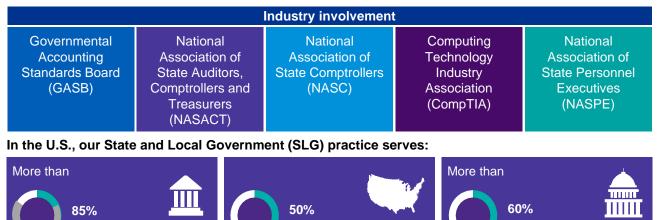
- Focus on the issues that confront investment and fund operations on a daily basis and offer our clients the benefit of experience and valuable lessons learned
- Serve leading asset management organizations and their service providers
- Are industry-recognized leaders experienced in assisting clients with their compliance and interaction with regulatory bodies such as the U.S. Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), U.S. Commodities Futures Trading Commission (CFTC), Cayman Islands Monetary Authority (CIMA), Internal Revenue Service (IRS) and other jurisdictional tax authorities, and the Financial Services Authority (FSA), among others
- Provide advisory, audit, and/or tax services to approximately 80 percent of the top investment management organizations.

KPMG Investments practice is composed of more than 1,990 professionals including 268 partners with deep industry experience across the broad range of investment funds, including hedge funds, private equity funds, Infrastructure funds, real estate funds, and fund of funds.



## c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services. (cont'd)

Our professionals have experience in providing various services to government entities such as regulatory compliance reviews, business and regulatory compliance process analysis, performance audits, internal audit services, independent verification and validation, and quality assurance services. We are proud to support a diverse range of organizations throughout the public sector. Our industry leaders have set the standards for government accounting and auditing. Today, as for the past 30 years, our leading technical partners are advising the standard-setter – the Government Accounting Standards Board – and chairing the key committees of the AICPA and Government Accountability Office. Active in government accounting and auditing trade associations such as the National Association of State Auditors, Comptrollers and Treasurers, Association of Government Accountants; and Government Finance Officers Association, our government sector partners are sought out as thought leaders and are frequently invited to be speakers on accounting and auditing topics. Additionally, KPMG audits over one-third of all A-133 funding to billion-dollar governments, more than the other three Big Four firms combined, and is virtually even with all other non-Big Four firms combined. Our government industry leaders have set the standards for government accounting and auditing. The firm's leadership role in the evolution of government auditing includes the single audit.



#### **KPMG** experience with retirement systems

of state governments

KPMG's experience with pension processes and systems is particularly focused on the public retirement sector, providing a variety of audit, tax, and advisory services such as Independent Verification and Validation (IV&V), PMQA, Selection Assistance, Cloud Implementations, and Data Quality Management. Public retirement systems have a unique combination of attributes that significantly influence the implementation of a new information technology solution. KPMG has served over 50 public retirement systems across around 27 states.

of the largest 40 counties

KPMG chooses to invest heavily in services such as IV&V, quality assurance, and project management. Our proprietary IV&V methodology has been tailored and utilized on numerous Agile and Hybrid Agile projects. The methodology is a combination of knowledge, approaches, and tools developed and continuously updated by our professionals across the globe. Our approaches are structured, industry standards-based, repeatable, and based on our extensive practical research regarding the practices that are known to be effective in successful technology transformation efforts.



of the largest 35 cities

Representative list of state and local government advisory clients

Please refer to "LACERA\_ Auditing and Consulting Services" full version proposal for detail.

Southern California Local and State Government Clients

Please refer to "LACERA\_ Auditing and Consulting Services" full version proposal for detail.



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.

KPMG LLP maintains a comprehensive professional liability insurance program that provides coverage limits that equal or exceed those of other major professional services firms. The policies provide coverage that is underwritten with various insurers, which include both a captive and commercial insurance and/or reinsurance companies.

Please refer to "LACERA\_ Auditing and Consulting Services" full version proposal for detail.





# Qualifications and experience

## 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.

The strength of the firm that serves you is only as good as the team of people who deliver these services. Our commitment to LACERA is demonstrated by the strength of the team we have selected to serve you. The professionals on this engagement to serve LACERA have been chosen based on their IA and IT experience, as well as their integrity, industry experience, project management skills, and commitment to open, ongoing communication. As your central point of contact from an account perspective, your Lead Engagement Managing Director, **Deborah Biddle-Castillo**, will be supported by directors, senior managers, and subject-matter professionals who understand and practice our rigorous quality standards. Our professionals strive to "get it right the first time."

We will carefully staff all audit projects with professionals selected for their relevant technical qualifications and track record in helping clients meet a variety of challenges like LACERA's. The team's strong credentials, business minded approach, and commitment to quality service delivery and open communication will help enable us to confirm that issues are dealt with promptly and in an open and transparent manner. We have provided the detail resumes of our core team in Appendix A.

Team member	Background, IA and relevant experience
Deborah Biddle- Castillo Lead Managing Director	Debbie will be the lead managing director responsible for this project. In this role, she will oversee the activities and participate with the team throughout the engagement. Debbie is a managing director in KPMG's Advisory Services practice with 16 years of internal controls experience, including operational, strategic, financial, IT and compliance audits in both the USA and the UK. Debbie currently serves as the Head of Internal Audit for seven companies, including 3 Real Estate Investment Trusts, where she is responsible for all activities of the Internal Audit department from policy and procedure development, annual risk assessment through to execution and recommendation follow-up across a variety of operational, strategic and financial subject areas. Debbie is a collaborative, thoughtful and insightful internal controls specialist, with a breadth of industry experience, who prides herself on an open and proactive communication approach.
Bindiya Khurana Managing Director, IT	Bindiya is a managing director with KPMG Los Angeles advisory practice with more than 17 years of experience in technology auditing and consulting. She has strong background in managing large scale technology led business transformations and leading IT testwork for global ICOFR integrated audits to support both external and internal audit clients. She has over a decade of experience serving clients in the public sector including many agencies at the City and County of Los Angeles. She is KPMG's government industry leader for the Los Angeles office.



## 4. Qualifications and experience (cont'd)



Team member	Background, IA and relevant experience
Bindiya Khurana (cont'd) Managing Director, IT	She has substantial experience in implementation, program management and quality assurance of large-scale technology implementations (SAP, Oracle, and other core business systems). She also leads IT audit and attestation engagements for large global integrated audits of clients running large ERPs, specifically SAP, Oracle and Mainframe.
Sami Salam Engagement Director	Sami will be the lead engagement director on the project. Sami will be responsible for day-to-day activities, staff oversight, communication and deliverables. Sami is a director in KPMG's Advisory Services practice, with over 15 years of internal audit, risk management and project management experience. She has a strong background in performing internal audit, and information technology reviews to help mitigate operational, financial, and technology risks through remediation and risk mitigate processes for public and private sector clients. In addition to internal audit and technology risk experience, Sami has experience in system implementations, segregation of duties program development, and shared services. Sami is the Southwest Internal Audit Data Analytics lead.
John Books Director, IT	John will be responsible for day-to-day activities, staff oversight, communication and deliverables with specific to IT focus areas. John is a Director in KPMG's Technology Assurance practice with more than 18 years of audit and advisory experience servicing both public and private companies within the local government, financial, real estate, manufacturing, retail and technology industries. His extensive experience includes internal audit support as well as internal control over financial reporting (ICOFR) audit services, Sarbanes Oxley (SOX) 404 advisory, ERP pre- and post-go-live implementation assessments (SAP, Oracle, Lawson, and Great Plains), control efficiency improvement, optimization, IT and business operational risk assessments, data analytics, continuous monitoring, internal quality control reviews and external regulatory reviews.
Art Rubio Senior Manager, Investment	Art will be responsible for day-to-day activities, staff oversight, communication and deliverables specific to Investment focus areas. Art is a senior manager in KPMG's Los Angeles Investment Management, Real Estate and Pension and Savings Plan practices. He has more than 11 years of experience providing financial statement audit and audit of internal control services. Art has provided professional audit services to several large multinational groups in accordance with PCAOB requirements, U.S. GAAP, and IFRS. His audit experience ranges from SEC filings, private hedge and real estate fund financial statements to pension and savings plans audits.



## 4. Qualifications and experience (cont'd)

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 reviewsor consulting reviews performed. Provide an example of an audit report similar to the services requested in this RFP.

It is important that you feel comfortable when selecting a service provider – one that understands your objectives and will strive to meet and exceed your expectations. Satisfied clients are the strongest endorsement of the technical skills and high-quality service we strive to deliver. We believe that we have an outstanding group of relevant representative clients that can confirm our **local industry presence** and knowledge, as well as our high degree of commitment to client service. We are a large firm and have many projects across the nation, as such it is not possible for us to provide a complete schedule of all services provided in the last five years. Below are examples of local IA, ITIA and Investment clients.

Please refer to "LACERA\_ Auditing and Consulting Services" full version proposal for detail.





# Assigned professionals

### 5. Assigned professionals

Committed to your success, our KPMG engagement team is closely aligned with LACERA's SOX requirements and reflects the technical capability and understanding of your business. The professionals who will serve you represent a true teaming approach — a convergence of business unit, regional, and technology leaders, supported by subject-matter and local country professionals, who are engaged only when necessary.





partner

Offshore – KPMG Global Services (KGS)

Cybersecurity

Joey Gyengo SMP – Enterprise Risk Management

22

Auditor

#### Brief biographies and roles of your team members

Team member	Background and relevant experience
Debbie Biddle- Castillo Lead Managing Director	<ul> <li>Debbie will be the lead managing director responsible for this project. In this role, she will oversee the activities and participate with the team throughout the engagement.</li> <li>She is a managing director in KPMG Advisory Services practice with 16 years of internal controls experience, including operational, strategic, financial, IT and compliance audits in both the USA and the UK.</li> <li>She is a collaborative, thoughtful and insightful internal controls specialist, with a breadth of industry experience, who prides herself on an open and proactive communication approach.</li> </ul>
Bindiya Khurana Managing Director, IT	<ul> <li>Bindiya is a managing director with KPMG Los Angeles advisory practice with more than 17 years of experience in technology auditing and consulting.</li> <li>Bindiya has substantial experience leading and coordinating IT audit and advisory engagements. She has also led advisory services for cybersecurity, IT risk assessments, and quality assurance/IV&amp;V services over new system implementations (ERP, HCM, Cloud, etc.)</li> <li>Bindiya is our local government industry leader in Los Angeles and has been serving City and County of Los Angeles for past decade.</li> <li>She has served as an IT partner with responsibility for planning, budgeting, execution, and delivery of software implementation; IT project assessments; yellow book audits, J-SOX and Sarbanes-Oxley 404 testing of IT systems; and controls risk assessments and recommendations.</li> </ul>
Sami Salam Director	<ul> <li>Sami will be the lead engagement director on the project. Sami will be responsible for day-to-day activities, staff oversight, communication and deliverables.</li> <li>She is a director in KPMG Advisory Services practice, with over 20 years of management advisory experience. She has a strong background in performing internal audit, business process, and information technology reviews to help mitigate operational, financial, and technology risks for public and private sector clients. In addition to internal audit and technology risk experience, Sami has experience in system implementations, segregation of duties program development, and shared services.</li> <li>Sami is a national data analytics champion and the director of the region's data analytics group.</li> </ul>
John Brooks Director, IT	<ul> <li>John is a Director in KPMG's Technology Assurance practice with more than 18 years of audit and advisory experience servicing both public and private companies within the local government, financial, real estate, manufacturing, retail and technology industries</li> <li>He has extensive experience in internal audit support as well as internal control over financial reporting (ICOFR) audit services, Sarbanes Oxley (SOX) 404 advisory, ERP pre- and post-go-live implementation assessments (SAP, Oracle, Lawson, and Great Plains), control efficiency improvement, IT and business operational risk assessments, data analytics, continuous monitoring, internal quality control reviews and external regulatory reviews (e.g., OCC, PCAOB and FRB).</li> </ul>



Team member	Background and relevant experience
Art Rubio Senior Manager, Investment	<ul> <li>Art is a senior manager in KPMG's Los Angeles Investment Management, Real Estate and Pension and Savings Plan practices. He has more than 11 years of experience providing financial statement audit and audit of internal control services.</li> <li>He has provided professional audit services to several large multinational groups in accordance with PCAOB requirements, U.S. GAAP, and IFRS. His audit experience ranges from SEC filings, private hedge and real estate fund financial statements to pension and savings plans audits.</li> </ul>
<b>Kim Pham</b> Manager, IA	<ul> <li>Art is a senior manager in KPMG's Los Angeles Investment Management, Real Kim Pham is a manager with KPMG's Internal Audit (IA) and Enterprise Risk practice.</li> <li>She has been with KPMG since 2014 and her experience includes Sarbanes-Oxley 404 readiness implementation and compliance, internal audit, regulatory compliance, and business process advisory primarily for financial services, technology and healthcare clients. She has managed and led co-sourced and outsourced internal audit functions and has led team in controls documentation and testing.</li> </ul>
<b>Omar Rahman</b> Manager, IT	<ul> <li>Omar is a manager in KPMG Risk Consulting practice. He has over seven years' professional experience.</li> <li>He specializes in manual/automated business process analysis, control testing, Corrective Action Plan development to validation, and internal/SOX review engagements.</li> <li>Omar has strong experience serving the public sector and has served multiple federal departments.</li> </ul>
Jeanmarie Burdi Senior Associate	— Jeanmarie Burdi is a Senior Associate in San Diego's Internal Audit and Enterprise Risk practice. She has two years of public accounting experience and over two and a half years in DoD/federally contracted financial improvement and audit remediation work. Jeanmarie has worked in various industries including: Aerospace and Defense Contracting, Financial Services, and the Federal Government.
Carlos Godinez Senior Associate	<ul> <li>Carlos is a senior associate in KPMG's Los Angeles Asset Management practice. He has more than 4 years of experience providing financial statement audits and audits of internal control services.</li> <li>He has provided professional audit services to several large multinational groups in accordance with U.S. GAAP. Carlos' audit experience ranges from private hedge and real estate fund financial statements to Not-for Profit entities with significant endowments.</li> </ul>

The core team is indicated above, assignment to individual task orders will be based on scope, subject and staff availability at the time the order is executed.



#### **Developing Diverse Businesses**

We work with our suppliers to grow, develop skills and expand joint business opportunities. For example, KPMG partners and employees may work directly with diverse business owners one-on-one to grow and expand their capabilities and their ability to provide products and services that our internal and external clients demand. KPMG sponsors training and participation in industry leading forums for members of our diverse supplier network.

KPMG has sponsored the attendance of a diversity-owned businesses at the Tuck/Google Digital Excellence Program for Minority Entrepreneurs. KPMG has also sponsored WBENC's annual Summit & Salute. Additionally, KPMG has sponsored the attendance of a WBENC-certified Women's Business Enterprise to attend the Tuck/WBENC Executive Program.

We recognize the benefits of including diverse suppliers in the firm's strategic sourcing events and purchases. Diverse suppliers can contribute innovative ideas, services and products that add value to the firm, our clients, and our communities. KPMG clients represent a breadth of industries, people and locations, and we believe that our supplier relationships should be reflective of the clients we serve. Supplier Diversity collaborates closely with the Inclusion & Diversity team to maintain alignment with the firm's overall I&D strategy.

We are committed to growing representation of small and/or diverse businesses among our suppliers. We are proud to include small and/or diverse businesses among our suppliers, which in fiscal '19 represented 16.8 percent of our total procurement spend. Our achievements have been recognized by DiversityInc, who rank KPMG #9 on DiversityInc's Top Companies for Supplier Diversity (2019). **We have provided more detail on appendix - C** 

	FY'13	FY'14	FY'15	FY'16	FY'17	FY'18	FY'19
Total Small/Diverse Businesses	23.0%	20.6%	22.8%	14.8%	16.5%	18.7%	16.8%
Minority-owned Business Enterprises (MBEs)	7.7%	7.0%	7.3%	4.4%	5.7%	7.8%	7.4%
Women-owned Business Enterprises (WBEs)	4.7%	4.9%	6.2%	4.6%	4.6%	4.5%	2.7%
Veteran-owned Business Enterprises (VBEs)	3.1%	1.5%	1.8%	0.6%	0.3%	1.6%	0.3%
Disabled Veteran-owned Business Enterprises (DVBEs)	1.5%	0.5%	0.6%	0.1%	0.1%	1.4%	1.4%
Lesbian-, Gay-, Bisexual- and/or Transgender- owned Business Enterprises (LGBTBEs)	0.5%	0.20%	0.5%	0.2%	0.4%	0.4%	0.1%

#### Highlight Metrics (as % of total procurement spend):

#### Partnerships

KPMG is a national corporate member of the following resource and advocacy organizations:

Women Business Enterprise National Council (WBENC) National Minority Supplier Development Council (NMSDC)

upplier (NMSDC) National LGBT Chamber of Commerce (NGLCC)

Disability: IN (formerly US Business Leadership Network) National Veteran Business Development Council (NVBDC)



DiversityInc also recognized KPMG on several specialty lists, including the unranked Top Companies for LGBT Employees. In addition, we are:

- No. 10 among the Top Companies for Employee Resource Groups
- No. 10 among the Top Companies for Diversity Councils
- No. 11 among the Top Companies for Mentoring
- No. 11 among the Top Companies for Sponsorship
- No. 14 among the Top Companies for Executive Women

#### Awards

- KPMG ranks #9 on DiversityInc's Top Companies for Diversity (2019), an achievement which recognizes, among other inclusion and diversity achievements, our commitment to increasing spend with diverse businesses
- In 2019 KPMG was named one of the National Business Inclusion Consortium's 'Best of the Best', recognizing our work to promote an inclusive supply chain, workforce, and marketplace
- In 2019 KPMG received 100% on the Disability Equality Index, a national transparent, annual benchmarking tool that offers business an opportunity to receive an objective score on a scale of zero to 100, on their disability inclusion policies and practices.
- For 15 consecutive years, KPMG received 100% on the Human Rights Campaign's Corporate Equality Index which benchmarks companies based on their corporate policies and practices pertinent to lesbian, gay, bisexual, transgender and queer employees and suppliers.





#### **Relationship management**

We understand that LACERA is looking for a long-term professional partner to bring expertise and help you to deliver on your internal audit plan. We will meet you where you are today and run as fast as you want and need. We will bring you our best people and accelerators for internal audit to help you deliver impact (immediate and long-term) and 'make it stick'.

Together, we will help to assess processes, perform tests, and report and communicate results and findings to various stakeholders, including the board and its committees. Our core team will be available to LACERA as desired so that you can be confident that we are willing to put in the time to develop significant relationships with our counterparts at LACERA through the duration of this proposed engagement

Based on our experience conducting complex, global engagements, we believe the critical factors for delivering a successful engagement for LACERA include:

- Involvement of highly experienced resources to oversee all audit activities to help ensure consistent quality of delivery;
- Integrate with your teams to share auditing practices and knowledge;
- Leverage technology tools, data analytics, digital labor, and other leading methodologies;
- Timely, consistent, and quality reporting focused on key findings and actionable recommendations for both the management and Audit Committee;
- Establish communication protocols to keep LACERA up-to-date on our project status, as well as provide information on emerging risks and key areas of thought leadership;
- Help ensure satisfaction through continuous improvement and seek feedback from the IA team;
- Establish the right processes and plan to help ensure the cultural transformation you seek to achieve,
- Identify emerging through detailed monitoring and proactive review processes.

**Our commitment to continuity:** Continuity will be the foundation of your service experience with KPMG. Allowing us to continue to recognize audit efficiencies over time, continuity helps differentiate the level of quality and insight we are able to provide, and we have committed a team that is excited to be working with LACERA for the long-term.



KPMG

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# Quality control/ peer review

### 6. Quality control/peer review

#### a) Please describe your firm's quality control relating to audit planning, fieldwork, and reporting.

Quality is central to everything we do, both individually and as a firm, and underpins our professional relationships with the organizations we serve. In our staffing model, we have considered a robust review process to help ensure quality in all our deliverables to LACERA. Following are the fundamental pillars of our quality framework that will help ensure high-quality work.

#### **Continuing professional development:**

All KPMG professional staff are required to be up-to-date with the continuing professional development requirements of relevant regulatory bodies and are required to sign a confirmation to this effect annually.

#### Annual LACERA specific training:

We plan to offer on-boarding training to KPMG staff on an annual basis. This will help align on quality expectations and requirements.

#### Independence and objectivity:

Our automated services reporting system, Sentinel, helps make sure that KPMG does not perform any audit services anywhere in the world that could jeopardize our independence or violate LACERA's policies.

#### Service satisfaction:

Debbie Biddle-Castillo, as your lead engagement Managing director will personally meet with you to not only understand expectations but also periodically to meet to assess your thoughts on service delivery and ensure we are meeting expectations.



#### Team knowledge:

The basis of a high-quality standard is helping each member of the team thoroughly understand your business. We have selected a senior team with deep experience and understanding of LACERA and your sector.

#### Subject matter specialize :

We will utilize SMPs on the engagement, as applicable to provide leading practice recommendations.

#### Audit working paper review:

All working papers are reviewed by a manager or director with the partner reviewing critical areas of judgment.

#### Annual quality performance review:

Internally, we hold an annual inspection program where engagements are reviewed by partners who are not otherwise associated with the engagement. All partners and directors are reviewed at least once every three years.

KPMG maintains an extensive system of quality controls that meet or exceed the rules and standards issued by the Public Company Accounting Oversight Board (PCAOB) and the requirements of the American Institute of Certified Public Accountants (AICPA). Quality assurance is embedded in all the processes that help us to deliver consistent, quality services. Through customized training, tested methodologies, consistent protocols, and clear communication standards, quality assurance is foundational to our approach.



### 6. Quality control/peer review (cont'd)

#### b) Please include an external quality control review report (Peer Review) within the last five (5) years.

#### Peer review report

On December 10, 2020, the AICPA's National Peer Review Committee (NPRC) accepted PricewaterhouseCoopers LLP's peer review report on KPMG system of quality control for KPMG accounting and auditing practice applicable to engagements not subject to PCAOB permanent inspection, for the year ended March 31, 2020. Copies of the report and the NPRC's acceptance letter are attached.

The peer review report had a rating of pass.







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# **Client references**



### 7. Client references

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

- 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

Satisfied clients are the strongest endorsement of the technical skills and high quality of service that your KPMG team can deliver. Our team is proud of their professional track records and urge you to verify their commitment and capabilities with the references listed below.

Please refer to "LACERA\_ Auditing and Consulting Services" full version proposal for detail of references.





# Project planning/ approach

### 8. Project planning/approach

#### Our methodology for conducting Internal Audits

KPMG's methodology focuses squarely on the risks that matter and uses technology effectively to deliver useful outputs for management. The methodology designed to be flexible and scalable, KPMG's Internal Audit Methodology is focused on aligning with our client's business objectives and key stakeholders' views of value. Our methodology is designed to be flexible in line with an organization's ever evolving strategic and operational goals.

#### Our risk-based and quality-focused internal audit methodology

- Consistent, top-down approach, focused on strategic and significant risks to LACERA
- Focuses efforts on areas of greatest importance and value to LACERA
- Actively involves LACERA management in the risk assessment process and resulting outcomes
- Identifies potential cost-saving opportunities
- Leverage technology with data and analytics supporting audits to provide deeper insights into what matters to the business



Internal Audit framework

In addition, **KPMG has reimagined internal audit and developed a dynamic approach** to delivering internal audit services – adding greater value to the business and anticipating future needs. We can integrate at your pace that is dynamic, creative, flexible, data-driven, and technology enabled. Your team will gain access to our innovation and technology, including our Data Analytics Internal Audit Hub with hundreds of prebuilt analytics and dashboards for industry insights and our Intelligent Platform for Automation. (See Appendix B for detailed approach)

#### Data and Analytics (D&A) and Automation

We have significant capabilities in Intelligent Automation and advanced D&A, including pre-built solutions for Internal Audit that can be used on day-one, as well as data scientists and strategic alliances that allow us to rapidly build solutions tailored to specific internal audit needs.

#### **Capabilities**

- Cognitive automation
  - Artificial Intelligence
  - Knowledge-based systems
  - Natural language processing
  - Voice/image recognition
- Reasoning
- Machine learning
- Robotic process automation
  - Decision modelling
- Pattern recognition
  Intelligent Automation

- Algorithm assurance

- Virtual agents

Deep learning

— Advanced data

— Data mining

— Smart data

management

— Data and analytics

Data visualization

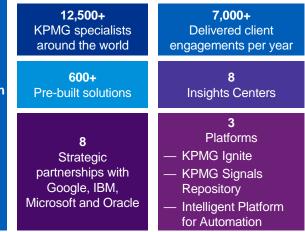
transformation

Analytical modelling

— Advanced analytics

See appendix B for additional D&A information.

If required by individual task orders vetted by LACERA, we may engage our KPMG Lighthouse teams to leverage data analytics to assist with our Internal Audit approach.





### 8. Project planning/approach (cont'd)

#### Approach Example:

Our professional relationships with these leading financial institutions and investment management firms provides ongoing insights into market practices and emerging trends throughout the investments industry. Our team can leverage this experience at LACERA, sharing insights with Investment personnel and transferring knowledge to members of the Audit Services group. At KPMG, our professionals embrace the opportunity to take leading roles in understanding the complex issues that demand the global banking industry's attention. Our thought leadership, participation in industry events, and facilitation of knowledge-sharing events with the organizations we serve, are evidence of KPMG commitment to providing insights that help you manage and improve your business. KPMG partners and professionals are actively involved with many industry organizations, sponsoring conferences, conducting studies, and participating on various committees.

#### Review current state Investments process and internal controls

- 1. Conduct a kick-off meeting with key LACERA stakeholders to agree on project expectations, plan and schedule.
- 2. Gather an understanding of current control environment by reviewing investment policies.
- Identify key risks specific to LACERA Investments and document it in Risk Control Matrix (RCM). For each identified risk, KPMG would document the following key criteria in the RCM based on process owner descriptions: associated control, process, control description, key systems, process/control owner, frequency of performance, control type (detective/preventative), and control category (authorization, reconciliation, etc.).
- 4. We will leverage our industry knowledge and better practices to identify potential gaps specific to LACERA Private Equity Investments policies, procedures and operation. The potential gaps will be documented in the RCM. The RCM will be discussed with investment management prior to the execution of the audit.

#### Fieldwork – Test of design and operating effectiveness

Conduct Private Equity Investments process and controls review and testing

- 1. Execute the audit as defined in the RCM to assess the operating effectiveness of LACERA's Investments. This activity includes the performance of fieldwork interview to gather information on the supporting documentation.
- 2. Perform evaluation of design and testing operating effectiveness of relevant controls by selecting sample in accordance to Audit Services sampling guidance.
- 3. Maintain active communication with Investment Management team for discrepancies noted during the test of design and operating effectiveness.
- 4. Develop summary of observations and recommendations which include noted gap and audit finding.

#### **Reporting – Document findings and recommendations**

- 1. We will produce an audit report containing findings and recommendations in accordance with Audit Services report guidelines.
- The report will contain nuanced, actionable detail and provide recommendations against industry better practices. We will score each finding in accordance with Audit Services Finding Significance Rating Scale. Each finding and audit recommendation will be discussed with Investment Management prior to the finalization of the audit report.



### 8. Project planning/approach (cont'd)

#### Tailored to your specific IT audit areas

The KPMG IT audit assessment services can help your business determine whether controls relating to an IT environment or application are designed properly to achieve the objective and are operating effectively.

We have developed distinct IT audit methodologies, including specific, proprietary control catalogs and testing tools and techniques for ERP applications (e.g., Hyperion, Oracle, etc.). We have trained our professionals to focus on different technology aspects and helped enable them to focus in specific areas and will engage professionals with the specific skills relative your IT audit areas. Based on your technology landscape and internal audit plan, we will leverage our proprietary methodologies as we work with you to plan and execute the audits. The following table offers a listing of potential IT audit projects, based on your key areas.

As part of our application security and controls capability, we bring a mature, consistent, and established methodology for auditing ERP systems, such as SAP and Oracle. Our accelerators are an important part of our capability. KPMG brings industry specific accelerators such as pre-defined SOD and critical access rulesets.

#### KPMG's specific IT audit methodologies and services can help address LACERA's key IT audit issues

Cybersecurity	Business continuity planning	Governance, risk, and compliance		
<ul> <li>Assessments regarding: Legal and compliance</li> <li>Multiple lines of defense</li> <li>Cyber insurance</li> <li>Ethics, regulatory, and privacy Operations and technology</li> <li>Personnel security</li> <li>Physical security</li> <li>Access management</li> <li>Threat and vulnerability</li> <li>Network security</li> <li>Cyber hygiene</li> <li>SDLC</li> <li>Logging monitoring</li> <li>Remote, mobile, wireless security</li> </ul>	<ul> <li>Assessments regarding:</li> <li>Governance and policies/procedures</li> <li>Risk assessment</li> <li>Business impact analysis</li> <li>Incident response</li> <li>Crisis management</li> <li>Disaster recovery plan</li> <li>Training and awareness</li> <li>Plan exercise</li> </ul>	<ul> <li>Assessments regarding:</li> <li>Controls efficiency improvement</li> <li>Controls automation</li> <li>SOD</li> <li>Privileged access</li> <li>Assistance with</li> <li>Risk identification</li> <li>Controls design and implementation</li> <li>Application and Enterprise Role Based Access Control</li> <li>ERP Analytics</li> <li>Compliance audits – PCI, GDPR, etc.</li> </ul>		
<ul> <li>Information risk management</li> <li>Data classification</li> <li>Information handling</li> <li>Asset management</li> <li>Information risk management</li> <li>Third parties</li> <li>Leadership and governance</li> <li>Governance/Policies</li> <li>Roles and responsibilities</li> <li>Human factors</li> <li>Culture</li> <li>Training and awareness</li> <li>Talent management</li> <li>Special skills and responsibilities</li> </ul>	Disaster and data Recovery planning            — Assessments regarding: <ul> <li>Policies and procedures</li> <li>DR documentation integration into BC/BR program</li> <li>Training program provided to key staff within the last 12 months</li> <li>Functional DR test performed within the last 12 months</li> <li>Functional DR test results documented</li> <li>Functional DR test includes failback, i.e., return to production facility</li> <li>The IT-BIA is completed and documented</li> <li>The IT Risk assessment completed and documented</li> </ul>			





# Potential conflict



### 9. Potential conflict

### a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement

To the best of our knowledge, we do not envisage any conflicts of interest 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

To the best of our knowledge, we do not envisage any conflicts of interest to any other client relationships if awarded the LACERA engagement.

### c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement

To the best of our knowledge, we do not envisage any conflicts of interest to any other client relationships if awarded the 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.

To the best of our knowledge, we do not envisage any conflicts of interest to any other client relationships if awarded the LACERA engagement.

### 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).

We are not aware of any relationships that exist between our partners and staff and directors, officers, or key employees of LACERA that would pose a conflict or impair our objectivity or independence.

We use KPMG global approval and services reporting system, called Sentinel. The system helps ensure that all our services for LACERA conform to your policies and do not create a conflict to our independence or objectivity. We also use the KPMG Conflict Check System to identify potential conflicts of interest or independence issues. At this time, we have not identified any conflicts for LACERA that would impair our independence.

### 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.

To the best of our knowledge KPMG has not paid for any gifts, travel, expenses, entertainment or meals for any member of the LACERA Boards, to include the Board of Retirement and Board of Investments, within the last 2 years. We are unable to make a certification regarding LACERA management and employees as we do not have access to a list of all LACERA management and employees.



### 9. Potential conflict (cont'd)

#### 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.

KPMG LLP uses broad procedures and a suite of technology tools to help ensure that the firm and applicable personnel are independent of the firm's audit clients. Debbie Biddle-Castillo is responsible for our continued independence from LACERA and will continually monitor our service and investment relationships by using the tools described below

#### **KPMG Independence technology tools**

#### Service Independence

Our automated services reporting system, Sentinel, helps make sure that KPMG does not perform any audit or non-audit services anywhere in the world that could jeopardize our independence or violate LACERA's own policies. Debbie Biddle-Castillo will be notified through Sentinel whenever any KPMG partner anywhere attempts to begin a new engagement with LACERA and [he/she] must approve that engagement before the work can begin. Debbie Biddle-Castillo will obtain your requirements from your audit committee, and the information will be entered into this system. She will use LACERA's guidelines to determine whether the services are consistent with professional standards and client guidelines and will not approve any service without the preapproval of your audit committee.

#### Investment independence

The KPMG Independence Compliance System (KICS) is a web-based tracking system to monitor investments and other financial interests of the firm and personal investments of partners and managers. Before buying stocks of public companies, KPMG professionals must access the system to determine if the investment is restricted. They must enter all new investments into KICS within 14 days. Individuals who have reported holdings of investments that later become restricted are automatically notified and must sell the investment within five business days.

#### **Compliance with rules**

All KPMG professionals must use our electronic independence and code of conduct confirmation process at least once a year to confirm their understanding of and compliance with the firm's code of conduct and independence rules. As an extra safeguard, KPMG audits selected confirmations and information reported in KICS.

#### **Business relationship independence**

The Conflicts Check System uses a conflicts database that contains up-to-date information on business relationships, current and prohibited. At the request of the engagement team, a conflict report is generated from this database. Debbie Biddle-Castillo reviews the report and acts on its findings.







### 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.

Please refer to "LACERA\_ Auditing and Consulting Services" full version proposal for detail.



### 10. Legal situations (cont'd)

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.

Please refer to the response in 10.a

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.

As is the case with all major professional services firms, from time-to-time KPMG LLP and/or individual partners or principals have been named as defendants in lawsuits by regulatory bodies and civil plaintiffs, particularly when one of the firm's clients suffers an economic downturn. Understandably, the details of such litigation are sensitive and highly confidential. KPMG has a professional indemnity insurance program in place to insure against such risks, and we have no pending litigation or litigation commenced in the past 5 years that would materially affect the firm's operations or our ability to perform services for you.

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.

Please refer to the response provided in 10.c

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.

KPMG LLP is a national professional services firm and works on thousands of engagements each year across the country. From time to time, KPMG, like other major professional services firms, may receive a question or complaint from a client about the conduct of a particular engagement. KPMG attempts to promptly address and resolve issues with clients so that they do not invoke contractual termination or default clauses. While the firm does not centrally track contract terminations/stop work orders/contract performance problems, KPMG is not aware of any significant issues relating to client contracts in the last five years, or any terminations of those contracts, which would interfere with KPMG ability to successfully perform the services contemplated by this proposal/contract.





# Terms & conditions

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Please refer to "LACERA\_ Auditing and Consulting Services" full version proposal for detail of Terms & conditions.





# Fee schedules



### 12. Fee schedules



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

KPMG philosophy in serving LACERA is to generate value and help benefit greater than the costs of our advisory services. Our experience with LACERA, and other leading companies, allows us to help minimize the fees you ultimately pay for advisory services. We believe our pricing is competitive and consistent with the high-quality service you expect from us. Further, long-term business relationships are based upon strong personal relationships, mutual professional respect, and reasonable fees for advisory services.

If you believe that our fees do not reflect the market, we would appreciate that feedback and the opportunity to re-evaluate.

#### Please refer to "LACERA\_ Auditing and Consulting Services" full version proposal for detail of Fees.





# Appendix A – Team resumes



### **Deborah Biddle-Castillo**



Deborah Biddle-Castillo Managing Director

KPMG LLP 550 South Hope Street, Los Angeles, CA 90071

 Tel
 213-533-3375

 Fax
 213-355-6955

 Cell
 310-977-4853

 dlbiddle@kpmg.com

#### **Function and Specialization**

Debbie is a Managing Director in the Internal Audit and Enterprise (IA & ER) practice, specializing in internal audit, risk assessment, SOX 404 and enterprise risk management services.

#### **Representative Clients**

- CoreLogic, Inc.
- El Pollo Loco
- Kilroy Realty Corporation
- Masimo Corporation
- Sabra Health Care REIT, Inc.
- Sunstone Hotel Investors, Inc.
- VICI Properties, Inc.

#### **Professional Associations**

- Association of Chartered Accountants in England and Wales (ICAEW)
- Institute of Internal Auditors (IIA)

#### **Education, Licenses & Certifications**

- BCom, The University of Birmingham, England
- Chartered Accountant (ACA)

#### Background

Debbie is a Managing Director in KPMG Advisory Services practice with 16 years of internal controls experience in internal and external audit in both the USA and the UK. Debbie focuses on the real estate, hospitality and technology industries, and is KPMG Advisory Lead for the Building Construction & Real Estate Industry for the Pacific Southwest region.

Debbie has also worked as an Internal Audit Senior Manager at a FTSE 100 fast moving consumer group in the UK. Responsible for the enterprise risk management and internal audit of various operational and compliance risks.

Debbie is a collaborative and insightful internal controls specialist, who prides herself on an open and proactive communication approach.

#### **Professional and Industry Experience**

**Establishment of Internal Audit Function** - Assisted clients establish Internal Audit functions, including definition of reporting protocols, development of policies, procedures and methodologies and development of Internal Audit work plans.

**Internal Audit Outsource/Co-source** – Debbie acts as Head of Internal Audit for a number of clients, responsible for the full suite of internal audit services from policy and procedure management, audit committee presentations, annual & ongoing risk assessment, internal audit execution, reporting and issue follow-up.

Debbie has led the end-to-end delivery of internal audit projects within the USA and internationally in a wide range of operational and strategic areas. These include: business unit assessment, post-acquisition/integration audits, strategic growth assessments of finance functions, construction & development processes, asset management, project management, capital management, quality, health & safety, supply chain reconfiguration and post evaluation of business cases for significant corporate investments.

**SOX 404 Assistance** - Debbie has extensive SOX 404 experience from both an external and internal audit perspective. Debbie has led global SOX 404 projects on behalf of companies; being responsible for the delivery and project management both internal teams and managing global outsource providers. Debbie has assisted various clients with:

- Initial implementation of SOX 404 compliance programs and SOX readiness and SOX control rationalization projects, helping to ensure the SOX programs remain risk based and right sized.
- Deficiency evaluation, successfully assisting companies in evaluating deficiencies and liaising with their external auditors to help ensure that all appropriate information is considered
- Deficiency remediation, including prioritization and recommendations around appropriate remediation activities to address previously identified MW's or SD's.



### Deborah Biddle-Castillo (cont'd)

**Vendor Management** - Significant vendor management experience, successfully managing international third party outsource providers of various Internal Audit and SOX services from initial implementation through achievement of efficiencies on service maturity. Debbie has also led a number of projects helping her clients evaluate their vendor management processes, including on-site visits to assess vendor companies with contractual and operational requirements.



### Bindiya Khurana



Bindiya Khurana Manager Director

KPMG LLP Suite 1500 550 South Hope Street Los Angeles, CA 90071

Tel 213-955-8713 Fax 213-947-4056 Cell 909-362-6093 bkhurana1@kpmg.com

#### **Function and Specialization**

Bindiya is a member of the Risk Assurance practice: IT Audit and Attestation specializing in IRM in the external audit engagements, IT internal audit, as well as IT project delivery and project and program management of software implementations and infrastructure.

#### **Representative Clients**

- American Honda Motors
- City of Long Beach
- City of Los Angeles
- Los Angeles Department of Water and Power
- Sumitomo Rubber

#### Western Digital

#### **Professional Associations**

- Member, ISACA
- Member, IIA

#### **Education, Licenses & Certifications**

- MBA, Symbiosis Institute India
- BCA, University of Panjab, India

#### Background

Bindiya is a managing director with advisory practice with more than 17 years of experience in technology consulting. Bindiya has substantial experience leading and coordinating IT audit and advisory engagements. She has served as an IT partner with responsibility for planning, budgeting, execution, and delivery of software implementation; IT project assessments; J-SOX and Sarbanes-Oxley 404 testing of IT systems; and controls risk assessments and recommendations. She has also provided subject matter knowledge and guidance to public sector entities, global automotive and technology companies on adoption of new technologies like Intelligent Automation, use of robotics, migration to cloud, etc. and help guide compliance and control considerations with respect to application and infrastructure security, change management, and segregation of duties.

#### **Professional and Industry Experience**

She has extensive experience working in a multiple stakeholder and multivendor environment, leading effective and transparent decision making and issue resolution. Highlights include:

#### SOX 404 testing of technology components

For multiple automotive and technology companies, led SOX 404 and yellow book guidelines for technology components of financial statement and integrated audit.

- Serve as an IT partner for Sarbanes Oxley 404 testing of a large automotive company. Lead a large team responsible for assessing client's IT environment for controls designed and implemented on systems impacting financial statements including sales and marketing, HR and Payroll, ERPs and distribution system. The client environment consisted of SAP, Oracle, Peoplesoft, and Mainframe based home grown applications. Worked closely with internal audit to assess IT systems' controls.
  - Serve as an IT partner for one of the largest technology companies in the bay area with multiple lines of business and legal entities. Lead a team responsible for assessing ICOFR within company's technology components including entities across the globe. The client's technology environment consists of different SAP instances, Oracle Cloud and on-premise, and other homegrown core business applications.

#### Assessment of Real Time System Implementation

 For multiple government agencies, led readiness assessments for large system implementations.



### Bindiya Khurana (cont'd)

- Reviewed with respect to SOX compliance, yellow book guidelines, project management processes for systems implementation at a large government utilities company. The review included processes followed for scoping, business requirement definition, change management and quality management.
- Reviewed controls identified in new and existing business processes impacted by deploying new business application. The processes included billing management, account management, collections, premise management, sales and marketing, and meter reading.

#### **Technical Skills**

 SAP HANA, SAP ECC, Oracle Cloud, Workday, SAP GRC, Oracle GRC, Mainframe, AS400



### Sami Salam



Sami Salam Director

KPMG LLP 550 S. Hope Street, Suite 1500 Los Angeles, CA 90071

Tel 213-533-3310 Cell 602-819-7543 ssalam@kpmg.com

#### Function and Specialization

Sami is a member of the Advisory practice specializing in Internal Audit, and IT services (program management, implementations, and sourcing).

#### **Representative Clients**

- Apria Healthcare
- Bank of America
- Capital Bank & Trust (part of Capital Group Companies)
- City of Los Angeles
- Clovis Oncology
- CVS Health
- El Pollo Loco
- F100 Media and Entertainment Company
- San Manuel Band of Mission Indians
- SCL Health
- Smart & Final
- Toyota Motor Services
- Warner Brothers

#### **Professional Associations**

- Member, Project Management Institute
- Member, Institute of Internal Auditors
- Languages

#### English

#### **Education, Licenses & Certifications**

- MBA, Arizona State University
- BS, Arizona State University

#### Background

Sami is a director in KPMG's Advisory Services practice, with over 20 years of management advisory experience. She has a strong background in performing internal audit, business process, and information technology reviews to help mitigate operational, financial, and technology risks for public and private sector clients. In addition to internal audit and technology risk experience, Sami has experience in system implementations, segregation of duties program development, and shared services.

Sami is a national data analytics champion and the director of the region's data analytics group.

#### **Professional and Industry Experience**

Sami has substantial experience leading and coordinating advisory engagements across several industries, focusing on internal audit and Sarbanes Oxley engagements. She has also provided subject-matter knowledge and guidance on engagements related to ERP applications, utilizing her experience in both IT and BP (audit and operations).

#### Representative Experience

- Managed multiple internal audit projects including scoping, risk assessment, process documentation, controls identification and mapping, controls testing, process improvement, and reporting across various industries including media and entertainment, retail, financial services, and healthcare.
- Identified business process and entity-level risks to define scope of work to be performed for internal audits and to assist client management with assessing enterprise-wide risks and developing risk management strategies.
- Conducted operational and financial accounting internal audits over areas such as contract compliance, regulatory compliance, social media, human resources, payroll and benefits, board governance, time and expense reporting, technology implementations and supply chain.
- Performed on-site retail store audits over store operations, loss prevention, and inventory control.
- Involved in all aspects of project management and client management, including planning, budgeting, resourcing, and status reporting.
- Managed and delivered on multiple segregation of duties programs, in various industries from mid-market to large multi-national entities with over 80 applications. Project scopes included: system identification, conflict and rules development, testing (data analytic code development and third-party software), through mitigating control mapping.



### Sami Salam (cont'd)

- Managed and delivered multiple Data Analytics projects from planning through execution, assisting in the determination of the appropriate analytics scripts to be utilized, data validation, and presentation of analytics results through dynamic visualization for national retailer.
- Led Data Analytics-enabled Internal Audit project to develop project status analyzer tool for various types of projects - e.g. SOX, Remediation, etc.
- Experience managing large scale projects with clients in the financial services, healthcare, and consumer markets industries, fielding both on-shore and off-shore team members, for project areas including: operational audits, payroll audits, vendor management audits, procurement audits, fixed asset audits, and system implementation reviews, often leveraging data analytics to strengthen internal audit results.
- Developed and delivered training for multiple business processes for clients regarding Lawson and SAP software.
- Served as project manager for the implementation of a general ledger and reporting modules for Lawson Software at a Fortune 50 Company.
   Primary responsibilities included building, designing, and testing the system functions, financial transactions, interfaces, and reporting processes within the Lawson S3 System.

#### **Other activities**

- Board Member: March of Dimes, Orange County
- Former Board Member: West Los Angeles Fisher House, Advancing Women in Technology
- Advisor/Mentor: StemAdvantage, Los Angeles Education Partnership, Valley Center for the Deaf, No Limits for Deaf Child Children
- Speaker, 2020 IIA: Data & Analytics and automation
- Speaker, 2018 Western IIA Conference: Analytics within Internal Audit
- Speaker, 2018 IIA: Automation and Robotics within Internal Audit; The use of and corresponding risks.



## Appendix A – Team resumes: Core team John M. Brooks



John M. Brooks Director

KPMG LLP 20 Pacifica, Suite 700 Irvine, CA 92618-3391

Tel 949-885-5533 Cell 714-585-9651 johnbrooks@kpmg.com

#### **Function and Specialization**

John is a member of the Technology Assurance practice specializing in general IT and business process (IT Application) control identification and assessment, external and internal audit (IT and operations), process improvement, internal/external regulatory/quality control reviews as well as IT project delivery and project management.

#### **Representative Clients**

- ADP
- Citizens Business Bank
- City of Anaheim
- City of Las Vegas
- City of Riverside
- City of San Diego
- First American
- Mercury Insurance
- Reliance Steel

#### **Professional Associations**

- Information Systems Audit and Control Association ("ISACA")
- The Institute of Internal Auditors ("IIA")

#### **Education, Licenses & Certifications**

- Masters of Information Systems Management, Brigham Young University (2002)
- Bachelors of Science Business Management, Brigham Young University (2002)
- Certified Information Systems Auditor ("CISA")

#### Background

John is a Director in KPMG's Technology Assurance practice with more than 18 years of audit and advisory experience servicing both public and private companies within the local government, financial, real estate, manufacturing, retail and technology industries.

#### Professional and industry experience

John's extensive experience includes internal audit support as well as internal control over financial reporting (ICOFR) audit services, Sarbanes Oxley (SOX) 404 advisory, ERP pre- and post-go-live implementation assessments (SAP, Oracle, Lawson, and Great Plains), control efficiency improvement, IT and business operational risk assessments, data analytics, continuous monitoring, internal quality control reviews and external regulatory reviews (e.g., OCC, PCAOB and FRB). His specific experiences include:

#### Internal Audit

- Oversaw the establishment of international internal audit operations for a global financial services company (\$10B+), including the on-boarding and management of relationships with co-source providers, performance of the annual risk assessment, creation of the annual audit plan, the planning and execution of various internal audits (IT and operational).
  - Constructed and oversaw the annual global risk assessment (including IT risk assessment), audit planning and budgeting processes for domestic and international operations. Annual audit plan consisting of 40+ operational audits, with a 45K+ annual audit hour budget.
    - Representative internal audits include: trust banking services, vendor risk management, enterprise risk management, cybersecurity, underwriting, ERP implementations, regulatory compliance (e.g., GLBA, BSA/AML/OFAC, NACHA, Reg 9), payroll and human resources, financial reporting, business continuity, as well as site and location reviews.
    - Representative locations include: Australia, Canada, India and the United Kingdom.
  - Responsible for Audit Committee reporting; development of presentation materials for domestic and international Audit Committees as well as responsible for presenting and communicating annual audit plan to International and Domestic Audit Committee and Senior Management.
- Developed, implemented and managed data analytics methodology, including continuous monitoring program, for operational and compliance audits.



### John M. Brooks (cont'd)

- Certified Fiduciary & Investment Risk Specialist ("CFIRS")
- Enhanced existing Internal Audit project management, execution and reporting methodology as well as developed and delivered training to members of Internal Audit department (100+ members) both domestic and international.

#### Internal Control over Financial Reporting

 Managed and performed audits (General IT and IT Application controls) in accordance with PCAOB guidelines for private to midmarket public companies as well as large multinational corporations in manufacturing, construction, retail, financial services, and technology and healthcare industries.

#### Internal Audit Advisory Services

 Performed internal audit advisory services for first year SOX clients. Developed business process and general IT control workflow narratives. Designed and implemented IT and business process audit plans.

#### **Technical skills**

 ACL, IDEA, Tableau, Data Analytics, Oracle EBS, Oracle GRC, Oracle Database, Great Plains, Lawson, SQL, PL/SQL, SQL Server Management Studio



### Art Rubio



Art Rubio Senior Manager

KPMG LLP 550 S. Hope Street, Suite 1500 Los Angeles, CA 90071-1568

Tel 213-533-3073 Fax 213-947-1708 arturorubio@kpmg.com

#### Function and Specialization

Art specializes in audit services for major investment management, private real estate investment advisors and Pension and Savings Plans companies.

#### **Representative Clients**

- Ares Capital Corporation
- Deutsche Bank Hedge Funds Complex
- Voya Mutual Funds Complex
- Western Asset Management Hedge Funds Complex
- Westport Capital Partners, LLC
- Westwood Financial Corporation
- Wilshire Hedge Funds Complex

#### **Professional Associations**

 ALPFA Los Angeles Board of Directors

**Education, Licenses & Certifications** 

BA, Whittier College

#### Background

Art is a senior manager in KPMG's Los Angeles Investment Management, Real Estate and Pension and Savings Plan practices. He has more than 11 years of experience providing financial statement audit and audit of internal control services.

#### Professional and industry experience

Art has provided professional audit services to several large multinational groups in accordance with PCAOB requirements, U.S. GAAP, and IFRS. His audit experience ranges from SEC filings, private hedge and real estate fund financial statements to pension and savings plans audits. He has a thorough understanding of GAAP and IFRS rules and regulations and has been involved in several hedge fund and private equity fund audits.

Art has managed several complex global audits for clients in investment management. Core strengths and accomplishments include:

- Operated as the lead senior manager on a multinational publicly traded Business Development Company ICOFR audit
- Operated as the lead senior manager on a multinational private real estate Fund complex, including the audits of the associated real estate and portfolio investments
- Operated as the lead senior manager on an audit of an owner and operator of high-quality shopping centers located in the US metropolitan markets
- Operated as the lead senior manager for a large, multinational hedge fund complex, coordinating with several KPMG offices
- Operated as the in charge for a large, multinational investment advisor, including the audits of the associated broker-dealer and foreign subsidiary investment advisers

#### **Technical Skills**

- IT Control Requirements
- Information Security
- Business Continuity
- Valuation of liquid and illiquid (hard to value) investments
- Valuation of multi-use real estate properties
- KPMG Data & Analytics Specialist

#### **Other Activities**

- KPMG 2017 National Chairman's Award Winner
- Executive Advisor to the Association of Latino Professionals for America (ALPFA), Los Angeles Chapter
- Member of the KPMG Hispanic/Latino Network
- Lead Diversity Recruiter-Los Angeles Office



## Appendix A – Team resumes: Core team Kim Pham



Kim Pham Manager

KPMG LLP 550 S. Hope Street, Suite 1500 Los Angeles, CA 90071

Tel 704-780-7803 kimpham1@kpmg.com

#### **Function and Specialization**

Kim has provided services for engagements focused on Governance, Risk and Compliance (GRC) and business process advisory work primarily for Sarbanes-Oxley and Internal Audit for financial institution clients.

#### **Professional Associations**

- Institute of Internal Auditors (IIA)
- Information Systems Audit and Control Association (ISACA)

#### Languages

English and Vietnamese

#### **Education, Licenses & Certifications**

- BS, Accounting, University of North Carolina at Charlotte
- BSBA Finance, University of North Carolina at Charlotte Finance

#### Background

Kim Pham is a manager with KPMG's Internal Audit (IA) and Enterprise Risk practice. She has been with KPMG since 2014 and her experience includes Sarbanes-Oxley 404 readiness implementation and compliance, internal audit, regulatory compliance, and business process advisory primarily for financial services, technology and healthcare clients. She has managed and led co-sourced and outsourced internal audit functions and has led team in controls documentation and testing.

#### Professional and industry experience

Kim's experience includes servicing both large and mid-sized financial institutions with risk assessment, process walkthrough and documentation, process gap identification and remediation, internal controls testing and remediation/issue validation testing. Further, as part of Kim's work, she:

- Served as lead Manager on public company SOX 404 engagement. Primary responsibilities included conducting financial risk assessments, scoping, walkthroughs, writing test scripts, GAP assessments, performing/reviewing testing, pre/post implementation reviews and process design reviews, deficiency evaluation, and control rationalization, conducting status meetings, and overall engagement management.
- Managed the development of control process documentation for new publicly traded entities, in order to obtain Sarbanes-Oxley (SOX) compliance, including a gap analysis performed over the companywide control environment and generation of process flowcharts.
- Led project teams local and offshore resource teams for Internal Audit and SOX 404 engagements in executing testing procedures to evaluate key processes and controls.
- Experienced in developing and documenting management review controls in accordance with the PCAOB guidelines.
- Communicated findings, conclusions and process recommendations for findings and performance improvement opportunities to management and client.
- Project managed both business process and IT Internal Audit controls testing teams; including planned, lead, coordinated, reported progress, budget and estimates to complete and executed other various project management duties for the SOX testing phases.
- Performed COSO 2013 GAP assessments over the control environment of multiple large retail entities, identifying remediation steps required in order to appropriately enhance the control environment for compliance with the COSO 2013 framework.
- Prepared frequent status updates of audit milestones to C-Suite executives and prepared management audit reports, including steering committee meeting presentation for key stakeholders (CFO, CAO, CTO, CIO, and Controller).



Appendix A – Team resumes: Core team

## Kim Pham (cont'd)

- Led internal and external internal controls training/education to clients at various levels from C-Suite level to analyst.
- Established a quality control function for a significant mortgage banking client to comply with industry-wide guidance issued by the Treasury Department for loan modifications.
- Performed internal control over financial reporting gap assessments as it relates to adoption of Current Expected Credit Loss (CECL) standard requirements.

#### **Quality Assurance Reviews**

- Led in strategic reviews of internal audit functions against the Institute of Internal Auditor's International Professional Practices Framework and industry leading practices, including reviewing against current regulatory expectations of internal audit functions and providing recommendations and action plans for improvement.
- Performed benchmarking project against internal audit leading practices.

#### Integrated Audit Experience

- Initiated, performed, and completed internal and external integrated audits for business process and IT controls for midsize and Fortune 500 companies.
- Reviewed internal controls related to vendor selection processes and accounting software implementation.
- Conducted client interviews to clarify management intentions, business practices, control design and operation, and existing control infrastructure for IT and accounting operations.
- Reviewed enterprise level program design and requirements for BCP and determined business unit adherence to requirements for effective recovery planning.
- Analyzed large data sets using Data & Analytic tools such as Alteryx, Tableau or QlikView to gain valuable insight into state of operations.\

#### International Experience

 Worked with internal and external teams domestically as well as internationally (France, United Kingdom, Germany, Sweden, India, Hong Kong and Australia).

#### Other activities

- Co-Chair APIN (Asian Pacific Islander Network KPMG) Los Angeles Chapter
- ASCEND Los Angeles Chapter Member



#### Appendix A – Team resumes: Core team

## **Omar Rahman**



#### Omar Rahman Manager

KPMG LLP 20 Pacifica Suite 700 Irvine, CA 926181

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#### Function and Specialization

Omar is a member of KPMG's IT Advisory/Risk Consulting practice specializing in manual/automated business process analysis, control testing, Corrective Action Plan development to validation, and internal/SOX review engagements.

#### **Representative Clients**

- Alteryx, Inc,
- Amgen, Inc
- Apria Healthcare, Inc.
- Bill & Melinda Gates Foundation
- CIM Group, Inc.
- El Pollo Loco, Inc
- Kennedy Wilson Holdings
- Kite Pharma, Inc.
- Smart & Final, Inc.,
- Sunstone Hotel Investors, Inc
- William Lyon Homes

#### Professional Associations

- Member, American Institute of Certified Public Accountants
- Member, Information System Audit and Control Association

#### **Education, Licenses & Certifications**

- BA in Economics, University of California Los Angeles
- Certified Public Accountant, California and Ohio
- Certified Information Systems Auditor

#### Background

Omar is a Manager in KPMG's Risk Consulting Practice. He has over seven years' professional experience in business process risk analysis, control testing, remediation plan implementation and project management. He served on internal/SOX audits for public companies. Omar also has experience in financial statement audit, internal audit, forensic audit and tax.

#### **Professional and Industry Experience**

- Served as lead and support on SOX compliance review engagements.
  - Managed IT control testing (ITAC/General), IT substantive testing and Real Time System Assessments.
- Performed deficiency root cause analysis, impact analysis and overall risk assessment over the client.
- Led SDLC assessments over ERP, Inventory Management, Leasing, and Pricing/Cost applications.
- Served as lead and support on multiple process modelling/risk assessment/SOX testing related to a larger audit readiness engagement for Federal client.
- Led large scale risk assessment/control testing project over major federal agency manufacturing, distribution and billing process.
- Performed business process analysis, internal control testing, root cause analysis, and remediation implementation.
- Developed functional requirements for Policies, Standard Operating Procedures, Job Aids, SAP workflows, SAP Reports, Adobe Live Cycle Forms/Reports and ACCESS Databases.
- Developed multiple trainings over COSO 2013 Framework, Data Analytics, and Test of Design and Test of Effectiveness Procedures for IT Audits.
- Analyzed business processes, identified compliance financial risks, conducted SOX control testing, and developed assessment reports.

#### **Technical skills**

 Netsuite, MRI, Yardi, AvidxChange, Blackline, Hyphen, Microsoft Office Suite, Microsoft Visio, SAP, Oracle EBS, JD Edwards ERP, Alteryx Data & Analytics, AS/400, Dell Boomi, Lawson, ADP Pro Business, Manhattan EOM/WMS, Ultipro, Oracle Retail Management System, Heartland, Certent



#### Appendix A – Team resumes: Core team

## Jeanmarie Burdi



#### Jeanmarie Burdi Senior Associate

KPMG LLP Suite 1100 4655 Executive Drive San Diego, Ca 92121

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#### Function and Specialization

Jeanmarie is a member of the Internal Audit and Enterprise Risk (IA&ER) Advisory practice specializing in Internal Audit, Federal Audit Readiness, and other Risk Compliance Services.

#### Languages

English

#### **Education, Licenses & Certifications**

- BS Accounting, Spanish Minor, University of Dayton
- Certified Public Accountant (CPA), Virginia and California
- Certified Defense Financial Manager (CDFM)
- Department of Defense (DoD) SECRET Clearance

#### **Professional Associations**

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of CPAs (CalCPA)
- Member, American Society of Military Comptrollers (ASMC)

#### Background

Jeanmarie Burdi is a Senior Associate in San Diego's Internal Audit and Enterprise Risk practice. She has two years of public accounting experience and over two and a half years in DoD/federally contracted financial improvement and audit remediation work. Jeanmarie has worked in various industries including: Aerospace and Defense Contracting, Financial Services, and the Federal Government.

#### **Audit Remediation Engagements**

- Lead a team through internal control implementation testing to evaluate compliance with DFARS accounting system requirements, communicating recommendations and control enhancements regularly to key stakeholders.
- Review audit packages prepared by Department of the Navy (DON) management and finalize documentation to present to the Independent Public Accountant (IPA) to demonstrate remediation of deficiencies.
- Evaluated and reviewed initial asset valuation packages for highly valued DoD assets.
- Lead various audit and internal control trainings with an emphasis on asset management.
- Test remediation of material weaknesses and significant deficiencies and determine level of severity for external reporting.
- Conduct in-depth reviews over walkthrough documentation for various processes/assets, in order to identify audit risks and documentation gaps for resolution prior to delivery to IPA.

#### **Internal Audit Engagements**

- Manage and review the work of multiple staff, helping ensure all work is completed efficiently and appropriately prior to delivery to the client.
- Lead business process walkthroughs, identification of key risks and controls, test plan development, and tests of design and effectiveness.
- Identify issues and propose recommendations to the business to improve existing processes and controls.
- Propose, document, and assist with implementation of new controls based on identification of gaps and unmitigated risks.
- Present regular status updates, communicate risks, and provide recommendations to key stakeholders to help ensure all relevant parties are informed on progress, observations identified, and next steps.

#### **Technical Skills**

Microsoft Office



## Appendix A – Team resumes: Core team Carlos Godinez



Carlos Godinez Senior Associate

KPMG LLP 550 S. Hope Street, Suite 1500 Los Angeles, CA 90071-1568

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#### **Function and Specialization**

Carlos specializes in audit services for major real estate and investment management companies.

#### **Representative Clients**

- Western Asset Management Hedge Funds Complex
- Westport Capital Partners
- J. Paul Getty Trust

#### **Professional Associations**

— Member, ALPFA

#### Languages

- English, Spanish

#### **Education, Licenses & Certifications**

- BA, California State University, Los Angeles
- Certified Public Account, CA

#### Background

Carlos is a senior associate in KPMG's Los Angeles Asset Management practice. He has more than 4 years of experience providing financial statement audits and audits of internal control services.

#### **Professional and Industry Experience**

Carlos has provided professional audit services to several large multinational groups in accordance with U.S. GAAP. Carlos' audit experience ranges from private hedge and real estate fund financial statements to Not-for Profit entities with significant endowments. He has a thorough understanding of GAAP and SEC rules and regulations and has been involved in several fund of fund and hedge fund audits.

Carlos has in-charged several complex global audits for clients in investment management. Core strengths and accomplishments include:

- Operated as the in charge for a large, multinational hedge fund complex (80+ Funds), coordinating with several KPMG offices
- Operated as the in charge for a multinational investment advisor, including the audits of the underlying blocker and REIT entities

#### **Technical Skills**

- Information Security
- Business Continuity
- Valuation of liquid and illiquid (hard to value) investments
- ASC 815 and ASC 820 disclosure requirements

#### **Other Activities**

- Member of the Association of Latino Professional in Finance and Accounting
  - Member of the KPMG Hispanic/Latino Network



### Dee Dee Owens



Dee Dee Owens Partner

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#### **Function and Specialization**

Dee Dee is a partner in KPMG's Los Angeles office. She specializes in providing risk management and technology services to healthcare and state and local government clients.

#### **Representative Clients**

- City of Los Angeles
- Los Angeles Community College District
- Los Angeles Department of Water and Power
- Los Angeles World Airport
- State of Oregon

#### **Professional Associations**

- Member, AICPA
- Governing Board Member, Institute of Internal Auditors - Los Angeles Chapter
- Member, Association of Healthcare Internal Auditors
- Local KPMG Los Angeles Representative, ISACA

#### **Education, Licenses & Certifications**

- Bachelors, Accountancy
- Certified Public Accountant
- Certified Information Systems Auditor
- Six Sigma Green Belt

#### Background

Dee Dee serves as KPMG's West Area lead for State and Local Government. In this role, she is responsible for providing governance and oversight on projects in the region. Dee Dee has substantial experience leading and coordinating large consulting engagements and specializes in the healthcare and state and local government industries.

#### **Professional and Industry Experience**

Dee Dee started her career in finance and accounting operational roles, including accounting and financial reporting, inventory control and accounts payable. She transitioned into information technology by leading implementations, including business process redesign and governance. Her experience in operational and technology roles allow her to discuss information technology risks with a focus on business impact.

#### Representative experience

Large government entity - Dee Dee is responsible for the overall engagement quality and deliverables on a large system replacement. She is the main point-of-contact for the engagement and leads communications to key leadership across the project. In addition to project management activities, Dee Dee is responsible for assessing the impacted department's engagement, focusing on understanding the requirements and concerns across all parties, and helping to build consensus. With a background in system implementations and a focus on the public sector, Dee Dee was able to translate technical matters to business leaders across the City to help them feel comfortable and better understand the project.

Government entity - Dee Dee had overall responsibility for the quality and delivery of the project. This included: leading communications to the executive steering committee and other stakeholders, providing communication on the early identification of project or business risks, validating team progress, reviewing key deliverables for quality and helping to ensure the skills needed throughout various project phases were engaged.

Large integrated health system - Throughout the phased implementation, Dee Dee led audit and monitoring activities to assess the health of each go-live, focused on reviewing certain key project deliverables, testing activities, organization readiness and training. In this project, she interviewed project team members, consultants and business owners to discuss project risk, issues and concerns and reviewed key project deliverables. As needed, Dee Dee was responsible for identifying and bringing in in subject-matter professionals to address specific key risk areas of the projects as needed to assess certain speciality areas. She was also responsible for consolidating any areas of concerns and communicating those to senior leadership in a timely and concise manner.



## Dee Dee Owens (cont'd)

#### **Publications and speaking engagements**

- Speaker, ISACA Spring Conferences
- Speaker, ISACA International Conferences
- Speaker, AHIA (Association of Healthcare Internal Auditors) Annual Conference



## Dr. Chadd Carr



Dr. Chadd Carr Director, Government Cybersecurity

KPMG LLP 8350 Broad Street Suite 900 McLean, VA 22102

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#### **Function and Specialization**

Jeanmarie is a member of the Internal Audit and Enterprise Risk (IA&ER) Advisory practice specializing in Internal Audit, Federal Audit Readiness, and other Risk Compliance Services.

#### **Representative clients**

- Cisco
- Samsung, Ltd
- Uber
- US Department of Defense, Department of the Navy
- US Department of Homeland Security, Headquarters

#### **Education, Licenses & Certifications**

- MS degree, Systems Engineering, Johns Ph.D. Computer and Information Security, Northcentral University
- Master of Science In Information Technology, University of Maryland, University College Park, MD
- Bachelor of Science in Management Information Systems, National Louis University

#### Background

Dr. Carr is a former Federal Law Enforcement Special Agent and Computer Crime Investigator; conducting national and international felonylevel and counterintelligence investigations relating to all manner of cybercrime inclusive of theft, espionage, and terrorism. He lead's KPMG's Center for Government Cybersecurity Sciences and has a has a known brand of achieving objectives in a career of results developing, implementing, and managing approaches to prevent, reduce, mitigate, and investigate cyber security issues while developing and implementing largescale technology migration, transformation, and modernization projects. His extensive knowledge serves as a leading practice for protecting corporate assets and information through extensive research, computer and network forensics, data analytics, and threat intelligence. Dr. Carr's well-established capacity to manage technical teams and build relationships within public and private sector organizations while implementing complex cyber security and risk management programs ranges from startup organizations to \$50 billion growth firms. Dr. Carr is also a Graduate and Doctoral Professor specializing in cybersecurity curriculum in the areas of Digital Forensics, Cyber Security Prevention & Protection, Cyber Security, Network Security, Global Issues in Cyber Security, Database Systems Technology & Security, Strategy in Cyber Conflict, Signal Processing, Security Analytics, Cyberwar Theory, and Game Theory.

#### **Professional and industry experience**

- Veteran and former AFOSI Federal Law Enforcement Special Agent and Computer Crime Forensic Investigator; conducted national felonylevel and counterintelligence investigations and led international task forces relating to all manner of cybercrime inclusive of theft, espionage, and terrorism both within CONUS and OCONUS.
- Led global Computer Security Incident Response Team (CSIRT) providing 24x7 Computer Security Incident Response Services to leading corporations, government agencies, and international organizations; provided a reliable and trusted single point of contact for reporting computer security incidents worldwide and means for reporting incidents and disseminating critical incident-related information.
- Founder, Cyber Threat Research Center, National Lead for Cyber Threat Intelligence.
- Conducts IT risk audits and develops resultant remediation strategies, guiding clients towards compliance with federal standard policies such as Controlled Unclassified Information (CUI) and associated Defense Acquisition Regulation Supplement (DFARS) 252.204.7012 and National Institute of Standards and Technology (NIST) Special Publication (SP) 800-171 framework and emerging Cyber Maturity



## Dr. Chadd Carr (cont'd)

Cyber Maturity Model Certification (CMMC) audit readiness, helping ensure clients the ability to store, process, and transmit Controlled Technical Information (CTI) and Covered Defense Information (CDI). By-name requested to serve as subject matter exert tasked with writing CMMC requirements and certification methodology.

- Lead Cloud Architect for critical DHS HQ, Office of the Chief Human Capital Officer (OCHCO), Human Resources Information Technology (HRIT) Strategic Improvement Opportunity (SIO) initiative; managed all facets of project inclusive of strategy development, requirements definition, infrastructure NIST/FIPS/FISMA security compliance, Authority to Operate (ATO), and enterprise implementation planning across multi-disciplined and highly technical team of security engineers, business analysts, cloud architects, and data scientists.
- Lead Cyber Security Professional for ATO project inclusive of (a) policies/procedures review, (b) collection of supporting client artifacts, (c) mapping of current IT controls, (d) development and execution of IT controls test plans, (e) identification and documentation of internal IT control deficiencies, and (f) remediation and management strategies supporting elimination or mitigation of control deficiencies..

#### **Technical Skills**

 Cloud security, cloud architecture, cloud strategy, computer forensics, network intrusion investigations, incident response, cyber threat intelligence, threat hunting, cybersecurity strategy, disaster recovery, and business continuity management

#### **Other activities**

- Dr. Carr has spoken at many conferences and is a frequent contributor to many online publications regarding the importance of cybersecurity, incident response, and effective controls. Recent examples include:
- RSA Conference, "Readying DOD Contractors for CMMC", September 2020
- National Spy Museum, "Shadow IT", June 2020, Washington, DC
- What's the Future of Cybersecurity? 38 Experts Share Their Insights. https://www.disruptordaily.com/future-of-cybersecurity/
- What is Spear Phishing? https://www.purevpn.com/blog/what-is-spearphishing/
- How Apps Harvest Your Location Data (& How to Stop It) https://www.google.com/amp/s/parentology.com/how-apps-harvestyour-location-data-how-to-stop-it/amp/



## Michael A. Smith



Michael A. Smith Partner U.S. Solution Leader for Internal Audit U.S. Lead -Intelligent Automation for Internal Audit and ICOFR

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#### **Function and Specialization**

Michael is the partner providing internal audit, compliance, SOX and controls services to client. He also serves as KPMG's US Innovation Lead for Internal Audit Services and the US lead for our Intelligent Automation for IA and ICOFR.

#### **Representative clients**

- AIG
- Ashford Hospitality
- Barclays
- Brookfield Asset Management
- Evoque Data Centers
- FelCor Lodging Trust Inc.
- Fidelity Investments
- G6 Hospitality
- Invesco Advisors, Inc
- Invitation Homes
- Jacobs Engineering
- La Quinta Corporation
- New Senior Investment Group
- Pappas Restaurants
- State Teachers Retirement System of Ohio
- Texas Pacific Group
- USAA Real Estate
- Wyndham International
- Z Resorts Management

#### Background

Michael is an Internal Audit and Enterprise Risk Partner in KPMG's Advisory business with more than 20 years of experience leading audit, risk and compliance programs. Michael leads a dedicated innovation team that works across our KPMG network to help clients' execute against their core IA and SOX needs, drive risk management improvement and advance core internal audit capabilities. His approach focuses on connecting the enterprise and IA agendas – across culture, people, technology, and process - to create a more valuable and resilient IA team. Michael serves as the U.S. Solution Lead for Internal Audit and the U.S. Lead of KPMG's Intelligent Automation for Internal Audit and ICOFR Team.

#### Professional and industry experience

- Outsourced and co-sourced internal audit at various hospitality, commercial enterprises, asset management, and real estate companies
- Technology enabled IA programs (governance, use cases, deployment; IA & SOX)
- Controls implementation and remediation services
- Corporate governance, SOX and internal audit assessments for pre-IPO entities
- SOX program implementation, SOX transformations and SOX assistance services
- Governance, operational and property management reviews for third parties
- Regulatory compliance programs
- Policy and procedure improvement projects
- Experience includes more than 100 external audit, internal audit and controls engagements across a variety of industries

#### **Technical Skills**

 Intelligent automation, data analysis, IA transformation, SOX transformation, risk and controls remediation, internal audit, contract compliance, vendor management, business performance improvement, SOX strategy and execution, process analysis, enterprise risk management, COSO

#### **Publications and Speaking Engagements**

- Intelligent Automation and Internal Audit (white paper series)
- "Technology, Disruption, and Innovation" and "Leveraging Analytics and Data Visualization in IA" (IIA Webinars)
- "Digital Auditor Hype Check" IIA GAM Conference



## Michael A. Smith (cont'd)

#### **Professional association**

- Member, National Association of Corporate Directors
- Member, Institute of Internal Auditors
- Member, American Institute of Certified Public Accountants
   Member, The Real Estate Council

#### Education, Licenses & Certifications

- BBA Accounting, Summa Cum Laude, Texas State University
- Licensed Certified Public Accountant, Texas

- 404 Institute: Lessons Learned from Compliance Efforts
- How internal audit can focus your organization's cybersecurity
- IA Insights: Data & analytics, cybersecurity and third party risk
- Top 10 Risks: Perspectives on risk management

#### **Community Activities**

- Team Captain, Dallas MS150 KPMG Cycling Team
- Forerunner Mentoring, Tutor
- Board Member, Texas State University Dept. of Accounting Advisory Board
- Research and Development Committee, The Real Estate Foundation
- Committee Chair emeritus, Dallas KPMG Living Green Team
- Finance Chair emeritus, US Green Building Council North Texas Chapter
- Board Member emeritus, Dallas Off-Road Bicycle Association



## Mark Wuchte



Mark Wuchte Principal

KPMG LLP 55 Second Street Suite 1400 San Francisco, CA 94105 mwuchte@kpmg.com

#### Function and Specialization

Mark specializes in internal audit services

#### **Professional Associations**

 American Institute of Certified Public Accountants

#### Education, Licenses & Certifications

- BSBA, Accounting and Finance, Florida State University
- Certified Public Accountant Illinois and Georgia

#### Background

Mark is a Principal in KPMG's Internal Audit and Enterprise Risk practice with sixteen years of experience proving audit and advisory services to financial services and FinTech clients. He focuses on some of KPMG's most important initiatives around creating new innovate delivery models for internal audit services. Outside of client service, Mark works on projects for KPMG's local and national leadership teams that uphold our values of innovation, collaboration, and inclusion.

#### Professional and industry experience

Mark works closely with senior management of leading organizations across all 3 lines of defense, in helping assess, develop, implement and test processes and controls to comply with increasing regulatory obligations and expectations. These activities include internal control design and evaluation in accordance with COSO 2013, leading documentation efforts ranging from SOX 404 implementations to testing, as well as conducting internal audits against various operational, compliance, and regulatory topics. Mark's representative client list includes both public and private companies. Mark has published thought leadership and is a frequent speaker on compliance and internal audit. He holds a firm understanding of accounting and business risks impacting these entities and supervises attestation engagements in compliance with GAAP and SEC Rules and Regulations.

#### **Internal Audit Advisory**

- Acted as a Chief Audit Executive leading a team through creation of the internal audit function, setting and executing the annual audit plan, responding and interacting with regulators through exams, reporting to executive management and the Board, and working with various stakeholders throughout the organization.
- Lead co-sourcing and outsourcing of internal audit functions in the FinTech and financial services organizations.
- Lead the planning, delivery, and reporting of internal audit functions and SOX compliance projects for multiple clients. These projects include reviewing processes for control weaknesses, as well as identifying opportunities to streamline operations, enhance efficiencies, elevating the brand of internal audit and reporting to the audit committee.
- Lead strategic reviews of internal audit functions against the Institute of Internal Auditor's International Professional Practices Framework and industry leading practices, providing recommendations and action plans for improvement.
- Lead several projects for companies to develop detailed policies and procedures for planning, execution and reporting of audit and remediation activities.



## Mark Wuchte (cont'd)

- Led projects at multiple organizations to find and leverage efficiencies through convergence of control programs, rationalization of controls, and analysis and redesign of processes for controls with significant impact.
- Led a large SOX uplift project with responsibilities for leading the identification, documentation and performance of a gap assessment of critical SOX controls.



### Cynthia Izzo



Cynthia Izzo Principal

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#### **Function and Specialization**

Cyndi is a member of the Technology Risk Management Advisory practice specializing on technology and enterprise risk from emerging and disruptive technologies.

#### **Representative clients**

- Biogen Idec Inc.
- CVS Pharmacy Inc.
- Radius Health, Inc.
- Santander Holdings USA, Inc.
- State Street Bank & Trust Company, Inc.
- TJX Companies Inc.
- W.L. Gore Associates

#### **Professional association**

- Member, Association of Latin Professionals in Finance & Accounting
- Member, Institute of Internal Auditors
- Member, Progressive Business Leaders Network, Inc.

#### **Education, Licenses & Certifications**

- BS, Arizona State University

#### Background

Cyndi leads KPMG's US Risk Consulting Technology Risk Management (TRM) Service Network. Cyndi oversees 150 professionals across this service line and multiple technology solutions and is responsible for growing the practice, team-building, and identifying, developing, mentoring and retaining top talent.

Her role is helping clients understand how to align their emerging technology risk agenda with their dynamic business and compliance priorities.

Cyndi has more than 20 years of management advisory and business experience, and prior to her emerging technology role, Cyndi was the National Cyber Strategy and Governance practice leader, as well as the US Privacy Leader. In this role she was responsible for the development and continue improvement of the Cyber services, training, development and utilization of over 160+ professionals at all levels.

She has spent the first 5 years of her career in KPMG's financial services audit practice. Over the last 20 years she has advised clients and their boards in managing technology and the related risks including IT Governance, Cyber, Information Security and Privacy, Vendor Management, Business Continuity, and IT Attestations. Most recently, in her new role, Cyndi is focusing her efforts on technology and enterprise risk from emerging and disruptive technologies (i.e. Cloud Computing, Social Media, Mobile Enterprise, Internet of Things, Blockchain, Robotics, etc).

#### **Professional and industry experience**

Cyndi has substantial experience leading and coordinating the cyber security advisory engagements. In this role, Cyndi provided information security experience and helped the companies to protect their information and data systems and establish continuity and data recovery services. She has also provided subject matter knowledge and guidance on information security & privatization regulations and contract compliance.

#### Information Security Program (ISP)

- One of the largest UK based financial services groups required KPMG to perform a third-party assessment of information security and control environment for its third party vendors on a global basis due to a breach in IT Security related to a third party vendor.
- She was responsible for leading and managing KPMG's North American project team in performing third-party assessments of information security and control environments for its third party service providers on a global basis due to a breach in IT Security related to a third party provider.



## Cynthia Izzo (cont'd)

- Her team completed more than 65 site visits in U.S. in 17 days and assisted KPMG attaining their global target of 360 site visits within 30 days. The initial approach was so successful that the client engaged KPMG to perform another approximately 800 reviews in the following two months.
- This resulted in effective information security and controls risk assessment and management by the client.
- Client has better visibility on how their sensitive customer data are transmitted, stored and disposed and can work their providers to remediate risk exposures.

#### Internal/External audit

- Planned audits, developed audit programs, and managed audit teams of 3-10 person local and offshore teams in delivering external & internal IT, business financial controls, and SOX 404 audits.
- Operational reviews of business processes and consult on business process and control improvements.
- Performed Sarbanes Oxley readiness assessments and developed control gap analyses with recommendations for resolving control issues.
- Lead for managing the America's PMO team for 3 Global financial institutions performing 3rd party security reviews for their vendors. Completed the coordination of nearly 150 onsite assessments that were to be completed in less than 3 months.
- Assisted in developing new controls, narratives and process flow charts for IT General Controls within program change management, program development, access security and computer operations for a large consumer electronics company.
- Developed detailed test plans for testing IT General Controls for design and effectiveness.
- Conducted interviews and compiled narrative documents detailing outsourced client processes.
- Performed procedures, including inquiry of appropriate personnel, inspection of systems, facilities, documents and reports, and observation of the application of the specific controls to determine whether they were suitably designed to achieve the specified control objectives.

#### Project management

 She served as the global project manager and client service manager for a global payment, network and travel company that has engaged KPMG to perform Security & Compliance Reviews of approximately more than 500 service providers worldwide, at least 100 in the U.S.



## Cynthia Izzo (cont'd)

- Project Manager on a number of Information Technology Strategy Assessments for clients. These projects involved developing gap analyses between business and IT strategies, evaluating and prioritizing IT projects based on risk and ROI, and formulating recommendations ranging from retiring existing applications to outsourcing of non-core processes.
- Project Manager on several software vendor selection projects that lead to the implementation of Great Plains, Oracle, and Lawson.

#### **Publications and speaking engagements**

- Color Magazine 2017 panelist
- Panelist 2008 Harvard Latina Empowerment Conference Health and Technology
- Panelist 2008 Boston Summit Association of Latin Professional in Finance and Accounting (ALPFA)
- Panelist Color Magazine Harvard University
- Frequent speaker at technology industry events Archer USAt
- Executive Women's Forum (2016)

#### Other activities

- Member of the National Board of KPMG's Hispanic/Latino Network and a former co-chair of the Boston office's KPMG Network of Women
- Corporate Advisory Board member, Association of Latin Professionals in Finance & Accounting (ALPFA) (2014 – 2017)
- Co-Chair "We Are Boston Gala" 2014, 2015 and 2017
- Second Vice Chair of the Board Girl Scout's of Eastern Massachusetts (2008-2017)
- Board Chair Nazakat digital literacy for children in India 2016-Present
- Board Member-Junior Achievement of Northern New England 2017-Present
- Top 100 Working Mothers of the Year, Working Mother Magazine, KPMG's Working Mother of the Year 2015
- Recipient of the 2008 first-ever "20 on the Move: Hispanic Executives Making a Difference" list by the Boston Business Journal and El Planeta Award
- Recipient of the 2007 Boston Business Journal 40 Under 40 Award
- National Women of ALPFA Excellence in Community Service Award 2012
- Charge Agent of the Year Color Magazine 2011
- PowerMeter 100: 100 Most Influential People in Massachusetts Hispanic Community – 2008,2009, 2010



### Paul E. Torres



Paul E. Torres Director

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#### **Function and Specialization**

Paul is a member of the Cyber practice specializing in cybersecurity assessment, IT risk assessment, IT Attestation, business continuity planning, compliance review, and project management.

#### **Representative clients**

- BlueYonder
- Capital Bank & Trust
- Cathay Bank
- City National Bank
- City of Los Angeles
- City of Phoenix
- City of Scottsdale
- Corelogic, Inc.
- DreamWorks Animation
- Finance Factor
- Google
- ICANN
- Maricopa County
- Micron Technology

#### **Education, Licenses & Certifications**

- Certified Business Continuity Planner – in progress
- BS Mechanical Engineering Technology
- MBA

#### Background

Paul Torres is a Director in KPMG's Cyber practice with over 15 years of professional experience. Paul has a strong background in cyber security, IT security assessment, IT risk assessment, business continuity planning, enterprise risk assessment, business impact analysis, compliance review, SSAE 18/SOC reports, IT general controls, and project management.

#### Professional and industry experience

Paul has substantial experience leading and coordinating advisory engagements for clients ranging from large public to small private companies across several industries as diverse as banking/financial services, manufacturing, retail, technology and communications, computer manufacturing, and state and local government.

- Led several projects assessing organization's cyber maturity program base on leading information security frameworks such as NIST CSF, ISO 27001/02 and NIST 800 53. Specifically assessed six key cyber areas (governance, human factor, information risk management, operations and technology, business continuity, and legal and compliance).
- Led an evaluation of a client's information security controls using the following approach: External and internal vulnerability scans, manual and automated exploits, high-level assessment of third-party information security procedures and requirements, physical & personnel assessment, and social engineering (including email phishing).
- Led several projects developing business continuity management program (BCM). Developed a BCM policy, corporate business continuity plan (BCP), disaster recovery template, and gap analysis report.
- Led a business continuity program assessment for global companies to determine the quality and effectiveness of the organization's BCP was sufficient to achieve business recovery.
  - Led a Business Impact Analysis and Critical Application Analysis for a media and technology clients. The objective was to determine the recovery time objectives and recovery point objectives of the critical processes. Also provided recommendations/options of alternate site solutions.
- Led an IT risk assessment city-wide. The objectives of the assessment were to evaluate the city's overall IT risk profile, identify and assess IT risks and IT related controls.
- Led and conducted an IT Governance review of the policies and procedures at a large government organization using a customized framework developed for that organization. The framework was based on leading practices from CoBIT, ITIL and ISO 27001.



## Paul E. Torres (cont'd)

#### **Publications and Speaking Engagements**

- Speaker 2019 ISACA/IIA Hawaii Chapter, Topic: Cyber Fundamentals & Trends
- Speaker 2018 ISACA Los Angeles Chapter, Topic: Cyber Fundamentals & Trends
- Speaker 2018 ISACA Phx Chapter, Topic: Business Continuity Management



### Joey Gyengo



Joey Gyengo Principal

KPMG LLP 303 Peachtree Street, NE Atlanta, GA 30308

Cell 404-222-3589 jgyengo@kpmg.com

#### **Function and Specialization**

Principal specializing in enterprise risk management, governance, risk, and compliance, internal audit, and internal controls

#### **Professional associations**

- Institute of Internal Auditors (IIA)
- Information Systems Audit and Control Association (ISACA)

#### **Education, Licenses & Certifications**

- BS, Finance, Auburn University
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)

#### Background

Joey is a Principal in KPMG's Internal Audit and Enterprise Risk practice with over 16 years of global experience. He has the US Enterprise Risk Management (ERM) leader and has a deep background in ERM, governance, risk, and compliance (GRC), internal audit, and internal controls

#### **Professional and industry experience**

Joey experience includes evaluating and designing governance frameworks and risk management programs; assessing governance and risk management effectiveness; designing risk and compliance reporting frameworks; conducting best practice reviews; developing training programs; and supporting companies transformation of ERM, internal audit, internal control programs. For large public and private companies, Joey has led the following selected projects:

- ERM Program Assessment, Knowledge Support, and Roadmap Assessed approach to risk appetite and overall ERM program, including ongoing risk assessment and reporting, development of risk program implementation plans, and training the risk management function, management, and Board.
- Enterprise Risk Function Design and Implementation Established an ERM function. Elements delivered include Board and management governance, risk awareness and culture presentations, ERM charter and policy, risk assessment methodology, enterprise risk register, Board-level risk appetite statements, and target operating model.
- Dynamic Risk Assessment (DRA/Enterprise Risk Assessment (ERA), Risk Appetite/Tolerance Development, and Implementation – Conducted dynamic/enterprise risk assessment, defined risk appetites and tolerances, and developed risk management monitoring activities to enhance Board reporting and oversight.
- Enterprise Risk Function Deep-dive Analyses Performed enterprise risk deep-dives (in-depth analyses) of the company's top tier risks.
   Developed risk tolerance limits and senior management/Board reporting. Created a sustainable process to embed risk management into business as usual.
- Compliance Risk Assessment Led a review of the compliance risk program and assessment framework against leading practices to improve value to the organization. Project outputs included risk assessment design and development recommendations for the Compliance program.
- Risk and Control Self-Assessment (RCSA) Developed an Operational Risk RCSA methodology and program delivery, including risk assessment, controls documentation and testing, key risk indicator development, risk culture training, and management reporting across the financial institution.



## Joey Gyengo (cont'd)

 GRC Strategy Roadmap and Implementation – Coordinated crossfunctional team to develop GRC strategy and roadmap for implementation of a leading GRC tool, including Asset Management, Business Continuity, PCI compliance, SOX compliance, and Vendor Management modules. Assisted with the GRC implementation, including considerations for risk strategy and Representative clients governance, assessment and measurement, and monitoring via tool reporting.





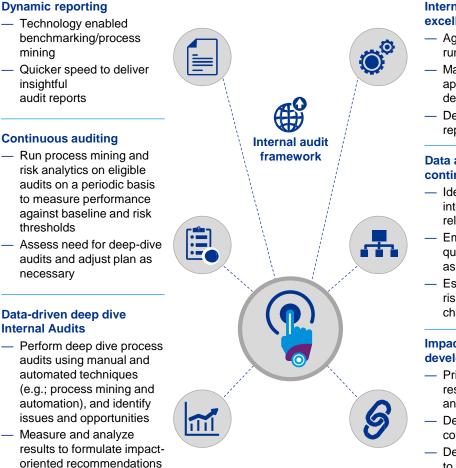
## Appendix B – Detail approach

#### Appendices B – Detail approach

## Embedding intelligent automation and data & analytics in Internal Audit processes

#### Embedding intelligent automation and data & analytics throughout your Internal Audit processes

Our Internal Audit solution incorporates intelligent automation and D&A throughout our planning, risk assessment, execution, reporting and remediation processes. Moreover, we leverage the data and insights from prior audits and audit cycles to continuously enhance future audits.



## Internal audit risk analytics center of excellence

- Aggregate data sources needed to run the analytics
- Maintain suite of risk analytics applicable to in-scope audits and determine risk thresholds
- Deploy automation to aid with repetitive transactional testing

## Data analytics helps enable continuous risk assessment

- Identify key metrics and internal/external data sources relevant to the audit universe
- Embed data analytics around qualitative and quantitative risk assessment metrics
- Establish key risk indicators based on risk appetite to continuously monitor changes to the risk profile

## Impact-oriented internal audit plan development

- Prioritize areas of audit focus given results of enterprise risk assessment and relevant data and analytics
- Determine risk appetite and desired coverage
- Develop a detailed internal audit plan to provide both evaluation of internal processes and controls and opportunity for improved impact.

#### Benefits to LACERA

insights to management

Provide risk ranked

Increased use of technology in audit planning and execution will deliver greater coverage and drive long-term efficiencies

- Enhanced engagement with stakeholders through creating data-driven value-added insights
- Subject matter resources with deep specialize in emerging risk topics
- Contributing to enhanced business performance
- KPMG investments guarantee proposed innovations at no risk to LACERA





Appendix C – Inclusion and diversity Appendix C – Inclusion and diversity

## Inclusion and diversity

This past summer, KPMG Chair and CEO, Paul Knopp, announced ACCELERATE 2025, our five-year strategy to drive meaningful change. ACCELERATE 2025 exists to ensure that underrepresented talent selects KPMG as their employer of choice and provides opportunities for all employees to reach their full potential. Through this initiative we are striving to build greater visibility into our efforts both in and outside of the firm over the next five years.

The initiative is driven by Paul Knopp, key management committee members, and a taskforce comprised of partners and employees. ACCELERATE 2025 has three guiding principles: We will be propelled by bold leadership, Informed by our Values-driven perspective, and Anchored accountability.

- Bold Leadership. We will think and act boldly in identifying concrete, actionable recommendations. The taskforce is charged with developing a creative and pragmatic roadmap and have been encouraged to think outside the proverbial box and do what's right and, perhaps in some cases, what we as a firm haven't done before.
- Values-Driven. We must, as always, be grounded in our values. We of course do not tolerate discrimination, harassment or racism, but we'll have to do so much more than adhere to that basic tenet to effectuate the big change that we're seeking. For ACCELERATE 2025 to take flight, we must commit to values-driven action that ensures that our people do not merely have a place to work but a place to thrive.
- Accountability. Our leaders will be responsible for measurable progress, and that accountability must cascade throughout management. We also commit to publishing relevant information so that our people and the public can hold our feet to the fire. We intend to establish KPMG as a market leader, and we only can do that through transparency and an openness to constructive engagement both within the firm and with external stakeholders.

In addition to ACCELERATE 2025, KPMG has evolved it's I&D strategy for over 20 years and is brought to fruition through three key areas of focus: workforce, workplace, and marketplace.

- Our Workforce priorities include increasing the recruitment, retention and advancement of underrepresented professionals at all levels.
  - The firm is dedicated to providing early career investment programs for underrepresent talent.
     Representative programs include:
    - The new KPMG Rise Leadership Institute (Rise) is redefining how KPMG engages and supports inclusivity. This unique internship opportunity is geared towards high-performing college freshman or sophomores who identify as a person of color, veteran, person with disability, LGBTQ+ and/or first-generation college student. Participants attend a four-day leadership conference, are offered leadership development opportunities, a variety of scholarship opportunities as well as year-round support and learning via Rise virtual cohort.
    - Embark Scholars Program is a multi-year internship program that helps develop high-performing students of color into leaders and provides overall education about the professional services industry. The program includes a national training program, exposure to Audit, Tax, Advisory, and Business Process Groups to help educate Scholars on how their career interests align with the services we render, and Board of Directors for each Scholar to provide mentoring, coaching, and guidance throughout the internship
    - The HBCU Careers in Technology Summit was designed to expose students to "the world of technology" that exists inside professional services and provides participants the opportunity to collaborate with industry leaders, develop new skills with hands-on learning and participate in roundtable discussions with peers.



#### Appendix C – Inclusion and diversity

## Inclusion and diversity (cont'd)

- KPMG also provides a portfolio of career and leadership development opportunities for our underrepresented talent at all job levels, including but not limited to:
  - Our Manager Leadership Programs supports high performing Black, Asian Pacific Islander, and Latinx managers in accelerating their career readiness through its emphasis on client service, and leadership development.
  - The Stacy Lewis Risings Stars and Mariah Stackhouse Aspiring Leaders programs was created for female and Black director level professionals and focuses on strategic relationship building and provides an opportunity to network with firm leaders and participate in a golf clinic with golf ambassadors.
  - Our Cross Functional Sponsorship Program was designed to develop high performing and high potential diverse senior managers and directors for promotion eligibility, increase candidate pool of "ready now" or "ready soon" People of Color and women for future pipeline, and advance high performing and high potential People of Color and women senior managers and directors to MD and partner.
- Our Workplace priorities are focus on fostering a culture in which all talent communities feel empowered to be their best selves and supported by inclusive leaders.
  - KPMG's seven national Business Resource Groups (BRGs) are critical in creating culture of belonging and inclusion. With over 200 local chapters and Inclusion Councils, our BRGs serve constituents in our Abilities in Motion (people with disabilities and caregivers), African Ancestry, Asian Pacific Islander, Hispanic Latino, KPMG's Network of Women, Pride (LGBTQ+), and Veterans Communities.
  - To help KPMG professionals build the skills to mitigate unconscious bias as they make critical talent and other business decisions, specifically around hiring, staffing, sponsorship, and promotions, the firm launched KPMG Include: The Science of Succeeding Together in 2017.
  - Our culture of inclusion is further enhanced through our Talking Inclusion, which consists of facilitated dialogues among teams and offices. The series was designed to demystify and facilitate open, honest conversations and raise awareness around I&D topics such as race and equity, allyship, gender identity, and religion.
- Our Marketplace priorities require that we leverage our reputational capital to strengthen relationships and recognition as the Clear Choice for clients, suppliers and community partners.
  - KPMG has consistently engaged our clients in meaningful ways on diversity and inclusion. Examples include:
    - Our annual Pride conference engaged key clients in a two-day experience that focused on LGBTQ+ advocacy and leadership. Local Pride chapters also invite clients to attend KPMG sponsored PFLAG trainings.
    - The Abilities in Motion BRG hosts events with clients to share best practices in support of people with disabilities, caregivers and accommodations, as well as highlight key alliances with organizations such as Special Olympics and National Organization on Disability.
    - KPMG's Network of Women has for over 10 years has sponsored the Executive Leadership Institute for Women (ELIW) in multiple markets which pairs KPMG female partners with their client peers for a curriculum based experience on leadership development which provides immediate application. Over 1700 participants have gone through the program.



#### Appendix C – Inclusion and diversity

## Inclusion and diversity (cont'd)

- Our Chief Diversity Officer (CDO) Peer Exchanges gather CDOs of clients to discuss leading practices, the current climate and emerging issues and trends within the diversity and inclusion space.
- KPMG has established a Supplier Diversity program. With the objective to facilitate inclusion of Diverse Businesses in all appropriate strategic sourcing events in order to produce the best possible outcome for our clients, our suppliers, and the firm. Our vision is to establish a world-class supplier diversity program, to be viewed as a trusted advisor by our colleagues, clients, and suppliers, and provide thought leadership in the development of innovative, sustainable, agile supplier diversity programs. We will strive to develop diverse supplier advocacy platforms and perform active outreach, to mentor diverse business owners, and to host forums for training, information exchange and networking. In FY19, 16.8% of total procurement spend was with small and/or diverse businesses.
- KPMG is consistently recognized externally for our I&D efforts, these include:
  - 100 Best Companies for Working Mothers
    - Best Companies for Dads
    - Best Companies for Multicultural Women
    - Top Company for Executive Women
  - Asia Society's Best Employer for Asia Pacific Americans
  - NBIC Best of the Best Corporation for Inclusion
  - Best for Vets Employers
  - Catalyst
  - Disability Equality Index 100% score
  - DiversityInc Top 50
  - FORTUNE's "100 Best Companies to Work for"
  - Human Rights Campaign Corporate Equality Index 100% score
  - Leading Disability Employer

These efforts are guided by Elena Richards who joined KPMG LLP in November 2020 as Principal and Chief Diversity & Inclusion Officer. In this role, she serves as a key advisor to senior leaders and board members, and works closely with them to advance, monitor and achieve KPMG's I&D workforce, workplace, and marketplace priorities. Additionally, she is tasked to ensure that KPMG's I&D vision, strategy and priorities are aligned globally to support a single framework across the KPMG enterprise.







#### kpmg.com/socialmedia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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## ATTACHMENT E

## MOSS ADAMS

# AUDITING AND CONSULTING SERVICES



10960 Wilshire Boulevard Suite 1100 Los Angeles, CA 90024

#### EXHIBIT F PROPOSAL COVER PAGE AND CHECK LIST

Moss Adams LLP 10960 Wilshire Boulevard Suite 1100 Los Angeles, CA 90024

MOSSADAMS

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 of federal regulatory agency for any reason.

7. The signatory below is authorized to bind the respondent contractually.

Kory Hoggan, CPA Partner (505) 878-7214 kory.hoggan@mossadams.com

Mark Steranka

Mark Steranka Partner (206) 302-6409 mark.steranka@mossadams.com



# OPPORTUNITY RISING

PROPOSAL FOR AUDITING AND CONSULTING SERVICES AUDIT POOL FOR THE

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Kory Hoggan, Partner

Mark Steranka, Partner

Moss Adams LLP 10960 Wilshire Boulevard, Suite 1100 Los Angeles, CA 90024 (310) 477-0450





# 1. Cover Letter



## $\mathbb{N}$ ) moss<u>a</u>dams

#### Dear Ms. Ton:

We're excited about the opportunity to work with Los Angeles County Employees Retirement Association (LACERA). We understand you're looking to establish a pool of prequalified firms to perform audits, advisory services, consulting, and special projects as they relate to organizational activities, IT, and investmentrelated services.

These are challenging times for public retirement systems. The current economic conditions resulting from the COVID-19 pandemic only accentuate the pressures felt by your board and management. Budget constraints, fiduciary responsibilities, uncertain domestic and global security markets, new accounting and reporting standards, and pressures from governments and credit rating agencies to maintain or improve the funded status and minimize reported net pension liability are only a few of the hurdles that you face in effectively providing services to the County of Los Angeles (the County) and your members.

#### February 1, 2021

Kathryn Ton Senior Internal Auditor

Los Angeles County Employees Retirement Association 300 N. Lake Avenue Suite 840 Pasadena, CA 91101 We know you're seeking a firm that has the experience, resources, and qualifications to best assist you in meeting these challenges and being successful; a firm that provides a fresh perspective regarding organizational, IT, and investment services and can offer meaningful suggestions based on the technical standards and best practices among other public retirement systems.

LACERA is dedicated to providing the highest level of retirement services and managing system resources in an effective and prudent manner. You'll be choosing a firm that will become a valuable year-round resource in fulfilling your mission. The firm that's the best fit will be the one that not only meets your criteria, but also clearly provides the greatest value for the investment of our time and limited resources in the audit process. We believe Moss Adams is the right choice for the following reasons:

• **Substantial resources.** Moss Adams is one of the 15 largest accounting and consulting firms in the nation. Our staff of 3,400 includes more than 340 partners. Moss Adams is also a founding member of Praxity, a global alliance of independent accounting firms providing clients with local expertise in the major markets of North America, South America, Europe, Asia, Africa, and Australia.

- one of the 15 largest accounting firms in the nation and the largest headquartered on the West Coast, we have the depth of resources necessary to serve LACERA with firmwide resources at our disposal. Our national PERS team serves as independent auditors to many public retirement systems. We have a deep understanding of the accounting and operational issues facing stand-alone PERS of all sizes and levels of funded status and will provide our firm's top industry professionals to LACERA.
- Experience with serving governmental entities. Moss Adams is committed to serving governmental entities. We have numerous client service professionals who focus on performing operational and compliance, advisory, and/or consulting projects for governmental entities. Our team consists of professionals who specialize in delivering organizational, IT, and investment-related services.
- Expertise supporting internal audit functions. We serve as the outsourced or co-sourced internal auditor for numerous local governments, the vast majority of which are located in California. Some examples include Culver City, Newport Beach, Redondo Beach, Santa Monica, and Stockton. Our dedicated internal audit team is formally trained in and has completed audits in accordance with all relevant standards (e.g., AICPA Consulting, GAAS, GAGAS, and IIA) and possess all essential certifications (e.g., CPA, CIA, CFE, CISA, CCA, and PMP).
- Collaborative and constructive approach. Above all else, we are committed to helping LACERA fulfill its mission efficiently, effectively, safely, and transparently. In order to do so, it is important for us to work closely with you throughout each engagement to gain your insights and message constructively to encourage adoption of and response to recommendations.
- **Personally invested.** We're committed to forging a long-term business relationship with you and providing you with added value we think you won't find at competing firms. We understand your organization and will anticipate your needs and identify gaps before they become obstacles.

With client service and open communication placed above all else, we're enthusiastic about the opportunity to serve LACERA and to provide efficient and effective solutions for your needs. Moss Adams has a dedicated service group of trained professionals who perform audits and consulting for public and private sector retirement plans. Kory Hoggan and Mark Steranka are designated as the primary liaisons to LACERA and are authorized to bind Moss Adams in a contract. Their contact information is included on the following page.

February 1, 2021

Kathryn Ton Senior Internal Auditor

Los Angeles County **Employees** Retirement Association 300 N. Lake Avenue Suite 840 Pasadena, CA 91101

Moss Adams understands and is committed to providing LACERA with the audit and consulting services as described in the Scope of Work in your request for proposal (RFP). Our proposal is an irrevocable offer, including proposed fees and proposed assigned staff, for 120 days following the date of the proposal. Thank you for your consideration of our proposal. We're excited about this opportunity and beginning a new relationship with you.

February 1, 2021

Kathryn Ton Senior Internal Auditor

Los Angeles County Employees Retirement Association 300 N. Lake Avenue Suite 840 Pasadena, CA 91101

Sincerely,

Kunft

Kory Hoggan, CPA Partner (505) 878-7214 kory.hoggan@mossadams.com

Mark Steranka

Mark Steranka Partner (206) 302-6409 mark.steranka@mossadams.com



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# 3. Organization and Key Personnel



# A. Organizational Structure

a) Describe your organizational structure giving specific details about your parent, and any affiliated companies, or joint ventures.

Moss Adams is organized as a limited liability partnership with more than 340 active partners. Firm business is conducted under the leadership of our chief executive officer, Chris Schmidt; our chief operating officer, Dave Follett; an elected executive committee; regional managing partners; partners in charge of our offices; and many industry chairpersons.

Several additional committees handle specific issues and needs of the firm's business, such as accounting and auditing standards, tax practice, firm training, industry business development, and information services.

Our national office, located in Seattle, Washington, provides certain centralized support services for the firm. Our practice offices have local leadership to help improve opportunities in their local business environment, but offices also work collaboratively to best serve our clients.

**Parent Company and Subsidiary Affiliates** 

Moss Adams LLP does not have a parent company. Its subsidiaries and/or affiliated entities include: Moss Adams Wealth Advisors LLC, Moss Adams Financial Services LLC, Moss Adams Securities & Insurance LLC, Moss Adams (Cayman) LP, and Moss Adams Foundation.

### B. Our Firm's Locations

# *b)* Identify the locations of the headquarters and branch office(s) that will be providing services under this LACERA contract.

Our national office, located in Seattle, Washington, provides certain centralized support services for the firm. Our practice offices have local leadership to help improve opportunities in their local business environment, but offices also work collaboratively to best serve our clients.

We'll staff this engagement from our Los Angeles, Albuquerque, and Seattle offices. Your proposed audit partner, Kory Hoggan, is based in Albuquerque and leads our firm's Public Employee Retirement Services (PERS) Practice. Mark Steranka, consulting partner, is based in Seattle and leads our firm's Performance Audit Practice.

Moss Adams has over 25 locations and is equipped to make your service experience a close, personal one. We have additional firmwide resources available, if needed. You'll work with a team who'll be readily available when you need them.



ARIZONA Phoenix

CALIFORNIA Fresno Los Angeles Napa Orange County Silicon Valley Sacramento San Diego San Francisco Santa Rosa Stockton Walnut Creek

**COLORADO** Denver

**KANSAS** Kansas City NEW MEXICO Albuquerque

#### **OREGON** Eugene Medford Portland

**TEXAS** Dallas Houston Plano

#### WASHINGTON Bellingham Everett

Seattle Spokane Tacoma Yakima

# C. Areas of Audit Specialty

c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing these services.

#### FIRM BACKGROUND

Moss Adams is a fully integrated professional services firm dedicated to growing, managing, and protecting prosperity. With over 3,400 professionals across more than 25 locations in the market capitals of the West and beyond, we work with the world's most innovative, dynamic, and promising clients and markets. Through a full spectrum of accounting, consulting, and wealth management services, we bring the deep industry specialization and inspired thinking our mid-market clients seek.

Since we put down roots in the Pacific Northwest more than 100 years ago, we've steadily expanded to serve clients not only in the West, but also across the nation and globally. Our full range of services includes accounting (assurance and tax), consulting (IT, strategy & operations, transactions, and specialty), as well as individual and institutional wealth management.

Moss Adams is one of the 15 largest US accounting and consulting firms and a founding member of Praxity, a global alliance of independent accounting firms providing clients with local expertise in the major markets of North America, South America, Europe, and Asia.

#### **FULL-SERVICE CAPABILITIES**

We offer a full range of services and specializations that span accounting, consulting, and wealth management to suit your specific needs.



Our dedicated and robust internal audit practice of over 100 professionals resides in our Consulting Services group, reflecting the fact that our internal audit team is focused on nothing but internal audit and not splitting time between external audit and internal audit.

# D. Certificate of Insurance

d) Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional 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.

Moss Adams maintains insurance coverage that will satisfy the insurance requirements set for this engagement. Should Moss Adams be selected for this engagement, we'll provide all necessary third-party certificates of insurance coverage in accordance with the requirements of any finalized contract negotiated by the parties.

A copy of our certificate of insurance is attached on the following page.

ACORD <sup>®</sup> CERTIFICATE OF I	<b>IABILITY INSURANCE</b>			
CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AM	ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS END, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES TITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED ER.			
	the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If of the policy, certain policies may require an endorsement. A statement on this such endorsement(s).			
PRODUCER	CONTACT NAME:			
Aon Risk Services Central, Inc. Chicago IL Office	PHONE (A/C. No. Ext): (312) 381-1000 (A/C. No.): (312) 381-7007			
200 East Randolph	E-MAIL ADDRESS:			
Chicago IL 60601 USA	INSURER(S) AFFORDING COVERAGE NAIC #			
INSURED Moss Adams LLP				
999 Third Avenue Suite 2800				
Seattle WA 98104 USA	INSURER D:			
	INSURER E:			
COVERAGES CERTIFICATE NUMBER: 57008				
	4765960 <b>REVISION NUMBER:</b> DW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD			
INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONI	ITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS FORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS,			
INSR TYPE OF INSURANCE INSDI WVD POLICY NU				
A COMMERCIAL GENERAL LIABILITY	10/31/2020 10/31/2021 EACH OCCURRENCE			
CLAIMS-MADE OCCUR General Liabii	y DAMAGE TO RENTED PREMISES (Ea occurrence)			
WA Stop Gap	MED EXP (Any one person)			
	PERSONAL & ADV INJURY			
	GENERAL AGGREGATE			
	PRODUCTS - COMP/OP AGG			
OTHER:				
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks	chedule, may be attached if more space is required)			
CERTIFICATE HOLDER	CANCELLATION			
	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.			
Evidence of Insurance	AUTHORIZED REPRESENTATIVE			
	hedule, may be attached if more space is required)         cancellation         Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions.         Authorized representative			
	Aon Risk Services Central Inc.			
	Vion Ilish Jervices Oentral, Inc.			

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# 4. Qualifications and Experience



## A. Your Service Team

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.

Working with the right team of professionals makes all the difference to your engagement. The team members we've thoughtfully selected to serve your specific needs have years of industry experience. But more than that, you'll find they bring an optimistic perspective focused on helping LACERA explore and embrace emerging opportunity. Your Moss Adams team will personally engage with your team and bring a new level of energy and enterprise to your engagement.

We have organized our team and tailored our team members to your specific needs. Accordingly, our team is comprised of individuals with deep experience in organizational, IT, and investment-related services. Our team leadership structure and composition are summarized below.

Team Leader	Title	Specialty
Mark Steranka	Partner, National Practice Leader	Government Internal Audit
Kory Hoggan, CPA	Partner, National Practice Leader	PERS, Investment Services
Colleen Rozillis, PMP	Director	Organizational Services
Kevin Villanueva, CISA, CISSP, PCI QSA	Partner	IT Services
Aaron Hamilton, CPA	Senior Manager	Investment Services

Brief bios for our team leaders and supporting team members are provided on the following pages.

#### **TEAM LEADERSHIP**

Mark Steranka, Partner & National Practice Leader, Government Internal Audit



#### **Professional Experience**

Mark serves as the firm's national Performance Audit Consulting Services leader. He offers over 30 years of experience and has worked extensively with local and state governments throughout the western United States to evaluate the economy, efficiency, and effectiveness of operations, internal controls, and compliance with rules and regulations. Assignments he has managed have ranged in size from \$25,000 to \$1 million and have addressed finance, governance, management, operations, organization, policies, procedures, and processes. Mark leads ongoing internal/performance audit services for Carson City, City of Modesto, City of Santa Monica, and City of Stockton.

#### **Current Clients in the Last Five Years**

- Cities: Anacortes, Burien, Carson City, Edmonds, Lynnwood, Issaquah, Modesto, Mount Vernon, Normandy Park, Portland, Santa Monica, Stockton, and West Richland
- Counties: Pierce County, Sonoma County, King County, San Juan County
- Special Purpose Districts: Community Transit, Lake Stevens Sewer District, Santa Clara Valley Water District, Snohomish County PUD, and Tacoma Department of Public Utilities
- States: Alaska, California, Idaho, Oregon, and Washington

Mark is experienced reporting to boards, committees, councils, commissions, audit committees, and executive management and working with citizen committees and stakeholder groups. He is also well versed in designing and facilitating meetings, focus groups, and customer surveys.

#### **Professional Affiliations**

- Member, Institute of Internal Auditors
- Member, American Society of Public Administration

- Executive Management Program, University of Washington
- BS, mechanical engineering, University of Notre Dame

#### Kory Hoggan, CPA, Partner



#### **Professional Experience**

Kory has over 25 years of accounting experience and specializes in the audits of PERS and other employee benefit plans. He leads the firm's national PERS group and serves as a member of the executive committee for the firm's Employee Benefit Plan Services group and technical committee for the Government Services Practice. Kory led teams that developed audit templates and client tools/ training for the implementation of GASB Statements 67 and 68, related to pension accounting and reporting; GASB Statement 72, covering fair value measurements and reporting; and GASB Statement 84, on fiduciary activities.

Kory has extensive experience managing audits of state and municipal– sponsored pension systems and consulting with PERS boards and management. Kory is a frequent speaker at the AICPA National Conference for Employee Benefit Plans on the topic of governmental pensions and regularly presents to national and local audiences on recent GASB pronouncements, including implementation of the governmental pension, OPEB, and fiduciary activities standards.

#### **Current Clients in the Last Five Years**

Kory currently serves public pension systems and investment councils with net positions of both over and under \$1 billion, including New Mexico State Investment Council, New Mexico Educational Retirement Board, Kansas Public Employees Retirement System, New Mexico Retiree Health Care Authority, Richmond Retirement System, Warehousemen's Pension Trust Fund (Port of Seattle), El Paso Firemen and Policemen's Pension Fund, American Samoa Government Employees' Retirement Fund, City of Portland Fire and Police Disability and Retirement Fund, and many singleemployer defined benefit and defined contribution retirement plans.

California Public Pension Fund clients include Los Angeles City Employee Retirement System, Antelope Valley Memorial Hospital, County of Ventura, Salinas Valley Memorial Health Care System, County of Sacramento, and California Independent System Operators.

#### **Professional Affiliations**

- Former member, AICPA State & Local Government Expert Panel Task Force for Public Employee Retirement Systems
- Member, Government Finance Officers Association

#### Education

MAcc, Brigham Young University

#### **ORGANIZATIONAL TEAM**

#### Colleen Rozillis, PMP, Director



#### **Professional Experience**

Colleen is a director with Moss Adams Advisory Services. Since 2005, she has advised local, state, and tribal governments; K–12 and higher education; private companies; and not-for-profits to improve operations and efficiency by assessing organizational and program effectiveness, and developing and refining performance and level-of-service measures. She works collaboratively with clients to understand their goals and objectives; develop policies, processes, and tools; and define organizational and programmatic changes to better equip and position them to achieve their goals and objectives.

#### **Current Clients in the Last Five Years**

Ben Franklin Transit, City of Berkeley, City of Cupertino, City of Eugene, City of Issaquah, City of Modesto, City of Newport Beach, City of Portland, City of Redondo Beach, City of Salem, City of Santa Monica, City of Stockton, Claremont McKenna College, Clark College, Culver City, CTUIR, Delta Diablo, Douglas County, El Camino Health District, George W. Bush Presidential Center, Hill Country Telephone Coop, IATTC-AIDCP, Jefferson Public Utility District, King County Metro, Marion County, Project Concern International, NoaNet, Pierce County, Seattle Public Schools, Sonoma County, Spokane Regional Health District, Sterling International, Toyota USA Foundation, University of Nevada-Las Vegas, UNLV Foundation, Vintners Logistics, and Western University of Health Sciences.

#### **Professional Affiliations**

- Member, Project Management Institute
- Member, International City & County Management Association
- Member, Institute of Internal Auditors
- Chair-elect, Humanities Washington
- Project Management Professional

- MS, public policy and management, Carnegie Mellon University
- BA, English and political science, University of Michigan
- Diversity and Inclusion Certificate (in progress), Cornell University

#### Tammy Lohr, CFE, ODCP, Manager



#### **Professional Experience**

Tammy specializes in assessing organizational performance, developing strategies, assessing system and resource needs, and streamlining processes to improve operations for government and not-for-profit organizations. She focuses on key elements including conducting interviews; reviewing and analyzing documents; developing findings and recommendations; and preparing and presenting reports and deliverables that meet professional audit and reporting standards, as well as her clients' expectations.

By using a collaborative approach to work with her clients, Tammy delivers projects and reports that are attuned to each client's unique operating environment and optimize organizational performance. Prior to joining Moss Adams, she worked as a performance auditor for the Washington State Auditor's Office.

#### **Current Clients in the Last Five Years**

Ben Franklin Transit, City of Cupertino, City of Eugene, City of Modesto, City of Newport Beach, City of Redondo Beach, City of Salem, City of Santa Monica, City of Stockton, Clark College, Culver City, Douglas County, Pierce County, Seattle Public Schools, Sonoma County, University of Nevada-Las Vegas, UNLV Foundation, and Western University of Health Sciences.

#### **Professional Affiliations**

- Member, International City and County Manager's Association
- Member, Society for Human Resources Management
- Member, Institute of Internal Auditors
- Member, Association of Certified Fraud Examiners

- MPA, Daniel J. Evans School of Public Policy and Governance, University of Washington
- BA, public health, University of Washington

#### Annie Rose Favreau, Manager



#### **Professional Experience**

Annie Rose helps public and social sector clients increase their impact through organizational assessments, strategic planning, and performance measurement development. With a focus on organizational development, she has a strong background in quantitative and qualitative research, strategic communications, and collaborative facilitation.

#### **Current Clients in the Last Five Years**

Berkeley Public Library, City of Santa Monica, City of Stockton, City of Salem, Seattle Public Schools, El Camino Hospital, Ben Franklin Transit, and the University of Nevada, Las Vegas.

#### **Professional Affiliations**

- Member, Institute of Internal Auditors
- Member, International City and County Manager's Association

- MPA, Daniel J. Evans School of Public Policy and Governance, University of Washington
- BA, French and English literature, Seattle University

#### **IT SERVICES TEAM**

#### Kevin Villanueva, CISA, CISSP, PCI QSA, HITRUST CCSFP, CDPSE, Partner



#### **Professional Experience**

Kevin has been in the IT field since 1997 and leads the firm's IT infrastructure and security practice. He specializes in government, not-for-profit, private entity, higher education, and health care clients. His areas of practice include IT security assessments; penetration testing; PCI DSS assessments; HIPAA compliance auditing; HITRUST readiness and validation assessments; strategic technology planning; disaster recovery and business continuity planning; policies, procedures, and documentation development; and project management. In addition, he has designed and conducted technology assessments based on the internationally recognized ISO/IEC 27001/2, NIST, and COBIT standards, and has served as technical counsel on hundreds of technology security projects.

#### **Current Clients in the Last Five Years**

Kevin's representative clients include Clark College, Colorado Community College System, Gonzaga University, Idaho Colleges and Universities, Lewis & Clark College, Nevada System of Higher Education, Oregon University System, Whitman College, Heritage University, and George Fox University, among others.

#### **Professional Affiliations**

• Member, Information Systems Audit and Control Association

#### Education

BS, business administration, Pepperdine University

#### Jeff Krippaehne, CISSP, CISA, CCSFP, PCI QSA, PCI ASV, Manager



#### **Professional Experience**

Jeff is a manager with the Cybersecurity Consulting Services group at Moss Adams. Since 2014, Jeff has been addressing security functions such as access controls, security operations and administration, and network and communications maintenance, as well as responding to malicious code and writing security policies. Jeff has extensive technical experience, and is familiar with a variety of operating systems, software, network technologies, and back-office server systems. Prior to joining Moss Adams, Jeff worked as a help desk technician for a large regional construction company in Seattle, Washington. In this role, he obtained extensive IT security experience in areas such as vulnerability testing, file encryption, hardware and software installation and troubleshooting, and data recovery.

#### **Current Clients in the Last Five Years**

Numerus local governments throughout the western United States.

#### **Professional Affiliations**

- Member, Information Systems Audit and Control Association
- Member, International Information Systems Security Certification Consortium (ISC)<sup>2</sup>
- Member, Cloud Security Alliance

- BA, humanities (emphasis in digital technology), Washington State University
- AAS, computer security and network technology, Lake Washington Institute of Technology

#### **INVESTMENTS TEAM**

#### Aaron Hamilton, CPA, Senior Manager



#### **Professional Experience**

Aaron has practiced public accounting since 2012. He provides audit, review, and consulting services for a variety of commercial and governmental clients. Aaron also provides consulting engagements to public retirement systems and governments across the country on pension accounting and reporting.

In addition to these pension fund audits, he has also led engagements for the New Mexico Commission for the Blind, New Mexico State Land Office, New Mexico Finance Authority, and New Mexico Mortgage Finance Authority. On the commercial side, he has led engagements auditing private equity funds, private equity management companies, and a large private equity fund for a Native American Tribe. Aaron is considered one of the firm's experts on GASB No. 68 and No. 75 allocation audits and also has experience drafting the allocation reports and creating user guides to help participating employers with their accounting.

#### **Current Clients in the Last Five Years**

New Mexico State Investment Council, New Mexico Educational Retirement Board, New Mexico Retiree Health Care Authority, Richmond Retirement System, El Paso Firemen and Policemen's Pension Fund, and various investment companies and funds.

#### **Professional Affiliations**

- Member, American Institute of Certified Public Accountants
- Member, New Mexico Society of Certified Public Accountants

#### Education

MAcc, Brigham Young University

#### Ryan Koch, CPA, Partner



#### **Professional Experience**

Ryan has practiced public accounting since 2001, primarily serving retirement systems, employee benefits plans, and venture funds. He specializes in all aspects of employee benefit plan audits, including 401(k) plans, pension plans, health and welfare plans, and SEC 11-K filing requirements.

Ryan has presented at regional and national conferences as an employee benefit plan audit authority advising plan sponsors, plan advisors, and other CPAs on topics such as audit compliance, fiduciary responsibility, and overall best practices.

#### **Current Clients in the Last Five Years**

The Clorox Company, Adobe Systems Incorporated, Google, Seagate Technology, CVS Caremark Corporation, and Pacific Gas and Electric Company.

#### **Professional Affiliations**

- Member, American Institute of Certified Public Accountants
- Member, California Society of Certified Public Accountants

#### Education

 BA, business economics – accounting, University of California, Santa Barbara

#### Jason Lu, CPA, Manager



#### **Professional Experience**

Jason has specialized in the audits of employee benefit plans and the telecommunications industry since 2012. His responsibilities include assessing risk and internal controls, identifying areas of noncompliance, and drafting and preparation of financial statements and disclosures. He's also responsible for supervising and training new staff on engagements. In addition to financial audits, Jason also assists in regulatory consulting and tax.

#### **Current Clients in the Last Five Years**

Kansas Public Employees' Retirement System, Los Angeles City Employees' Retirement System, Antelope Valley Hospital Retirement Plan, Salinas Valley Memorial Healthcare Retirement System

#### **Professional Affiliations**

Member, American Institute of Certified Public Accountants

- MS, accounting, University of Kansas
- BS, accounting, University of Kansas

# B. Audit and Consulting Services

b) Provide a schedule of audit and consulting services completed by your firm within the last five (5) years for each of the areas listed in this RFP your form will submit a proposal. Please indicate the size of investment portfolios reviewed and describe the nature of compliance reviews or consulting services performed. Provide an example of an audit report similar to the services requested in this RFP.

Moss Adams offers breadth and deep expertise serving local governments, including pension and employee benefit organizations. We provide specialization in each area of focus requested by LACERA, including organizational, IT, and investment-related services. Below please find an overview of our PERS, organizational, IT, and investment experience.

As one of the 15 largest accounting firms in the nation and the third largest pension and employee benefit plan audit and advisory services provider, we have the depth of resources necessary to serve LACERA with firmwide resources at our disposal. Very few firms truly specialize in audits and advisory services for retirement funds and other employee benefit plans, especially public retirement systems. We're proud to have this specialty and national experience with our partners and senior professionals. We offer the strength and technical depth of a national firm that transcends a local firm's resources, but we're unencumbered by the bureaucracy of a Big Four firm.

Our national PERS specialty team serves as independent auditors and advisors to many public retirement systems and understands the unique accounting and operational risks and considerations for both PERS and OPEB plans sponsored by governmental entities, including the state of California laws and regulations specific to government-sponsored retirement systems. We'll provide our firm's top industry professionals to LACERA. Our national PERS team serves as independent auditors and advisors to many public retirement systems, such as the following:

	Representative Public Employee	Retir	ement Systems Audited
•	American Samoa Government Employees' Retirement Fund	٠	New Mexico Educational Retirement Board
•	Antelope Valley Hospital Medical Center Retirement Plan	•	Public Employees Retirement Association of New Mexico
•	City of Portland Fire and Police Disability and	•	Richmond Retirement System
	Retirement Fund	•	Salinas Valley Memorial Healthcare
•	El Paso Firemen and Policemen's Pension		District Employees Pension Plan
	Fund	•	Spokane Employees Retirement
•	Kansas Public Employees Retirement System		System
•	Los Angeles City Employees' Retirement System	•	The City of Seattle Voluntary Deferred Compensation Plan and Trust

We have a deep understanding of the accounting and operational issues facing stand-alone PERS and governmental defined contribution plans and will provide our firm's top industry professionals to LACERA.

#### ORGANIZATIONAL EXPERIENCE

We have experience that specifically aligns with your requirements. The assessment of organizational efficiency and effectiveness is a frequent component of our public sector consulting services. We specialize in helping governments improve performance. We're well versed in reviewing management practices, organization structure, policies, processes, procedures, internal controls, staffing levels and skills, technology, and training and development, as well as coordination and communication within and across functions. Our team has significant experience and familiarity with the complex business and technical structure of local governments. We understand the unique requirements of public sector agencies and programs, as well as the intricacies involved in the diverse needs of various stakeholders. Our consulting practice has earned a reputation for adding value and providing objective analysis and insight.

Our organizational assessment experience is vast, with work conducted for every facet of local and state governments. Our government consulting staff has completed hundreds of enterprise and department-level organizational consulting projects, including organizational assessments, management reviews, performance audits, internal audits, cost allocation studies, financial modeling, alternatives analysis, cost/benefit studies, benchmarking, policy development, workflow re-engineering, systems implementation, and training.

	Representative Local Government Clients						
•	Carson City	٠	City of Gardena	٠	City of Salem		
•	Culver City	•	City of Hermosa Beach	•	City of San Bernardino		
•	City of Abilene	•	City of Hillsboro	•	City of San Diego		
•	City of Albuquerque	•	City of Huntington Park	•	City of San Jose		
•	City of Beaumont	•	City of Laguna Niguel	•	City of Santa Monica		
•	City of Bellevue	•	City of Lakewood	•	City of Santa Rosa		
•	City of Bellingham	•	City of Las Cruces	•	City of Seattle		
•	City of Bend	•	City of Los Angeles	•	City of Shoreline		
•	City of Bradbury	•	City of Lynnwood	•	City of Stockton		
•	City of Calexico	•	City of Modesto	•	City of Tacoma		
•	City of Cerritos	•	City of Monterey Park	•	City of Tucson		
•	City of Chula Vista	•	City of Mount Vernon	•	City/County of San		
•	City of Clearlake	•	City of National City		Francisco		
•	City of Corvallis	•	City of Oxnard	•	Douglas County		

Representative examples of local government experience are provided below.

	Representative Local Government Clients						
•	City of Edmonds	٠	City of Patterson	٠	King County		
•	City of El Paso	•	City of Phoenix	•	Lane County		
•	City of Encinitas	•	City of Portland	•	Maricopa County		
•	City of Eugene	•	City of Redmond	•	Pierce County		
•	City of Everett	•	City of Redondo Beach	•	San Juan County		
•	City of Fairfield	•	City of Riverside	•	Snohomish County		
•	City of Folsom	•	City of Roseville	•	Sonoma County		

#### IT EXPERIENCE

To support our efforts, we bring approximately 40 IT professionals to the team with many concentrating on clients like LACERA. Our team is comfortable with the unique requirements of LACERA's operating environment, and we've earned recognition and an outstanding reputation for our services based on a solid track record and discriminating analysis.

IT services represent a core component of the Moss Adams consulting practice. Our consultants have extensive business and technology backgrounds, complemented by their systems expertise. We understand the benefits of automation and technology as well as the risks.

Our IT professionals assist clients with planning system needs, selecting hardware and software, managing third-party vendor installations of hardware and software, and acting as an ongoing resource for your internal IT specialists. We're capable and available to handle entire projects or to provide occasional consultation services.

To support our efforts, we bring technology and business consultants to the team who've successfully participated in the following:

- Alternatives analysis
- Complex technology assessments
- Contract negotiations
- Disaster recovery and business continuity planning
- Implementations
- Independent system acquisitions

- Network design and administration
- Penetration testing
- Security reviews
- Strategic planning
- System needs analysis
- Workflow re-engineering

Our team is comfortable with the unique requirements of LACERA and the intricacies of their related technology systems.

Our consulting group has a reputation for value, objective analysis, and focused insight. Our extensive experience enables us to efficiently and effectively guide organizations through security assessments and procedural reviews to make realistic recommendations that clients can implement. As a result, we're often asked to address the most challenging issues facing management and operational teams.

Serving clients throughout the West, our IT team is comprised of accomplished security and system engineers with authoritative resources in security policy and workflow administration and management. With detailed technical understanding and business process expertise, we provide a comprehensive approach to information security.

Below is a partial list of recent public entity clients for which we've performed work similar to the IT services that may be requested by LACERA.

	Representative Clients						
•	Association of Washington Cities	٠	Island Transit				
•	Calleguas Municipal Water District	•	King County				
•	City of El Paso De Robles	•	Las Virgenes Municipal Water District				
•	City of Naperville	•	Maricopa County				
•	City of Phoenix	•	Oregon Metro				
•	City of Redlands	•	Pierce Transit				
•	City of Roseville	•	Port of Stockton				
•	City of Vancouver	•	Port of Tacoma				
•	Community Behavioral Health (City of Philadelphia)	•	San Bernardino County Employees Retirement Association				
•	Delta Diablo Sanitation District	•	Utah Transit Authority				
•	Douglas County	•	Washington State Department of Licensing				
•	Inland Empire Utilities Agency	•	Washoe County				

#### INVESTMENT EXPERIENCE

We have a large investment practice, including experience with large pension plans and trusts, financial institutions, and foundations. We audit over 300 financial institutions and investment companies across the United States.

	Representative Clients					
•	Altamont Capital Partners	•	New Mexico Finance Authority			
•	Blue Road Partners	•	New Mexico Public Employees Retirement			
•	Endeavour Capital		Association			
•	Francisco Partners	•	New Mexico State Investment Council			

	Representative Clients						
•	GI Partners	٠	Price Funds				
•	JW Childs	•	Strategos Funds				
•	Kenetics Funds	•	TA Associates				
•	Los Angeles City Employees Retirement	•	TPG Capital				
	System	•	TSG Consumer Capital				
•	New Mexico Educational Retirement Board	•	Vista Equity				

#### **EXAMPLES OF AUDIT REPORTS**

We've included examples of our audit reports in the Appendix beginning on page 67.



# 5. Assigned Professionals



# Lead Consultant and Professional Staff

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.

We'll structure your service team as follows:

#### **PARTNERS IN CHARGE**

- Kory Hoggan will serve as a partner in charge providing PERS specialization.
- Mark Steranka will serve as a partner in charge providing government internal audit specialization.

#### **ORGANIZATIONAL SERVICES TEAM**

- Colleen Rozillis will serve as the lead consultant for organizational services.
- Tammy Lohr will work with Colleen on the organizational services.
- Annie Rose Favreau will work with Colleen on the organizational services.

#### **IT SERVICES TEAM**

- Kevin Villanueva will serve as the lead consultant for IT services.
- Jeff Krippaehne will work with Kevin on IT services.

#### **INVESTMENT SERVICES TEAM**

- Aaron Hamilton and Kory Hoggan will serve as lead consultants for investment services.
- Ryan Koch will work with Aaron and Kory on investment services.
- Jason Lu will work as a member of the investment services team.

Each of the team members bios are provided in Section D.4 of this proposal.

# Commitment to Diversity, Equity, and Inclusion

With respect to diversity, the response must include a description of diversity policy, practices, and procedures maintained by the firm regarding equal employment opportunity, including the recruitment, development, retention, and promotion of a diverse and inclusive workforce, nondiscrimination 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 polices, 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 person who is responsible for oversight of 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 10 years.

At Moss Adams, we know that not simply honoring, but also integrating our differences is essential to growing a sustainable firm that better reflects the communities we represent and the clients we serve. By focusing on inclusion and equity and embracing diversity, we drive growth with innovation and new ideas that can only be associated with distinct perspectives and experiences.

Now more than ever, we're focused on a growing and maintaining a diverse, equitable, and inclusive culture. This requires dedicated commitment to improving our workforce diversity year over year, and a deliberate and thoughtful approach to making all our professionals feel heard and valued.

To help the firm stay accountable for our goals and drive strategy forward, we've formed the Inclusion & Diversity Advisory Board. This board is made up of senior-level Moss Adams professionals dedicated to supporting the impact our business resource groups (BRGs) are making. At a firmwide level, our mission is to foster an inclusive and diverse culture where everyone feels like they belong. To accomplish this mission, we focus on the following objectives:



#### **ATTRACT**

Recruit individuals with diverse backgrounds and experiences



#### DEVELOP

Provide learning and growth opportunities to develop and promote inclusive and diverse leadership across the firm



RETAIN

Promote and support a culture where everyone feels valued, respected, and connected



#### ADVANCE

Provide a best place to build career for everyone by promoting equity, access, and opportunity

Let's dive deeper into how we're moving these objectives forward:

#### ATTRACT

Our internship and recruitment programs offer education, opportunity, and experience to students from racially diverse backgrounds, women, members of the LGBTQ+ community, military veterans, and people with disabilities. Some of our initiatives to attract a diverse workforce are outlined below.

#### Ignite Scholarship

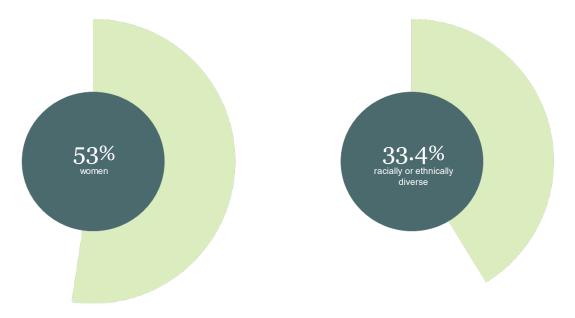
We award this scholarship to college freshmen and sophomores from diverse backgrounds who are pursuing a bachelor's degree in accounting or a related field. So far, we've granted 75 scholarships to date, and have hired seven scholarship recipients as full-time staff. While we're pleased when recipients choose to join the Moss Adams family after graduation, it's important for us to note that Ignite is not a way for us to build our ranks. Rather, it's just one way for us to give back to minorities and underrepresented youth in our communities.

#### Liftoff Recruitment Webinar

Our recruitment team shares an annual webinar for underrepresented college freshman and sophomores highlighting the benefits and opportunities available with a career in public accounting. The goal of this webinar is to not only provide information on the profession, but also educate the students on how to navigate the recruitment and hiring process.

#### PhD Project

The PhD Project exists to increase workplace diversity by increasing the diversity of business school faculty who encourage, mentor, support, and enhance the preparation of tomorrow's leaders. The vision of PhD Project is to produce a significantly larger talent pipeline of Black/African-Americans, Hispanic/Latinx, and Native Americans for business leadership positions. Moss Adams has pledged a \$75,000 donation over three years to PhD Project, and has representation on its board of directors.



#### Diversity at Moss Adams

#### DEVELOP

Our BRGs are networks of Moss Adams professionals founded and led at the local and regional level to foster advocacy and create community, camaraderie, and connection while contributing to the firm's business objectives. Members of our BRGs participate in sponsoring and attending corporate and community events, driving recruitment efforts, and designing continuing education to empower and develop our people. Currently, our BRGs include Latinx, Asian, PRiDE (LGBTQ+ and allies), Black, Racial Equity, Forum W (women), and Veterans groups. Some of the highlights from our BRGs include the following:

- Sponsoring the National Association of Black Accountants (NABA) conference, driving on-site recruiting and awarding scholarships
- Amplifying Pride Month celebration firmwide through networking events, Pride Parade viewing parties, and allyship workshops
- Sponsoring Association of Latino Professionals for America (ALPFA) convention, driving on-site recruitment and professional development
- Participating in Veterans Service Academy Career Conference (SACC), the only job fair exclusively for alumni of combined US Services Academies, driving on-site recruitment
- Launching a multipart conversation around race, *Courageous Conversations*, to provide opportunities for our professionals to continue their learning and growth around racial equity and social justice in line with our commitment to *Racism Has No Place at Moss Adams*

#### RETAIN

One important factor in retaining talent across the board is providing a positive experience in professional and personal lives. We offer our employees benefits that support a diverse workforce including transgender surgery benefits, gender-neutral parental leave, and a Maven Maternity program to support new parents and return-to-work challenges. But it's not just enough to say we foster a great environment where our people have a sense of belonging—we're honored to have our culture and workplace practices recognized with the following awards:

- Top Companies for Executive Women National Association for Female Executives
- Working Mother 100 Best Companies Working Mother
- Top Company for Working Dads Working Mother
- Best Accounting Firms for Women Accounting MOVE Project
- Inclusion Index Company Diversity Best Practices
- Innovation in Diversity and Inclusion Diversity Journal
- Best Accounting Firms for Diversity Vault Accounting 50
- Best Accounting Firms for Minorities Vault Accounting 50
- Best Accounting Firms for LGBTQ+ Individuals Vault Accounting 50

#### **ADVANCE**

Diversifying our workforce means not only hiring professionals from underrepresented communities, but also accelerating their advancement as minority leaders. We've successfully implemented growth initiatives for women, and we're looking forward to adapting these resources to help advance other minority groups.

#### Succession Planning Playbook

This playbook provides insight and strategies on increasing the diverse representation in leadership roles and at the partner level. This playbook was originally developed to support women at the highest levels, but we're now in the position to leverage our other BRGs to apply its principles across other underrepresented groups. We're excited to see how it positively impacts our culture in years to come.

#### Path to Success Series

To help women and other underrepresented groups at Moss Adams build and maintain successful mentoring relationships and build external connections, we created a series of mentoring guides:

- A Guide for Mentors and Protégés
- A Guide to Building and Leveraging Your Network
- Investing in Your Career by Helping Others

#### GroWth Series

In the past year, we welcomed 14 women to our fourth cohort of the GroWth series, a year-long leadership program targeting high-potential, women senior managers. Three of our new 2019 partners are GroWth graduates. To date, five graduates of the GroWth Series have become partners.

#### **REPRESENTATION IN 2019**

Our commitment to fostering a more diverse workforce has produced positive results. Below are some of the statistics we're proud to report for 2019.

#### **RACE & ETHNICITY**

racially/ethnically diverse population groups increased representation 11% of new hires were more diverse than in 2018

of new hires were more diverse than the overall population 3% more diverse partner group than the national average\*

\*Source: AICPA Trends Report

GENDER

53% of all Moss Adams employees identify as female

3% more female executive committee members than S&P 500 average 25% of our partners are women, higher than the national average\*

\*Source: US Board Diversity Trends 2019

#### **Equal Employment Opportunity and Affirmative Action**

As an equal opportunity employer, Moss Adams remains dedicated to building a diverse workforce. We have over 30% minorities among our employees. Females comprise nearly 55% of our employees. In addition, the firm is an industry leader among the nation's largest public accounting firms with over 25% female partners.

We identify ourselves as an equal opportunity employer in all employment advertising and recruiting material; furthermore, we participate in and sponsor local and regional events with professional organizations representing minorities and females. We also participate in outreach for veterans and individuals with disabilities.

We believe that every person has the right to work in surroundings that are free from all forms of discrimination and harassment. In all aspects of our employment processes—such as recruiting, hiring, training, promoting, and terminating employees—it's the policy of Moss Adams to comply with all federal, state, and local laws prohibiting discrimination.

We demonstrate our commitment to equal opportunity in our employment processes and in our dayto-day practices. As a result, we're honored to have received the following awards:

Top 50 Companies for Executive Women, National Association for Female Executives (2015–2019)

100 Best Companies, Working Mother Magazine (2011–2019)

Best CPA Firm for Women, Accounting MOVE Project (2010–2019)

Profiles in Diversity Journal

- Innovation in Diversity Award (2019, 2017, 2016, 2014, and 2012–Award of Excellence; 2013–Honorable Mention; 2011–seventh place)
- Women Worth Watching (2010–2012, 2014–2015, 2017–2019)

For more information about our firm's other awards and recognition, go to mossadams.com/awards.

Click here to access our 2019 Inclusion & Diversity Annual Report to learn more.



# 6. Quality Control / Peer Review



# A. Firm's Quality Control

a) Please describe your firm's quality control relating to audit planning, fieldwork, and reporting.

While Moss Adams has centralized quality control, our engagement partners and client service teams are only one level removed from the technical and quality control professionals in our national office. We consult as necessary with our national office on both technical and regulatory matters, many of which are voluntary consultations in an effort to draw on our firm's deep expertise and deliver the best service to our clients.

We're not held up by a longdistance consultation relationship with a national office located on the East Coast. We're headquartered on the West Coast and discussions among our professionals happen quickly. Our national office is located in Seattle, Washington. When we do have a need to consult with this group, we're in the same time zone, and we've streamlined our process to ensure timely turnaround of consultations. We evaluate each service and advise your audit committee in our routine communications of any matters that may be classified as anything but "audit." Our service approach is designed to effectively serve the audit committee and be responsive to management. Our consultation process offers personal contact and interactive dialogue that translates to timely responses and resolutions for clients; it isn't intended to be a long or complex process.

We've established internal firm committees that rigorously uphold the quality assurance objectives set forth by the firm. In addition, these committees are responsible for staying abreast of relevant regulatory changes and training for all firm professionals.

### Peer Review Report

b) Please include an external quality control review report (Peer Review) within the last five years.

Cherry Bekaert

#### Report on the Firm's System of Quality Control

October 8, 2020

To the Partners of Moss Adams LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Moss Adams LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

#### Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

#### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

#### **Required Selections and Considerations**

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, audits of broker-dealers, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

#### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Moss Adams LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail.* Moss Adams LLP has received a peer review rating of *pass.* 

Cherry Befort LLP

Cherry Bekaert LLP

Peer Review Report (Cont.)



National Peer Review Committee

October 29, 2020

Christopher Schmidt MOSS ADAMS LLP 999 3RD AVE STE 2800 Seattle, WA 98104-4057

Dear Christopher Schmidt:

It is my pleasure to notify you that on October 29, 2020, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is October 31, 2023. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

efichael Farling

Michael Fawley Chair, National PRC +1.919.402.4502

cc: Samuel Johnson, Erica Forhan

Firm Number: 900010050024

Review Number: 577383



# 7. Client References



## IT and Investment References

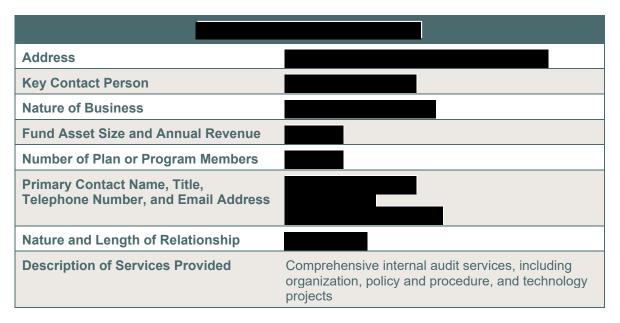
The proposer shall provide three clients for whom it has provided information technology or investments-related audit services in the past five (5) years. For each client reference listed, please include:

- 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.

Hear for yourself the unique experience our clients have in working with our firm. We're confident they'll share stories of how we make their lives easier, help them identify and take advantage of rising opportunities, and guide them to increased prosperity.

We are pleased to provide two references for local government internal audit experience and three references for PERS experience.



Reference 2	
Address	
Key Contact Person	
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 Relationship	
Description of Services Provided	Comprehensive internal audit services, including organization, policy and procedure, and technology projects

Reference 3: Los Angeles	City Employees' Retirement System
Address	
Key Contact Person	
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 Relationship	
Description of Services Provided	Annual audits of financial statements for PERS and OPEB plans, Section 115 Trust, and employer allocations.

Reference 4:	
Address	
Key Contact Person	
Nature of Business	
Fund Asset Size and Annual Revenue	
Number of Plan or Program Members	

### **Reference 4: New Mexico Educational Retirement Board**

Primary Contact Name, Title, Telephone Number, and Email Address	
Nature and Length of Relationship	
Description of Services Provided	Audits of statewide PERS financial statements and employer allocation schedules, consulting

Reference 5:	
Address	
Key Contact Person	
Nature of Business	
Fund Asset Size and Annual Revenue	
Primary Contact Name, Title, Telephone Number, and Email Address	
Nature and Length of Relationship	
Description of Services Provided	



# 8. Project Planning / Approach



## Methodology

### **PROJECT APPROACH**

We pride ourselves on not only leveraging best practices, but also serving as a source of best practices in our organizational assessments. We conduct engagements in accordance with industry standards. Our firm has internal controls in place to make sure we deliver high-quality, defensible products for all strategy and operations consulting engagements, including the following:

INDEPENDENCE	We accept engagements carefully and assign teams with equal care so that no external, personal, or organizational impairments exist in our work.
PROFESSIONAL JUDGMENT	We use careful planning to determine the type of assignment to be performed and the standards that apply to the work. This includes defining the scope of work, selecting a specific methodology, determining the type and amount of information to be gathered, and choosing appropriate benchmarks. We also maintain an attitude of professional skepticism, which includes a questioning mind and a critical assessment of evidence. Our standards of professional judgment demonstrate experience and integrity in the performance of organizational assessment engagements.
COMPETENCE	The proposed staff for engagement we accept are well qualified to serve governmental entities. Our firm has a rigorous continuing professional education program so that all staff who conduct organizational assessments meet the Government Accountability Office (GAO) specified requirements for education. Our government industry group sponsors an annual education forum, which includes training in relevant areas such as the Generally Accepted Government Auditing Standards (GAGAS), Governmental Accounting Standards Board (GASB) and other public finance standards, Institute of Internal Auditors (IIA) standards, American Institute of Certified Public Accountants (AICPA) consultancy standards, and firm auditing practices. In addition to rigorous continuing professional education, our proposed staff members work in a supervised environment that fosters the development of experience and professionalism.
QUALITY CONTROL & ASSURANCE	We have a comprehensive process of internal quality control and supervision. All engagements are assigned to a qualified engagement manager. All deliverables, including workpapers, findings, recommendations, and final reports are processed through a critical quality control review process. In addition to these regular quality control and assurance controls, our firm participates in a regular external peer review process.

#### **PROJECT PLAN**

Our standard engagement methodology encompasses project planning, fieldwork, interviews, documentation of evidence to support our observations, commendations, recommendations for achieving improvements, and a project report that delivers high-impact analysis and an action plan. You can expect our approach to be executed through the following four major phases:

1	<b>Start-Up and Management.</b> Project initiation consists of collaborative project planning with LACERA and project management, including determining who will be interviewed, what documents will be reviewed, what on-site observations and walk-throughs will be performed, when and how results will be shared, and how we'll report on project status.
2	<b>Fact Finding.</b> In the second phase, we'll conduct our fieldwork, including documentation review, walk-throughs, observations, interviews, and an online survey. We'll obtain the most current information available and powerful insights from LACERA personnel and selected external stakeholders.
3	<b>Analysis.</b> Based on firsthand input gained during our fieldwork in the previous phase, we'll evaluate the importance, impact, and scope of our findings in order to develop recommendations for improvement. We'll leverage best practices to inform our assessment. If appropriate, we will also conduct peer benchmarking to provide comparative data from similar organizations.
4	<b>Reporting.</b> In the final phase, we'll conclude the project by communicating findings and recommendations through reports and presentations. We'll deliver both draft and final reports, which will include a detailed action plan.

These phases are delineated by tasks and described in greater detail below.

### PHASE 1

#### START-UP AND ONGOING MANAGEMENT

At project initiation, we'll confirm LACERA's desired project outcomes and potential reference points from which to assess performance.

#### 1.1 Initiate Project

We'll conduct a kickoff meeting with the project director and others, as determined by LACERA, to confirm expectations and discuss overall project scope, logistics, deliverables, timing, and progress reporting requirements. We'll clarify responsibilities of Moss Adams and LACERA personnel, timing of project activities, and format of deliverables. We'll establish an interview list and finalize our approach to each phase of the project.

#### 1.2 Perform Project Management

We'll conduct rigorous project management activities for the duration of the engagement. These activities will include providing guidance to the consulting team, coordinating with the project director, working through issues and solving problems, monitoring progress against the approved work plan, and submitting progress reports.

#### 1.3 Provide Quality Assurance

We believe it's important to recognize the need for quality by providing excellent client service and engagement oversight. All deliverables receive a quality assurance review before submittal to LACERA.

#### **PHASE 1 DELIVERABLES**



- Final work plan
- Interview list
- Progress reports

## PHASE 2

#### **FACT FINDING**

In this phase, we gather objective input required to assess performance.

#### 2.1 Review Documentation

We'll gather relevant documentation for review. The objectives of the documentation review include gaining an understanding of the operational environment and further defining issues and surrounding facts. Specific steps include developing a document request list, coordinating document receipt and review, and developing questions for use during interviews.

#### 2.2 Perform Interviews

We'll conduct interviews with internal and external stakeholders as appropriate. Interviews are at the heart of fact finding, and it's through interviews that we'll gain each person's perspective of operational strengths and opportunities for improvement. Interviews may be conducted at multiple levels and other key stakeholders (internal and external customers) defined with LACERA.

#### 2.3 Administer Survey

We often utilize a confidential, online survey to supplement interviews. The focus of surveys could be identifying strengths and opportunities for improvement relative to customer service, policies, and processes.

#### 2.4 Prepare Preliminary Observations

We'll document our preliminary observations, including commendations and opportunities for improvement. Opportunities for improvement will be organized by area of focus.

#### 2.5 Present Preliminary Observations

We'll present preliminary observations to LACERA. The fact-finding phase of work gives the entire project team an opportunity to scan a wide breadth of issues.

The purpose of sharing preliminary observations is to avoid surprises by giving LACERA a chance to preview observations and verify facts to make sure the basis for each observation is accurate and valid. Observations will form the basis for analysis of opportunities for improvement.

#### **PHASE 2 DELIVERABLES**



- Document request list
- Survey results
- Preliminary observations

#### PHASE 3

#### ANALYSIS

The analysis phase moves the study process from observations to assessment. This phase will determine the significance of opportunities for improvement and how best to address them.

#### 3.1 Assess Organization

Based on observations, we'll evaluate operations. Our assessment will be forward-looking to help position the organization to achieve goals. Areas of assessment focus will depend on the nature of the project.

#### 3.2 Identify Best Practices Through Benchmarking

Part of our assessment process will draw from comparisons to best practices. In addition, we may leverage peer benchmarking to provide comparative data. Some firms perform benchmarking by reviewing collections of articles, statistics, and stagnant data. But at Moss Adams, because we have extensive, firmwide industry connections, we can conduct real-time interviews with similar organizations to obtain firsthand insights from your peers about the challenges they've faced, the measures they've taken to overcome them, and how they've established and maintained continued success. Incorporating this feedback with the rest of our findings enhances our ability to provide innovative, effective, value-added solutions to LACERA. We will work with LACERA to identify peers for benchmarking purposes if part of the project.

#### 3.3 Perform Gap and Alternatives Analysis

We'll identify differences between current LACERA practices and appropriate best practices to define gaps that should be addressed. The gap analysis will focus on opportunities to reduce risks, strengthen controls, and enhance performance. Opportunities for improvement will build on strengths and address weaknesses. For each major opportunity for improvement, we'll conduct alternative analysis in an abbreviated cost-benefit format inherent to our analysis. Each alternative solution will be scrutinized for pros, cons, resources, budget, training, and risks, if relevant. The results will directly feed into our recommendations. We'll work with management to determine which alternatives are the best fit for LACERA.

#### 3.4 Prepare Draft Observations and Recommendations

Based on our analysis, we'll update observations and prepare recommendations. Observations and recommendations will be organized by area of focus. Organizational structure options will be presented in a draft and will include a draft staffing plan and a draft growth plan.

#### 3.5 Present Draft Observations and Recommendations

Draft observations and recommendations will be presented to LACERA for final fact validation and assessment of the practicality of recommendations.

#### **PHASE 3 DELIVERABLES**



Draft observations and recommendations

### PHASE 4

#### REPORTING

This phase covers the production of deliverables, including draft and final reports.

#### 4.1 Submit Draft Report

Our work will be packaged in a draft report for LACERA to review. The draft report will include the necessary level of detail to allow the document to stand on its own. The report will integrate the study components and include an executive summary, study objectives, scope and methodology, commendations, and observations and recommendations.

#### 4.2 Submit Final Report

Based on feedback from the steering committee, we'll revise the draft report and submit our final report.

#### 4.3 Present Final Report

We'll present the final report to LACERA. We'll prepare a presentation to facilitate these briefings.

#### **PHASE 4 DELIVERABLES**



- Draft and final reports
- Final report presentation



# 9. Potential Conflict



## A. Conflicts of Interest Related to Any Other Client Relationships

# a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.

Performing audit services for clients that compete with each other isn't a conflict of interest. Our profession's code of ethics has stringent provisions requiring maintenance of absolute confidentiality of client information. We take that matter extremely seriously. The need for discretion is tremendous in today's world when most organizations, including Moss Adams, are focusing on expanding services within industry segments. Thus, we have clients who are competitors, customers, vendors, etc. to one another. If we're indiscret with our clients' information, we'll be without clients in a short period of time. You can rest assured we'll maintain the confidentiality of LACERA's affairs.

#### **Our Firm's Independence**

Moss Adams has always worked to embody the highest ethical standards, and we demonstrate our commitment to such standards daily. As an independent certified public accounting firm properly licensed for public practice, Moss Adams is required to meet the independence standards as defined by Generally Accepted Auditing Standards, the AICPA Code of Professional Conduct, and the US Government Accountability Office.

Prior to accepting a client relationship with your organization, we'll conclude our initial review of independence. This review will include an inquiry throughout the firm to make sure there aren't any identified circumstances that might impair our independence. To make sure we maintain our independence of your organization, we'll formally reassess our independence throughout the engagement and every year.

Additionally, each partner and client service professional, including associates (technicians) and interns, is required upon initial employment, and annually, to acknowledge his or her independence with respect to our clients. The independence compliance representation is focused on the independence of the individual, and it is designed to result in personal representations about matters that may impair independence. In this way, we routinely monitor our firm's independence from our attest clients.

We welcome any questions you may have regarding our review of independence.

# B. Conflicts of Interest with the Proposed Engagement Partner

*b)* Describe any potential conflicts of interest with the proposed engagement director and/or engagement manager relative to the LACERA engagement.

We are not aware of any conflicts of interest for members of our proposed team, including our partners in charge.

# C. Anticipated Conflict of Interest

c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.

We are not aware of any conflicts of interest if our firm is awarded this engagement.

## D. Other Affiliates Offering Services to LACERA

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.

We do not have any affiliates providing services to LACERA.

## E. Relationships with LACERA's Boards, Management, Staff, or Plan Sponsors

*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).

We are not aware of any relationships our firm or staff have with any member of LACERA's boards, management, staff, or plan sponsors.

## F. Purpose and Monetary Value

*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.

Moss Adams has not provided any gifts, travel, expenses, entertainment, or meals to any member of LACERA's boards, management, or staff within the past two years.

## G. Approach to Resolving Conflicts of Interest

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.

#### Technical Disagreements Within the Firm

At Moss Adams, any technical disagreements about an accounting issue are first discussed internally. If one or more of our team members has a different opinion or observation than another, this matter is resolved prior to discussion with you.

#### Technical Disagreements with a Client

We work with our clients to solve issues in a reasonable manner as they arise. In the rare event that there's an accounting disagreement between our audit team and your accounting department, we'll work as a group with our national office—our technical resources who specialize in assurance, tax, quality control, and other matters—to find the correct answer with regard to best practices and industry standards.

#### Resolving Accounting Issues

Responsibility for the identification and resolution of accounting and financial reporting matters rests primarily with the engagement partner and engagement quality reviewers. Our firm policy for resolving auditing, accounting, and financial reporting issues with a client is to understand the substance of the transaction and the accounting alternatives and discuss it with our national office.

Certain matters are required to be reviewed by the firm's national office. Our role as independent auditors requires us to research any significant accounting and reporting matter with respect to the appropriate authoritative literature. Requiring a quality control reviewer and firm leadership individuals to be involved in the process assures our clients that they're getting the right answers. In all cases, we work with management to outline the alternatives and the respective disclosures. Management has the choice to follow our advice.



# 10. Legal Situations



# A. Disciplinary Action Taken

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. Censured or Fined by a Regulatory Body

*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. Claims and Litigation

c) Describe any claims or litigation brough 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. Audit Engagement Involved in Litigation

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. Default of Contract

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 may 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.

As a result of our firm's commitment to premier client service, we have a long history of excellent client retention. An important aspect of this service includes maintaining the confidentiality of our clients', and former clients', financial and business information. As a result, we avoid disclosure of client information except as necessary to provide our services. In addition, while client relationships may be terminated for a variety of reasons, including financial, project discontinuation, and change in strategy, we don't maintain records regarding such terminations.



# 11. Fee Schedules



## Fees

For our clients, it's about more than the dollars you pay at the end of the day; it's about value. Consider both the tangible and intangible benefits of working with us. You'll get solid and timely deliverables. But more than that, the experience you'll have working with forward-thinking, industryspecialized professionals who work side by side with you to explore new possibilities is where you'll see the value. Invest in your future prosperity and experience a different style of service with us.

Engagement Types	Audits Maximum Hourly Rate	Co-Source Audits Maximum Hourly Rate	Consulting Maximum Hourly Rate	Co-Source Consulting Maximum Hourly Rate	Training Maximum Hourly Rate
Partner Level	\$400	\$400	\$400	\$400	\$400
Management Levels	\$300	\$300	\$300	\$300	\$300
Staff Levels	\$200	\$200	\$200	\$200	\$200

**Organizational Activities** 

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11	•

Engagement Types	Audits Maximum Hourly Rate	Co-Source Audits Maximum Hourly Rate	Consulting Maximum Hourly Rate	Co-Source Consulting Maximum Hourly Rate	Training Maximum Hourly Rate
Partner Level	\$400	\$400	\$400	\$400	\$400
Management Levels	\$300	\$300	\$300	\$300	\$300
Staff Levels	\$200	\$200	\$200	\$200	\$200

Investments

Engagement Types	Audits Maximum Hourly Rate	Co-Source Audits Maximum Hourly Rate	Consulting Maximum Hourly Rate	Co-Source Consulting Maximum Hourly Rate	Training Maximum Hourly Rate
Partner Level	\$350	\$350	\$350	\$350	\$350
Management Levels	\$250	\$250	\$250	\$250	\$250
Staff Levels	\$150	\$150	\$150	\$150	\$150

#### FEE DETAILS

Subject	The Details
Client Acceptance Procedures	The scope of work and fee quotes are subject to our client acceptance process, which: 1) verifies that all parties understand the specific services we're being asked to perform; 2) ensures contract terms are acceptable to both parties and in agreement with professional standards; and 3) confirms we've staffed the engagement with individuals qualified with the necessary experience to fulfill our commitments to our prospective client. We'll also need to complete our inquiries of your former auditor as required by our professional audit standards.
Expenses	Our engagement letter will provide an estimate of the expenses for the services to be provided. Direct travel expenses will be billed monthly as incurred.
Cost Overruns	During the course of the project, we'll measure our progress against our planned budget. If situations arise that are significantly different than our expectations, we'll bring them to your attention immediately and discuss various options before we proceed. We'll meet weekly during the course of the project with the appropriate parties to ensure there are open lines of communication between our organizations.

#### MOSS ADAMS EXCEPTIONS TO THE AGREEMENT

This proposal is contingent upon completion of negotiation of a mutually acceptable contract and Moss Adams' new client acceptance process. Exceptions to the contract are attached on the following page.

## **EXHIBIT 1**

### MOSS ADAMS EXCEPTIONS TO THE AGREEMENT

This proposal is contingent upon completion of negotiation of a mutually acceptable contract and Moss Adams' new client acceptance process.

Section #	Suggested Revision	Reason for Exception
1.3	All final reports and other completed deliverables created under this	Consultant wishes to clarify ownership rights
	Agreement and delivered to LACERA, excluding any Consultant	between the parties.
	Material (defined below) contained or embodied therein	
	("Deliverables") 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. However, LACERA may not alter or amend any	
	Deliverables issued under Consultant's name. Consultant may retain a	
	copy of Deliverables for archival purposes. Consultant shall own: (i)	
	its working papers and any engagement documentation; and (ii) any	
	general skills, know-how, expertise, ideas, concepts, methods,	
	techniques, processes, software, materials, or other intellectual	
	property which may have been discovered, created, received, or	
	developed by Consultant either prior to or as a result of providing	
	services under the Agreement (collectively, "Consultant Materials").	
	LACERA shall have a non-exclusive, non-transferable license to use	
	Consultant Materials for its own internal use and only for the purposes	
	for which they are delivered to the extent they form part of a	
	Deliverable. Notwithstanding anything to the contrary in this	
	Agreement, Consultant and its personnel are free to use and employ	
	their general skills, know-how, and expertise, and to use, disclose, and	
	employ any generalized ideas, concepts, know-how, methods,	
	techniques or skills gained or learned during the course of this	
	Agreement so long as they acquire and apply such information	
	without any unauthorized use or disclosure of confidential or	
	proprietary information of LACERA.	

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.	Concultant wishes to focus in dominity longue of
4.1(para 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, including death, personal injury, or tangible personal or real property damage, including damage to Consultant's property, caused by intentional, willful or negligent acts or omissions of by Consultantin 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. If there is a fault on behalf of LACERA or any individual, entity or governmental body acting on behalf of LACERA or indemnified hereunder, the indemnity set forth above shall be on a comparative fault basis. In the event of a claim for which LACERA may seek indemnification hereunder, LACERA shall provide Vendor with prompt written notice of such claim and cooperate with Vendor in handling the claim. Consultant shall be entitled to control the handling of such claim and to defend or settle any such claim, in its sole discretion, with counsel of its own choosing.	Consultant wishes to focus indemnity language.

4.1(para	LACERA agrees that the liability of Consultant, including but not	Consultant wishes to lower the limitation of
2)	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 loss (nor any lost profits, taxes, interest, tax penalties, savings or business opportunity), even it 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.	liability cap.
4.1	<ul> <li>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 <u>reducing coverage below required amounts</u> or cancellation of any policy of insurance.</li> </ul>	Consultant wishes to modify the insurance language to comport with its current policies.
4.2.1	<ul> <li>Such insurance shall be primary in all instances and shall name</li> <li>Los Angeles County Employees Retirement Association as an additional insured via blanket endorsement, and shall include:</li> </ul>	Consultant wishes to modify the insurance language to comport with its current policies.
4.3.1	Delete 4.3.1 in its entirety.	Consultant wishes to modify the insurance language to comport with its current policies.
4.3.5	Delete 4.3.5 in its entirety.	Consultant wishes to modify the insurance language to comport with its current policies.

4.3.6	Via the modification process in Section 14 only, 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.	Consultant wishes to clarify that requirements cannot be made unilaterally.
4.7	Delete 4.7 in its entirety.	Consultant wishes to modify the insurance language to comport with its current policies.
6.	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.	Consultant does not wish to risk disclosing confidential information of other clients.
21.	Delete 21 in its entirety	Consultant wishes to follow the American rule on attorneys' fees.

# ATTACHMENT F

# NET FORCE AUDITING ND CONSULTING SERVICE





# Proposal for Auditing and Consulting Services Pool

Submitted by:

**NET FORCE** 

15421 E. Gale Avenue #90083 City of Industry, CA 91715 Direct: +1.708.888.0778 Email: josh.chin@net-force.net



15421 E. Gale Ave. #90083 City of Industry, CA 91715 951.638.3672 contact@net-force.net

February 1, 2021

Ms. Kathryn Ton Senior Internal Auditor Los Angeles County Employees Retirement Association (LACERA) 300 N. Lake Ave. Suite 840 Pasadena, CA 91101-4199

Re: RFP: Auditing and Consulting Services Pool

Dear Ms. Ton:

Thank you for the opportunity and invitation to submit this proposal for RFP: Auditing and Consulting Services Audit Pool. Net Force will provide LACERA with the requested Organizational and Information Technology Auditing and Consulting services, via detailed, thorough, and independent testing to give you actionable reports on your current risks. We will follow that with detailed recommendations, mitigation opportunities that will mitigate, or transfer much of LACERA's risk, well as guidance forward for mitigating any findings that require immediate ลร attention.

As you evaluate our response, please consider that Net Force has a dedicated risk management line with a team of experienced and certified professionals. We are not the only company capable of providing you with auditing and consulting services, but we are uniquely qualified, and we believe we are among the best in the industry.

One of our team members is retired Senior IT Auditor with East West Bank (net assets: \$52.2 billion dollars) where they led the bank's IT audit functions. Prior to East West Bank, they were the Director of IT Audit at Union Bank (net assets: \$337 billion). They are a former Deloitte and Touché Senior Manager leading internal audit activities and IT security consulting projects. They are also а CISSP, CISA, CISM, CRISC, CGEIT, CIA, CRMA.

Another proposed team member is a **Virtual Chief Audit Executive**. They specialize in highly regulated industries providing expert consultation on SOX and J-SOX. They served previously as the Executive Director, Internal Audit at a bio-pharmaceutical company. They are also a **CPA, CRMA**. Another proposed team member is CISSP certified with a master's degree with a concentration in Information Systems Auditing and has recently participated in highly successful penetration tests of the California Lottery (2020), California eWIC (2019), California VoteCAL (2018), and the State of Hawaii Department of Human Services KOLEA Eligibility Platform (2019).

This proposal is valid for 120 calendar days from the deadline of the proposal submission including proposed fees and proposed assigned staff. If you have any questions, please contact me, Josh Chin, Founding Partner of Net Force, at 951.638.3672, or josh@net-force.net.

Warm regards,

Joshua Chin

Josh Chin Founder, Managing Partner Net Force

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## **1 ORGANIZATION AND KEY PERSONNEL**

### 1.1 **GENERAL FIRM INFORMATION**

Official Registered Name: Net Force Nature of the Organization: Private; For Profit; General Partnership Headquarters/Main Office: 15421 E. Gale Avenue #90083, City of Industry, CA 91715-0083 Main Phone: +1.951.638.3672 Website: <u>https://net-force.net</u> Year Established: 2012 Parent Company: None

Net Force anticipates its Los Angeles/City of Industry office to provide services to LACERA.

## 1.2 POINT OF CONTACT, AUTHORITY TO BIND CONTRACT

Joshua Chin, MSBA, Managing Partner, Net Force Direct: 708.888.0778 Email: josh@net-force.net

#### **1.3 GENERAL FIRM INFORMATION**

Founded in 2012, Net Force is a boutique consulting and advisory firm created to help businesses and government entities holistically protect and defend their information systems. Net Force offers risk management, physical security, cybersecurity, digital forensics, and incident response consulting and advisory services.

Net Force's previous clients have included global airlines, state, local and federal agencies, law firms, and businesses in the security, technology, manufacturing, and healthcare sectors. Net Force is headquartered in Los Angeles, CA.

While Net Force offers a full spectrum of quality Information Technology (IT) services at every stage of the IT life cycle, we have built an especially strong reputation for providing Cybersecurity services through a combination of formal standards-based methods and processes; hiring motivated, highly trained staff with the latest certifications; and strategically partnering with the most qualified security firms to ensure a broad and deep bench of talent and skills are available to our clients.

Through this combination of processes, people, and skills, our security teams find the most cost-effective ways to help our clients ensure the confidentiality, integrity, and availability of their IT systems and data.

Our firm's typical audit, security assessments and consulting engagements include:

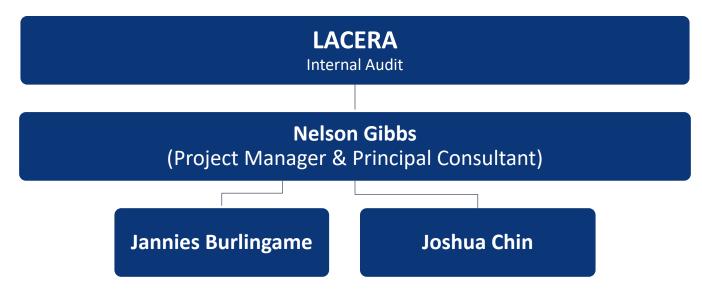
- Audit deficiency resolution, including drafting policies and procedures, system security plans, disaster recovery plans, and gap analyses to align with applicable standards.
- Network penetration testing and vulnerability assessment.
- Application penetration testing
- Independent security assessments using NIST 800 series policies (including the CMF) as a guiding framework.

• Application of the NIST Cybersecurity Framework to physical and logical systems

# 1.4 KEY PERSONNEL

Nelson Gibbs, CISSP, **CISA**, CISM, CRISC, CGEIT, **CIA**, **CRMA** will be the project manager and principal consultant on this engagement supporting Organizational Audit, and Information Technology Audit. Jannies Burlingame, **CPA**, **CRMA** will serve as a Lead Organizational consultant, and a virtual Chief Audit Executive on organizational consulting. Joshua Chin, CISSP, CMMC-RP, will be serving the Lead Information Technology consultant.

# 1.5 **PROJECT ORGANIZATIONAL CHART**



# **1.6 INSURANCE**

Net Force maintains commercial general liability insurance, automobile liability, workers compensation and technology and professional services insurance. Please see the attached proof of coverage for the levels of coverage for errors and omissions as well as any other professional liability insurance.



# 1.7 INSURANCE CERTIFICATE

ACORD	CER	TIF	ICATE OF LIAE	BILI	TY INSU	RANCE	E		MM/00/////) 15/2020
THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.									
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Net Force				INSURE	RC:Certai	n Underwri	ters at Lloyds		
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# 2 FIRM QUALIFICATIONS AND EXPERIENCE

# 2.1 CURRICULA VITARUM/RESUMES

## 2.1.1 Nelson Gibbs

# Nelson Edward Gibbs

#### 4559 East Rose Hill Drive + Los Angeles, CA 90032 + 213.321.0903 + ngibbs@pacbell.net

Proficient in audit and consulting for information security, IT controls and infrastructure, and business process application risk management. Over twenty-five years experience in Information Systems with a focus on IT risk management and secure network and systems planning and design. IT experience includes expertise in B2B eCommerce, Electronic Data Interchange (EDI) systems, eBanking, IBM z/OS, & AS/400 environments, and Novell Netware, Microsoft, and Unix variant networks. Experienced with network technologies surrounding encryption, firewalls, and Remote Access methodologies. Skilled at vulnerability and internal/external Attack & Penetration assessment. Specializing in IT-based internal control management, particularly large-scale regulatory compliance and process control design and implementation. Accomplished author and speaker on business and technology security issues, both in the United States and internationally.

#### PROFESSIONAL EXPERIENCE

#### East West Bank: 2015-2018

#### First Vice-President, Internal Audit – Senior IT Audit Manager (2015 – 2018)

Member of the Chief Audit Executive's Senior Leadership Team with responsibility to coordinate and integrate IT audit activities with other senior audit leaders. Responsible to liaise and coordinate with multiple domestic and foreign regulatory bodies, external auditors, and foreign subsidiary company auditors for all technology related inquiries and activities. Responsible for ongoing enhancement and delivery of the complete infrastructure audit plan in conjunction with an integrated audit environment. Responsible for working with senior business leadership and governance committees to represent Internal Audit on technology projects and risks to the Bank.

#### MUFG Union Bank: 2013-2015

#### Director, Internal Audit - Technology (2014 - 2015)

Member of the General Auditor's Senior Leadership Team with responsibility to coordinate and integrate IT audit activities with other senior audit leaders. Responsible to liaise and coordinate with multiple regulatory bodies, external auditors, and foreign parent company auditors for all technology related inquiries and activities. Responsible for delivery of the complete infrastructure audit plan covering Bank technology environments and initiatives for the Americas. Responsible for working with senior business leadership and governance committees to represent Internal Audit on technology matters and risks to the Bank.

#### Vice President, Internal Audit – Information Security & Risk Management (2013 - 2014)

Led the team focused on information security and technology infrastructure audits. Responsible for planning and executing the annual IT infrastructure audit portfolio. Responsible for performance evaluation, coaching, and career development of the team. Responsible for assessing, monitoring, and reporting IT risk and trends to Internal Audit and Bank management.

#### ISRM Advisors, LLC: 2011-2013

#### Expert Witness Advisor, Peckar & Abramson, P.C. (2012 - 2013)

Providing IT risk management and technical guidance for large data center construction contamination dispute, testing and resolution process. Working with retained legal counsel, global infrastructure construction company, large-scale utility provider and third-party specialists to ensure timely, effective and efficient project completion.

#### Contract Consultant, Abidance Solutions (2011 - 2013)

Providing IT risk assessment project and remediation program, IT security testing, IT control environment framework design and implementation, Information Security Governance program development and interim Information Security Officer services for 400+ bed, full-service hospital in Los Angeles, CA.



#### Deloitte & Touche, LLP: 2000-2011

#### Senior Manager, Audit & Enterprise Risk Services - Los Angeles, CA (2010 – 2011)

Leading and supporting greenfield, requested services, and add-on sales pursuits and proposals for strategic business development, current account growth and client retention in the Internal Audit Transformation service line. Targeted services include cosourcing and outsourcing of business process and IT related internal audit activities and IT security consulting projects. Sales efforts range from \$30K to \$3.5M, with a primary focus on the \$100K-\$500K range and annual sales goal of \$3M.

#### Senior Manager - Hyderabad, INDIA (2008-2010)

Two year overseas global management assignment. Responsible for developing and expanding Internal Audit services performed by offshore teams as part of an integrated global delivery model. Responsible for designing and reporting financial and performance dashboard metrics for national and global service leaders. Expanded practice from 28 to 85 professionals and from 30,000 to 100,000+ client service hours. Responsible for development, training and compliance of staff and managers.

#### Senior Manager, Enterprise Risk Services - Los Angeles, CA (2006 - 2008)

Responsible for all phases of project development and delivery of integrated audit services related to technology for external and internal audit clients, including strategic planning with senior management and Audit Committee and Boardroom presentations. Instrumental in the creation of the Security Controls Assurance Services group for the Pacific Southwest region. Key member of the international Internal Audit service line, focused on the development and alignment of consistent global IT internal audit services.

#### Manager, Enterprise Risk Services - Los Angeles, CA (2003 – 2006)

Planned and supervised fieldwork activities for IT audit and control assurance activities related to external and internal audit client base in the Financial Services Industry. Helped to develop updated U.S. firm audit approach for UNIX environments.

#### Senior Consultant, Enterprise Risk Services - Los Angeles, CA (2000 – 2003)

Performed day to day fieldwork activities supporting the provision of external financial audit and assurance services related to automated accounting systems. Primarily focused on serving Financial Services Industry clients. Developed and led training for regional System Security Services service line.

#### Champion Brass Manufacturing: 1993–1998

#### Director, Information Technology & Services - Los Angeles, CA (1996 – 1998)

Provided operations management for company-wide system including PC LAN and mid-range Enterprise Resource Planning system (MAPICS II and MAPICS XA). Analyzed business processes, assessed system alternatives, selected and implemented integrated networks. Increased end-user efficiency, prepared successfully for Y2K compliance, and managed telecommunications systems company-wide. Contributed to strategic plan through systems upgrades that improved customer responsiveness and end-user satisfaction.

#### EDI Coordinator - Los Angeles, CA (1994 - 1996)

Implemented and expanded an EDI program to meet trading partner requirements and company needs resulting in reduced order to payment time from three months to one month. Integrated EDI system with legacy manufacturing transaction processing system resulting in streamlined order processing and reduced order entry errors. Designed an Audit & Control monitoring system improving transaction tracking accuracy by 100%. Published national speaker on the integration of third-party EDI packages with legacy systems.

#### Network Administrator - Los Angeles, CA (1993 – 1994)

Supervised day to day operation of mixed Windows 3.x/95/98/NT and Novell Netware PC LAN including network design, operating system upgrades, server and client troubleshooting and maintenance, installing and training users, and system application selection. Designed interface between PC LAN and mid-range system (system 36, AS/400 Advanced 36, and AS/400).



## EDUCATION AND CERTIFICATIONS

Master of Business Administration, emphasis in Information Technology - University of California at Irvine Bachelor of Fine Arts, Theatre Design & Technology - University of California at Santa Barbara Certified Internal Auditor (CIA), The Institute of Internal Auditors Certified in Risk Management Assurance (CRMA), The Institute of Internal Auditors Certified Information Systems Auditor (CISA), Information Systems Audit & Control Assoc Certified Information Security Manager (CISM), Information Systems Audit & Control Assoc. Certified in the Governance of Enterprise Information Technology (CGEIT), Information Systems Audit & Control Assoc. Certified in Risk and Information Systems Controls (CRISC), Information Systems Audit & Control Assoc. Certified Information Systems Security Professional (CISSP), Information Systems Audit & Control Assoc. Certified Information Systems Security Professional (CISSP), Information Systems Security Assoc. Tenable Certified Nessus Auditor (TCNA), Tenable Network Security

### VOLUNTEER ACTIVITIES

#### The Institute of Internal Auditors

- Committee of Research & Education Advisors
- Learning Solutions Committee member
- Advanced Technology Committee member & co-chair Global Technology Audit Guide subcommittee

#### Information Systems Audit & Control Association

- President Emeritus (2016-2018), Los Angeles Chapter
- Licensed COBIT 5 Trainer
- CISA Review Manual annual update team member

#### Information Systems Security Association – Los Angeles Chapter

Election Committee member

#### REFERENCES

Michael Juergens, Principal Deloitte & Touche, LLP (213) 688-5338 michaelj@deloitte.com Shannon Kramer, Principal Deloitte & Touche, LLP (626) 252-4311 skramer@deloitte.com David Maberry, Chief Risk Officer American Fidelity Group (405) 523-5043 David.Maberry@af-group.com **NET FORCE** 

## SELECTED BOOKS, ARTICLES & PRESENTATIONS

- IIA Research Foundation book: <u>A New Auditor's Guide to Planning, Performing and Presenting IT Audits</u>, 215 pages, first printing: Aug. 2010
- ISACA Now Blog, <u>BYOD: The March of Consumerization</u>, (www.isaca.org/Knowledge-Center), Mar. 2013
- ISACA Now Blog, <u>Two Sides of a Coin: The Social Media Tsunami</u> (www.isaca.org/Knowledge-Center), Sept. 2012
- ITAudit magazine, <u>Elements of a Good Security Architecture</u>, Feb. 2007
- ITAudit magazine, <u>Issues to Consider Before Auditing a Linux System</u>, Sept. 2006
- ITAudit magazine, <u>Three Things You Need to Know About Linux Systems</u>, July 2006
- MAPICS Magazine, <u>Integrating EDI with Legacy Systems</u> (cover article), July 1994
- The IIA Training Seminars, Lead Instructor for "Intro to IT Audit", "Advanced IT Audit" and "Internet Security for Auditors", multiple locations and dates
- The IIA/ISACA Governance, Risk, & Controls Conference (GRC), Master of Ceremonies, Phoenix AZ, Aug. 2015
- The IIA International Conference, "COBIT 5 for Risk" and "COBIT 5: A New Governance Framework", Vancouver Canada, July 2015
- ISACA North America Conference on Computer Audit, Controls & Security (CACS), "COBIT 5 In Action: Practical IT Audit Lessons", Orlando FL, March 2015
- 1<sup>st</sup> Annual ISACA COBIT Conference, "COBIT 5 for Assurance", Orlando FL, March 2015
- MISTI IT Audit & Controls Conference (ITAC), "COBIT 5 for Information Security & Risk Management", San Diego CA, Oct. 2014
- The IIA/ISACA Governance, Risk, & Controls Conference (GRC), Master of Ceremonies, Phoenix AZ, Aug. 2014
- The IIA General Audit Management Conference (GAM), "COBIT 5: A New Governance Framework", Orlando FL, Mar. 2014
- The IIA/ISACA Governance, Risk, & Controls Conference (GRC), Master of Ceremonies, Phoenix AZ, Aug. 2013
- ISACA Information Security & Risk Management Conference (ISRM), "Reform of the EU Data Protection Framework", Las Vegas NV, Nov. 2012
- ISACA Los Angeles Chapter Spring Seminar, "Cloud Computing & Data Privacy", Los Angeles CA, Apr. 2012
- ISACA North America Conference on Computer Audit, Controls & Security (CACS), "Implementing COBIT Quickstart in a Healthcare Organization", Orlando FL, May 2012
- ISACA Information Security & Risk Management Conference, "Impact of Social Media on the IT Audit Function", Las Vegas NV, Sept. 2011 and Barcelona Spain, Nov. 2011
- ISACA Asia-Pacific CACS Conference "Wireless Network Security", Mumbai India, Feb. 2010
- The IIA Technology Conference, "PCI Compliance" and "Auditing Wireless Networks", Phoenix AZ, Apr. 2007
- ISACA North America Conference on Computer Audit, Control and Security (CACS), "Effective Evaluation of Application Controls" and "How to Analyze a Security Architecture", Orlando FL, May 2006
- IIA All-Star Conference, "Auditing Linux: Tips & Pitfalls", Las Vegas NV, Oct. 2006
- ISACA Los Angeles Chapter Spring Seminar, "Choosing 'Best Practices' Frameworks for IT Audit: COBIT, COSO & ISO17799", Los Angeles CA, Apr. 2005
- ISACA International Conference, "Auditing & Securing Web Applications" one day seminar, Boston MA, June 2004
- ISACA Network Security Conference, "Understanding and Auditing Firewalls & Routers", Las Vegas NV, Aug. 2002
- Deloitte & Touche Financial Services Industry Training, "Network Basics" and "Network Security", Los Angeles CA, Sept. 2001
- So. Cal. Edison AgTAC EDI Conference, "EDI Basics for Small Business", Fresno CA, Feb. 1998

# JANNIES S. Burlingame CPA, CRMA

http://www.linkedin.com/in/janniesb

#### Jannies@gmail.com

Tel: 760-889-9098

CAREER OV	ERVIEW
Executive Profile	Seasoned global internal audit/compliance executive with 20+ years of expertise leading strategic enterprise risk management initiatives across international business functions. Excels at establishing risk frameworks, best-practice corporate accounting policies, procedures, and systems. Highly rated Trainer and Speaker (10+ yrs./800+ hrs.) on topics such as risk management framework, COSO, implementation of SOX/J-SOX, Emotional/Cultural Intelligence for Audit Professionals, Embracing Generational Diversity, and Flowcharting.
Value Offered	Insightful change leader with an extensive record of building strong control environments. Motivational management style with engaging, solutions-focused and relationship-development skills. Respected as a high-energy professional who blends visionary thinking with tactical planning and excels at translating key risk management goals into tangible results.
Expertise	Internal Audit/Compliance/Risk Assurance • Regulatory Assurance (Financial Institutions) • IPO Preparedness • PCAOB/Sarbanes-Oxley (SOX) • Information Technology General Controls (ITGC) • SEC Compliance • U.S. GAAP and IFRS • Process Design & Re-engineering • Flowcharting Techniques • COSO

#### ACHIEVEMENTS

- Designed and built risk-management framework for more than 12 corporations
- Led 10 IPOs for domestic and global companies, focusing on internal audit risk management/SOX Compliance
- Spearheaded COSO Initiative Project for pre-IPO client, focusing on company level controls in four international markets. Company's valuation increased by 15 percent as a result.
- Increased efficiency of KPMG financial audit by 30 percent (in hours) by providing reliable J-SOX internal control documentation relating to Internal Control over Financial Reporting.

#### CAREER-IN-DEPTH



SS&B Global Consulting Corporation Founder/Principal Consultant- 2007 to Present

#### Client Highlights (partial list)

Nitto Denko Corporation, Japan (\$5.9 billion revenue publicly traded company)

- Built risk management framework for material subsidiaries in North America
- Project Lead on J-SOX implementation, team consists of 35 members
- Conduct 25-plus training sessions to educate management on documentation, COSO framework, key control identification and testing, and remediation. Successfully trained 50-plus employees to date
- Author company's J-SOX Manuel, the "how-to" guide for complying with Japanese Financial Instruments and Exchange Law

#### Trilogy International Partners LLC

- Formulated and presented a strategy to global executive management to ensure proper implementation of newly developed risk management models
- Conducted COSO training for core internal control team on risk assessment methodology, flowchart, risk control
  matrix documentation, and testing for four international markets
- Ensured control environment complies with domestic and international regulatory requirements

#### JDS Uniphase Corporation (\$2.6 billion publicly traded company)

- Responsible for SOX testing across all divisions internationally
- Communicated results of testing to external auditors and resolved exceptions and issues

LACERA

Tele.ring (T-Mobile Austria GmbH), Vienna, Austria (purchased by T-Mobile, \$2.6 billion publicly traded company)

- Performed testing in German across business divisions to ensure control effectiveness
- Provided assurance on SOX documentation and testing quality on all material processes

#### Meteor Mobile Communications (Dublin, Ireland)

- Developed and implement SOX Compliant Financial Statement Certification Policy and Procedures
- Conducted technical accounting research and resolved accounting and financial reporting issues
- Implemented Change Management Policies and Procedures for 12 operating systems
- Performed inventory of 25 telecommunication sites and validated the accuracy of financial statement balance

# Polaris

Polaris Pharmaceutical Inc.

Executive Director of Internal Audit - August 2014 to April 2018

- Built global internal audit team, resulting in successful compliance with domestic and international guidelines.
- Successfully implemented two years of bilingual internal audit requirements to meet IPO standards in Asia.
- Conceptualized and implemented company's annual audit plan, resulting in the execution of necessary internal audits and delivery of action plans to help reduce enterprise risk.
- Ensure all audits in the Annual Audit Program are performed to standard, meeting all reporting timelines
- Provide guidance and support with KPMG, resulting in clean audit reports with no material weaknesses
- Mentor junior team members by conducting training in internal audit and career guidance

#### 👖 IndyMac Bancorp, Inc.

## IndyMac Bancorp Inc.

Regulatory Assurance Manager- 2004 to 2006

(\$21.5 B publicly traded company)

- Directed a 12-member SOX team and developed an overall risk framework that links enterprise and operational risk governance with risk and control assessment processes, key indicator, loss monitoring, regulatory capital calculations, and risk reporting
- Developed narrative and flowchart documentation requirements in accordance with PCAOB standards
- Authored SOX manual required for training of all project-related personnel, including senior management
- Prepared reports for executive management on all regulatory updates and implications relating to the project scope
- Ensured policies and procedures are properly documented in accordance with regulatory requirements
- Performed an in-depth analysis of FAS No. 142 Goodwill Impairment Analysis to ensure GAAP compliance
- Prepared and reviewed Regulatory filings in accordance with TFR and OTS regulations
- Constructed cost and profitability analysis across all business divisions utilizing advanced PeopleSoft nVision queries, which are directly presented to the CEO on a monthly basis

# AEGON

#### Transamerica/AEGON USA

Lead Senior Auditor – 2001 to 2004

(€366 million multinational insurance and asset management company)

- Lead the US internal audit team by developing control documentation and testing templates in accordance with PCAO requirements. Traveled to various divisions and successfully completed risk-based SOX compliant documentation
- Supported the Company's Senior Finance Director in the preparation of presentations to the Board of Directors, the Disclosure Committee, and other internal and external Shareholders
- Performed analysis of various financial matrixes for internal clients and advised management on improvement opportunities based on quantitative and qualitative assessments
- Assisted management with year-end external audit and quarterly reviews and the of new accounting standards
- Trained new members of the audit team on technology tools and designated as the resident expert on Lotus-based adoption audit technology
- Orchestrated the Audit of Hong Kong Pension Plan, which resulted in \$40K+ in annual savings from EY Audit Fees





PricewaterhouseCoopers LLC Senior Audit Associate – 1998 to 2001

- Managed audit teams in the preparation of financial information for presentation in SEC filings (10K, 10Q, 8K)
- Reviewed and evaluated internal controls. Drafted management letters recommending internal control and financial reporting improvements for various SEC compliant clients.
- Revised and finalized financial statements to facilitate successful funding by investors
- Sourced leads for potential high-technology client and assist in the development and presentation of proposals
- Worked extensively on the IPO of various high-technology clients
- Prepared clients' consolidated financial statements, including footnote disclosures, in accordance with Generally Accepted Accounting Principles and SEC requirements
- Identified faulty reporting within accounting departments and recommended new procedures that resulted in the implementation of new controls

#### Associations/Certifications

- Certified Public Accountant (CPA) California
- Certification in Risk Management Assurance (CRMA), Institute of Internal Auditors
- Certified International Financial Reporting Standards Professional (IFRS), AICPA
- President, Institute of Internal Auditors (IIA), Los Angeles Chapter

#### EDUCATION

 BS in Accounting (National James Burn Scholar, Beta Alpha Psi National Honors Society) University of Michigan Ann Arbor Business School/

University of Southern California, Leventhal School of Accounting,

Doctoral Candidate (Executive Program), estimated dual Global DBA date, June 2024 Durham University Business School - Durham, England, Emlyon Business School - Paris, France

#### LANGUAGES

- Chinese (Mandarin) and Taiwanese
- German

#### SOFTWARE SKILLS

- Oracle Business Intelligence Reports, PeopleSoft
- Microsoft Dynamics GP, Office Suite
- Intuit QuickBooks
- Remote working: Zoom, Microsoft Teams, Google Meet, Webex, Slack



#### Curriculum Vitae

# Joshua Chin

City of Industry, CA josh.chin@net-force.net 708-888-0778

#### Education

2016 California State Polytechnic University, Pomona, California Master of Science in Business Administration in Information Assurance

#### 2010 California State Polytechnic University, Pomona, California College of Business Administration Degree: Bachelor of Science in Business Administration, Major: Computer Information Systems (CIS)

Major academic courses: Internet Security/Computer Information Systems Security Professional, Information Systems Auditing, Network Security, Web Applications Security, Computer Forensics

#### Relevant Experience

#### **Co-Founder and Managing Partner** Net Force, City of Industry, CA

Major Client Projects Include:

- Digital Forensics and Mobile Forensics
- Electronic Discovery Collection and Processing
- Incident Response and Containment
- Internal Network Penetration Test

#### External Network Penetration Test

- Social Engineering Assessment
- Employee Investigation
- IT Risk Management

- Expert Witness Testimony

#### Adjunct Professor California State Polytechnic University, Pomona, Pomona, CA

Director of Operations, Security Undisclosed Media Company, City of Industry, CA

Forensics Examiner and Information Systems Auditor Canaudit, Inc, Simi Valley, CA

#### Professional Certifications

#### International Information System Security Certification Consortium (ISC)<sup>2</sup>

Certified Information Systems Security Professional (CISSP)

#### Cybersecurity Maturity Model Certification Accreditation Body (CMMC-AB)

Cybersecurity Maturity Model Certification Registered Practitioner (CMMC-RP)

- Cisco Network Security
- Brand Protection

#### August 2019 – Present

May 2012 – Present

February 2001 – Present

July 2010 - May 2012



### AccessData

AccessData Certified Investigator Certification

#### National Security Agency (NSA) Center of Academic Excellence (CAE)

- <u>NSA NSTISSI 4011</u>: National Training Standard for Information System Security Systems Professional
- <u>NSA CNSSI 4012</u>: National Information Assurance Training Standard for Senior Systems Managers

#### Teaching Experience

Adjunct Professor for the California State Polytechnic University, Pomona - Spring 2021 – CIS2650 – Contemporary Operating Systems - Spring 2020 – CIS4810 – Computer Forensics - Fall 2019 – GBA6810 – Graduate Digital Forensics	2019 – Present
Cybersecurity and CyberPatriot Mentor 2020 CyberStart America – Glen A. Wilson High School, Hacienda Heights, CA 2019 Girls Go Cyber Start – Glen A. Wilson High School, Hacienda Heights, CA 2019 LA Mayor's Cyber Cup – Glen A. Wilson High School, Hacienda Heights, CA - 3rd Place Overall Finish - 6th Place Overall Finish CyberPatriot XIII (2020-2021) – Cedarlane Academy, Hacienda Heights, CA CyberPatriot XIII (2019-2020) – Cedarlane Academy, Hacienda Heights, CA CyberPatriot XIII (2019-2020) – Cedarlane Academy, Hacienda Heights, CA CyberPatriot XIII (2019-2020) – Cedarlane Academy, Hacienda Heights, CA CyberPatriot XII (2019-2020) – Glen A. Wilson High School, Hacienda Heights, CA CyberPatriot XII (2019-2020) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot XI (2018-2019) – Cedarlane Academy, Hacienda Heights, CA CyberPatriot XI (2018-2019) – Cedarlane Academy, Hacienda Heights, CA CyberPatriot XI (2018-2019) – Cedarlane Academy, Hacienda Heights, CA CyberPatriot XI (2018-2019) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot XI (2018-2019) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot XI (2018-2019) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot XI (2017-2018) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot XI (2017-2018) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot XI (2015-2016) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot XI (2015-2016) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot VIII (2015-2016) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot VIII (2015-2016) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot VIII (2015-2016) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot VIII (2015-2016) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot VIII (2015-2016) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot VIII (2015-2016) – Niddletown High School, Middletown, DE CyberPatriot VIII (2015-2016) – Niddle	CA
CyberPatriot VII (2014-2015) – Troy High School, Fullerton, CA CyberPatriot VII (2014-2015) – St. Mark's Lutheran School, Hacienda Heights, CA CyberPatriot VII (2014-2015) – Robert F. Kennedy Community Schools, Los Angele CyberPatriot VI (2013-2014) – Troy High School, Fullerton, CA National Finalist Team - 1st Place Digital Crime Scene - 2 <sup>nd</sup> Place Cisco Challenge - 4 <sup>th</sup> Place Overall in the Nation	es, CA
Instructor for the Youth Science Center - 2018 – "Defending Against Hackers – CyberSecurity 101"	2017 - 2018



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	- 2018 – "Defending Against Hackers – CyberSecurity 102 (Advanced Class)" - 2017 – "Defending Against Hackers – CyberSecurity 101" - 2017 – "Defending Against Hackers – CyberSecurity 102 (Advanced Class)"	
	Instructor for the US Cyber Challenge - 2016 – "SANS 580.1: Metasploit Kung-Fu" for the Western Regional Camp - 2016 – "SANS 580.1: Metasploit Kung-Fu" for the Delaware State Camp - 2016 – "SANS 580.1: Metasploit Kung-Fu" for the Illinois State Camp - 2015 – "SANS 580.1: Metasploit Kung-Fu" for the Delaware State Camp - 2015 – "SANS 580.1: Metasploit Kung-Fu" for the Illinois State Camp - 2014 – "SANS 580.1: Metasploit Kung-Fu" for the Illinois State Camp	2014 - 2016
	Cyber Camp Advisor for the US Cyber Challenge - 2018 – Cyber Camp Advisor for the Illinois Camp - 2017 – Cyber Camp Advisor for the Western Regional Camp - 2016 – Lead Cyber Camp Advisor for the Western Regional Camp - 2016 – Lead Cyber Camp Advisor for the Illinois State Camp - 2015 – Lead Cyber Camp Advisor for the Illinois State Camp - 2015 – Cyber Camp Advisor for the Western Regional Camp - 2014 – Lead Cyber Camp Advisor for the Western Regional Camp - 2014 – Lead Cyber Camp Advisor for the Western Regional Camp - 2013 – Lead Cyber Camp Advisor for the Illinois State Camp - 2013 – Lead Cyber Camp Advisor for the Western Regional Camp - 2012 – Lead Cyber Camp Advisor for the Southern California Camp - 2012 – Cyber Camp Advisor for the Eastern Regional Camp - 2011 – Cyber Camp Advisor for the Southern California Camp	2012 -2018
	CyberSecurity Day Camp Instructor San Jose State University, San Jose, CA - Grifting (April 5, 2014) - Introduction to Digital Forensics (April 6, 2013)	
	Professional Development Lecturer for Canaudit, Inc. Simi Valley, CA - IT Audit and Security Bootcamp (December 8-10 2010) - Computer Forensics (October 5-7 2010)	
	Guest Lecturer, Cal-Poly Pomona, Pomona, CA Forensic and Security Technology Club (FAST) - Introduction to Forensics, Security and the Changing Landscape - Introduction to Social Engineering	
	Presentations and Research Projects	
	"Burning Security Considerations in a COVID-19 Driven World" ISACA Boise Chapter, Boise, ID (June 2020)	
	"Risk Management: A Disruptive Process" ISACA North American CACS Conference, Anaheim, CA (May 2019)	
	"How Bottom-Up Privacy Models Will Save The Net" South by Southwest Conference (SXSW), Austin, TX (March 2018)	

"Cybersecurity" California Educational Technology Professionals Association, Pasadena, CA (November 2017)

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"Active Defense Lab" California Educational Technology Professionals Association, Pasadena, CA (November 2017)

"How WannaCry Changed the World" ISACA Los Angeles, Los Angeles, CA (June 2017)

"DFARS 252.204 Compliance" Los Angeles Aerospace Defense Expo, Los Angeles, CA (May 2017)

"Red Team, Blue Team, Black Eye – A Case for Cyber Readiness Exercises" ISSA Inland Empire, Upland, CA (November 2016)

"Cybersecurity" Missio Nexus Conference, Louisville, KY (September 2016)

"Red Team, Blue Team, Black Eye – A Case for Cyber Readiness Exercises" HTCIA International Conference, Las Vegas, NV (August 2016)

"Red Team, Blue Team, Black Eye – A Case for Cyber Readiness Exercises" EnFuse Conference (Formerly known as CEIC Conference), Las Vegas, NV (May 2016)

"Preparing for Doomsday: Incident Response Program Development" ISSA Orange County, Irvine, CA (May 2016)

"Converging Red and Blue Teams" ISSA Orange County Symposium, Long Beach, CA (October 2015)

"Bring Your Own Device Audit and Risk Management" SANS DFIR Summit, Austin, TX (July 2015)

"SANS 580.1: Metasploit Kung-Fu" U.S. Cyber Challenge – Moraine Valley Community College, Palos Hills, IL (July 2015)

"SANS 580.1: Metasploit Kung-Fu" U.S. Cyber Challenge – Delaware Technical Community College, Dover, DE (July 2015)

"SANS 580.1: Metasploit Kung-Fu" U.S. Cyber Challenge – Moraine Valley Community College, Palos Hills, IL (July 2014)

"Grifting" U.S. Cyber Challenge San Jose State University Day Camp, San Jose, CA (April 2014)

"Business Continuity/Disaster Recovery" Information Systems Audit and Control Association, Los Angeles, CA (February 2014)

"Security Operations Center Best Practices" Information Systems Audit and Control Association, Los Angeles, CA (January 2014)

"Information Security Soft Skills – Incident Handling Case Studies" Information Systems Audit and Control Association, Los Angeles, CA (December 2013)

"Changes in Vendor Management and California Data Breach Laws" Information Systems Audit and Control Association, Los Angeles, CA (November 2013)

"Failure is an Option" BSides Security Conference – Orange County, Orange, CA (September 2013)



"Introduction to Digital Forensics"

U.S. Cyber Challenge San Jose State University Day Camp, San Jose, CA (April 2013)

"Chief Information Security Officer Forum: Wi-Fi Security Challenges" Information Systems Audit and Control Association, Los Angeles, CA (January 2013)

"Chief Information Security Officer Forum: SSAE16 SOC 2 User's Guide" Information Systems Audit and Control Association, Los Angeles, CA (November 2012)

"Non-Traditional Data Breaches in Social Media" 2012 High Tech Crimes Investigation Association International Conference, Hershey, PA (September 2012)

"Face Who? Wiki-What? Yelp Where? Linked-When? Why Space?" Brea Olinda High School, Brea, California (April 28, 2012)

#### Expert Witness Engagements

Testimony at Bench Trial

Federal Aviation Administration (FAA) v. Mach1, Riverside Superior Court, March 22, 2017

Deposition

 Catfish Ventures, LLC, et al. vs. Gowda, et al., American Arbitration Association, August 23, 2018

Declaration

Ingenuity 13, LLC v. John Doe, U.S. District Court for Central District of California, April 2, 2013

#### Publications and Contributions

A look ahead: Forecasts for 2014 - SC Magazine. (n.d.). Retrieved December 20, 2013, from http://www.scmagazine.com/a-look-ahead-forecastss-for-2014/article/320599/

David H. Tobey, Portia Pusey, and Josh Chin. 2015. Cybersecurity Competitions in Education: Engaging Learners through Improved Game Balance. In Proceedings of the 2015 ACM SIGMIS Conference on Computers and People Research (SIGMIS-CPR '15). ACM, New York, NY, USA, 99-100. DOI=http://dx.doi.org/10.1145/2751957.2751969

#### Awards and Cybersecurity/Digital Forensics Competitions

- 2020 Country2Country CTF Global Finalist
- 2nd Place 2020 Trend Micro Threat Defense Challenge XDR Edition, BlackHat USA Virtual
- 1st Place 2019 Trend Micro Threat Defense Challenge Los Angeles, CA
- 1st Place 2019 ISACA North American CACS CyberHunt Anaheim, CA
- 3rd Place 2018 PanOply Competition Finalist at BlackHat developed by Center for Infrastructure Assurance and Security at the University of San Antonio Texas – Las Vegas, NV
- 2<sup>nd</sup> Place Leidos Day 1 & 2 Challenge at 2017 Cambridge2Cambridge Championships -Cambridge, England, United Kingdom
- 2017 Cambridge2Cambridge Global Finalist Cambridge, England, United Kingdom
- 6th Place Finalist 2016 SANS NetWars at EnFuse Conference Las Vegas, NV
- 3rd Place Finalist 2015 PanOply Competition Finalist developed by Center for Infrastructure Assurance and Security at the University of San Antonio Texas – Los Angeles, CA
- 3rd Place Finalist 2013 Symantec Cyber Readiness Challenge Summerlin, NV

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- 3rd Place Finalist 2013 Symantec Cyber Readiness Challenge Mountain View, CA
- 2<sup>nd</sup> Place Finalist 2012 Symantec Cyber Readiness Challenge Irvine, CA
- 2<sup>nd</sup> Place Winner in Capture the Flag Competition 2010 US Cyber Challenge California Cyber Camp
- 2<sup>nd</sup> Place in Computer Forensics 2010 Information Technology Competitions

## Professional Associations

- Information Systems Security Association (ISSA Los Angeles)
  - April 2020 Present Technology Director
- Information Systems Audit and Control Association (ISACA Los Angeles)
  - July 2018 June 2020 Chapter Vice President
  - July 2017 June 2018 Chapter Secretary
  - 2013 2020 Vice-Chair, Cybersecurity Interest Group
- High Tech Crimes Investigation Association (HTCIA)
  - January 1, 2016 January 1, 2017 HTCIA International Secretary
  - o January 1, 2015 January 1, 2016 Southern California Chapter Secretary
  - o January 1, 2013 January 1, 2014 Southern California Chapter President
  - January 1, 2012 January 1, 2013 Southern California Chapter First Vice President
- Security B Conferences California
  - 2014 Present Board Member
- Innovation Shipyard Alliance
- AFCEA International
- BSides Los Angeles Conference Organizer
- National Defense Industrial Association (NDIA)
- Open Web Application Security Project, Los Ángeles (OWASP-LA)
- FBI Infragard, Los Angeles
- United States Secret Service Los Angeles Cyber Fraud Task Force



# 2.2 RECENT ENGAGEMENTS

Central to this engagement, our team brings significant information technology and risk management expertise and experience. Our risk management and information security practices are comprised of dedicated, experienced professionals with Internal Audit, IT Audit, Governance, Risk, Compliance, Law Enforcement, Physical Security, Information Security, and Data Loss Prevention experience. Our certified and educated professionals will use the NIST Cyber Security Framework, Federal Information Security Management Act (FISMA), Information Systems Audit and Control Association's (ISACA's) Control Objectives for Information and related Technology (COBIT) 5 framework, and Federal Information Processing Standards (FIPS) requirements, as well as other standards and industry best practices for IT security solutions to help LACERA meet its Information Security goals.

Outside of Net Force, our Cybersecurity team has provided independent security and privacy control assessment services, as well as other security-related consulting services, for a wide variety of government clients since 2005. Some of those state clients include the California Lottery, and Hawaii Department of Human Services.

Some of our past public sector clients include:

- California Office of Emergency Services' (CalOES) Next Generation 911 System Cybersecurity Assessment (Ongoing)
- California Office of System Integration Electronic Women and Infant Children System (eWIC) (Year 3 of 3, Ongoing)
- California State Lottery Systems (2020)
- State of Delaware ASSIST Platform (2020)
- Hawaii Department of Human Services (2019)
- LACERA (2019)
- State of California Voting System (VoteCAL) (2018)

Net Force is very familiar with the conditions and circumstances particular to Local, State and Federal Government agencies based on our portfolio of California, Delaware and Hawaii security-related projects. A sample of relevant security assessment projects is provided below.

Net Force will support this engagement with a team of seasoned auditors, IT risk management and cybersecurity consultants inclusive of a Project Manager/Senior Cybersecurity SME, Senior Cybersecurity Consultant, Senior IT Audit Consultant, and others whom we can draw from a deep pool of subject matter experts spread across our nationwide staff.

This engagement with LACERA is not the first Net Force engagement involving audit and assessments of critical infrastructure and systems. The first was the State of California VoteCAL system comprising a statewide election system penetration test successfully completed in 2018. The second is ongoing with the State of California verifying the electronic Women and Infant Children EBT system is secure and safe for use by WIC mothers and children. The third was a critical wireless and wired penetration test for the State of Hawaii in June 2019. Net Force has 10 Senior Associates who specialize in Penetration Testing and Risk Assessment for clients like The Walt Disney Company, Boeing, Coca Cola, and was consulted on the Hack of the Democratic National Committee during the 2016 presidential election cycle. As such, they bring project professional expertise unmatched in the industry.



## California State Lottery System – Penetration Test and Independent Security Assessment

Net Force performed an Independent Security Assessment of the California Lottery's conformance to the NIST 800-53A r4; HIPAA; FIPS 140-2, and FIPS 199. Net Force's security team assessed the Security and Confidentiality Plans, Parent Facilities, Applications, Disaster Recovery and Business Continuity plans, and physical security of the parking lots, camera systems, badging and security observations. Penetration testing and web application penetration testing were completed against 12 public and private facing servers from the data center, and externally. Also, during this project, the Coronavirus and corresponding response forced us from the physical site, and we were able to stand up a remote system to securely continue all penetration testing of Lottery's facilities without missing any deadlines.

# California Secretary of State (SOS) VoteCAL System – Independent Security Assessment and Penetration Testing

Net Force performed an Independent Security Assessment of the California VoteCAL project's conformance to the NIST 800-53A, 800-53, r4; the SAM 5300; FIPS 140-2 and FIPS 199. Net Force's security team assessed the SSP Security and Confidentiality Plans, Parent Facilities, Applications, and accompanying documentation for the VoteCAL project. Net Force worked to conduct penetration testing services to the VoteCAL networks, buildings, and applications.

# California Office of Systems Integration Electronic Women and Infant Children System (CA-eWIC) – Penetration Testing and Independent Security Assessment

Net Force performed an Independent Security Assessment of the California CalOSI eWIC project's conformance to the NIST 800-53A, 800-53, r4; HIPAA; FIPS 140-2, and FIPS 199. Net Force's security team assessed the Security and Confidentiality Plans, Parent Facilities, Applications, and accompanying documentation for the project. Penetration testing and web application penetration testing were completed against 28 public and private facing servers from CDT's data center, and externally.

### East West Bank: 2015-2018

## First Vice-President, Internal Audit – Senior IT Audit Manager (2015 – 2018)

Nelson Gibbs was a member of the Chief Audit Executive's Senior Leadership Team with responsibility to coordinate and integrate IT audit activities with other senior audit leaders. Responsible to liaise and coordinate with multiple domestic and foreign regulatory bodies, external auditors, and foreign subsidiary company auditors for all technology related inquiries and activities. Responsible for ongoing enhancement and delivery of the complete infrastructure audit plan in conjunction with an integrated audit environment. Responsible for working with senior business leadership and governance committees to represent Internal Audit on technology projects and risks to the Bank.

### MUFG Union Bank: 2013-2015

## Director, Internal Audit - Technology (2014 – 2015)

Nelson Gibbs was a member of the General Auditor's Senior Leadership Team with responsibility to coordinate and integrate IT audit activities with other senior audit leaders. Responsible to liaise and coordinate with multiple regulatory bodies, external auditors, and foreign parent company auditors for all technology related inquiries and activities. Responsible for delivery of the complete infrastructure audit plan covering Bank technology environments and initiatives for the Americas. Responsible for working with senior business leadership and governance committees to represent Internal Audit on technology matters and risks to the Bank.

# 2.3 SAMPLE REPORT

Please see Appendix 1 for a Sample Report.

# 3 KEY PERSONNEL AND ASSIGNED PROFESSIONALS

ET FORCE

Net Force is proposing to staff this effort with a team consisting of a Project Manager/Senior IT Audit Consultant, Virtual Chief Audit Executive/Senior Audit Consultant and Senior Cybersecurity Consultants as listed below.

To our knowledge at the time of this proposal, neither Net Force, nor any of its team members have been convicted of, plead guilty to, or pled nolo contendere to any felony. Background checks are required on all team members at the time of hire and are conducted thereafter as needed. At the time of authoring this proposal, Net Force is not a party in any litigation. Net Force does not expect there to be a conflict of interest as a result of business activities or ventures that might interact with LACERA.

To ensure our personnel are held to the highest standards, Net Force uses rigorous background check processes when hiring, ensuring all our staff will be trusted members of our team and yours. If we are awarded a contract and additional checks are required, we will cooperate fully with that requirement when we arrive on site to begin work at LACERA.

Net Force acknowledges and agrees to notify LACERA in writing at least 30 days prior to removing, replacing, or diverting Key Personnel, and submit justification (including proposed substitutions) in sufficient detail to permit evaluation of the proposed replacement(s).

The tables below summarize the roles, responsibilities, education, and qualifications of our proposed key personnel.

PROJECT Manager/Principal Consultant/Senior IT Auditor	Nelson Gibbs
Role	Project Manager/Senior IT Auditor – Nelson will assess, and review IT risks with a focus on people, processes, and technology. Nelson also teaches CISA reviews courses with ISACA Los Angeles Chapter. Nelson will be the principal consultant leading Net Force's integrated team of audit and technology risk professionals.
YEARS OF RELEVANT EXPERIENCE	25+
EDUCATION AND CERTIFICATIONS	Master in Business Administration, University of California Irvine Certified Information Systems Security Professional, (CISSP), ISC <sup>2</sup> <b>Certified Information Systems Auditor (CISA), ISACA</b> Certified Information Security Manager (CISM), ISACA Certified in Risk and Information Systems Control (CRISC), ISACA Certified in the Governance of Enterprise IT (CGEIT), ISACA <b>Certified Internal Auditor (CIA), IIA</b> <b>Certified in Risk Management Assurance (CRMA), IIA</b>
Background	Mr. Gibbs is a retired Senior IT Auditor with East West Bank where he led the bank's IT audit functions. Prior to East West Bank, he was the Director of IT Audit at Union Bank. Nelson is a former Deloitte and Touché Senior Manager leading internal audit activities and IT security consulting projects.
WHY TEAM MEMBER WAS CHOSEN FOR ROLE	Mr. Gibbs has over twenty-five years of enterprise IT audit experience in a regulated industry with a focus on secure network and systems planning and design. Combined with his practical, and pragmatic approach to risk management and a diverse



background of IT experience and expertise in Electronic Data Interchange (EDI), IBM System 36, Advanced/36, & AS/400 environments, and Novell Netware, Microsoft, and Unix variant networks, as well as mainframe environments. Highly experienced in IT-based internal control management, particularly large-scale regulatory compliance, and process control implementation.

VIRTUAL CHIEF AUDIT Executive/Senior Audit Consultant	Jannies Burlingame
Role	Senior Auditor – Jannies will consult, audit, assess, and review organizational risks. Jannies will also be training auditors.
YEARS OF RELEVANT Experience	20+
EDUCATION AND	Certified Public Accountant (CPA) #91232
CERTIFICATIONS	Certified in Risk Management Assurance (CRMA)
Background	Mrs. Burlingame is Virtual Chief Audit Executive and Senior Auditor where she has specialized in regulatory oversights including SOX, J-SOX and SEC. She has spent the last two decades helping organizations manage their risks and leading management with internal audits, external audits and risk controls matrices and formulating effective strategies to present to executive management to ensure proper implementation of newly developed risk management models.
WHY TEAM MEMBER WAS CHOSEN FOR ROLE	Mrs. Burlingame has over twenty years of enterprise audit experience in regulated industries with a focus on Sarbanes Oxley (SOX) and J-SOX compliance. Combined with her diverse experience to skillfully navigate through regulatory environments and across multiple cultural domestic and international challenges has led to her effectively assess the risks independently to meet both regulatory and industry compliance standards. Jannies also has extensive experience delivering training to Audit Professionals, including Public and Private Sector Auditors. She also has knowledgeable on Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAGAS).

Senior Cybersecurity Consultant	Joshua Chin
Role	Senior Cybersecurity Consultant– Josh will be responsible for reviewing system and technical documentation and existing requirements and conducting interviews to clarify and understand the LACERA technical environment. His focus will be on network penetration testing, network security, and black-box web application penetration testing.
YEARS OF RELEVANT Experience	15+



EDUCATION AND CERTIFICATIONS	Master of Science in Business Administration: Information Systems Auditing Certified Information Systems Security Professional, (CISSP), ISC <sup>2</sup> Cybersecurity Maturity Model Certification Registered Practitioner (CMMC-RP) Certified Data Privacy Solutions Engineer (CDPSE), ISACA (Status: Processing) NSA CNSSI 4011
Background	NSA CNSSI 4012 Mr. Chin has both managed and executed cyber threat assessments for state government agencies, law firms, and financial institutions. As a frequent speaker, Josh introduces the concept of digital forensics and Cybersecurity to audiences ranging from students in Universities to members of professional associations such as ISACA and HTCIA. Notable cases Josh performed were digital forensics acquisitions for Ford Motors v. Options Group, Inc. and BitTorrent digital investigation expertise on Ingenuity 13, LLC. v. John Doe. He frequently tries his Cybersecurity capabilities in global Cybersecurity competitions.
WHY TEAM MEMBER WAS CHOSEN FOR ROLE	Mr. Chin has performed network and web application penetration tests against a global airline, state agencies, financial institutions, and private companies. In 2018, Josh led and performed security assessments and penetration tests against startup companies. Most recently, Josh had on-site experience in network penetration testing for the State of Hawaii KOLEA platform, the application penetration test of Delaware's ASSIST Platform and network penetration of California State Lottery. Josh is also an adjunct professor/lecturer for California State Polytechnic University Pomona and has extensive presentation and teaching experience.

Senior Cybersecurity Consultant	Aryan Guenthner
Role	Senior Cybersecurity Consultant – Aryan will be responsible for performing the risk assessment and penetration test of the network and computer systems within the LACERA environment. Aryan will assess and review the technical environment with a focus on networking, security, auditing systems, and security programs from both an offensive and defensive perspective and black-box web application penetration testing.
YEARS OF RELEVANT Experience	10+
EDUCATION AND CERTIFICATIONS	Certified Information Systems Security Professional, Kaplan University Computer Forensics, California State University Fullerton Communications, Dale Carnegie Offensive Security Certified Professional (OSCP) Certified Ethical Hacker (CEH) AccessData Certified Examiner (ACE)



Background	Mr. Guenthner is a Senior Penetration Tester for Net Force, with more than 10 years' experience in Cybersecurity, vulnerability management, business continuity, penetration testing, cyber threat management, digital forensics, and web application security. His professional focus is directed at strategic and operational level security policy, penetration testing, and risk management.
WHY TEAM MEMBER WAS CHOSEN FOR ROLE	Mr. Guenthner has over ten years' experience in enterprise information technology and security with professional experience in international banking, automotive, and aerospace. He frequently attends information security training, security conferences, and security group meetups. While at Net Force, Aryan participated in defense of our nation's voting infrastructure during the 2018 midterm election cycle by assisting Net Force with penetration testing the voting infrastructure of all 58 counties in the State of California (VoteCAL), the 2020 application penetration test of Delaware's ASSIST Platform and 2020 network penetration of California State Lottery. More recently, Aryan is currently part of Net Force's Independent Verification and Validation team (IV&V) team providing penetration testing support on the State of California's Women Infant and Children (WIC) all new management information system. Aryan has demonstrated his expertise in Cybersecurity competing in many Cybersecurity-related competitions including the Symantec Cyber Readiness Challenge and ranked as one of the fastest rising stars in the Cybersecurity trainer teaching cybersecurity to those transitioning into the industry.

Cybersecurity Consultant	Maurice Cheng
Role	Cybersecurity Consultant– Maurice will be responsible for verifying system and technical documentation and existing requirements and conducting fieldwork to verify audit findings within the LACERA environment.
YEARS OF RELEVANT EXPERIENCE	2
EDUCATION AND CERTIFICATIONS	Bachelor of Science in Business Administration: Computer Information Systems – Emphasis in Information Security Auditing and Forensics, Cal Poly Pomona
	CompTIA Security+
BACKGROUND	Mr. Cheng is a recent graduate from California Polytechnic State University – Pomona and has been a consultant at Net Force since. As an undergraduate student at Cal- Poly Pomona, he participated in an IT Audit for the City of West Covina City Hall. Maurice has also been a part of ISACA LA for several years being involved as a student volunteer.
WHY TEAM MEMBER WAS CHOSEN FOR ROLE	While only possession a year of experience with Net Force, Mr. Cheng has experienced and worked on multiple cybersecurity engagements within that time. He has performed internal and external penetration tests for businesses and enterprises, examined and identified security requirements for organizations. Mr. Cheng has experience in organizing, planning, and conducting IT Audits. He also has experience in computer forensics examinations, building security awareness programs, and



assisting in creating and executing plans for engagements, including web application penetration testing, penetration testing, and vulnerability assessments.

## 3.1.1 Additional Personnel

It is our understanding that a LACERA approved Audit Engagement Letter will serve as the formal contract of services. Based on the approved audit engagement letter and scope of work, Net Force may add additional talent from its pool to support its key personnel in the completion of the project. The number of skilled personnel will be added with input and consultation with LACERA in respect to budget, timeline and scope.

## 3.1.2 Subconsultant

Nelson Gibbs will be serving as a Net Force subconsultant providing project management and Senior IT Auditing. Jannies Burlingame will be serving as Net Force subconsultant providing Senior Auditing and financial expertise. Net Force is currently working with Nelson Gibbs on the State of California's Next Generation 911 Cybersecurity Assessment.

## 3.2 **DIVERSITY**

As a minority owned business, Net Force is a strong believer in skilled talent diversity. Net Force celebrates the recruitment, development, retention, and promotion of a diverse and well qualified workforce that can perform assessments and services effectively and efficiently and that can establish strong working relationships with clients to ensure consistent success. Net Force is always looking for new teaming partners and new skilled talent to include in the recruitment, development, retention, and promotion of a diverse and inclusive workforce, non-discrimination against gender, race, ethnicity, sexual orientation, age, veteran's status, and other legally prohibited categories and prohibited sexual harassment in the workplace. Net Force extends similar oversight onto its subconsultants.

The Managing Partner (Joshua Chin) is charged with oversight, monitoring, and other compliance processes. In the rare situations where the Managing Partner, a Senior Partner has the authority to provide independent oversight and monitoring. There is no 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.



# 4 QUALITY CONTROL

Net Force's quality control related to audit and planning, field work and reporting involves Key Personnel providing on-going project management and stewardship to ensure delivery of a consistent and quality service. At least one independent Key Personnel and/or associate reviews all milestones, and deliverables prior to being delivered to the Client.



# **5** CLIENT REFERENCES

Net Force has demonstrated a history of stability and longevity. Clients are welcome to check our references. Net Force references represent a cross section of industries of similar type, size, or scope for which recent work has been performed.

THE FOLLOWING INFORMATION HAS BEEN REDACTED.

# 6 PROJECT PLANNING AND APPROACH

# 6.1 AUDIT AND IT AUDIT

Should LACERA request an Audit or IT Audit, Net Force uses industry standards such as the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and Guide to the Assessment of IT General Controls Scope based on Risk Methodology (GAIT), and ISACA's COBIT to save time and add structure to the audit approach. They define principles to contribute to consistent, comparable, and reliable results. Net Force adapts ISACA's IT Risk Management Audit/Assurance Program to follow a clear 5-step process that provides comprehensive audit conclusions, add value, and improve our Clients.

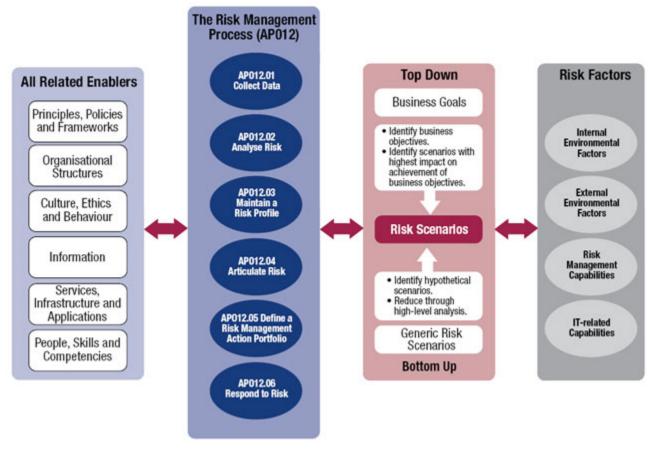


Figure 1: ISACA's Five Steps for Effective Auditing of IT Risk Management

# 6.1.1 Phase 1 – Prepare by Mapping to Relevant Standards

Net Force maps the proposed audit program to relevant industry regulation, standards, and guidelines. This may include standards such as NIST 800-37, NIST 800-53, ISO 31000, COBIT, Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAGAS). This is to avoid the associated compliance risk, potential fines and to ensure that mandatory regulatory requirements are not overlooked during the planning phase.

# 6.1.2 Phase 2 – Adjust for Audit Scope and Objectives

After aligning the program with industry standards and requirements, further adjustment regarding audit scope and objectives are considered. The audit program is mapped to various Control Objectives to address IT risk governance and framework, management processes, event identification, assessment and response, and



maintenance and monitoring of remediation action plans. We may scale audit objectives based on the audit engagement letter based on the scope.

# 6.1.3 Phase 3 – Prioritize Controls and Align to Budget

After confirming relevance and completeness of control objectives, Net Force may proceed with a preliminary analysis of IT risk management processes by identifying existing controls and potential weaknesses. Assessing inherent and residual risk for each process helps to prioritize the areas requiring the most attention and budget. Control objectives are self-contained and can be distributed among audit team members. In many cases, control objectives are tested in parallel. In the unlikely event control objectives can not be tested in parallel, we will work with the Client to test controls with minimal disruption to the organization.

# 6.1.4 Phase 4 – Test Controls

As part of testing controls, Net Force may choose to test the controls independently, interview personnel, review documentation, policies, and procedures, make observations, or a combination thereof. Net Force will collect artifacts to verify the risk management framework is actually enforced and whether existing policies and processes are being used. Risk will be identified, assessed, and documented across departments to provide a measurable risk impact, probability, timeframes and to prioritize risk.

# 6.1.5 Phase 5 – Consolidate and Present Results

After control testing is completed, Net Force will have a comprehensive view of the IT risk management program, the overall governance, roles and responsibilities, and the level of IT Risk appetite within the organization. Opinions are prepared for each of the tested control objectives and Net Force will work with LACERA's internal audit to prepare a report and presentations to deliver to the LACERA Board to highlight any weak areas and demonstrate potential impacts on the organization. On request, Net Force will be available to present to the LACERA Board.

# 6.2 INDEPENDENT SECURITY ASSESSMENTS AND PENETRATION TESTING

If requested by LACERA to conduct an Independent Security Assessment or Penetration Test, our plan to meet LACERA's needs is to develop a detailed project plan based on a step-by-step approach that is summarized as follows.

## **Overview of Project Phases**

**Phase 1 – Project Initiation & Planning** – Initiate the engagement, gather existing artifacts, and establish an engagement calendar with impacted business areas and representatives. We will develop a comprehensive security assessment plan and complete all pre-assessment activities.

**Phase 2 – Testing & Mitigation** – In Phase 2, Net Force will leverage the NIST Cybersecurity Framework 1.0 to perform an assessment of compliance with required safeguards as well as a clear expression of compliance gaps in the LACERA environment. We express the gap analysis in detail and often include dashboard views, where appropriate.

Additionally, we will conduct much of the automated and manual penetration testing against test environments. This phase will also involve active and passive external reconnaissance for detection of exposed assets, followed by penetration tests against internal and external assets detected or reported, websites, and applications known and unknown (detected.)



**Phase 3 – Wrap up & Final Report** – In Phase 3, when remediation recommendations are made for the acknowledged gaps and risks, we will assist with building a compliance action plan for systems to ensure improvement in LACERA's security posture. We will also produce a Security Assessment Report and a roadmap for suggested mitigations to any findings discovered during this project. We will develop and provide ad hoc reports, as deemed appropriate and necessary by the LACERA.

# 6.2.1 Phase 1, Project Initiation & Planning

Net Force will coordinate with the LACERA leadership to develop a detailed engagement plan and comprehensive security assessment plan. We will work closely with LACERA staff to ensure all plan preparation activities are completed and all prerequisites are satisfied. This section describes our approach to these tasks/activities against ERP applications, integrated applications, and infrastructure. Net Force understands no testing shall be done without express permission of LACERA's Information Security Team.

## Finding Methodology

The Net Force Security team will provide documentation on all performed tests and will report all observations as findings. Findings may identify associated risks to the system.

All findings have the following data points:

- Finding ID A sequential number that is used to reference a finding. This is because one test may result in multiple findings.
- Test ID The OWASP Testing Guide source test procedure that was used to define the test of the finding.
- Finding Description of test results and evidence (captures of evidence are logged separately)
- Testing Technique The tools/methods that were used to perform the test.
- Risk A determination if the finding introduces no risk (Info) or risk to the system (High, Medium, Low)

For findings that introduce risk to the system, additional data points are populated:

- Vulnerability Category OWASP vulnerability category that describes the type of vulnerability that is being exploited.
- Security Threat Describes the impact of the vulnerability being exploited.
- Remediation Recommendation to reduce or eliminate the risk associated with the exploitation of the identified vulnerability.

Note that findings without risk typically do not have a remediation. However, if Net Force has suggestions to improve the state of a finding/test component, those suggestions will be listed in the remediation field.

These findings will be compiled into a deliverable, which will include the following sections:

- Executive Summary
- Introduction
- Detailed Report of Findings and Recommendations of Remediation.
- Analysis Work Notes
- The major security risks prioritized and/or issues identified.
- Recommendations regarding how best to resolve or mitigate the impact of the identified risks and issues.
- Roadmap with actionable steps to take to move forward and mature the security posture of LACERA for future improvement.



# 6.2.2 Phase 2, Assessment

Net Force will coordinate with LACERA, as necessary and/or appropriate, to perform all tasks and activities for the Assessment Phase as suggested by our team of experts. This section describes our approach to the tasks/activities.

# Security Test Phases

# Pre-Engagement

The success of a security assessment is contingent upon a thorough understanding of the scope. The scope needs to clearly define the attack surface and attack vectors of the servers and devices that will be tested; this is called the **Target of Evaluation (TOE)**. A description of what has necessitated the security testing efforts assists in framing the final messaging, as well as clarifying testing activities. Furthermore, clearly defining the TOE ensures that the engagement does not adversely impact the organization, and that effort is accurately applied to the relevant components. Finally, the scoping of the engagement facilitates discussion around ensuring that the testing results meet expectations and are actionable after the engagement concludes.

# Information Gathering

The Net Force Security team will use both passive and active information gathering techniques to gain an initial understanding of the client, culture, and network and system infrastructures to guide subsequent testing actions. While operating within the scope of the engagement, these efforts allow the team to focus on potential TOEs. Information gathering techniques include Open-Source Intelligence (OSINT) which is obtaining public information, determining the Internet footprint, and scanning systems and sites. Gathering this type of information informs LACERA about its exposure on the open internet, allowing them to identify and mitigate any unintentional unauthorized releases of data, information, or schematics of the system that could assist an attacker with their plan of attack.

# Threat Modeling

The information gathered by the Net Force Security team will be evaluated to identify potential attack avenues. These threats are used to drive further testing to determine if the threat introduces risk. This activity is accomplished by correlating vulnerabilities and attempting to compromise the TOE.

# Vulnerability Analysis

The Net Force Security team will conduct in-depth Vulnerability Analysis to identify and validate vulnerabilities that introduce security risks to the TOE. Identification, or discovery, of vulnerabilities, uses the information gathered and digested into threats to determine services/components that might be exploited due to known vulnerabilities. Vulnerability Testing is used to determine which identified vulnerabilities exist in the TOE. These processes are then used to identify viable attack avenues in order to facilitate the next phase, Exploitation.

# Exploitation

Net Force will confirm that Validated Vulnerabilities are exercised in the Exploitation phase in an attempt to establish access by compromising the TOE. The exploitation phase may also develop customized exploits in an attempt to identify new vulnerabilities.

# Post Exploitation

After a system has been compromised, activities include additional information gathering, privilege escalation, account enumeration, persistence, and further system compromise.



# Vulnerability Assessment

Following SANS Institute (SANS) guidance, Net Force uses a three-phase cyclical vulnerability assessment procedure. The three phases are:

- **Conduct Assessment:** Planning and execution of vulnerability assessment.
- **Identify Exposures:** Review the vulnerability assessment data, quantifying the risk and exposure of vulnerabilities and communicate findings Address Exposures.
- **Recommend a course of action** to reduce or eliminate the identified exposures.

Vulnerabilities will be scored using NIST defined standards. Primarily, this relates to the Common Vulnerability Scoring System (CVSS). CVSS is an open standard that utilizes a series of metrics, divided into three groups (base, temporary and environmental), to weight vulnerability scores from zero to ten. This scoring will be specific to the system's implementation, ideally factoring in documented security controls. CVSS facilitates the prioritization of remediation by consistently scoring different platforms allowing for more accurate comparability. Additional NIST standards pertaining to vulnerabilities that will be used are the Common Weakness Enumeration Specification (CWE) which is used to score with Common Vulnerabilities and Exposures (CVE) where possible.

By leveraging open standards and mappings thereof, no matter the security framework used by LACERA, applicable messaging can be provided to ensure that a clear understanding of findings and recommendations are understood.

The Net Force team will use testing techniques and evidence management to reduce the number of testing errors (false positives and false negatives) to provide a meaningful and accurate representation of the security posture of LACERA's systems and any additional databases and interfaces that fall within the scope of this proposal. Where appropriate, the team will document evidence to illustrate the steps taken and to show results.

The Net Force team will include testing techniques in the findings log so that outcomes may be reproduced and retested. Testing techniques refer to applications used to test and are not intended to completely document procedures. Additional guidance may be found in OWASP Testing Guide, Version 4. The Net Force team will document outcomes of testing efforts to support the report and facilitate gap analysis should changes impact the repeatability of tests.

Test procedures are associated with various phases that describe why the actions are being performed. While the testing procedure is more iterative than linear, the phases present an overview of what activities will be included in the security test.

## Risk Measurement Approach

By exploiting both known and unknown vulnerabilities, threat actors compromise the confidentiality, integrity, or availability of information assets. Such compromises can result in financial loss, regulatory and legal actions, mission disruption, and loss of public trust. Measuring and managing security risks is a core component of overall organizational risk management and allows an organization to set priorities for risk remediation activities.

The Net Force team assigns risk ratings to the identified findings based on our standard risk exposure approach:

- 1. Evaluate and rate the likelihood or probability that the risk will be realized.
- 2. Score each risk's likelihood and impact on a scale of 1-5

Tuble 1. Likelihood Determination		
Probability Level	Probability Definition	
High	The threat-source is highly motivated and sufficiently capable, and controls to prevent the vulnerability from being exercised are ineffective.	
Medium	The threat-source is motivated and capable, but controls are in place that may impede the successful exercise of the vulnerability.	
Low	The threat-source lacks motivation or capability, or controls are in place to prevent, or at least significantly impede, the vulnerability from being exercised.	

Table 1 Likelihood Determination

- 1. Evaluate and rate the impact determination, or the damage that would result from the specific compromise.
- 2. The overall risk exposure rating, or priority, is derived using the Risk Exposure Rating Matrix to find the intersection of the probability of occurrence and the magnitude of impact.

Magnitude of Impact	Impact Definition
High	Exercise of the vulnerability (1) may result in the highly costly loss of major tangible assets or resources; (2) may significantly violate, harm, or impede an organization's mission, reputation, or interest.
Medium	Exercise of the vulnerability (1) may result in the costly loss of tangible assets or resources; (2) may violate, harm, or impede an organization's mission, reputation, or interest.
Low	Exercise of the vulnerability (1) may result in the loss of some tangible assets or resources or (2) may noticeably affect an organization's mission, reputation, or interest.

## Table 2. Impact Determination

## Detection, Reporting, and Remediation Services

As part of our comprehensive assessment processes, Net Force will provide LACERA and its stakeholders with informative reports on scan results, any vulnerabilities detected, the reporting functions within LACERA systems, and our suggestions for remediation to prevent further risk to LACERA or its information systems and holding facilities.

## Vulnerability Scanning

Net Force will assess LACERA's current vulnerability scanning systems and procedures and make recommendations for improvements if needed. Response capabilities and procedures will also be reviewed to ensure Cybersecurity Alerts, messages, and warnings are properly triggered and sent to addresses/numbers that are actively monitored for emergency response.

## Server Configuration and Design Reviews

Net Force will bring the full knowledge and experience to leverage the NIST Server Security standards in comparison to best practices. We can help assess both internal and external servers that process sensitive



information for LACERA and make recommendations for design changes or configuration updates to best provide for the security, installation, and configuration of LACERA's critical servers.

## Firewall Reviews and Network Design Best Practices

Net Force will assess LACERA's Firewalls and Network design practices and will leverage the NIST SP 800-37 recommendations to offer guidance on the different security postures best suited to LACERA's protection needs in order to meet federal guidelines. Confidentiality and Integrity are worthless without Availability, and Net Force can help establish whether changes need to be made in their security capabilities, firewall policies, or protocols for selecting, configuring, testing, deploying, and managing their current and future firewall needs.

## **Penetration Testing Procedures**

Net Force will coordinate with LACERA, as necessary and/or appropriate, to perform all tasks and activities for the Penetration Testing Phase enumerated in the RFO. This section describes our approach to the tasks/activities.

This phase will involve active and passive external reconnaissance for detection of exposed LACERA assets, followed by penetration tests against internal and external assets detected or reported, and applications known and unknown (detected).

## Preparation for Testing

The value of a penetration test is to validate the existence and exploitability of vulnerabilities to determine or refine a cost-effective and measurable course of action to improve an organization's security controls. This requires that the organization understand what was tested, the results of the test, and the impact on the organization. To formally determine the set of tests and communicate the results and recommendations, open standards-based approaches are used.

For security testing to be a productive exercise, the scope needs to be carefully considered to ensure that efforts are applied to the proper Target(s) of Evaluation (TOE). Furthermore, the actual testing should be repeatable, resulting in a comprehensive and meaningful report that presents actionable findings, particularly since LACERA may decide to incorporate these results into their Disaster Recovery and Continuity plans.

To this end, Net Force uses the Open-Source Security Testing Methodology Manual (OSSTMM) as the primary methodology for security testing engagements. OSSTMM provides a comprehensive approach to security testing that addresses metrics and risk quantification in support of repeatable testing procedures.

Rules of engagement will be clarified and explicitly documented in the Penetration Test Scope and Memorandum of Permission artifacts before any security testing efforts. The scope will be used to ensure that efforts are applied to the proper Target(s) of Evaluation (TOE). The scoping effort will ensure that the Net Force team clearly understands the overall goals associated with the testing efforts and will use that knowledge to select and customize attack vectors for the testing engagements.

Throughout the engagement, all testing activities will be carefully vetted prior to execution. This is done to reduce the chances of adversely disrupting services and ensure that all relevant resources understand what is being done, why it is being performed, and when it will be executed.

## Network Penetration Testing

The penetration test will simulate what an external attacker is able to discover and exploit. Testing activities will be against externally facing assets, which will include devices and services specified as part of the scope defined within the project plan, expected to include web services, anti-virus/malware protection, firewall, Intrusion



Detection (IDS), Intrusion Prevention (IPS), and network device testing. The network penetration test will focus on where the in-scope web applications reside.

For the testing definition and tool selection, Net Force also draws from the Penetration Testing Execution Standard's (PTES) Technical Guidelines. PTES is another open standard that promotes quality reporting to actualize the value of a security test.

## Web Application Assessments and Best Practices

Net Force's security testing methodology is designed to facilitate repeatable testing that yields actionable results. Consequently, our methodology is based upon open standards and guidance to ensure that the resulting report and recommendations fulfill the scope of the engagement and aid clients with maturing their security practices.

Net Force relies on the **Open Web Application Security Project**<sup>1</sup> (OWASP) to define the testing methodology for this engagement and the resulting report. OWASP is a not-for-profit charitable organization that is dedicated to improving application security. OWASP is a leading resource for web application security, responsible for publishing the OWASP Top 10 which identifies a list of the 10 most critical web application security risks, development of open-source security testing tools and documentation.

Net Force will perform manual and automated web applications penetration tests on desired HR/Finance/Student applications and evaluate the security posture of those services.

# 6.2.3 Phase 3, Wrap Up & Final Report

Net Force recognizes that providing a meaningful report must target multiple audiences and present actionable and repeatable findings. By leveraging open standards and mappings thereof, no matter the security framework used by the organization, applicable messaging can be provided to ensure that a clear understanding of findings and recommendations is achieved. For instance, NIST Special Publications present a homogenous Risk Management Framework, broadly defining a complete information security program that includes guidance on management practices, security controls, assessments, testing methods, and additional security activities. This allows correlation and mapping to other standards and supporting practices in response to detailed findings.

To ensure that LACERA fully understands the findings, risks, and recommendations resulting from the final reports, Net Force will create Security and Penetration Testing Report documents within the scope that are vetted with and approved by LACERA. The Final Reports will make clear precisely what is in scope of the Security Assessment Report, the tools, staff, and methodology employed by Net Force, and the timing of the assessment.

Net Force will provide report review sessions and walkthroughs of the findings with the LACERA team. These sessions will be scheduled and conducted as requested and agreed to by all parties.

Upon discovery of any critical issues, Net Force will notify the LACERA team immediately and consult with involved teams for suggested remediation.



# 7 POTENTIAL CONFLICTS

To Net Force's current knowledge, Net Force does not have any potential conflict of interest related to any other client relationships, the proposed LACERA Engagement Director, and LACERA Engagement Manager. Should such a situation arrive, Net Force will disclose conflicts of interest and work with all parties to resolve conflicts of interest.

To Net Force's current knowledge, no Net Force affiliates are offering or have proposed to offer any services to LACERA. In the event an affiliate is found to be offering services, Net Force undergoes a review process to determine if there is conflict of interest and works with the Client to resolve all potential and actual conflicts of interest that may put independence at risk.

To the best of our knowledge, Net Force and its team members presently do not have any existing financial or contractual relationships with LACERA, any member of LACERA's Board Members, management, staff, or plan sponsors, including, but not limited to Los Angeles County. Net Force does not have any personal relationships such as sibling, roommates, spouse, etc. To the best of our knowledge, Net Force team members presently do not serve on any boards together with any other Los Angeles County or LACERA employee.

Net Force has not given any gifts, travel, expenses, entertainment, or meals to any member of the LACERA Boards, management, or staff in the last two (2) years.

For instances where there are potential or actual conflicts of interest, Net Force discloses the conflict of interest with respective Clients to determine if there is concern, and work to resolve conflicts of interest with the Client. Mechanisms available to Net Force to resolving conflicts of interest include but are not limited to, rotating team members, engaging a teaming partner, and/or recusing the firm in part or entirety of an entire engagement.



# 8 LEGAL SITUATIONS

To date, Net Force, its officers and principals have not been involved in an investigation, non-routine examination, complaint, disciplinary action, or any other proceeding.

To date, Net Force, its officers and principals have not been censured or fined by any regulatory body.

To date, Net Force, its officers and principals have not had any claims or litigation brought against the firm or any officer or principal of the firm by any entity for fraud, malpractice, misrepresentation, negligence, or similar cause of action.

To date, Net Force has no team members who have been the subject of litigation, arbitration, mediation, or other dispute resolution mechanism.

To date, Net Force has not been notified by any actuarial consulting or actuarial auditing client that our firm is in default of its contract, or that conditions exist jeopardizing the continuation of that contract.



# 9 TERMS AND CONDITIONS

Net Force will comply with all terms and conditions set forth in this RFP and takes no exceptions.



# **10 FEE SCHEDULES**

The maximum hourly rates for all relevant staff levels are provided in the table below.

Table 3. 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	\$220.00	\$195.00	\$220.00	\$195.00	\$195.00	
Staff Levels	\$185.00	\$150.00	\$185.00	\$150.00	\$150.00	

# **Table 3. Organizational Activities**

## Table 4. 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	\$220.00	\$195.00	\$220.00	\$195.00	\$195.00
Staff Levels	\$185.00	\$150.00	\$185.00	\$150.00	\$150.00

## Table 5. 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	-	-	-	-	-

Travel and per diem will be in accordance with LACERA's Education and Travel Policy. Hourly rates will not increase more than 3% annually nor more than once during any 12-month period.



## **11 APPENDICES**

## 11.1 APPENDIX 1: SAMPLE REPORT

A sample report is enclosed as a separate PDF attachment.

# ATTACHMENT G

# VASQUEZ & CO LLP

# AUDITING AND CONSULTING SERVICES

# Proposal for Auditing and Consulting Services Pool

# LACERA

Submitted by: Roger A. Martinez Partner, Audit Practice Leader 655 N. Central Avenue, Suite 1550 Glendale, CA 91203 Tel: (213) 873-1703 Fax: (213) 873-1777 Email: ram@vasquezcpa.com

February 1, 2021







655 N Central Avenue, Suite 1550 Glendale, CA 91203 Ph. (213) 873-1700 Fax (213) 873-1777

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OFFICE LOCATIONS: Los Angeles Sacramento San Diego Manila

## **Exhibit F – Proposal Cover Page and Checklist**

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

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

Respondent Name: Vasquez & Company LLP 655 N. Central Avenue, Suite 1550 Respondent Address: Glendale, CA 91203

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.
- Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of work.
- 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.
- Materials contained in proposals and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the Act.
- Respondent is not currently under investigation by any state of federal regulatory agency for any reason.
- 7. The signatory below is authorized to bind the respondent contractually.

VASQUEZ & COMPANY LLP

Roger A. Martinez Partner



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## **Cover Letter**

February 1, 2021

Kathryn Ton Senior Internal Auditor LACERA Gateway Plaza 300 N. Lake Avenue, Suite 840 Pasadena, CA 91101-4199

#### **RE: RFP for Auditing and Consulting Services Pool**

#### a) Introduction and background of the proposer.

Vasquez & Company LLP (Vasquez) appreciates the opportunity to respond to the Los Angeles County Employees Retirement Association's (LACERA) request for proposals to establish an Auditing and Consulting Services Pool to perform audits, advisory services, consulting, and special projects as it relates to organizational activities, information technology, and investment-related services. Our 18 years of experience as auditors for the LACERA real estate portfolio, 50 years of experience providing professional services to governmental agencies and employee benefit plans, coupled with our hands-on commitment to superior service, integrity, and knowledge, qualifies us to provide the services requested by LACERA.

For Vasquez, there is only one measure of success: "Client Satisfaction." This is our primary objective, and drives our firm-wide customer service philosophy and focus:

**Reliability:** Vasquez has a long history of dependability and reliable expertise in service to the government sector. It is a history of accumulated skills and experience we apply to help our clients reach their goals.

**Knowledge:** We have become trusted advisors to clients based on our knowledge of their industry and specialized expertise. Vasquez professionals are trusted advisors to our clients' decision-making teams because they value our professional judgment.

**Responsiveness:** Vasquez professionals, trained to listen to our clients, have a well-earned reputation for devising innovative and creative solutions to today's complex business challenges.

**Communication:** We pride ourselves in our ability to convey complex information in an informative fashion, free of bias, such that those charged with governance can evaluate the significance of the information and determine action plans as may be appropriate.

We have assembled a client service team that is experienced, highly competent, and focused on exceeding your expectations. Our team's extensive knowledge and experience in performing audit, assurance, and consulting services to governmental entities and employee benefit plans in California have prepared us to perform the scope of work requested by LACERA. Our firm's hands-on approach, coupled with our extensive knowledge and experience in serving governmental entities, allows us to anticipate and address potential



issued before they become a concern. Our proposal will show our ability, technical expertise, and timeliness in performing professional services on behalf of government agencies and employee benefit plans are proven and verifiable. We are truly committed to providing LACERA with the highest level of expertise and client service possible.

#### Specialized Industry Knowledge

Vasquez brings over 50 years of experience in audit, attestation, and consulting services to assist government entities and benefit plans in meeting a broad range of goals. Our approach to serving our clients is straightforward, transparent, and objective-driven. Our team members are acknowledged experts on GAAP, GAAS, GAGAS, DOL, and ERISA regulations and reporting requirements. We blend our specialized functional expertise with services designed to add value and improve operations.

b) Name, title, telephone number, and email address of the Proposer's representative(s) who is/are designated as primary liaison(s) to LACERA.

Roger A. Martinez Partner, Audit Practice Leader t) 213-873-1703 e) rmartinez@vasquezcpa.com

c) Name, title, telephone number, and email address of the representative who is authorized to legally bind the Proposer.

Roger A. Martinez Partner, Audit Practice Leader t) 213-873-1703 e) rmartinez@vasquezcpa.com

d) A statement indicating the Proposer's understanding and commitment to provide LACERA with the audit and consulting services as described in the Scope of Work in this RFP.

Vasquez understands both the size and complexity of LACERA and the scope of service requested. We understand LACERA seeks consultants with a proven track record of serving large governmental entities and employee benefit plans with as-needed professional services.

Vasquez's experience includes eighteen (18) years serving as auditors for LACERA's wholly (or partially) owned real estate and commercial real estate debt investment program. We also serve the on audit and consulting pools of CalSTRS, Southern California Regional Rail Authority, Los Angeles County Metropolitan Transportation Authority, City of Los Angeles Department of Transportation, and the internal audit departments of the cities of Long Beach, Riverside, and Oxnard.

e) 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 the proposal.

This proposal, including proposed fees and proposed assigned staff, is an irrevocable offer for not less than 120 days following the date of the proposal.

We thank you for this opportunity to present our firm and its professional qualifications to LACERA. We trust that you will find Vasquez uniquely qualified to provide the services sought under this solicitation.

Should you have any questions or desire further assistance, please contact me at the information below.

Very truly yours,

VASQUEZ & COMPANY LLP

Roger A. Martinez Partner, Audit Practice Leader Vasquez & Company LLP 655 N. Central Avenue, Suite 1550 Glendale, CA 91203 t) 213-873-1703 e) rmartinez@vasquezcpa.com

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### **Organization and Key Personnel**

a) Describe your organizational structure giving specific details about your parent, any affiliated companies, or joint ventures.

Vasquez was established in 1969 as a Limited Liability Partnership registered with the State of California Department of Consumer Affairs.

Vasquez BPO is a subsidiary of Vasquez & Company LLP in the Philippines.

Vasquez is an integral part of the RSM US Alliance, a premier affiliation of independent accounting and consulting firms in the United States, with more than 75 members in over 38 states, the Cayman Islands, and Puerto Rico. This affiliation gives us access to a full range of national and international capabilities. As a member of the RSM US Alliance, Vasquez has access to the resources and services RSM provides its clients. We accepted an invitation to become a member of the RSM US Alliance because it is a natural fit with our commitment to our clients and our determination to stay at the forefront of developments affecting accounting and consulting firms today.

RSM US Alliance provides its members with access to resources of RSM US LLP (RSM), the leading provider of audit, tax, and consulting services focused on the middle market, with more than 8,000 people in 80 offices nationwide. RSM is a licensed CPA firm and the U.S. member of RSM International, a global network of independent audit, tax, and consulting firms with more than 37,500 people over 110 countries. RSM US Alliance member firms are separate and independent businesses and legal entities responsible for their acts and omissions, and each is separate and independent from RSM.

b) Identify the location of the headquarters and branch office(s) that will be providing services under this LACERA contract.

Vasquez will serve the LACERA from our headquarters based in Glendale:

<u>Headquarters</u>	<u>Sacramento</u>	<u>San Diego</u>	<u>Manila</u>
655 N. Central	1215 K Street	333 H Street	29F Rufino Tower
Avenue Suite 1550	17 <sup>th</sup> Floor	Suite 5000	6784 Ayala
Glendale, CA 91203	Sacramento, CA	Chula Vista, CA	Avenue
t) 213-873-1700	95814	91910	Legaspi Village,
f) 213-873-1777	t) 916-503-3269	t) 858-263-2760	Makati City,
	f) 916-503-2401	f) 619-551-7001	Philippines

c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services.

Vasquez provides assurance, attestation, consulting, tax, and business advisory services. Our audit services include financial statement audits of companies in private and public sectors, audits of federal grants under OMB Uniform Guidance, compliance examination audits, overhead rate audits under FAR Part 31 for private companies, or OMB A-122 for not-for-profit organizations. In addition, we provide internal audit services to augment the staffing needs of internal audit departments. Our firm offers accounting services such as detailed accounting transactions, handling receipts and bank deposits, personal bill paying, accounts receivables, business consulting, and payroll preparation and reporting. Our tax services encompass tax return preparation for not-for-profit organizations, individuals, corporations, partnerships, business tax planning, and consulting. Vasquez also provides technology assurance services.





### LACERA Proposal to RFP for Auditing and Consulting Services Pool

can augment or provide your internal audit function for technology-related matters; implement security strategies that enable your business; offer sound and practical advice that includes process control enhancements, or provide your organization with an appropriate technology control strategy. In addition, we provide fraud examinations.



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.

Vasquez carries the following levels of insurance:

Professional Liability Insurance General Liability Insurance Umbrella Liability Insurance Workers' Compensation Insurance -



RSM

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Phone: 800-2			
Vasquez & Co 655 N Central Av Glendale, C	e Suite 15		
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Novato		
ISURED		
VASQUEZ & COMPANY LLP 655 N CENTRAL AVE STE 1550		
GLENDALE		
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PRODUCER Aon Risk Services, Inc of Florida 1001 Brickell Bay Drive, Suite #1100 Miami, FL 33131-4937		CONTACT Ann Dick Services Inc of Elorida	
ADP TotalSource FL XVI, Inc. 10200 Sunset Drive Miami, FL 33173 L/C/F Vasquez and Company LLP 655 N. Central Avenue, Suite 1550 Glendale, CA 91203			
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Los Angeles, CA 90054		AUTHORIZED REPRESENTATIVE Aon Risk Services, In. © 1988-2015 ACORD CORPORA	F. 1997

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## **Qualifications and Experience**

a) Provide a detailed resume for each professional staff member 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.

Team Member	Role
Name: Roger Martinez, CPA Title: Partner Location: Glendale, CA	Roger Martinez, Vasquez Partner formerly with KPMG national office with twenty (20) years of public accounting experience, including LACERA Real Estate Portfolio, CalSTRS, and numerous employee benefit plans as The J. Paul Getty Trust, AECOM 401(k), and Southern California Edison.
Name: Linda Narciso, CPA, CGMA Title: Partner Location: Glendale, CA	Linda Narciso, Vasquez Partner formerly with PwC with over twenty (20) years of public accounting experience, including the audit of LACERA Real Estate Portfolio, and government agencies such as Los Angeles County Metropolitan Transportation Authority Consolidated Audit, cities of Gardena, San Fernando, and El Monte and attestation engagements for Southern California Edison and Sempra.
Name: Cristy Canieda, CPA, CGMA Title: Partner Location: Glendale, CA	Cristy Canieda, Vasquez Partner formerly with PwC with over twenty (20) years of public accounting experience, including numerous employee benefit plans such as Reliance Steel & Aluminum, AECOM SunLine Transit Agency. Cristy also oversees the firm's municipal audit practice. She is a member of the Institute of Internal Auditors, a reviewer for the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting Program.
Name: Tonette Santillan, CPA, CGMA Title: Partner Location: Glendale, CA	Tonette Santillan, Vasquez Partner formerly with RSM Financial Practices Group with over twenty (20) years of public accounting experience, including Securities and Exchange Commission (SEC) financial reporting for IndyMac Bank and Assistant Vice President for financial accounting, management accounting, and treasury at Colonial Mutual Group of Australia.
Name: Elisa Stilwell, CPA Title: Partner Location: Sacramento, CA	Elisa Stilwell, Vasquez Partner leading our assurance and consulting practice in Northern California, formerly with KPMG with over twenty (20) years of public accounting experience, including consulting engagements with CalSTRS, large compliance audits such as the California State University System, Los Angeles Community College Districts, and the University of California.

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Team Member	Role
Name. Marialyn Labastilla, CPA, CGMA Title: Audit Senior Manager Location: Glendale, CA	Marialyn Labastilla, Vasquez Audit Senior Manager with over twenty (20) years of public accounting experience, including employee benefit plans, large multi-location compliance audits, and annual audits of local municipalities and transportation agencies. Her experience includes the Los Angeles County Metropolitan Transportation Authority, the University of California, and the County of Los Angeles.
Name. Isidro Conde, CPA Title: Audit Senior Manager Location: Glendale, CA	Isidro Conde, Vasquez Senior Manager with over twenty (20) years of public accounting experience, including LACERA real estate portfolio, employee benefit plans, internal auditor with the City of Long Beach, senior accountant with the City of Baldwin Park, and large multi-location audits of the Los Angeles County Metropolitan Transportation Authority Consolidated Audit.
Name: Michelle De Guzman, CISA, CISM Title: I.T. Senior Manager Location: Glendale, CA	Michelle De Guzman, Vasquez IT Senior Manager with twenty (20) years of professional experience in the fields of audit, accounting, information technology, and information systems implementation, will lead I.T. audit and consulting engagements. Her internal audit experience includes information technology reviews for Southern California Regional Rail, Southern California Edison SOX 404 consulting, and numerous general and application controls audits of local municipalities.
Name: Jay Toledo, CPA Title: Audit Manager Location: Glendale, CA	Jay Toledo, Vasquez Audit Manager formerly with PwC, with over ten (10) years of public accounting experience, manage external audits of employee benefit plans, local water agencies, and nonprofit organization.
Name: Jonathan Agot Title: Audit Manager Location: Glendale, CA	Jonathan Agot, Vasquez Audit Manager formerly with E.Y., with fifteen (15) years of public accounting experience managing external audits of employee benefit plans such as AECOM, Edison, Reliance Steel & Aluminum, among many others.
Name: Jeffrey Altshuler, CPA Title: RSM Partner, Assurance Svcs. Location: Irvine, CA	Jeffrey Altshuler, RSM West Region Partner-In-Charge of audit and advisory services to governments and nonprofit organizations, will act as a Subject Matter Specialist to the Vasquez team for performance audits.
Name: Alfred Ko, CPA, CISA, CRMA Title: Director, Risk Advisory Services Location: Irvine, CA	Alfred Ko, RSM Director with over sixteen (16) years of experience in the assessment of information technology (I.T.), risks in support of I.T. internal audit co-sourcing and outsourcing engagements, financial statement and integrated audits, Sarbanes-Oxley (SOX) 404, and Service Organization Control (SOC) reporting. Alfred will act as a Subject Matter Specialist to the Vasquez team for performance audit services.







# ROGER A. MARTINEZ, CPA

#### Partner

Vasquez & Company LLP 655 N. Central Avenue, Suite 1550 Glendale, CA 91203 Tel: 213-873-1703 Email: ram@vasquezcpa.com

#### **Representation of Experience**

- California State Teachers Retirement System
- ACRE Capital LLC 401(k) Plan
- AECOM Retirement & Savings Plan
- AIDS Healthcare Foundation 401(k)
- ARES Retirement Savings Plan
- BBCN Bank Employees 401(k) and Profit-Sharing Plan
- Cordoba Corporation 401(k) Employee Plan
- DreamWorks Animation SKG, Inc. 401(k) Plan
- J Paul Getty Trust Employee Plan Match, Retirement and 403(b) Plans
- Los Angeles County Employees Retirement Association
- SunLine Transit Agency
- Los Angeles LGBT Center 403(b) ERISA Plan
- Northeast Valley Health Corporation 403(b)
   Retirement Plan
- Smith Micro Software, Inc. 401(k) Profit Sharing Plan
- Taylor Made Employees Savings Retirement
   Program

- Westrec Properties Inc. & Affiliated Companies 401(k) Plan
- Wilshire Bank 401(k) Retirement Savings Plan
- Los Angeles County Metropolitan
   Transportation Authority
- Southern California Edison Company Retirement Plan
- Southern California Edison Company Comprehensive Disability Plan
- Southern California Edison Company Long-Term Disability Plan
- Edison International Welfare Benefit Plan
- Edison International Retirement Plan for Bargaining Unit Employees of EME Homer City Generation LP
- Edison International Retirement Plan for Bargaining Unit Employees of Midwest Generation, LLC
- Sempra Energy

#### **Professional Background and Affiliations**

Roger's professional background includes partner with KPMG's National Office and has over 20 years in the profession. He is a member of the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants, Association of Latino Professionals in Finance and Accounting.

#### **Educational Background**

Roger received his Bachelor of Arts, Major in Economics and Minor in Accounting from UCLA. He remains current on accounting matters by attending conferences and continuing education courses which are focused on subjects applicable to government, nonprofit and employee benefit plan accounting, including accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. He maintains compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.







## LINDA NARCISO, CPA, CGMA

Partner Vasquez & Company LLP 655 N. Central Avenue, Suite 1550 Glendale, CA 91203 Tel: 213-873-1726 Email: Inarciso@vasquezcpa.com

#### **Areas of Expertise**

Linda's areas of expertise include overseeing all aspects of financial and compliance audits including internal control reviews, Single Audits performed in accordance with Office of Management and Budget Federal regulations entitled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200" (the Uniform Guidance), program specific audits, attestation engagements, financial statement reviews, forecasts and projections to government agencies, nonprofit organizations and business entities.

#### **Representation of Experience**

- Los Angeles County Employees' Retirement Association
- Los Angeles County Metropolitan Transportation Authority
- Alameda Corridor Transportation Authority
- Alameda Corridor East Construction Authority
- Southern California Association of Governments
- Southern California Edison Company
- Sempra Utilities
- San Gabriel Valley Council of Governments
- City of Needles Public Utility Authority
- City of Cudahy
- City of El Monte
- City of Gardena
- City of Lynwood
- City of San Fernando

#### **Professional Background**

Linda's professional background includes audit manager with PwC. As an audit manager, she participated and supervised various financial statement audits of privately held companies and nonprofit organizations.

#### **Professional Affiliations**

Linda received her Bachelor of Accountancy degree from De La Salle University. She remains current on accounting matters by attending conferences and continuing education courses which are focused on subjects applicable to governmental and nonprofit accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements.

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# CRISTY A. CANIEDA, CPA, CGMA

#### Partner

Vasquez & Company LLP 655 N. Central Avenue, Suite 1550 Glendale, CA 91203 Tel: 213-873-1720 Email: ccanieda@vasquezcpa.com

#### **Areas of Expertise**

Cristy's area of expertise is in overseeing audits of employee benefit plans, government agencies, and nonprofit organizations. Her expertise encompasses planning, evaluating internal controls and business risks, staffing requirements, and managing client expectations.

#### **Prior Experience**

- AECOM Retirement and Savings Plan
- AIDS Healthcare Foundation Savings and Investment
   Plan
- Alma Family Services 403(b) Plan
- California Family Health Council VEBA Trust
- Lexicon Marketing LLC 401(k) Salary Reduction Plan & Trust
- Moffat & Nichol 401(k) Profit Sharing and Retirement Plan
- Planned Parenthood of Orange and San Bernardino Counties Retirement Plan
- Precision Strip, Inc. Retirement & Savings Plan
- Reliance Steel & Aluminum Company Master 401(k)
   Plan
- Smith Micro Software, Inc. 401(k) Profit Sharing Plan
- SunLine Transit Agency Retirement Income Plan for Bargaining Unit Personnel
- SunLine Transit Agency Retirement Income Plan for Non-Bargaining Unit Personnel

- City of Azusa
- City of Baldwin Park
- City of Carson
- City of Compton
- City of Cudahy
- City of El Monte
- City of Hawthorne
- City of Huntington Park
- City of La Puente
- City of Lynwood
- City of Montebello
- City of Moreno Valley
- City of Norwalk
- City of Pico Rivera
- City of San Juan Capistrano
- City of Simi Valley
- City of Temple City
- City of West Hollywood
- City of Vernon

#### **Professional Background and Affiliations**

Cristy's professional background includes PwC. She is a Certified Public Accountant licensed to practice in the State of California.

#### **Educational Background**

Cristy received her Bachelor of Science in Accountancy and Associate in Government Auditing from Enverga University and her Master's in Business Administration from Ateneo Graduate School of Business. She remains current on accounting matters by attending conferences and continuing education courses which are heavily focused on subjects applicable to governmental and employee benefit plan accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. She maintains compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.









# ELISA STILWELL, CPA

Partner Vasquez & Company LLP 1215 K Street, 17th Floor Sacramento, CA 95814 Email: <u>estilwell@vasquezcpa.com</u> Tel: 916-503-3269

#### **Areas of Expertise**

Elisa's areas of expertise include overseeing all aspects of financial, performance and compliance audits including internal control reviews and Single Audits performed in accordance with Office of Management and Budget "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200" (the Uniform Guidance), program specific audits, special studies and forecasts and projections to large complex governmental entities in California.

#### **Representation of Experience**

- San Joaquin Regional Transit District
- City and County of Honolulu
- City of Anaheim
- City of Moorpark
- City of Oxnard
- City of Pasadena
- City of San Diego
- City of Santa Barbara
- City of Santa Monica
- City of Thousand Oaks

- California State Teachers' Retirement System
- California State University System
- County of San Diego
- County of Santa Barbara
- County of San Bernardino
- County of Ventura
- Los Angeles Community College District
- University of California, Santa Barbara
- University of the Pacific
- Westmont College

#### **Professional Background and Affiliations**

Elisa has been a participant in numerous seminars on governmental accounting and auditing. Elisa has been an instructor and speaker for clients and staff on a wide range of technical topics including public sector topics, GASB pronouncements, OMB Circular A-133 requirements, insurance industry topics and NAIC statutory accounting principles, and Sarbanes-Oxley Act requirements.

- Certified public accountant in California
- KPMG Alumni and Current Professionals
- Member, American Institute of Certified Public Accountants
- Member and volunteer, Girl Scouts USA Heart of Central California Council
- Actively involved in community service activities and youth sports programs

#### **Educational Background**

Elisa holds a Bachelor of Arts Degree in business economics and sociology from the University of California, Santa Barbara. She remains current on accounting matters by attending conferences and continuing education courses which are heavily focused on subjects applicable to governmental accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. She maintains compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.

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# MARY ANTONETTE (TONETTE) B. SANTILLAN, CPA, CGMA

#### Audit Partner

Vasquez & Company LLP 655 N. Central Avenue, Suite 1550 Glendale, CA 91203 Tel: 213-873-1754 Email: tsantillan@vasquezcpa.com

#### **Areas of Expertise**

Tonette's practice is focused on overseeing all aspects of financial and compliance audits including internal control reviews and Single Audits performed in accordance with Office of Management and Budget Federal regulations Uniform Guidance, program specific audits, financial statement reviews, forecasts and projections to government agencies, nonprofit organizations and employee benefit plans.

#### **Representation of Experience**

- AIDS Healthcare Foundation 401(k) Plan
- Alma Family Services 403(b) Plan
- Central Basin Municipal Water District
- City of Needles
- Compton Community College District
- Desert Area Resources and Training 401(k) Plan
- Hassan & Sons 401(k) Plan
- Los Angeles Christian Health Centers 403(b) Plan

- Los Angeles County Economic Development Corporation
- Rio Hondo Community College District
- University of West Los Angeles
- Valley County Water District
- Los Angeles County Metropolitan Transportation Authority
- Valley Economic Development Corporation
- Westrec Properties, Inc. 401(k) Plan

#### **Professional Background and Affiliations**

Tonette has over 20 years of cumulative experience in public accounting and in private industry practice. Previously, Tonette was an assurance director at RSM US LLP's Financial Institutions Practice Group. Prior to joining RSM, she was the manager for the Securities and Exchange Commission (SEC) financial reporting of IndyMac Bank. She was also with the Financial Services audit practice of PricewaterhouseCoopers and was also previously the Assistant Vice President for financial accounting, management accounting and treasury at Colonial Mutual Group of Australia. She also worked as an audit manager for PricewaterhouseCoopers in Manila, Philippines. Her affiliations include:

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- Certified Public Accountant (CPA) licensed in California

#### **Educational Background**

Tonette received her Bachelor of Science in Commerce, Major in Accounting from Divine World College of Legazpi and her Master of Business Administration from De La Salle University. She remains current on accounting matters by attending conferences and continuing education courses which are heavily focused on subjects applicable to governmental, nonprofit and employee benefit plan accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. She maintains compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.

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# MARIALYN (LYN) S. LABASTILLA, CPA, CGMA

Senior Manager Vasquez & Company LLP 655 N. Central Avenue, Suite 1550 Glendale, CA 91203 Tel: 213-873-1738 Email: mlabastilla@vasquezcpa.com

#### **Areas of Expertise**

Lyn's expertise includes managing all aspects of financial and compliance audits including internal control reviews and Single Audits performed in accordance with Office of Management and Budget "*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200*" (the Uniform Guidance), program specific audits, financial statement reviews, forecasts and projections to government agencies, nonprofit organizations and employee benefit plans.

#### **Representation of Experience**

- City of Cudahy
- County of Los Angeles
- Foundation for Early Childhood Development 401(k) Plan
- Hub Cities Consortium
- JWCH Institute 401(k) Plan
- Los Angeles County Metropolitan Transportation Authority
- Orange County Transportation Authority
- SunLine Transit Agency
- Westrec Properties, Inc. 401(K) Plan
- White Arrow, Inc. 401(k) Plan

#### **Professional Background and Affiliations**

Lyn's professional background includes as Audit Supervisor with RSM US LLP and BDO USA, LLP. She also worked as an Audit Manager for PricewaterhouseCoopers in Manila, Philippines. Lyn is a Certified Public Accountant licensed to practice in the State of California. She is a Founding Member and on the National Executive Board of the Board of Directors of the International Society of Filipinos in Finance and Accounting (ISFFA).

#### **Educational Background**

Lyn earned a Bachelor of Science Degree in Accountancy from the Polytechnic University. She remains current on accounting matters by attending conferences and continuing education courses which are heavily focused on subjects applicable to government and construction accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. She has maintained compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.







## ISIDRO CONDE, CPA

Senior Manager

Vasquez & Company LLP 655 N. Central Avenue, Suite 1550 Glendale, CA 91203 Tel: 213-873-1700 x 221 Email: cconde@vasquezcpa.com

#### **Areas of Expertise**

Cid's practice is in managing all aspects of financial and compliance audits including internal control reviews, Single Audits performed in accordance with Office of Management and Budget Federal "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200" (the Uniform Guidance), program specific audits, financial statement reviews, forecasts and projections to government agencies; preparation of comprehensive annual financial reports and State Controller's reports.

#### **Representation of Experience**

- Alameda Corridor East Construction Authority
- Alameda Corridor Transportation • Authority
- City of Baldwin Park •
- City of El Monte •
- City of Huntington Park •
- City of La Puente •
- City of Montebello
- City of Norwalk •
- City of Temple City •
- City of Vernon

#### **Professional Background and Affiliations**

Cid's professional background includes EY.

#### **Educational Background**

Cid received his Bachelors of Science in Commerce, major in Accounting, from the University of San Carlos. He remains current on accounting matters by attending conferences and continuing education courses which are heavily focused on subjects applicable to governmental accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. He maintains compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.





- Los Angeles County Metropolitan Transportation Authority
- Needles Public Utility Authority
- San Gabriel Valley Council of Governments ٠
- SunLine Transit Agency ٠
- Upper San Gabriel Metro Water District
- Los Angeles County Employees Retirement Association
- Cornerstone Real Estate Advisers, LLC ٠
- Alameda Corridor East Construction Authority ٠
- Harbour Town Associates





## MICHELLE DE GUZMAN, CISA, CISM

#### IT Senior Manager

Vasquez & Company LLP 655 N Central Avenue, Suite 1550 Glendale, CA 91203 Tel: 213-873-1700 x 319 Email: mdeguzman@vasquezcpa.com

#### **Area of Expertise**

Michelle's practice is focused on planning, design and performance of IT Enabled Business Transformation; Global & Regional Project/Program Management; Business Process and Systems Management/Optimization; Shared Services, Business Process Outsourcing; Strategic Financial Planning, Analysis and Reporting; Activity-Based Management; Information Security; IT Governance, Risk and Compliance; Sarbanes – Oxley (SOX) 404; IT Audit and Controls; Operational Excellence; ERP Security and Controls; ERP Materials Management; Enterprise Information Architecture; Master Data Management; Business Intelligence; Resolution and Incident Management; Performance Metrics; Global & Regional Team Development & Management

#### **Representation of Experience**

- AIDS Healthcare Foundation
- AltaMed Health Services Corporation
- City of Baldwin Park
- City of El Monte
- City of Montebello
- City of Moreno Valley
- City of Simi Valley
- City of Vernon
- Encina Wastewater Authority
- San Gabriel Valley Water Company
- San Joaquin Regional Transit District
- Southern California Edison
- Southern California Regional Rail Authority
- Sunline Transit Agency

#### **Professional Background and Affiliations**

Michelle's experience includes fifteen years with The Coca-Cola Company (TCCC). During her tenure with TCCC, she led the company's Global Bottler Business Services group as their Chief Information Officer/Director. She also served as the Regional Information Security Officer for the Asia Pacific, Middle East, and Africa, who provided direction and assurance over the confidentiality, integrity, and availability for Mondelez International's information. Michelle's professional background includes PwC and Deloitte. She is a certified SAP R/3 Materials Management Consultant, ITIL Foundation V3 Certified, Certified Information Systems Auditor (CISA) and a Certified Information Security Manager (CISM).

#### **Educational Background**

Michelle received her Bachelor of Science in Accountancy from the University of the City of Manila, Philippines. She remains current on accounting matters by attending conferences and continuing education courses which are heavily focused on subjects applicable to a Finance/IT professional.

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## DOMINADOR (JAY) TOLEDO, JR., CPA

#### Manager

Vasquez & Company LLP 655 N. Central Avenue. Suite 1550 Glendale, CA 91203 Tel: 213-873-1700 x 305 Email: jtoledo@vasquezcpa.com

#### **Area of Expertise**

Jay's areas of expertise includes managing all aspects of financial and compliance audits, including internal control reviews and single audits performed in accordance with Office of Management and Budget Federal regulations the Uniform Guidance, program specific audits, financial statement reviews, forecasts and projections to government agencies, nonprofit organizations and employee benefit plans.

#### **Representation of Experience**

- Arizona Water Company 401(k) Plan
- Bank of Hope 401(k) Plan
- Big Bear Municipal Water District
- California Cities Self-Reliance Joint Powers Authority
- California Employers Healthcare Alliance Trust
- Encina Wastewater Authority
- Planned Parenthood 403(b) Plan
- San Gabriel Basin Water Quality Authority ٠
- San Gabriel Valley Water Company 401(k) Plan
- United Conservation Water District •
- Water Replenishment District of Southern California

#### **Professional Background**

Jay's professional background includes auditor and manager positions with PwC.

#### **Educational Background**

Jay received his Bachelor of Science degree in Accountancy from Far East University. He remains current on accounting matters by attending conferences and continuing education courses which are heavily focused on subjects applicable to governmental, nonprofit and employee benefit plan accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. He has maintained compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.









## JONATHAN AGOT, MM

#### Manager

Vasquez & Company LLP 655 N Central Avenue, Suite 1550 Glendale, CA 91203 Tel: 213-873-1727 Email: jagot@vasquezcpa.com

#### Areas of Expertise

Jonathan's expertise includes managing all aspects of financial reporting including, his audit experience also includes internal control reviews and Single Audits performed in accordance with Office of Management and Budget Federal regulations entitled "*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200*" (the Uniform Guidance), program specific audits, financial statement reviews, forecasts and projections to nonprofit organizations and employee benefit plans.

#### **Representation of Experience**

- 504 ACE Loan Fund I (2004) LLC
- AECOM Retirement and Savings Plan
- AltaMed Health Services Corporation
- Carrie Estelle Doheny Foundation
- Hispanas Organized for Political Equality
- Los Angeles Economic Development Corporation
- Los Angeles LDC, Inc. and Subsidiaries
- Rio Hondo College Foundation
- Ronald W. Burkle Foundation
- St. Joseph Center
- J Paul Getty Trust Employee Plan Match, Retirement and 403(b) Plans
- Alma Family Services 403(b) Thrift Plan
- Los Angeles Universal Preschool 403(b) Plan
- Ares Management 401(k) Plan

- Honored Citizen's Choice Health 401(k) Plan
- Marymount College 403(b) Plan
- Watts Healthcare Corporation 401(k) Plan
- AIDS Healthcare Foundation Savings and Investment Plan
- Southern California Edison Company Retirement Plan
- Southern California Edison Company
   Comprehensive Disability Plan
- Southern California Edison Company Long-Term
   Disability Plan
- Edison International Welfare Benefit Plan
- Edison International Retirement Plan for Bargaining Unit Employees of EME Homer City Generation LP
- Edison International Retirement Plan for Bargaining Unit Employees of Midwest Generation, LLC

#### **Professional Background**

Jonathan's professional background includes audit manager with EY and Grant Thornton.

#### Education

Jonathan received his Master's in Management from the Asian Institute of Management, and his Bachelor of Science in Accountancy from University of the East. He remains current on accounting matters by attending conferences and continuing education courses which are focused on subjects applicable to nonprofit and employee benefit plan accounting and financial reporting and auditing requirements.

**RSM US Alliance** 





## LACERA Proposal to RFP for Auditing and Consulting Services Pool



**Jeffrey Altshuler** Partner, Assurance Services RSM US LLP Orange County, California



#### Summary of experience

Jeff has 35 years of experience and specializes in assurance services and business consulting for a variety of governmental entities and nonprofit organizations.

In addition to having overall in-charge responsibility for the conduct of audits, Jeff has been involved in some of the largest public-sector audit engagements for our California practice, including The Roman Catholic Archdiocese of Los Angeles, various tribal governments, and tribal casinos with assets between \$100 million and \$2.8 billion, the cities of Glendale, Burbank and Riverside; transportation enterprises, including the Riverside County Transportation Commission, San Bernardino Associated Governments, the San Diego County Regional Airport Authority and the Southern California Regional Rail Authority; and various other governmental and not-for-profit organizations, including the Auxiliary Organizations at San Diego State University and San Marcos State University.

Jeff also consults with his clients in the areas of best practices, fiscal governance, revenue enhancement, and debt and public financing. Projects that Jeff has overseen/participated in include:

- The Catholic Education Foundation of the Roman Catholic Archdiocese of Los Angeles audit, St. John's Seminary, and the Cathedral of Our Lady of the Angels parish
- The audit to support the separation of the San Diego Port District and the San Diego County Regional Airport Authority

#### Professional affiliations and credentials

- Certified public accountant in California
- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants

#### Education

• Bachelor of Arts in Business Administration, with a concentration in accounting, California State University, Fullerton



- Orange County Sanitation District
- Internal control review for the Newport Beach
   office of the Resolution Trust Corporation
- Easter Seals of Southern California
- 22<sup>nd</sup> District Agricultural Association

## LACERA Proposal to RFP for Auditing and Consulting Services Pool



Alfred Ko Director, Risk Advisory Services

RSM US LLP Los Angeles, CA



#### Summary of Experience

Alfred specializes in the assessment of information technology (I.T.) risks in support of I.T. internal audit co-sourcing and outsourcing engagements, financial statement and integrated audits, Sarbanes-Oxley (SOX) 404, and Service Organization Control (SOC) reporting. Nationally, he collaborates with the Assurance Standards Methodology Group by leading the development and continuous enhancement of RSM's I.T. assurance methodology and supports the RSM's response to the Public Company Accounting Oversight Board's (PCAOB) inspection of RSM's system of quality control. Alfred has over 16 years of experience in business process analysis and general IT control assessments and is experienced serving multiple governmental entities such as public employee retirement systems.

Representative experience includes the following:

- Managed I.T. internal audit co-sourcing or outsourcing engagements by overseeing clients' I.T. internal audit function, leading SOX 404 compliance projects, as well as operational I.T. projects that tackle emerging risks such as cybersecurity, control automation, business continuity planning, data privacy, and complex system and cloud implementations.
- Led numerous I.T. audits for middle market and Fortune 1000 organizations, directing the design, implementation, and operating effectiveness testing of I.T. application and general controls in assessments of internal controls over financial reporting.
- Conducted over 100 SOC examinations and readiness assessments, developed thought leadership materials on the introduction of SOC and built marketplace eminence through webcasts and presentations at local ISACA chapters

#### **Professional Affiliations and Credentials**

- Certified Public Accountant (CPA)
- Certified Information Systems Auditor (CISA)
- Certification in Risk Management Assurance (CRMA)

#### Education

- Master of Accounting, University of Southern California
- Bachelor of Science, computer science and economics, University of Michigan





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.

#### **Organizational Activities**

We have been serving numerous employee benefit plans for many years. The experience we have gained enables us to effectively work on the unique and complex regulations and reporting requirements for private companies, including ERISA and DOL, and communicate them to our clients. It also allows us to competently handle other specific matters related to tax-exempt plan administration that are important for the organization to have knowledge of, implement, and abide by as part of their ongoing best practices and organizational policies. The following are some of our pension plan clients:

Organization	Plan Assets
	\$100 billion+
Los Angeles County Employees' Retirement Association	\$30 billion +
AECOM Retirement & Savings Plan	\$5 billion +
	\$440 million+
Loyola Marymount University	329 million +
ValleyCrest Companies	\$113 million +
Taylor Made Employees Savings Retirement Program	\$117 million +
DreamWorks Animation SKG, Inc.	\$163 million+
Reliance Steel and Aluminum Co.	\$200 million+
BBCN Bank	\$49 million+
AltaMed Health Services Corporation	\$53 million+
Ares Management	\$74 million+

The Vasquez team has performed numerous risk assessments as part of financial and compliance audits of governmental organizations. These audits include risk assessments performed pursuant to a structured approach based on the standards set forth in the COSO Principles. Our audits are performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, OMB Uniform Guidance and its Compliance Supplement (when applicable), and the Office of the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts (when applicable).

Our audit approach is tailored to meet all technical requirements while maintaining professional skepticism without forgetting that we provide a service. We achieve this by partner involvement in all phases of the audit and assigning experienced governmental audit staff to the engagement. Partner involvement will result in decisions being made on a timely basis, and experienced staff will minimize disruption to your staff.





#### Following is a list of audits performed by the team we propose to serve LACERA:

Clients
City of Agoura Hills
City of Azusa
City of Baldwin Park
City of Bell
City of Bell Gardens
City of Beverly Hills
City of Carson
City of Compton
City of Cudahy
City of Culver City
City of El Monte
City of Gardena
City of Hawthorne
City of Hidden Hills
City of Huntington Park
City of Industry
City of Inglewood
City of La Puente
City of Long Beach
City of Lynwood
City of Malibu
City of Maywood
City of Montebello
City of Monterey Park
City of Moreno Valley
City of Norwalk
City of Pico Rivera
City of San Fernando
City of San Juan Capistrano
City of Santa Fe Springs
City of Santa Monica
City of Simi Valley
City of South El Monte

#### Clients

City of South Gate
City of Vernon
City of Walnut
City of West Hollywood
Alameda Corridor-East Construction Authority
Alameda Corridor Transportation Authority
Big Bear Municipal Water District
Central Basin Municipal Water District
Encina Wastewater Authority
Los Angeles County Employees Retirement Association
Los Angeles County Metropolitan Transportation Authority
Los Angeles World Airports
Metropolitan Water District of Southern California
Municipal Water District of Orange County
Needles Public Utility Authority
Orange County Transportation Authority
Plumas County Transportation Commission
Port of Long Beach
San Gabriel Basin Water Quality Authority
San Gabriel Valley Council of Governments
San Joaquin Regional Transit District
Southern California Association of Governments
Southern California Regional Rail Authority
SunLine Transit Agency
Upper San Gabriel Valley Municipal Water District
United Water Conservation District
University of California
Water Replenishment District of Southern California
Walnut Valley Water District

#### **Internal Control Reviews**

Following are examples of our experience conducting internal control reviews:





#### City of Moreno Valley

The City of Moreno Valley engaged Vasquez to perform a review of financial practices, identify areas of exposure to fraud, illegal acts, and other irregularities, review financial practices and internal accounting controls, and report identified system and control deficiencies.

#### City of El Monte

The City of El Monte engaged Vasquez to evaluate 1) whether administrative, operating, and maintenance expenditures were properly charged to the Sewer Enterprise Fund pursuant to generally accepted accounting principles and in compliance with the El Monte Municipal Code 3.01, and 2) evaluate and determine if administrative charges necessary for the efficient operation of the Sewer and Water Enterprise Funds, and 3) evaluate and determine whether appropriate administrative, operating and maintenance expenditures have been properly charged to the Water Enterprise Fund pursuant to generally accepted accounting principles for enterprise fund accounting.

#### **Operational/Performance Audits**

#### City of Long Beach

Our engagement with the City of Long Beach included reviews of accounts payable and purchasing functions at both the operating department level and the centralized processing within the Financial Management Department. The other eight City departments include:

- 1. Public Works
- 2. Parks, Recreation, and Marine
- 3. Police
- 4. Fire
- 5. Airport
- 6. Gas and Oil
- 7. Harbor
- 8. Water

The purpose of this project was to identify and make recommendations for any specific internal control improvements that could be made immediately or can be or should be considered with the implementation of the new Financial/H.R. system.

Secondary tasks included making recommendations concerning efficiency improvements that are identified during the internal control and procedures review, identifying good controls and processing procedures that are in place and may be suitable for replication in other departments.

The City's Director of Finance recently requested Vasquez to expand its scope of services to include reviews of the City's accounts receivable and collections function and the automated time recording systems.

Our product is a study to assess the internal controls and the effectiveness and efficiency of processing procedures applicable to the City's Accounts Payable and Purchasing functions with a summary of key observations and recommendations.





#### Los Angeles World Airports (LAWA)

The City of Los Angeles engaged Vasquez to assess the fiscal operations of the Los Angeles World Airports (LAWA). This audit's primary objective was to assess the effectiveness and efficiency of LAWA's fiscal operations and identify opportunities for improvements. The specific audit objectives included:

- 1. Financial Planning and Risk management
- 2. Long Term Debt Management and Bond Financing
- 3. Revenue Management and Development
- 4. Contract Monitoring and Procurement
- 5. Capital Asset Management and Inventory Controls
- 6. Budget Development and Control
- 7. Regulatory Compliance and Financial Reporting
- 8. Assessment of the Department's fiscal, organizational structure
- 9. Assessment of policies and procedures over core fiscal activities

Our study included resolution of audit findings within these functional areas, assessment of District staff capabilities, information technology review, and analysis of accounting policies and procedures, and development of written accounting policy and procedures manual.

#### **Special Studies**

Vasquez provides special studies designed to assist government agencies in promoting accountability and effective fiscal management. Our government specialists have the expertise to assess the components of agency fiscal management functions, identify barriers to optimal effectiveness, design improvements, assist with the implementation of better practices, and monitor operations for adherence to approved policies and procedures. Example of our work in this area includes:

#### <u>CalSTRS</u>

#### **Contract Compliance Audits**

The Metropolitan Water District of Southern California (MWD)

MWD engaged Vasquez to perform evaluations of the following member agencies compliance with the requirements of the Local Resources Program:

- Irvine Ranch Water District
- City of Oceanside
- City of Burbank
- San Diego County Water Authority
- West Basin Municipal Water District





- South Coast Water District
- Eastern Municipal Water District

#### City of Montebello

The City of Montebello engaged Vasquez to assist the City in evaluating compliance by the Quiet Cannon Golf Course (Quiet Cannon Montebello, or QCM) with the terms of the lease agreement between the City and QCM. The project included the following phases:

- 1. Study and evaluation of the accuracy of lease payments made to the City
- 2. Evaluation of the systems of internal control, particularly as it pertains to capturing and accounting for all revenues
- 3. To the extent that the internal control systems were found to be properly designed, testing internal controls to ensure they were functioning as designed
- 4. Agreeing amounts reported in support of lease payments to underlying accounting records, including general ledgers and journals and source documentation such as cash register tapes and cash receipts
- 5. Agree amounts underlying the lease payment calculations to other records such as special event reservation logs, sales reports, customer deposit transaction ledgers, and the like.
- 6. Issue an agreed-upon procedures report setting forth the procedures performed by Vasquez personnel and the related findings and observations.

#### Training Engagements

Vasquez annually conducts audit and accounting update seminars for government agencies and nonprofit organizations. We also conduct training for audit client personnel



Additionally, our professionals have substantial experience presenting to governing boards or audit committees. During audit engagement exit conferences, we discuss our audit approach, scope, and results. We pride ourselves on our ability to convey complex information in an informative fashion, free of bias, such that those charged with governance can evaluate the significance of the information and determine action plans as may be appropriate.

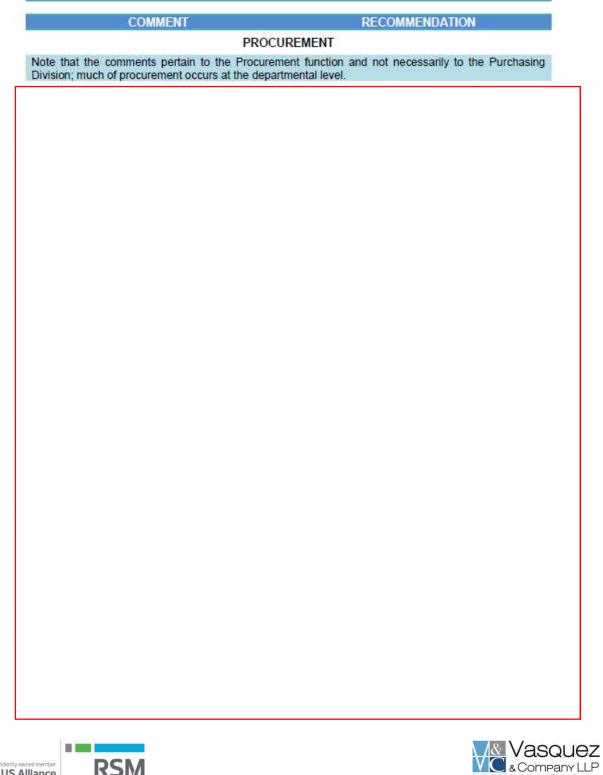
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#### **Report Example – Review of Financial Practices**

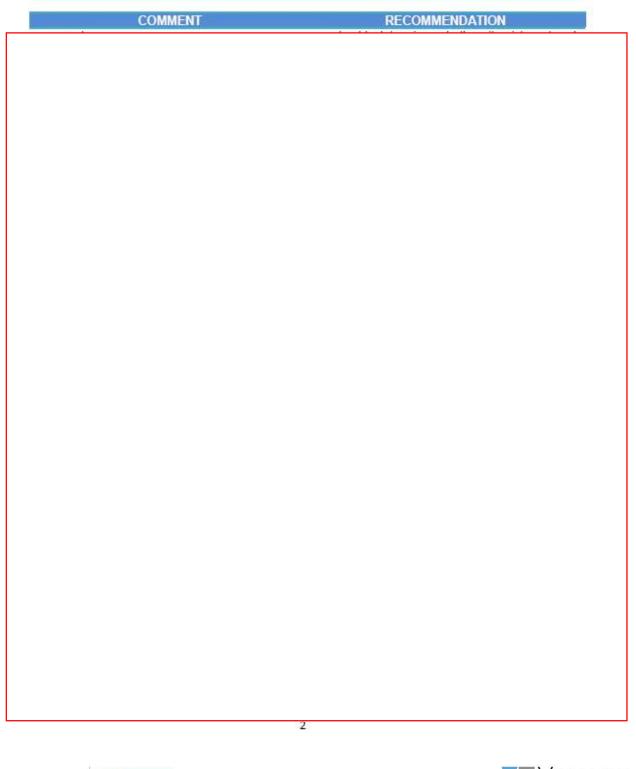
City of Moreno Valley, California Review of Financial Practices - Final Report - December 6, 2016



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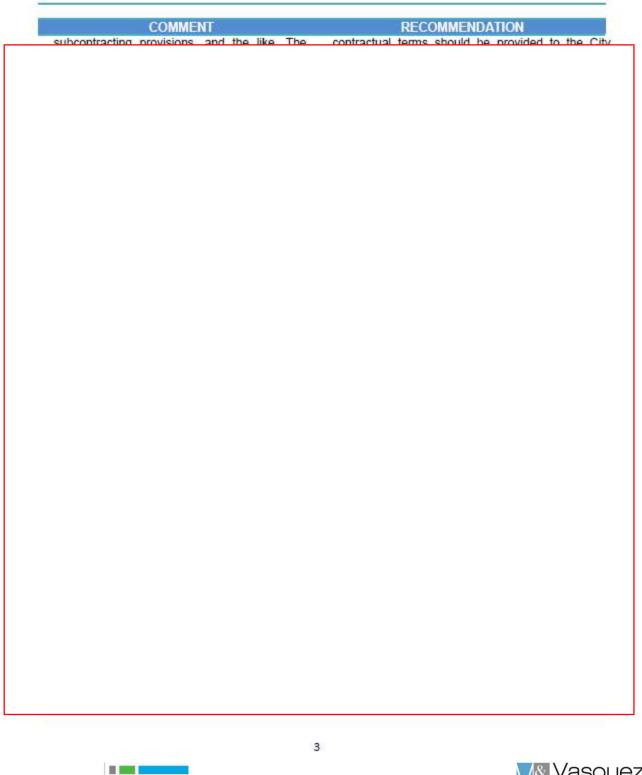
#### City of Moreno Valley, California Review of Financial Practices – Final Report - December 6, 2016







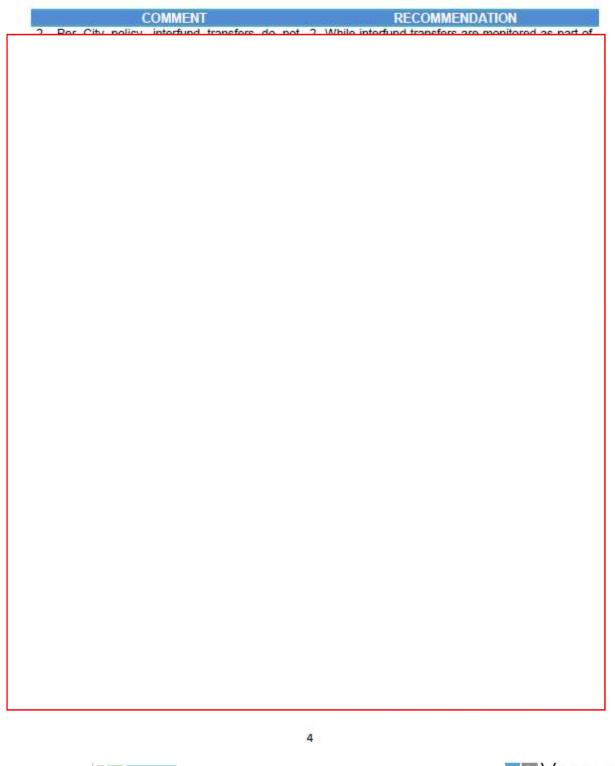
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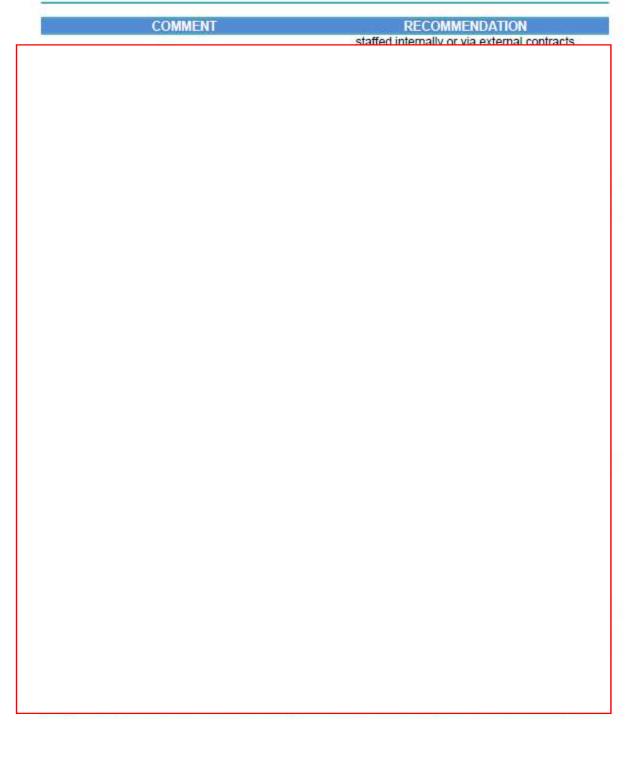


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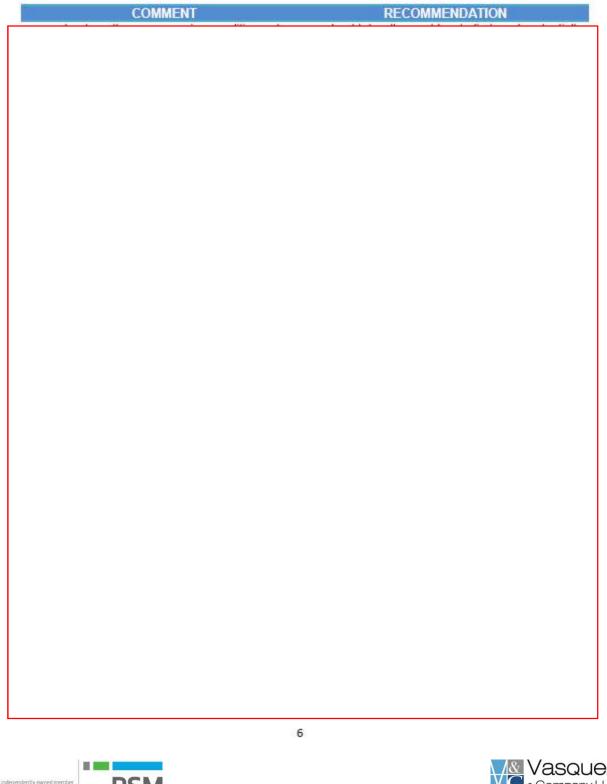






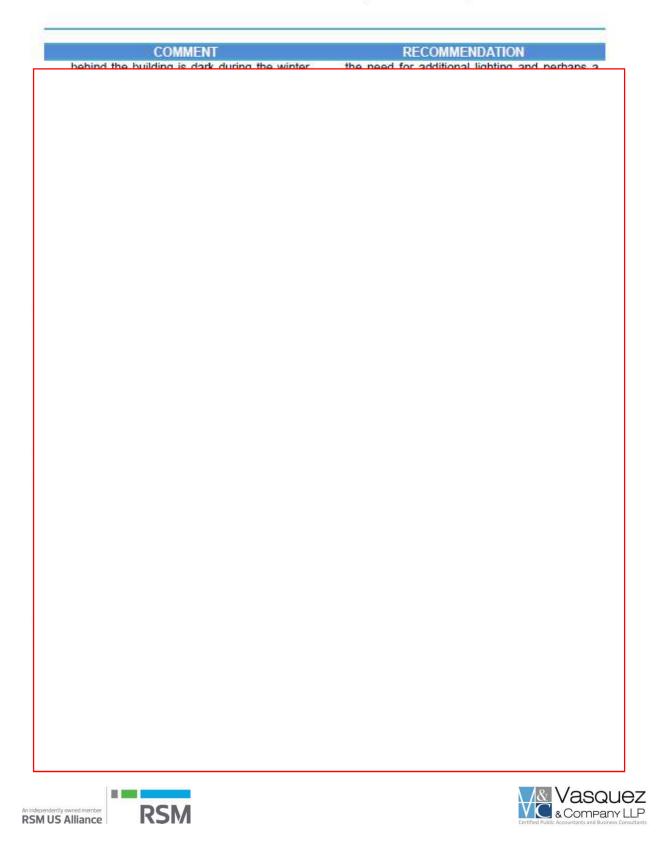


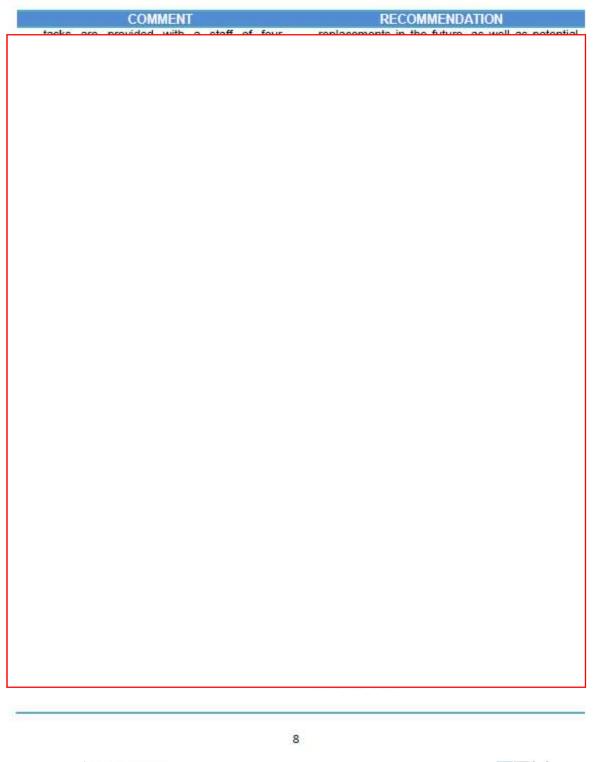






Company LLP









	COMMENT	HUMAN RESOURES	RECOMMENDATION	
		HUMAN RESOURES		
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		9		
pendently owned member	RSM		Certified Public	Vasquez & Company LLL Accountants and Business Consulta







#### Information Technology

#### Southern California Regional Rail Authority

Vasquez was engaged to perform (A) Cybersecurity Assessment/Penetration Testing of Positive Train Control (PTC) Network Control Operations and Train Control Systems and (B) PCI DSS compliance testing on Ticket Vending Machine networks. The objectives of these audits were to: (1) identify and document the issues and weaknesses of the existing critical infrastructure, (2) evaluate whether security and other critical controls and internal policies and procedures are consistent with best practices and with the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Security and Privacy Controls for Federal Information Systems and Organizations, and NIST SP 800-82, Guide to Industrial Control Systems (ICS) Security, (3) test the employees' security awareness and (4) the organization's ability to identify and respond to security incidents.

#### Port of Long Beach

The Port of Long Beach engaged Vasquez to review the Engineering Bureau's new ERP project management and control application system, Oracle Primavera Unifier. The review focused on the pre-implementation controls surrounding I.T. risk management, system implementation controls, project management, and digital approval and reporting processes provided by Unifier to the Port's Finance Division. The engagement also included an assessment of the system implementation team's structured approach to the implementation.

#### Southern California Edison

#### SunLine Transit Agency

Vasquez was engaged to perform (A) IT Risk Management assessment based on guidance from the Control Objectives for Information and related Technology (COBIT) best practices and (B) Cybersecurity gap assessment based on key requirements of NIST Cybersecurity Framework. The objectives of these reviews were to: (1) assess the organization's IT/Cyber Risk and Controls Management maturity from an operational perspective, (2) to evaluate the state of the internal ITprocesses and to define the requirements for the evolution of those processes, (3) to define the future level of process maturity needed to achieve a target maturity level and (4) to provide management with reasonable assurance that assets are safeguarded against loss, unauthorized use, or disposition.

#### Investments

The complexity of auditing investments varies. For entities with simple investment instruments, auditing may not be a challenge. Complex investments, however, require additional work such as auditing values. As investment complexity increases, so will your need for strong audit team that





understands unusual investments. The Vasquez team has substantial experience with audits of investments. Following are examples of client investment portfolios audited by the Vasquez team:

		<b>Total \$ Valueof</b>
Audit Client	Types of Investment Holdings	Investments
Southern California Edison	US government and agency securities,	
Employee Benefit Plans	corporate stocks, partnerships, corporate	
	notes and bonds, common collective trusts,	
	mutual funds and hedge funds	5.43 billion
AECOM Employee Benefit	Corporate stocks, investment in master	
Plan	trusts, mutual funds, fixed income instruments	5.86 billion
The J. Paul Getty Trust		
Employee Benefit Plans	Mutual funds, hedge funds, insurance contract	546 million
Loyola Marymount University		
Employee Benefit Plan	Mutual funds and annuity contracts	387 million
Ares Management LLC		
Employee Benefit Plan	Mutual funds	160 million
AltaMed Health Services		
Corporation Employee Benefit	Mutual funds and annuity contracts	121 million
Aids Healthcare Foundation		
Employee Benefit Plan	Pooled separate accounts	66 million
Economic Development		
Corporation of Los Angeles	Equity securities and fixed income funds	22 million



## **Assigned Personnel**

Our team structure, staffing, service approach, communication, and coordination are refined to fit the unique needs of the LACERA. We staff our engagements with individuals focused on a dedicated industry to ensure expertise at all engagement team levels, resulting in an efficient, cost-effective, and ultimately better client experience.

Our government and employee benefit plan industries expertise allows our team to understand the nuances of your specific business and translate that knowledge into better solutions, faster responses to your questions, and a more comfortable (and valuable) working relationship overall.

We devote significant time to training and research activities to understand the economics, operations, and trends affecting local government. Our perspective is that of a knowledgeable independent auditor who can relate to the unique aspects of LACERA. This perspective enables us to provide efficient and cost-effective audit services for our clients.

#### Partner Involvement

Our engagement partners will provide frequent, valuable interaction with LACERA staff and the audit team's close supervision. Mr. Martinez and all senior members will engage in regularly scheduled meetings with you to answer questions, provide guidance, and help ensure issues are identified and resolved promptly.

Vasquez has built its reputation on close partner involvement and maintaining strong client relationships. We have structured our engagement team with extensive partner involvement. You will find our average partner-to-staff leverage ratio is higher than most other firms.

Beyond partner leadership and support, an audit is only as good as the people doing the bulk of the work on a day-to-day basis. We are committed to providing a staff resource pool that embodies the attributes you expect of your auditor, including technical expertise in GASB, DOL, knowledge of the government and private industries, and softer skills such as respect and empathy, and timely response to questions. Each team member allocated to serve the LACERA brings relevant experience and receives industry training through our Continuing Professional Education program.



#### **Diversity and Inclusiveness**

Vasquez is an equal opportunity employer. Diversity and inclusiveness are the hallmarks that define our firm and its recruitment policy. Our firm name serves to underscore that policy in no uncertain terms.

Additionally, Vasquez is a Minority Business Enterprise (MBE) certified by the Southern California Minority Supplier Development Council (SC07993) and the Supplier Clearinghouse for the California Public Utilities Commission (VON: 8CN00057).

Our managing partner has been at the forefront of diversity, equity, and inclusion for over 50 years. He is the founder and past-president of the Association of Latino Professionals in Finance and Accounting

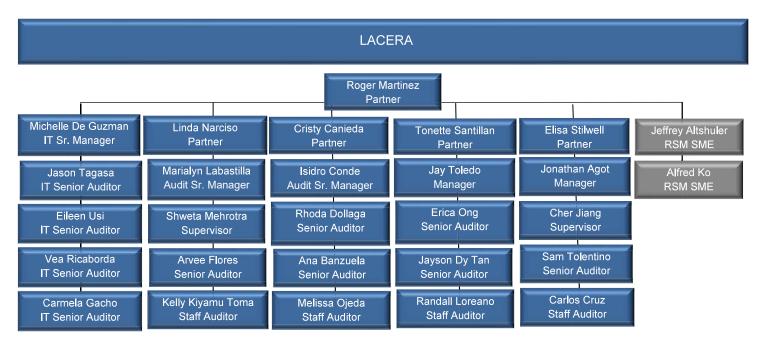
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(ALPFA), a national nonprofit professional association focusing on providing professional development workshops and career resources to its members to empower and develop leaders for the nation.

Mr. Vasquez is the past chairman of the board of the Los Angeles Latino Business Chamber of Commerce, a nonprofit association dedicated to organizing and uniting Latino business owners to grow and create positive economic impact through procurement, and technical assistance, strategic planning, advocacy, access to leaders, economic development and business education.

#### **Organizational chart**



In addition to the key management team resumes presented above, the following are the other proposed team members' resumes.







# SHWETA MEHROTRA Supervisor

Area of Expertise

Shweta's practice focused on audits of employee benefit plans in accordance with auditing standards generally accepted in the United States of America and the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Her expertise encompasses planning, evaluating internal controls and business risks, staffing requirements, and managing client expectations.

#### **Representation of Experience**

- AltaMed Health Services Corporation 403(b) Plan
- Child Care Resource Center 403(b) Plan
- Los Angeles County Metropolitan Transportation Authority
- Los Angeles LGBT Center 403 (b) ERISA Plan
- Northeast Valley Health Corporation 403(b) Plan
- Planned Parenthood Los Angeles 403 (b) Plan
- South Central Family Health Center 403(b) Plan
- SunLine Transit Agency
- University of California

#### **Professional Background**

Shweta's professional background includes senior auditor with EY Los Angeles.

#### **Educational Background**

Shweta received her Bachelor of Science degree in Accountancy from the University of Southern California, Los Angeles, Marshall School of Business: Leventhal School of Accounting. She remains current on accounting matters by attending conferences and continuing education courses which are heavily focused on subjects applicable to accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. She has maintained compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.







## CHER JIANG Supervisor

#### Area of Expertise

Cher's practice focused on participating in financial statement audits of employee benefit plans in accordance with auditing standards generally accepted in the United States of America and the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

#### **Representation of Experience**

- AECOM Retirement and Savings Plan
- Edison International Welfare Benefit Plan
- The J. Paul Getty Trust 403(b) Plan, 401(A) Plan, Retirement Plan
- CAPTEK Softgel International, Inc. 401(k) Profit Sharing Plan
- Loyola Marymount University Defined Contribution Retirement Plan
- Southern California Edison Company Retirement Plan
- Southern California Edison Company Long-Term Disability Plan

#### **Professional Background**

Cher's professional background includes senior auditor with Acorn Accountancy Corporation.

#### **Educational Background**

Cher received her Bachelor of Science degree in Business Administration, Accounting from the California State University, Los Angeles. She remains current on accounting matters by attending conferences and continuing education courses which are focused on subjects applicable to benefit plan accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. She has maintained compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.







## RHODA DOLLAGA, CPA Senior Auditor

Area of Expertise

Rhoda's practice is focused on assisting cities in the preparation of audit schedules and reconciliations, roll forward of capital assets and long-term debts, journal entries for pension and OPEB reporting, and preparation of Comprehensive Annual Financial Reports, and State Controllers Office's Annual Financial transactions report. Rhoda is familiar with the audit requirements for municipalities as she also participates in financial and compliance audits of government agencies, including internal control reviews and Single Audits performed in accordance with OMB Uniform Guidance; performing analytical procedures to determine reliability of management assertions (occurrence, completeness, accuracy, cutoff, classification, existence, valuation, rights and obligations); and performing GASB 68 test work to determine reporting accuracy of local government pension plans.

#### **Representation of Experience**

- City of Baldwin Park
- City of Cudahy
- City of El Monte
- City of Long Beach
- City of Montebello
- City of Simi Valley
- City of Vernon
- Haulover Marinas LLC
- Los Angeles Community College District
- Los Angeles County Medical Association
- PS Marinas I, LP
- SunLine Transit Agency

#### **Educational Background**

Rhoda received her Bachelor of Science in Accounting from the University of the East. She remains current on accounting matters by attending conferences and continuing education courses, which are focused on governmental accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. She has maintained compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.







# ERICA ONG, CPA, CFE Senior Auditor

#### **Area of Expertise**

Erica's practice is focused on supervising financial and compliance audits of government agencies and nonprofit organizations, including internal control reviews and Single Audits performed in accordance with OMB Uniform Guidance. Her experience includes audits of employee benefit plans.

#### **Representation of Experience**

- AECOM Retirement and Savings Plan
- Asian Countertrade, Inc.
- Los Angeles County Metropolitan Transportation Authority
- San Gabriel Valley Water Company
- Southern California Edison Company Retirement Plan
- Southern California Edison Company Comprehensive Disability Plan
- Southern California Edison Company Long-Term Disability Plan
- Edison International Welfare Benefit Plan
- Edison International Retirement Plan for Bargaining Unit Employees of EME Homer City Generation LP
- Edison International Retirement Plan for Bargaining Unit Employees of Midwest Generation, LLC
- Vanir Construction

#### **Professional Background**

Erica's professional background includes senior auditor with EY where her practice focused on external audits, financial reporting and business consolidation in logistics, manufacturing, and retail merchandising industry. Her expertise also includes GAAP/IFRS Compliance.

#### **Educational Background**

Erica received her Bachelor of Science in Accountancy from the Adventist University of the Philippines. She holds a certificate in Finance with Concentration in Corporate Finance from the University of California Los Angeles. She remains current on accounting matters by attending conferences and continuing education courses which are heavily focused on subjects applicable to business accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements.









# CARMELA FAYE GACHO

#### **Area of Expertise**

Carmela has five (5) years of IT systems auditing and consulting experience. Her practice is focused on participating in Information Produced by the Entity (IPE) Testing, Sarbanes-Oxley (SOX) 404 Compliance, IT risk assurance and Service Organization Controls Reporting (SOCR) engagements. She is skilled at audits of various mobile, network and infrastructure systems, databases, ERP and banking applications, and data management systems.

- General IT and Application Controls Audits
- IT Risk Assessments
- IPE Testing
- Business Process and Operations Review
- SOC Reporting
- Regulatory guidance and compliance (SOX, HIPAA, GLBA, CCPA)
- Project and Program Management
- Disaster recovery and business continuity
- IT Security and vulnerability assessments

#### **Representation of Experience**

- Healthcare AIDS Healthcare Foundation, Wilmington Community Clinic
- Educational Labor Union United Teachers of Los Angeles
- **Banking** National Australia Bank (NAB), Bendigo and Adelaide Bank, Ltd (BABL)
- Mining BHP Billiton
- Telecommunications Smart Communications, Inc.,
- Service Organizations Trax Technologies
- Energy– Team Energy Corporation (TEC)



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# EILEEN USI IT Senior Auditor

#### Area of Expertise

Eileen has over ten (10) years of IT systems auditing and consulting experience. Her practice is focused on participating in internal audit, controls, compliance, IT risk assurance and financial auditing engagements. She is skilled at audits of various network and infrastructure systems, databases, ERP applications and data management systems.

- General IT and Application Controls Audit
- Internal controls assessment and optimization
- Business Process and Operations Review
- SOC Reporting
- Segregation of Duties Analysis and Remediation
- SAP GRC Access Controls
- ERP Security Administration and Maintenance
- Regulatory guidance and compliance (SOX, HIPAA, GLBA, CCPA)
- Project and Program Management
- Internal Audit Support
- Technical Writing

#### **Representation of Experience**

- Healthcare AltaMed Health Services Corporation, Bartz-Altadonna Community Health Center, Central Neighborhood Health Foundation, JWCH Institute, Inc., Wilmington Community Clinic
- Oil and Retail Hassan & Sons, Inc. & Subsidiaries
- Water San Gabriel Valley Water Company, Water Replenishment District of Southern California, United Water Conservation District, Arizona Water Company
- Government Agencies City of Montebello, City of Baldwin Park, City of El Monte
- Education Los Angeles Community College District

#### **Professional Background and Affiliations**

Eileen's professional background includes SAP Security Senior Analyst with The Coca-Cola Company and Internal Control Specialist with LafargeHolcim. She is a Certified Public Accountant and a Associate Financial Planner.

#### **Educational Background**

Eileen received her Bachelor of Science degree in Accountancy and Business Administration, Major in Financial and Management Accounting from Holy Angel University. She remains current on accounting matters by attending conferences and continuing education courses which are focused on information systems and financial reporting, as well as federal and state regulatory matters and auditing requirements.







### JASON TAGASA, CISA IT Senior Auditor

#### **Area of Expertise**

Jason has ten (10) years of IT systems auditing and consulting experience. His practice is focused on participating in internal audit, compliance, IT risk assurance and financial auditing engagements. He is skilled at audits of various mobile, network and infrastructure systems, databases, ERP applications and data management systems.

- General IT and Application Controls Audits
- IT Risk Assessments
- Internal controls assessment and optimization
- Business Process and Operations Review
- SOC Reporting
- Regulatory guidance and compliance (SOX, HIPAA, GLBA, CCPA)
- Project and Program Management
- Disaster recovery and business continuity
- IT Security and vulnerability assessments
- Internal Audit Support
- Fraud Audit
- Data Analysis

#### **Representation of Experience**

- Healthcare AltaMed Health Services Corporation, El Proyecto, Central Neighborhood Health Foundation, JWCH Institute, Inc., Wilmington Community Clinic, Northeast Valley Health Corp, Community Medical Wellness, South Central Family Health Center, UMMA, AIDS Healthcare Foundation, Eisner Health
- Labor Union United Teachers of Los Angeles, American Federation of Teachers
- Oil and Retail Hassan & Sons, Inc. & Subsidiaries
- **Water** San Gabriel Valley Water Company, Arizona Water Company, Municipal Water District of Orange County, Encina Water Authority, Manila Water Company Inc.,
- **Government Agencies** City of Vernon, City of Montebello, Los Angeles Economic Development Corp, City of Baldwin Park, City of Simi Valley, City of El Monte, City of Cudahy
- Transportation Sunline Transit Agency, Joaquin Regional Transporation
   District
- Construction Insight Engineering, ACE/SGVCOG, Vanir Construction
- Manufacturing Goodyear Tire and Rubber Company, Procter & Gamble
- Banking Security Bank Corporation
- RSM Alliance Member Firms Horne Cyber







#### **Professional Background and Affiliations**

Jason's professional background includes IT senior auditor with EY. He is a Certified Public Accountant and a Certified Information Systems Auditor (CISA).

#### **Educational Background**

Jason received his Bachelor of Science in Accounting from the University of Santo Tomas. He remains current on network, risk and cybersecurity matters by attending conferences, seminars and continuing education courses which are focused on information systems and risk management, as well as federal and state regulatory matters and auditing requirements.



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# VEA CLAUDINE RICABORDA, CISA

**IT Senior Auditor** 

#### Area of Expertise

Vea has five (5) years of IT systems auditing and consulting experience. Her practice is focused on participating in Internal Audit of Information Technology and Systems, Sarbanes-Oxley (SOX) 404 Compliance, IT risk assurance and Business Process Review engagements. She is skilled at audits of various mobile, network and infrastructure systems, databases, ERP, and data management systems.

- General IT and Application Controls Audits
- IT Risk Assessments
- Information Technology Internal Audit
- Business Process and Operations Review
- Financial Audit IT Integration
- Regulatory guidance and compliance (SOX, HIPAA, GLBA, CCPA)
- Project and Program Management
- Disaster recovery and business continuity
- IT Security and vulnerability assessments

#### **Representation of Experience**

- Healthcare JWCH Institute, Inc., Eisner Health
- Oil and Gas Royal Dutch Shell (Shell)
- Shipping San Miguel Shipping and Ligtherage
- **Mining** BHP Billiton
- Telecommunications PLDT, Inc.,
- **Manufacturing** Central Azucarera Don Pedro Inc., San Miguel Foods Inc., San Miguel Beer, San Miguel Corporation
- Information Technology SMITS, Inc.

#### **Professional Background and Affiliations**

Vea's professional background include being an IT auditor with EY and San Miguel Corporation. She is a Certified Public Accountant and a Certified Information Systems Auditor.

#### **Educational Background**

Vea is a double-degree holder where she received her Bachelor of Science in Accounting from the Colegio de San Juan de Letran and her Bachelor of Science in Management Accounting from the University of Santo Tomas. She remains current on accounting matters by attending conferences and continuing education courses which are focused on information systems management, as well as federal and state regulatory matters and auditing requirements.







# ARVEE FLORES, CPA, MSA

Senior Auditor

#### **Area of Expertise**

Arvee's practice is focused on participating in financial and compliance audits of government agencies and nonprofit organizations, including internal control reviews and Single Audits performed in accordance with OMB Uniform Guidance. His practice is also focused on participating in full scope and limited scope audits of employee benefit plans for private companies and nonprofit organizations.

#### **Representation of Experience**

- Bank of Hope 401(k) Retirement Plan •
- City of Baldwin Park ٠
- City of Montebello
- El Proyecto del Barrio, Inc. 403(b) Plan
- Hassan & Sons 401(k) Plan
- Human Services Association 401(k) Plan
- Los Angeles Community College District
- Los Angeles County Metropolitan Transportation Authority
- San Gabriel Valley Water Company Retirement and Savings Plan
- Taylor Made Employees Retirement Program
- Water Replenishment District of Southern California

#### **Professional Background**

Arvee's professional background includes auditor with EY.

#### **Educational Background**

Arvee earned his master's in business administration with a concentration in accounting from Keller Graduate School and his Bachelor of Science in Management and Bachelor of Science in Accounting from Angeles University Foundation. He remains current on accounting matters by attending seminars heavily focused on subjects applicable to governmental accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements.









#### Area of Expertise

Ana's practice is focused on external audits of private companies and SEC filers. She has also conducted program specific audits, financial statement reviews and compilation engagements.

#### **Representation of Experience**

- Vanir Construction Management, Inc.
- The Robert Group
- Harbour Towne Holdings, LLC
- PS Marinas I
- Foundation for Early Childhood Education Pension Plan & Trust

#### **Professional Background**

Ana's professional background includes EY. She was previously a professor of accounting at St. Thomas More College-Clark and Angeles University Foundation. She is a MICB Certified Bookkeeper. She is a Certified Public Accountant licensed to practice in the Republic of the Philippines.

#### **Educational Background**

Ana earned her Bachelor of Science degree in Accountancy and Management Accounting and graduated Magna Cum Laude from the Angeles University Foundation. She remains current on accounting matters by attending seminars focused on subjects applicable to accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements.







# JASON DY TAN Senior Auditor



Jayson's practice is focused on participating in financial audits of SEC Filers performed in accordance with the standards established by the Public Company Accounting Oversight Board (PCAOB), Sarbanes-Oxley (SOX) 404 Compliance, financial audits of private companies performed in accordance with the International Financial Reporting Standards, and generally accepted auditing standards, and financial statement reviews and compilations performed in accordance with Statements on Standards for Accounting and Review Services (SSARSs) issued by the AICPA Accounting and Review Services Committee.

#### **Representation of Experience**

- Arizona Water Company
- Alameda Corridor East Construction Authority
- Ctour Investment Holdings, Inc. and Subsidiaries
- Hassan and Sons, Inc.
- Habour Towne Holdings, LLC
- Los Angeles World Airports
- KAM Holdings, Inc. and Subsidiaries
- Insight Environmental Engineering & Construction, Inc.
- Southern California Edison
- Westrec Properties, Inc.

#### **Professional Background**

Jason's professional background includes an audit manager with Deloitte.

#### **Educational Background**

Jason received his Bachelor of Science in Accountancy from the University of Santo Tomas. He remains current on accounting matters by attending conferences and continuing education courses, which are heavily focused on subjects applicable to accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements.







# SAMUEL TOLENTINO

Senior Auditor

#### **Area of Expertise**

Samuel's practice is focused on participating in financial and compliance audits of government agencies and nonprofit organizations, including internal control reviews and Single Audits performed in accordance with *Title II U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.* 

#### **Representation of Experience**

- Arizona Water Company
- City of Baldwin Park
- City of Needles
- Community Medical Wellness
- San Gabriel Valley Council of Governments

#### **Professional Background**

Samuel's professional background includes PwC, EY and KPMG where his practice was focused on audit engagement planning, budgeting and preparing audit programs, draft financial statements, and management reports.

#### **Educational Background**

Samuel earned his Bachelor of Science degree in Accounting from the Polytechnic University of the Philippines. He remains current on accounting matters by attending seminars focused on subjects applicable to accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements.







## MELISSA OJEDA Senior Auditor

#### **Area of Expertise**

Melissa's practice is focused on participating in financial and compliance audits of government agencies and nonprofit organizations, including internal control reviews and Single Audits performed in accordance with *Title II U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.* 

#### **Representation of Experience**

- California Cities Self-Reliance Joint Powers Authority
- City of El Monte
- San Gabriel Valley Council of Governments
- Los Angeles Community College District
- Los Angeles County Employees Retirement Association
- Municipal Water District of Orange County
- University of West Los Angeles

#### **Educational Background**

Melissa is a CPA candidate and a Dean's List Recipient with the California State University, Los Angeles, and graduates in the Spring of 2017 with a Bachelor Degree in Business and Administration, Option in Accounting. She also holds an Associate of Science Degree from Rio Hondo College, Whittier, CA. She remains current on accounting matters by attending seminars heavily focused on subjects applicable to government accounting and financial reporting.







# **KELLY KIYAMU TOMA**

Auditor

#### **Area of Expertise**

Kelly's practice is focused on participating in financial and compliance audits of government agencies and nonprofit organizations, including internal control reviews and Single Audits performed in accordance with Title II U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

#### **Representation of Experience**

- City of Baldwin Park
- City of El Monte
- City of Needles
- Los Angeles Community College District
- **UMMA** Community Clinic
- University of California

#### **Professional Background**

Kelly's was previously with American Accounting Services.

#### **Educational Background**

Kelly earned her Bachelor of Science degree in Accounting from the California Polytechnic State University, Pomona. She remains current on accounting matters by attending seminars heavily focused on subjects applicable to governmental accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements.







# RANDALL LAUREANO



# Auditor

#### **Area of Expertise**

Randall's practice is focused on participating in financial and compliance audits of employee benefit plans, and nonprofit organizations, including internal control reviews and Single Audits performed in accordance with Title II U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

#### **Representation of Experience**

- AIDS Healthcare Foundation
- AltaMed Health Services Corporation 403(b) Plan ٠
- Child Care Resource Center 403(b) Plan
- I Have A Dream Foundation
- South Central Family Health Center 403(b) Plan
- Westrec Properties Inc. & Affiliated Companies 401(k) Plan ٠

#### **Educational Background**

Randall earned his Bachelor of Science in Business Administration from California State University, Los Angeles. He remains current on accounting matters by attending seminars heavily focused on subjects applicable to nonprofit and employee benefit plan accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements.







# CARLOS CRUZ

#### Area of Expertise

Carlos's practice is focused on participating in financial and compliance audits of employee benefit plans, and nonprofit organizations, including internal control reviews and Single Audits performed in accordance with OMB Uniform Guidance. His expertise also includes, investment strategy, business forecasting and budgeting activities and regular monitoring of operational results, business process reengineering preparation, design and evaluation of systems, and policies and procedures.

#### **Representation of Experience**

AltaMed Health Services Corporation Central Neighborhood Heath Foundation Chinatown 403b Plan Encina Wastewater Los Angeles Unified School District South Central Family Health Center 403b Plan Vanir Construction

#### **Professional Background**

Carlos's professional background market research intern with the Philippine Stock Exchange.

#### **Educational Background**

Carlos earned his Master of Finance degree from Hult International Business School and his Bachelor of Science degree in Business Administration from the University of the Philippines. He remains current on accounting matters by attending seminars heavily focused on subjects applicable to governmental, nonprofit and employee benefit plan accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements.





#### **Quality Control/Peer Review**

#### a) Please describe your firm's quality control relating to audit planning, fieldwork, and reporting.

Vasquez has an extensive quality control program designed to monitor compliance with the audit and accounting professional standards and firm policies. Our client service approach requires the active involvement of experienced partners and managers in the consulting and audit engagements to ensure that critical issues are identified and resolved on a timely basis.

#### **Review Process**

All audit engagements must have a secondary review by either a report review specialist or a concurring reviewer. Before the reports, the financial statements, and any letter communicating reportable conditions and other letters are released, they must be reviewed by a report review specialist not otherwise associated with the engagement. The report review specialist's role is supportive of the partner and, organizationally, they are responsible for one or more offices.

Before the commencement of fieldwork and as the engagement progresses toward completion, the report review specialist aids the partner and the audit team resolve complicated accounting, auditing, and reporting issues. Upon completion of the partner review and before the report's release, the report review specialist must review the financial statements, our report thereon, and the letter communicating reportable control structure conditions and any other specialized reports or letters to be issued.

The audit plan is reviewed and concurred with by a concurring reviewer designated for the industry before the fieldwork commencement. If the industry is designated as "high risk" by firm policy or when engagement risk is otherwise assessed as high, the engagement is a first-time audit for the firm. If a concurring review is performed during planning, this reviewer will also perform a review of all of the firm's reports and discuss significant audit findings and issues with the engagement partner.

#### **Performance Monitoring and Assessment**

The objective of the engagement performance element of our quality control is to provide reasonable assurance that:

- Engagements are consistently performed in accordance with applicable professional standards and regulatory and legal requirements
- Our firm or engagement partner issues reports that are appropriate in the circumstances

Policies and procedures for engagement performance address all phases of the engagement's design and execution, including engagement performance, supervision responsibilities, and review responsibilities. Policies and procedures require that consultation takes place when appropriate. Our firm has also established criteria against which all engagements are to be evaluated to determine whether an engagement quality control review should be performed.

We satisfy the above objectives by establishing and maintaining the following policies and procedures:

- Planning for engagements meets professional, regulatory, and firm requirements.
- Qualified engagement team members review work performed by other team members on a timely basis.
- Vasquez establishes procedures addressing the nature, timing, extent, and documentation of the engagement quality control review.
- Vasquez establishes criteria for the eligibility of engagement quality control reviewers.



**RSM US Alliance** 



 Vasquez requires that consultation take place when appropriate; that sufficient and appropriate resources are available to enable appropriate consultation to take place; that all the relevant facts known to the engagement team are provided to those consulted; that the nature, scope, and conclusions of such consultations are documented; and that conclusions resulting from such consultations are implemented.

Management follow-up procedure internally called "Voice of the Client" to set the tone of "how we did" and "where we can improve."

b) Please include an external quality control review report (Peer Review) within the last five (5) years.

Vasquez is a member of the American Institute of Certified Public Accountants (AICPA) Division of Firms and received a Peer Review Rating of "Pass" without comment - the highest rating from the AICPA on its peer review dated April 1, 2020. This peer review covered several government engagements. A copy of the peer review opinion follows:

AICCPA Peer Review Program Administered by the National Peer Review Committee Durham, NC 27707-8110	JLK Rosenberger Vision Participation (1997) Vision (1997)	
April 01, 2020	Jarosenberger.com Report on the Firm's System of Quality Control	
April 01, 2020	December 20, 2019	
Gilbert Vasquez Vasquez & Company, LLP	To the Partners of Vasquez & Company LLP, and the Peer Review Committee of the State of California.	
655 N Central Ave Ste 1550 Giendale, CA 91203	We have reviewed the system of quality control for the accounting and auditing practice of Vasquez & Company (the firm) applicable to engagements not subject to PCAOB permanent impection in effect for the year ended June 30, 2010. Our peer review was conducted in accountance with the Standards for Performing and Reporting on Peer Review established by the Peer	
Dear Gilbert Vasquez:	Review Board of the American Institute of Certified Public Accountants (Standards).	
It is my pleasure to notify you that on March 25, 2020, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is December 31, 2021. This is the date by which all review documents should be completed and submitted to the administering entity.	The nature, objectives, scope, limitations of and the procedures performed in a System Review as described in the Standards may be found at <u>wave access or provide</u> in conformation of the standards of the stan	
	The Firm's Responsibility	
As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.	The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assumance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to property remodulate engements deemeds as not performed or reported in conformity with professional standards, when approprinte, and for remediating weaknesses in its system of quality control, if any.	
Thank you for your cooperation.	Peer Reviewer's Responsibility	
Sincerely,	Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.	
efichael Fauly	Required Selections and Considerations	
	Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act, and audits of employee benefit plans.	
Michael Fawley Chair, National PRC nprc@aice.org	As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.	
+1.919.402.4502	Opinion	
cc: James Dougherty, Roger Martinez	In our opinion the system of quality control for the accounting and auditing practice of Vasquez & Company applicable to engagements not subject to PCAOB permanent impection in effect for the year ended Jane 30, 2019, has been suitably designed and complete with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Vasquez & Company, LLP has received a pere review rating of pass.	
Firm Number: 900010138115 Review Number: 568010	TLK Rodenburger, LLP	
	JLK Rosenberger LLP	
1 1 919 402 4502 1 1 515 402 4876   1 pro@alopalorg	Proudly part of the <b>PKF</b> global family	





## **Client References**

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





## **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.

As part of an audit engagement, we leverage a formal project management methodology to ensure that all tasks are planned effectively and ultimately completed on time. Any changes in the schedule will be properly documented and authorized. As part of the planning process, we will work with you to agree upon a communications plan that will set forth the protocols for periodic status updates and escalations throughout the project. Throughout the audit, we will provide regular status reporting consistent with the communications plan.

Embedded within your audit team are experienced project managers who have strong project management skills. These Vasquez team leaders will provide highly collaborative project management expertise and consultation to LACERA to ensure no surprises during the audit. Additionally, Vasquez will continuously look for ways to improve the management and execution of the audit. We want to ensure that audit planning, scheduling, and budgeting are executed properly and on a timely basis.

At each phase of our engagement, our client service standards guide us toward providing an exceptional customer experience – one in which we become a trusted adviser and bring innovative ideas and solutions that deliver value to you.

- We understand. Our audit and consulting professionals follow our CaseWare process, which provides us with a roadmap for understanding your business, current situation, needs, and expectations to help ensure there will be no surprises at each phase of the engagement.
- We communicate. Our team is trained to communicate with consistent and open dialogue at the right time to the right people.
- We collaborate. We collaborate to bring together the right expertise to meet your needs, resolve emerging issues proactively, and bring innovative ideas and solutions that deliver value to you.
- We deliver. We deliver what we promise on time, on budget, and with the highest quality.

At Vasquez, we want to build strong relationships with our clients and continuously seek to understand ways to ensure the services we are providing align with their needs. We believe it is important to strive for continuous improvement in the ways we interact with and deliver services to clients. In part, we do this by adhering to defined client service standards and seeking feedback on our clients' performance.

We will establish an overall audit strategy that sets the scope, timing, and direction of the audit and guides the development of the audit plan.

In establishing the overall audit strategy, we will:

- a. Identify the characteristics of the engagement that define its scope;
- b. Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;
- c. Consider the factors that, in our professional judgment, are significant in directing the engagement team's efforts;
- d. Consider the results of preliminary engagement activities, and
  - e. Ascertain the nature, timing, and extent of resources necessary to perform the engagement.

We will develop an audit plan that includes a description of the following:







- a. The nature and extent of planned risk assessment procedures, as determined under section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement.
- b. The nature, timing, and extent of planned further audit procedures at the relevant assertion level, as determined under section 330, *Performing Audit Procedures in Response to Assessed Risk and Evaluating the Audit Evidence Obtained.*
- c. Other planned audit procedures that are required to be carried out so that the engagement complies with generally accepted auditing standards.

We will update and change the overall audit strategy and audit plan, as necessary, during the audit.

We will plan the nature, timing, and extent of direction and supervision of the engagement team members and the review of their work.

#### **Management Tools**

Our audit philosophy, commitment, attitude, and technology effectively distinguish us with our clients and in the marketplace.

#### Accounting Research Manager

Accounting Research Manager (ARM) is a comprehensive online database of expert-written analytical accounting, auditing, and primary source data. It includes the full suite of publications from the Governmental Accounting Standards Board, the GAO, Financial Accounting Standards Board, Emerging Issues Task Force, Securities, and Exchange Commission, American Institute of Certified Public Accountants, and International Accounting Standards Board. In addition, interpretive analyses are provided in many areas.

#### Paperless Audit System

Vasquez utilizes the Case Ware audit software tool on its audit engagements. This paperless audit system helps to ensure quality and uniformity in the audit process.

#### File Interrogation Software

We use IDEA software to analyze data in unique ways and for the audit sampling process. Some examples of procedures we can perform with IDEA include:

- Merging, analyzing, and evaluating large amounts of data
- Perform statistical sampling over a population for effective analysis
- Search for duplicate testing (vendors, invoices, checks, adjustments, etc.) in minutes
- Matching vendors with employee addresses for any unusual activity
- Efficient and effective search for purchase stringing
- Gap detection testing to ensure that the data is complete when we perform our analysis
- Search for related parties
- Search for payments to vendors, right below bid requirement amounts
- Sort all payments after year-end, by amount, to look for material unrecorded liabilities/expenses
- Sort all cash receipts after year-end, by amount, to look for material unrecorded assets/revenues

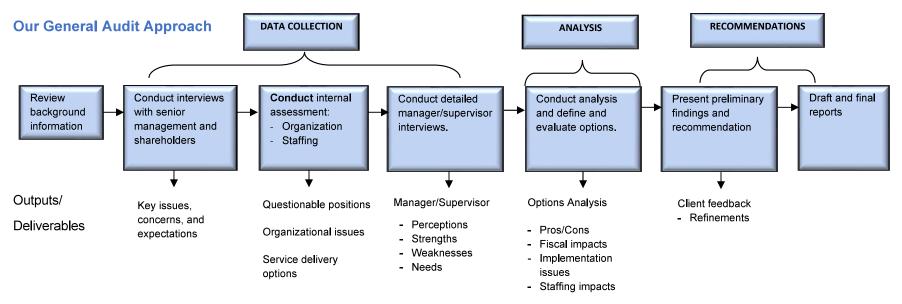




Our methodology is based on the context of the project, the set specific requirements, set objectives, issues to be considered, and audit guidelines. We selected an audit approach that is the most direct, practical, and cost-effective route to meeting the set requirements. Our work and service delivery plan is consistent with the deadlines, and it is robust in terms of timescale and cost.

Our scheduling of activities in our work plan will include sufficient allowance for review periods, particularly at identified key milestones of the project. We feel this is important for this project as we want to be thorough in our findings and recommendations. If we have assumptions along the engagement process, these will be discussed with the City before starting the engagement. We also build in a sufficient degree of flexibility into our work plan for us to meet any unexpected work and issues that will come up during our audit.

To meet the above overall objective, we will perform a top-to-bottom assessment of the current financial system, written and non-written policies and procedures, key internal control processes including management practices, and other performance measurements as appropriate to the circumstances.







## **Potential Conflicts**

a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.

Our conflict identification process found no interests or client relationships that would be deemed adversarial to LACERA.

b) Describe any potential conflicts of interest with the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.

Our conflict identification process found no interests or staff relationships that would be deemed adversarial to LACERA.

c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.

Our conflict identification process found no interests or firm relationships that would be deemed adversarial to LACERA.

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.

No other affiliates are offering services to LACERA. As a CPA firm, we check for conflicts and independence before engaging in any project to ascertain compliance with all professional standards.

#### Independence Policies and Monitoring Program

One of our system of quality control objectives is to provide reasonable assurance that our firm and personnel comply with relevant ethical requirements when discharging professional responsibilities. Relevant ethical requirements include independence, integrity, and objectivity.

Our firm satisfies this objective by establishing and maintaining policies and enforcing specific procedures relative to the following:

- Personnel adherence to relevant ethical requirements such as those in regulations, interpretations, and rules of the AICPA, Securities and Exchange Commission, Department of Labor, Public Company Accounting Oversight Board, U.S. Government Accountability Office, state CPA societies, state boards of accountancy, state statutes and any other applicable regulators.
- Communicating independence requirements to firm personnel and, where applicable, others subject to them.
- Identifying and evaluating possible threats to independence and objectivity, including the familiarity threat that may be created by using the same senior personnel on an audit or attest engagement over a long period, and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards.
- Withdrawing from engagements if effective safeguards to reduce threats to independence to an acceptable level cannot be applied.
- Written confirmation, at least annually, of compliance with policies and procedures on independence from all firm personnel required to be independent by relevant requirements.



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- Confirming the independence of another firm or firm personnel in associated member firms who perform part of an engagement.
- Rotating personnel for audit or attest engagements where regulatory or other authorities require such rotation after a specified period.
- Advising acquired practice units of our policies related to independence, integrity, and objectivity.
- 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).

None.

- 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.
   None.
- 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.

Vasquez has an ongoing and effective conflict identification process to identify actual or potential conflicts of interest, both before accepting and throughout an engagement. Components of our process cover client acceptance, assignment of professionals, client continuation, completion of questionnaires by professionals at regular intervals, and required CPE on conflicts of interest at regular intervals. Our approach to resolving conflicts of interest are addressed in the firm's Independence Policy, and Monitoring Program stated above.





## **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.

None.

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.

None.

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.

The matter noted above is at the firm level only. No member of the team that would be assigned the LACERA has been the subject of litigation, arbitration, mediation, or other dispute mechanism.

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 the current status of the relationship.

None.





#### **Exhibit C - Fee Schedule**

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

#### 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 Turse	Audits	Co-source Audits	Consulting	Co-source Consulting	Training
Engagement Types -	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					





# ATTACHMENT H

# WEAVER & TIDWELL LLP

# AUDITING AND CONSULTING SERVICES



# Auditing and Consulting Services Audit Pool — Redacted Version

Los Angeles County Employees Retirement Association February 1, 2021

Alyssa Martin, CPA | Partner, Risk Advisory Services Weaver and Tidwell, L.L.P. | 1230 Rosecrans Avenue, Suite 510 | Manhattan Beach, CA 90266 310.725.8128 | alyssa.martin@weaver.com





## Redaction for Release Under California Public Records Act

Weaver has prepared this version of its proposal for public release. We believe the redacted sections meet the definition of either (i) a "trade secret" under California's Uniform Trade Secrets Act (as information that derives independent economic value from not being generally known to the public) or (ii) "confidential" information under the California Public Records Act, for similar reasons.



# Exhibit F: Proposal Cover Page and Checklist

#### Weaver and Tidwell, L.L.P.

1230 Rosecrans Avenue, Suite 510 Manhattan Beach, CA 90266

By submitting this response, the undersigned hereby affirms and represents that we have reviewed the proposal requirements and have submitted a complete and accurate response to the best of our 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 of federal regulatory agency for any reason.

7. The signatory below is authorized to bind the respondent contractually.

Alyssa Ġ. Martin, CPA Partner, Risk Advisory Services



# 1. Cover Letter

February 1, 2021

Ms. Kathryn Ton Senior Internal Auditor Los Angeles County Employees Retirement Association 300 N. Lake Avenue, Suite 840 Pasadena, CA 91101

#### RE: Qualifications for LACERA Auditing and Consulting Services Audit Pool

As diverse as LACERA's audit and consulting needs may be — from achieving investment objectives to establishing best practices over governance, information security and operations — Weaver has the experience to add value to the Association's internal audit function.

Along the way, we will maintain an ongoing focus on honoring your organizational culture, supporting executive management and fostering the development of your internal capabilities, resources, tools and technology. We have a proven record of service to state and local retirement systems in the United States. The pages that follow demonstrate our competence, experience and commitment to client service.

#### **Introducing Weaver**

A national CPA and consulting firm, Weaver has been providing assurance, advisory and tax services to government since 1950. The firm now employs almost 800 people in offices coast to coast, including three California locations. We are committed to helping government clients reduce risks and meet requirements, and we also bring a long-term perspective to help them improve their service to constituents. By helping clients build mature, strategic processes and governance, we position them to more effectively address problems, achieve compliance and prevent fraud or loss.

We help solve complex problems for billion-dollar government agencies. Our holistic approach brings you the best people we have to offer in organizational assessment, internal audit, information technology and investments. We meet you where you are with customized services and flexible, scalable, multidisciplinary teams. Weaver brings the resources of a Big Four firm with the accessibility and familiarity of a neighbor.



#### CHOSEN BY RETIREMENT SYSTEMS

Weaver has long served the Employees Retirement System of Texas, and was recently selected by CaISTRS and LAUSD for their audit pools. With our extensive retirement system experience, we understand your risks, resources and constraints.



#### INTEGRATED SERVICES

Our advisory, audit and investment teams provide both focused experience and integrated services, tailored to efficiently meet your needs.

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#### FRESH INSIGHTS, UNEXPECTED VALUE

With hundreds of audit and advisory services professionals ready to add their insight, Weaver offers the level of resources you need — when you need them.



#### **Primary and Authorized Representative**

Your primary liaison and lead consultant will be Alyssa Martin, who is Weaver's national strategy leader for large government engagements. She assumed that role after more than a decade as the firm wide Risk Advisory Services practice leader. Alyssa, who will also direct organizational support activities, will be supported by Marci Sundbeck, retirement fund internal audit specialist, Reema Parappilly, CISA, as the partner over IT services and Danielle Darley, CPA, as the partner leading investment services.

Alyssa is authorized to legally bind Weaver in a contract resulting from this proposal.

Contact information:

Alyssa Martin, CPA Partner, Risk Advisory Services Weaver and Tidwell, L.L.P. 1230 Rosecrans Avenue, Suite 510 Manhattan Beach, CA 90266 310.725.8128 alyssa.martin@weaver.com

#### **Weaver Services**

A Top 35 CPA firm nationwide, Weaver has 70 years of experience auditing complex entities like LACERA. We offer a holistic blend of advisory, state government and investment experience, which enables us to approach your audits in the most efficient, effective manner possible — with minimal transition delays or ramp-up time.

Since our founding, serving government has been a foundation of our business. Our team brings deep insight regarding the regulatory and financial pressures on state agencies, pension funds and educators, all. Our knowledge and skills are also informed by our broader experience with cutting-edge risk assessment and internal control methodologies that have been honed through hundreds of engagements across multiple governmental and industry frameworks.

These are key services Weaver offers in all three subject-matter areas we are offering to LACERA:

Organizational Activities

- Enterprise and focused risk assessment
- Internal audit, both outsourced and cosourced
- Business process analysis and improvement
- Governance consulting
- Regulatory and grant compliance services

Information Technology

- IT risk assessments and internal audits
- System and organization control (SOC) examinations
- Cybersecurity
- Compliance with regulatory and industry standards
- IT consulting
- CIO advisory services

#### Investments

- Investment policy assessments
- Investment risk consulting Internal audits
- Business process improvement
- Benefit plan audits
- DOL and ERISA audits
- Financial statement audits



#### **Understanding of Scope**

Weaver is proposing to provide outsourced and co-sourced audit services, consulting, and training in three subject areas:

- Organizational activities
- Information technology services
- Investments

The team for each of these three subjects will be led by a Weaver partner with specific experience in that area, who will work closely with LACERA's Chief Audit Executive and other staff as appropriate. Co-sourced engagements will emphasize training (knowledge transfer) designed to build capacity within LACERA so the agency can successfully perform similar work in the future.

Consulting may include a wide variety of services, drawing on Weaver's nationwide professionals with experience in a research, testing, management planning, data analytics and more.

As we work with you to complete these audits and consulting projects, it will become apparent where customized training will be helpful. With our experience designing and delivering creditbearing CPE, Weaver will be able to develop appropriate course materials, useful reference guides and checklists, and either online or in-person training sessions to suit each need.

#### Commitment

This proposal is a firm and irrevocable offer to deliver the services as described, including fees and key staff, for 120 days after the date of the proposal.

Best regards,

Alyssa G. Martin, CPA Partner, Risk Advisory Services alyssa.martin@weaver.com 310.725.8128



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# 3. Organization and Key Personnel

### About Weaver

Established in 1950, Weaver and Tidwell, L.L.P. (Weaver) is a limited liability partnership that has provided a full range of assurance, advisory and tax services to clients from coast to coast for more than 70 years. We now have almost 800 employees in 12 U.S. offices, including three in California, where we have been established since 2014. This proposal does not involve any affiliated companies or joint ventures. Weaver's headquarters are located in Houston, Texas; our services to LACERA will be led from the Los Angeles (Manhattan Beach) office, drawing upon talent from all our locations as needed.

In every office, we take pride in our reputation for providing high-quality services with hands-on leadership. Our broad and sustained experience enables us to take a particularly thoughtful approach, balancing your short-term reporting needs with your long-term objectives.





TRUSTED BY GOVERNMENT AND INVESTMENT FUNDS. More than 300 government entities and 2,500 investment funds rely on Weaver's knowledge of industry best practices to provide holistic and

efficient assurance and advisory services — and we never lose sight of our clients' need to be effective stewards of public dollars.



# Weaver's Audit and Consulting Services

Since our founding 70 years ago, serving government has been a foundation of our business. Our team brings deep insight regarding the regulatory and financial pressures on state agencies, pension funds and educators, all. Our knowledge and skills are also informed by our broader experience with cutting-edge risk assessment and internal control methodologies that have been honed through hundreds of engagements across multiple governmental and industry frameworks.

#### Organizational Activities

We help solve complex problems for billion-dollar government agencies. Our holistic approach brings you the best people we have to offer in organizational assessment, internal audit, information technology and investments. We meet you where you are with customized services and flexible, scalable, multidisciplinary teams. Weaver brings the resources of a Big Four firm with the accessibility and familiarity of a trusted neighbor.



#### Information with insight and context

Weaver provides a full range of services to more than 250 educational institutions and government agencies. Government looks to Weaver for our deep skill and insight regarding operational, financial and IT processes and procedures. This experience enables us to provide the level of insight needed to provide information and results in a meaningful context you and your staff can put in practice.

#### Tailored to your needs

Leveraging our highly experienced Advisory Services resources, Weaver will tailor each of our audit teams to your specific needs. Our function-specific approach means we use the right resources at the right times, based on each specific scope, subject area and tasks. It also enables us to provide scalable, flexible teams in the most agile and cost-effective manner possible.



We will work closely with you to be sure we understand your highest risks and greatest concerns and will tailor our audits accordingly. Along the way, we also work side-by-side with management and staff to help develop internal resources and capacity to sustain change effectively.

#### Seeing the big picture

Given the breadth and depth of our experience, we understand the interrelations between different departments, and overlapping systems and processes. We also remain cognizant of the implications that every audit — and every change — can have for LACERA as a whole. Working closely with you, we truly take the time to understand how each audit fits into your broader goals. With this insight, you can be confident that we will always work to ensure any recommendations we make are thoughtful, practical, implementable and scalable to suit your needs over the long-term.

#### There when you need us

With three California offices, a commitment to dedicated, hands-on leadership and approximately 100 Advisory Services professionals at our disposal, Weaver is poised to provide LACERA with highly responsive, personalized client service. We will also remain available to you throughout the year to answer routine questions and keep you apprised of key technical and regulatory updates that may affect you. With this added level of year-round guidance, you can be confident in our commitment to helping you meet both short-term project needs and your long-term strategic goals.

#### More than auditors: consulting services

In addition to risk management and internal auditing, Weaver offers advisory services to support LACERA in planning, improving effectiveness and efficiency and safeguarding your members' benefits.

Weaver is licensed by the California Board of Accountancy (CBA license #7692). Many of your proposed team leaders are CPAs, while others have certifications related to their specific areas of focus. Representative certifications among our Advisory Services professionals include:

- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Certified Fraud Examiner (CFE)
- Certified Government Accounting Professional (CGAP)
- Certified in Risk Management Assurance (CRMA)











#### Information Technology

Weaver is an IT consulting firm and a national CPA firm, and much more. With our long track record of assisting government clients with their strategic planning, processes and controls, Weaver can help you lay a solid foundation for effective information technology management. Having served hundreds of government and private sector clients alike, our team applies best practices and innovative thinking to improve performance for even the most complex IT organizations.



The professionals in Weaver's IT Advisory Services group have extensive experience providing realworld, practical recommendations for improving information security, operational efficiency and reliability of IT systems, processes and controls — with deep, hands-on experience serving government entities.

The IT Advisory Services practice group was formally established in 2006 by Brian Thomas, CISA, CISSP, QSA, who led the practice as IT systems rapidly grew both more complex and more vulnerable. Weaver has personnel that support the AICPA's System and Organization Controls (SOC) initiative, including personnel on the Task Forces that developed and updated the standard, guidance, and instructor for the AICPA SOC School trainings to other practitioners, as well as an instructor who leads SANS trainings.

Weaver has experience in assessing system implementations, both those involving off-the-shelf software and in-house custom-developed applications. We have experience in assessing major system implementations and ongoing maintenance activities. We have assessed environments have that used the traditional waterfall method, as well as newer Agile development methods. Robert Neill, our director of CIO Advisory Services, also supports the project management of a system replatforming implementation of a custom-developed software.



We have extensive experience with variety of technical regulatory requirements including HIPAA, PCI, Sarbanes-Oxley, FDICIA, Model Audit Rule and GLBA. We are also well versed in the standards and control frameworks used by leading organizations to manage compliance with these regulations, including COBIT 2019, NIST 800-53, CIS 20 CSC, NIST-Cybersecurity Framework, SOC, ISO 27001/27002, FFIEC, FISMA, HITRUST/HITECH, and ITIL.

Weaver's IT Advisory Services practice has been helping clients improve their IT strategy, organization, policies and procedures, internal controls and cybersecurity practices since 2006.

This engagement will be staffed leveraging our 100+ highly experienced, full-time Advisory Services professionals that stay at the forefront of the industry through ongoing certifications. Some of the many certifications held by our professionals include:

- Certified Information Systems Auditor (CISA)
- Certified Information Security Manager (CISM)
- Certified Information Systems Security Professional (CISSP)
- Certificate of Cloud Security Knowledge (CCSK)
- Certified Data Privacy Solutions Engineer (CDPSE)
- Certified Ethical Hacker (CEH)
- ▶ GIAC Systems and Network Auditor (GSNA)
- GIAC Certified Windows Security Administrator (GCWN)
- GIAC Certified Forensic Examiner (GCFE)
- GIAC Penetration Tester (GPEN)
- PCI Qualified Security Assessor (QSA)





#### Investments

As a highly experienced government and alternative investment audit and consulting firm, Weaver is known for performing attestation services, internal audit and financial audits that offer real value beyond compliance. Our staff combines a comprehensive understanding of applicable standards with substantial experience auditing large investment funds, both public and private, management companies of these entities and individual-investor plans.

Our alternative investments funds practice increased by 20% from 2018 to 2019, and we have grown the number of funds we serve across all asset classes for the past six years. In recognition of Weaver's increasing presence in the investments industry, the firm has recently been recognized with multiple awards.

Weaver's team will provide LACERA with a blend of experience that includes government auditing, DOL and ERISA requirements, alternative investments and IT. These

#### National Investment Industry Recognition

- Best Tax Advisory Firm, Winner | AltCredit US Services Awards 2020
- Best Advisory Firm Tax Shortlist
   | HFM US Services Awards
   (2020)
- Best Auditor Smaller Managers Shortlist | HFM US Services Awards (2020)
- Best Audit & Tax Firm Shortlist | HFM US Quant Awards (2021)
- Best Audit & Tax Firm Shortlist | HFM US Quant Awards (2020)
- A Top 15 Auditor of SEC Registered Advisors

partners will work closely together to deliver holistic, comprehensive services that address your particular needs, operations and risks. They will work diligently to ensure the highest quality results and relevant, practical recommendations tailored to your specific goals.



# 2,500+

Hedge, PE, venture and real estate fund clients totaling more than \$100B in AUM

# 100+

Funds with more than \$100M in AUM

#### Alternative Investments Experience

Weaver's alternative investments practice has decades of experience serving a full range of industry segments, from investment companies to private equity firms to insurance companies. With more than 2,500 fund clients, the professionals on this team are knowledgeable about numerous types of investment vehicle and funds, including:

- Funds of funds
- Hedge funds
- Private equity funds
- Real estate funds
- Venture capital funds

Members of this team have also served numerous state entities having complex investment structures, including the Employees Retirement System of Texas, the Texas Lottery Commission and the Texas Permanent School

Fund. With this breadth of experience, we are well-positioned to address the full range of complex accounting issues that may arise during the performance of LACERA's audits.



#### **Government Fund Experience**

Weaver has served the **Permanent School Fund**, with assets exceeding \$30 billion, since 2007. Weaver has also led the annual financial audit for the **Texas Lottery Commission** since 2013 and advises the **Employees Retirement System of Texas** on investment issues as part of our advisory work for that agency.

In addition, Weaver has recently been selected for the audit and consulting pools of the **California** State Teacher Retirement System and Los Angeles Unified School District.

Our government experience includes:

- Experience auditing or consulting on public investment funds for the Texas Permanent School Fund, Employees Retirement System and General Land Office
- Institutional investment funds holding \$1 billion to >\$30 billion in assets, including alternative investments
- Large government agencies with \$1 billion or more in annual revenues
- >250 total government clients, including more than 100 who require compliance attestation services
- High-profile agencies Our assurance clients include several large government entities with \$1 billion or more in either annual revenues or investment assets

Our fund clients include a wide variety of investment strategies, including equities, credit (private and public), commodities, derivatives and nonmarketable investments such as private equity, distressed credit and real estate. This combination of experience ensures Weaver is intimately familiar with best practices and internal controls required to address investment risks and protect LACERA assets.

#### **Employee Benefit Plan Experience**

Weaver has provided audit services for group benefit plans and pension plans for approximately 30 years. Collectively, the professionals in Weaver's in-house Employee Benefit Plan practice bring more than 100 years of experience specific to benefit plan audits, including complex and changing regulations under the Employee Retirement Income Security Act of 1974 (ERISA).

Currently, the firm audits **more than 300 benefit plans annually**, including defined contribution plans (401[k], 403[b]), profit-sharing plans, employee stock ownership plans (ESOPs), defined benefit plans and health and welfare plans. Audited plan assets for our clients range from less than \$1 million for plans sponsored by privately held companies and not-for-profit entities to more than \$8 billion for plans sponsored by publicly traded companies.

#### Insurance

Weaver carries comprehensive insurance coverage, from statutory workers' compensation and general liability coverage to cyber liability insurance. In addition, we carry professional liability coverage appropriate to a CPA firm.

Insurance certificates are included among the attachments (see page 56).



# 4. Qualifications and Experience

## Professional Leaders and Staff

Separate teams will staff each of the three subject areas, with Alyssa Martin acting as lead consultant for the project overall.

In our experience with other audit and consulting pool engagements, we have found that flexible staffing, scaling up and down to meet changing requirements, is the key to success. Specifically, these are the principles we follow:

- A flexible and agile staffing approach to accommodate changing needs
- Aligning resources for each engagement with the goals and subject matter
- Hands-on partner involvement throughout various phases of each audit
- Ongoing communication to discuss issues, satisfaction levels, and any changes that may impact in-process or upcoming audits

We will take each of these factors into account when assigning team members for each engagement. From financial and regulatory to technological and structural processes and procedures, we will leverage the full breadth of experience of our professionals and subject matter advisors to maximize the impact and benefit of each audit.

In addition to tailoring our teams to each specific engagement, the partner for each engagement will remain actively engaged to ensure adherence to quality standards and quality deliverables. In addition, the senior manager or manager (depending on the engagement) will monitor progress daily to ensure that work is meeting established performance standards and is proceeding on schedule. As needed, Weaver partners also have the authority to bring in additional resources or replace staff to ensure we deliver the high-quality work LACERA expects.

KEY PERSONNEL AVAILABILITY AND COMMITMENT. We understand how frustrating it is to get a team member up to speed, only to learn that the person will be rotated off the engagement. We make engagement team continuity a client service priority. Key leadership will be available when you call, and will participate heavily all phases of any engagement, from initial planning through final close-out; they will also communicate regularly with LACERA stakeholders to minimize surprises during the engagement.

For an overview of the proposed team organization, please see the chart on page 45.



#### Organizational Activities



#### Alyssa Martin, CPA | Partner, Risk Advisory Services

With more than 25 years of experience, Alyssa is widely recognized for her work collaborating with management teams on growth strategies and governance matters. She has focused throughout her career on enterprise risk management, internal audit, fraud prevention, IT audit, operational analysis, business management

#### Alyssa says:

My favorite core value is "**Strive** to transcend client expectations, always." First, listening is key to uncovering challenges and finding solutions. I always appreciate hearing from my clients that we made a difference in their success. consulting, strategic planning and technology consulting for private and publicly held companies and government entities.

Alyssa is a frequent speaker at national and regional events focused on organizational growth and risk management. Alyssa is highly active in the industry, including numerous leadership positions, including being an AICPA Council Member, a member of the IIA Global Academic Committee, and serving on the editorial boards for the la Magazine and Today's CPA. She is also a member of the Institute of Internal Auditors (IIA), the AICPA, the Texas Society of Certified Public Accounting

(TXCPA) and the National Association of Corporate Directors. She earned both a bachelor's degree and a master's in business administration from the University of Texas at Dallas.

**Related Experience in the Past Five Years:** Similar clients served by Alyssa include Employees Retirement System of Texas, Texas Municipal Retirement System, Texas Department of Information Resources, Cancer Prevention Research Institute of Texas, UT System, Texas Military Department, Texas Lottery Commission, Austin Community College, North Texas Tollway Authority and the Lower Colorado River Authority.





#### Daniel Graves, CPA | Partner, Risk Advisory Services

Dan has more than 16 years of experience in public accounting, including 14 years of internal control process and IT risk management. Throughout his career, he has focused on internal audit, risk assessment, internal control consulting, business management and process improvement, IT audit, technology consulting and fraud prevention. He also has experience in managing complex engagements in excess of

#### Dan says:

My favorite core value is "Help each other succeed at work and in life." Success doesn't only come in business. Helping others succeed outside of the 8:00–5:00 is just as important as it is during the workday. 2,000 hours, in complex environments, with multiple applications and databases. He also has experience in performing IT general control reviews, testing of business application controls and enterprise recovery plans. Dan has assisted a wide variety of state and local government entities, from multi-billion-dollar state retirement funds to small special districts.

Dan is a CPA, and he holds memberships with the IIA, TXCPA, and AICPA. He earned a Bachelor of Business Administration from Hardin-Simmons University.

**Related Experience in the Past Five Years:** Recent advisory clients include the Employees Retirement System of Texas, Cancer Prevention and Research Institute of Texas, Texas Water Development Board, Texas Department of Information Resources, Texas Council for Developmental Disabilities, Department of Information Resources, Austin Community College, Del Mar College and numerous other governmental entities.





#### Marci Sundbeck, CIA, CISA, CCSA, CFE, CRMA | Senior Advisor

Marci has more than 30 years of audit and advisory experience in state government, including 25 years of experience with the Employees Retirement System of Texas, a fiduciary fund of more than \$29 billion in net assets. Having served as both the Director of Enterprise Risk Management and the Director of Internal Audit, Marci has extensive experience developing and managing governance and enterprise risk management programs and processes in a state agency environment.

#### Marci says:

My favorite core value is "**Act with integrity, no matter what.**" Honesty in all that I do and gaining the trust of clients and colleagues is of utmost importance. A CIA, CISA and CFE, Marci also holds a CRMA and Certification in Control Self-Assessment (CCSA). She stays at the forefront of industry best practices and trends, and is actively involved in a wide array of professional and industry associations and organizations, including having served as a past president of the Association of Public Pension Fund Auditors.

**Related Experience in the Past Five Years:** Marci's experience comes from more than 30 years as a state

government leader, including 25 years with the Employees Retirement System of Texas. Since 2015, she has also assisted Weaver in serving clients such as the Cancer Prevention and Research Institute of Texas, Department of Information Resources, Austin Community College and North Texas Tollway Authority. She has also served the Employees Retirement System as part of Weaver's team.





#### Adam Jones | Organizational Assessment Lead

**Experience Summary:** Adam has eight years of experience as a management consultant and leads Weaver's organizational assessment practice. A twenty-year veteran of state government, he has lead numerous organizational assessments, including two organization-wide assessments and restructures during his nine years serving as Deputy Commissioner and Chief Operating Officer of the Texas Education Agency. Adam has led an entity-wide

#### Adam says:

My favorite core value is **"Keep perspective: Be passionate and diligent, and have fun.**" You need to enjoy what you do. Remember the fun part! As on an old friend used to remind me, "lack of a sense of humor is its own punishment." assessment of the Credit Counseling Service of Greater Dallas, in addition to engagements in education including Austin Community College, Tyler Junior College and Texas A&M University's College of Liberal Arts. A highly effective facilitator, he serves as an invaluable resource for identifying organizational risks and working with management to facilitate meaningful, sustainable organizational change. Adam brings vast experience in organizational and fiduciary management, and is a frequent, sought-after speaker and writer on managerial topics.

A past director of the Texas Charter School Finance Corporation, Adam also previously served (ex-officio) on the Board of Directors of the Texas Department of Information Resources, on the Advisory Board for the Center for Digital Government: Texas CIO Academy, and on the Visionary Council for the Government Technology

Conference Southwest. He earned a Master of Arts in public policy from Duke University and a Bachelor of Arts in economics from the University of Texas at Austin.

**Related Experience in the Past Five Years:** Adam's clients have included Austin Community College, City of Houston, Tyler Junior College, Rice University, Texas A&M University, Dallas ISD, El Paso ISD, Lower Colorado River Authority, Texas Department of Information Resources, Cancer Prevention and Research Institute of Texas, Texas Department of Insurance and Texas Windstorm Insurance Association.





#### Brandon Tanous, CIA, CFE, CGAP, CRMA | Senior Manager, Risk Advisory Services

Brandon has more than 13 years of advisory experience. He has extensive experience in internal auditing and risk management, including the performance of internal audits of Texas state agencies to meet the expectation of the State Auditor's Office. He is also seasoned with business process improvement and the evaluation of internal

#### Brandon says:

My favorite core value is "Take initiative. Lead. Always think about how we can

**improve.**" The ability to work with clients and our teams to think outside the box for new and creative solutions ensures we not only deliver on our promises but also to provide unexpected value. controls in complex environments, including heavily regulated entities with extensive processes. Brandon's experience includes work for government agencies, school districts, cities, higher education, and not-for-profit organizations, as well as experience managing other multifaceted engagements. He also has deep knowledge of fraud detection, grant and contract monitoring and business management consulting.

Recognized by Internal Audit Magazine as one of 2013's Top 20 under 30, Brandon holds numerous industry certifications, including CIA, CFE, CGAP and CRMA. He is a member of the IIA North America – Content Advisory Committee and is the current President of the IIA Houston Chapter. He earned a Master of Public Administration and Bachelor of Public

Administration, both from Texas State University. He is also a Graduate of the Internal Audit Leadership Development Program through the Texas State Agency Internal Audit Forum.

**Related Experience in the Past Five Years:** Brandon's recent clients include North Texas Tollway Authority, County of El Paso, the Cities of Houston, Corpus Christi and Irving, Del Mar College, Lee College, College of Mainland, Houston-Galveston Area Council, Texas Commission on Environmental Quality, the Texas Department of Public Safety and Texas Children's Hospital.





#### David Butler, CPA, CISA | Manager, Risk Advisory Services

David has more than 10 years of experience in accounting and advisory roles. Through his experience, he has managed an internal audit engagement that focused on Sarbanes-Oxley (SOX) implementation, internal control testing and process improvement that was related to 200 and more internal controls. He also

#### David says:

My favorite core value is "**Be** adaptable and innovative in all you do." The greatest growth in life comes from being uncomfortable and challenging yourself to do things you have never done before. This is why Weaver excels. We are "comfortable being uncomfortable," which allows us to grow and better serve our clients. managed three internal audit engagements and presented findings of each to the Board of Education for one of the largest school districts in Missouri. David has also overseen three risk assessment engagements that focused primarily on accounting and finance operations. He has led a team of analysts in the re-calibration of risk ranking for 180 operational controls which created efficiencies through the elimination of 21 unnecessary controls. David prepared and presented remediation strategies for 165 individual SAP role changes as well as managed a process improvement engagement over bank reconciliations for a health care company with more than \$6M.

David is a member of the American Institute of Certified Public Accountants (AICPA), IIA Dallas chapter, and Information Systems Audit and Control Association (ISACA) North Texas chapter. David is also a CPA and CISA. He earned a Master of Science degree in finance and a

Bachelor of Business Administration degree in accounting from Texas A&M University.

**Related Experience in the Past Five Years:** David has led or performed accounting and advisory work for clients such as El Paso County, Texas Water Development Board, Indiana Department of Transportation, the Lower Colorado River Authority, University of Texas Southwestern Medical Center, Springfield Public School District, Methodist Medical Group and HITRUST Services Corp.





#### Stephanie St. Cyr | Senior Associate, Risk Advisory Services

With more than five years of Big Four accounting firm experience, Stephanie has performed risk assessments, internal audits and compliance consulting for very large organizations in government and financial services. She documents and tests both manual and automated systems and controls to evaluate their design and effectiveness. She also performs regulatory audits for compliance with a variety of federal and state statutes and industry standards.

#### Stephanie says:

My favorite core value is "Help each other succeed at work and in life." Our work can be hard at times, but it's worth it when everyone on the team is willing to roll up their sleeves, dive in and make themselves available not only to work but also to be a friend. That's how we see projects to successful completion and everyone wins — including the client! Stephanie supports organizations in developing and maintaining compliance with regulatory standards such as SOX, Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Annual Stress Testing (DFAST), as well as industry frameworks like COSO. She meets regularly with client management to conduct various inquiries, control walkthroughs (SOX compliance), business updates and fraud inquiries, and to obtain a deep understanding of business processes in order to assess areas of higher risk.

Stephanie is a graduate of the Washington Adventist University and the Generation 42 Leadership School.

**Related Experience in the Past Five Years:** Stephanie has served a variety of government and finance clients, including El Paso County, Veritex Community Bank, Security State Bank and College of the Mainland.





#### Laura Cavazos, CPA | Senior Associate, Risk Advisory Services

Laura has more than six years of accounting and audit experience, including serving as an auditor within the Texas Department of Insurance prior to joining Weaver. Her emphasis includes operational and compliance audits in accordance to both the IIA's International Professional Practices Framework and GAGAS standards. She is also

#### Laura says:

My favorite core value is **"Take initiative. Lead. Always think about how we can improve."** Being proactive, by itself, doesn't guarantee positive outcomes. Coupling initiative with thinking like a leader creates a culture where we can avoid change for change's sake and, instead, truly take action and implement ideas effectively for our clients. experienced with leading walkthrough sessions and performing substantive testing.

A Certified Professional Accountant (CPA), Laura is a member of the IIA and the Texas Society of Certified Public Accountants (TXCPA). She earned a bachelor's degree in finance from the University of Texas at San Antonio.

**Related Experience in the Past Five Years:** Laura's government clients have included the City of Georgetown, Austin Community College, Texas Lottery Commission, Texas Department of Licensing and Regulation, Texas Council for Developmental Disabilities, the Cancer Research and Prevention Institute of Texas, Texas Department of Insurance and the Texas Department of Transportation.



#### Information Technology



#### Reema Parappilly, CISA | Partner, IT Advisory Services

Reema has more than 15 years of experience in advisory services focused on IT internal audits, IT project management and management reporting, system and controls documentation and data flow analysis, requirements definition and data analytics. She has experience managing enterprise-wise, transformative projects;

#### Reema says:

My favorite core value is "Be adaptable and innovative in all that you do." We recognize that our clients don't have the ideal environments all the time — most of us have limited resources and time. I appreciate that our teams really think about the identified issues so we don't offer cookie cutter findings, but really think about root causes and offer realistic recommendations. performing IT risk assessments; and executing IT internal audit plans, including pre- and post-go live system implementation assessments, performance and capacity management, disaster recovery and data loss prevention internal audits. She leads compliance engagements, including annual documentation and assessment of IT general controls and SOC reporting.

As part of her education at the George Washington University, Reema learned the fundamentals of technology, and has worked with clients such as Employees Retirement System of Texas since 2014 to ensure that the realities of resource constraints balance with the ideal scenario of systems management. She also has experience assessing mainframe environments and client/server environments with both Windows & SQL Server architecture and Unix/Linux & MySQL/Oracle database architecture. Reema also has experience in

assessing third-party administrators in the health care industry, including assessing the monitoring of benefits and claims administration.

A CISA, Reema is an active member of ISACA, Cloud Security Alliance (CSA), IIA, and Association for Data Center Management Professionals (AFCOM) International, for which she also served as secretary for the Greater Houston chapter. She also regularly presents on the topics of data analytics and other IT advisory-related topics, including a presentation at the 2020 Texas State Auditor's Conference.

**Related Experience in the Past Five Years:** Reema's clients have included the Employees Retirement System of Texas (which has been her client since 2014), Texas Lottery Commission, Texas Department of Insurance, Austin Community College, City of Houston, Houston Independent School District, Texas A&M University, CLECO, Team, Inc., IBM Cloud Infrastructure Services and numerous private companies.





# Brian J. Thomas, CISA, CISSP, QSA | Partner-in-Charge, Advisory Services

Brian Thomas has more than 20 years of experience in management consulting, IT advisory services and leadership of large, complex engagements for many of the firm's largest clients. Before assuming leadership of Weaver's entire Advisory Services line in 2019, Brian led Weaver's IT Advisory Services practice, which includes IT audit, cybersecurity, IT Governance, system and organizational controls (SOC) reporting and IT Regulatory Compliance services. Brian has provided these services to clients in a wide variety of industries as well as the public sector.

Brian frequently publishes articles and speaks to industry and professional groups. He is a member of the AICPA IMTA Executive Committee, currently chairing its Cybersecurity Task Force, and serves on the IM Advisory Council for the McCombs School of Business at the University of Texas at Austin. He graduated with a master's degree and a bachelor's degree in civil engineering from the University of Texas at Austin.

**Related Experience in the Past Five Years:** Brian has managed engagements for government clients including the Employees Retirement System of Texas, Texas Department of Insurance, Cancer Prevention and Research Institute of Texas, Texas Lottery Commission, Texas Municipal Power Authority, the City of Houston, Tarrant Regional Water District, Alamo Colleges, Austin Community College and Texas A&M University.

#### Brian says:

Choosing a favorite core value is like picking a favorite child, but for the sake of argument, I'll choose **"Help each other succeed at work and in life."** When you look at how work and life intertwine, you recognize that all of us struggle with challenges, both professionally and personally. Countless times, I've seen team members step forward to help each other, even when it costs them personally. Knowing that we work with individuals who truly support each other encourages us to be bold and take on new challenges without the fear that it all falls on you alone.





#### Brett Nabors, CISA, CCSK, CDPSE | Partner, IT Advisory Services

Brett has more than 15 years of experience in advisory services, including formerly directing PwC's risk assurance practice in Austin. His primary focus is on, IT governance, IT audits, business process improvement, integrated compliance, and internal control assessments. Brett was a leader in PwC's national PeopleSoft practice,

#### Brett says:

My favorite core value is "**Take** initiative. Lead. Always think about how we can improve." In the world of IT risks, the internal and external threats are forever changing. It is critical that we lead and take initiative to understand the prevailing risks and how we can help our clients can improve their IT environment to mitigate those shifting risks. leading hundreds of hours of training for assurance professionals. He is highly skilled in ERP system implementation, data analytics, IT control evaluations and other aspects of managing and improving IT security and performance. He regularly assists clients with improving controls and processes, identifying and addressing risks and aligning IT processes to overall organizational strategy. Brett is adept at leading IT audits and risk assessments, operational and security audits and enterprise risk compliance engagements, and is deeply familiar with NIST and other security frameworks, in addition to management systems such as PeopleSoft and Hyperion. Recognized for his insight and experience, Brett regularly presents on governance, compliance, technology, and securityrelated topics.

Brett is a member of the Information Systems Audit and Control Association (ISACA), the Institute of Internal Auditors (IIA) and an Advisory Board Member for Texas A&M's Internal Audit Program.

A Certified Information Systems Auditor (CISA), Brett is an active member of ISACA and the Institute of Internal Auditors (IIA). He also holds the Certificate of Cloud Security Knowledge (CCSK) and is a Certified Data Privacy Solutions Engineer (CDPSE). He graduated magna cum laude with a Bachelor of Business Administration in information and operations management from Texas A&M University.

**Related Experience in the Past Five Years:** Brett's clients have included Employees Retirement System of Texas, Del Mar College, Texas General Land Office, Farm Credit Bank of Texas, Texas Farm Bureau Insurance, Scott and White (Baylor Healthcare), and Texas Windstorm Insurance Association.





#### Robert Neill | Director, CIO Advisory Services

As director of CIO Advisory Services, Robert Neill brings insight and understanding of complex IT management structures, effective systems implementation and practical risk management. His background includes positions in management of enterprise applications, data security and privacy, risk management, corporate IT

#### **Robert says:**

My favorite core value is **"Strive to transcend client expectations, always."** As I've spent most of my career in information technology management positions, I know what

it is like to be the client. In every engagement, we always think about what the client truly needs from the audit. An early mentor worked by a philosophy of "Delight Customers!" While you usually don't associate audits with delight, we want to offer our clients delightful outcomes. management, operations management and senior leadership. Robert now leads Weaver's services focused on providing strategic technical guidance for small and emerging organizations. Projects range from project-based assistance such as technical due diligence and integration for mergers and acquisitions, to technology product modernization, to outsourced, fractional Chief Information Officer leadership to optimize organization structures and IT strategies.

Robert previously led large companies as CIO, interim CEO and vice president of corporate technology, in addition to owning an Austin-based technology and management consulting business. He began his career as an accountant in the Texas Attorney General's office, then supported government clients of a Big Four firm in the design and implementation of accounting packages. In addition, Robert performed data management,

business improvement and key performance indicator projects for state education agencies in Texas and Colorado. He earned both a Master in Professional Accounting degree and a Bachelor of Business Administration from the University of Texas at Austin.

**Related Experience in the Past Five Years:** Robert's recent work experience has included Employees Retirement System of Texas, Harte-Hanks, CDK Global, Lower Colorado River Authority, Farm Credit Bureau and Range Resources. Other experience includes NASA, the Colorado Department of Education, Hawaii Department of Transportation, Mississippi Department of Transportation, Texas Education Agency, Texas Natural Resources Conservation Commission (now Texas Commission on Environmental Quality), and the U.S. Department of Veteran Affairs.





#### Trip Hillman, CISSP, CISA, CEH, GPEN, GCFE, GSNA, GCWN, CCSK | Director, Cybersecurity Services

Trip Hillman has more than a decade of hands-on experience evaluating IT security in a broad range of environments. He has consulted with Fortune 100 companies, private equity groups, small enterprises and government entities alike on security and compliance, and has performed and led over 200 substantial audits across hundreds

#### Trip says:

My favorite core value is, **"Do work you're deeply proud of."** This value is instilled in all of us, and I enjoy watching as a wide range of team members truly act like Weaver is their own business by thinking critically about what moves the needle for our clients. of unique IT environments. He is regularly called on to help organizations evaluate their overall security posture and to develop prioritized, balanced roadmaps for increasing security maturity. He also performs IT risk assessments, IT audits, vulnerability assessments and penetration tests to help companies maintain ongoing security over time.

This hands-on experience — combined with ongoing education and active memberships in ISC2, IIA, ISACA and the Cloud Security Alliance — keeps Trip at the forefront of best practices, leading frameworks (including COBIT, NIST-CSF, CIS 20 CSC, ISO 27001) and regulatory requirements (including Sarbanes-Oxley and PCI).

Highly respected in his field, Trip teaches security auditing classes across the nation for the SANS Institute, the leading research and education organization for security professionals. His numerous certifications include: GIAC Systems and Network Auditor (GSNA), GIAC Certified Penetration Tester (GPEN), GIAC Certified Forensic Examiner (GCFE), GIAC Certified Windows Security Administrator (GCWN), CISSP, CISA, Certified in Cloud Security Knowledge (CCSK) and Certified Ethical Hacker (CEH). He earned a Bachelor of Business Administration in management information systems from Baylor University.

**Related Experience in the Past Five Years:** Trip's clients have included the Employees Retirement System of Texas, Cancer Prevention and Research Institute of Texas, Austin Community College, Department of Information Resources, General Land Office, City of Fort Worth, the North Texas Tollway Authority and the Lower Colorado River Authority.





#### Melanie Tull, CISA | Manager, IT Advisory Services

Melanie is an IT advisory professional performing IT internal audits and system and organizaton control (SOC) reporting services. She executes engagements across many industries, where she assists management in defining the purpose, objectives, scope and audit approach for the project; identifying any audit findings; reviewing and analyzing evidence; and preparing final reports to clients.

#### Melanie says:

My favorite core value is "**Strive to transcend client, expectations, always.**" There is a sense of purpose and pride when our client tell us that we have exceeded their expectations and taught them something new about their own environment. The relationships that we build with our clients are more than just auditor-client relationships. They are truly collaborative. For more than six years, Melanie has served a variety of clients, including school districts and local governments. She has also performed numerous readiness assessments, risk assessments, internal audits, and attestation services. Her experience includes controls testing performed for internally developed applications, SAP, AWS, Oracle, UNIX/LINUX, AS400, VMWare and Microsoft (Windows Server and Active Directory) environments.

Melanie is a Certified Information Security Auditor (CISA); she earned a Bacher of Business Administration degrees in both accounting and management from The University of Oklahoma.

**Related Experience in the Past Five Years:** Melanie's relevant work experience has included the Employees Retirement System of Texas, City of Southlake, Tarrant County Tax Office, Veteran Affairs Medical Center, Cobalt Fund Services, Blue River Partners and Standish Management.





#### Jake Lester, CISA | Senior Associate, IT Advisory Services

Jake is an IT advisory professional performing cybersecurity engagements, particularly PCI DSS assessments, vulnerability assessments, penetration testing, and cybersecurity standard reviews. In addition, he executes IT audit engagements such as IT SOX, SOC,

#### Jake says:

My favorite core value is "**Strive** to transcend client expectations, always." In every engagement, I try to provide \$1.50 worth of value for every \$1.00 spent on our services. This is a great way to show that not only do we care about getting the work done, but we also want to see our clients' organizations grow and prosper. and internal audits across many industries. Jake helps establish the purpose, objectives, scope and audit approach for each assigned project; identifies and defines audit findings; reviews and analyzes evidence; and helps prepare final reports to clients.

For more than two years, Jake has served a variety of clients, including school districts and local governments. He has also performed numerous PCI DSS compliance assessments for IBM's various platform service offerings for dedicated as well as shared customer environments, its subsidiary SoftLayer Technologies and IBM Cloud Platform. His experience includes controls testing performed for SAP, AWS, Oracle, Linux, Kubernetes, and Microsoft (Windows Server and Active Directory) environments.

Jake is a Certified Information Security Auditor (CISA); he earned a bachelor's degree in management information systems from Baylor University.

**Related Experience in the Past Five Years:** Jake has performed numerous PCI DSS compliance assessments for IBM's various platform service offerings for dedicated as well as shared customer environments. He has also performed PCI DSS compliance assessments for IBM's subsidiary, SoftLayer Technologies, Inc., for their Infrastructure as a Service offering in support of IBM Cloud Platform. In addition, he has done work for North Texas Tollway Authority (NTTA), Texas Independent Banker's Bank, Triumph Bancorp and Bourque Logistics performing cybersecurity standard reviews, vulnerability assessments, and penetration testing (internal/external/physical) services.



#### Investments



#### Danielle Darley, CPA | Partner, Assurance Services

Danielle has 15 years of experience in public accounting providing assurance services to alternative investment funds, securities broker-dealers, financial institutions and employee benefit plans. She has led financial audits for management companies, broker-dealers, private equity funds, venture capital funds, hedge funds, fund of

#### Danielle says:

My favorite core value is **"Take initiative. Lead. Always think about how we can improve."** Modeling a mindset that encourages all team members to challenge the process ensures we not only deliver on our promises but also opens the door to opportunities to provide unexpected value. funds, financial institutions and employee benefit plans. She has extensive experience reading, interpreting and identifying the relevant accounting implications of complex agreements, as well as a deep understanding of valuation methodology.

In addition, Danielle has many years of experience providing audit and consulting services to plan sponsors. She has planned, managed and supervised numerous employee benefit plan audit engagements with a focus on defined contribution (savings, ESOP and 401 [k]) plans. A CPA licensed in both California and Texas, Danielle is a member of the AICPA. She earned a Bachelor of Science in finance from the University of North Texas and a Master of Science in accounting from the University of Texas at Dallas.

**Related Experience in the Past Five Years:** Danielle's clients include Angeles Investment Advisors, Onset Capital (advisor to the California Infrastructure Fund), Troy Capital, Southern Lights Capital Partners and Atwater Capital.





#### Kevin Sanford, CPA | Partner-in-Charge, Alternative Investment Fund Audit

Kevin Sanford, CPA, has more than two decades of experience in public accounting and currently serves as the national strategy leader of Weaver's financial services industry practice. That practice serves more than 2,000 investment companies of all types and strategies, financial institutions, real estate entities, broker-dealers, educational endowments and trusts that collectively hold more than \$100 billion in assets under management. In addition, Kevin has extensive experience providing

#### Kevin says:

My favorite core value is "Be adaptable and innovative in all that you do." You can't always control what is thrown at you, but you can control how you respond and often challenges result in innovation you never saw coming. services for government and nonprofit entities of all sizes, from operating budgets of \$10 million to multi-funded agencies with operating budgets exceeding \$4 billion.

Kevin is an active member of the Texas Hedge Fund Association and a former member of the Government Finance Officers Association (GFOA) Special Review Committee.

**Related Experience in the Past Five Years:** Kevin has experience providing assurance and consulting services for more than 60 investment funds and for governmental funds, such as the Texas Permanent School Fund (including preparing statements for audit by the State Auditor's Office), the Texas Lottery Commission and the Texas General Land Office.





#### Sindhu Rajesh, CPA, CFE | Partner, Assurance Services

Sindhu Rajesh has almost 20 years of audit, review and compilation experience, focused primarily on the alternative investment services industry. Before joining Weaver in 2015, she spent 15 years with Rothstein Kass (now KPMG), providing services to venture funds, private equity funds, real estate funds and hedge funds. She is also

#### Sindhu says:

My favorite core value is "Strive to transcend client expectations, always." We should all strive to create a client experience whereby the client is not just a satisfied client but rather a "Raving Fan" of Weaver. experienced in audits of private foundations, trusts, entertainment and manufacturing clients.

Sindhu is a frequent speaker on topics including due diligence for fund managers, real estate structures, valuation, accounting and audit updates. She is a member of the AICPA, the California Society of CPAs and the Association of Certified Fraud Examiners. Sindhu graduated with a Bachelor of Commerce with an emphasis in Accounting and Auditing from Bombay University, India.

Related Experience in the Past Five Years: Sindhu leads

assurance and consulting engagements for many large investment fund managers with complex portfolios. Her clients include Camden Capital, Felicitas Global Partners, KCB Management, Blue Bear Investment Group and Structural Capital Investors





#### Laura Lambert, CPA | Partner, Assurance Services

Laura has more than 16 years of experience in public accounting with emphasis on providing audit and business advisory consulting for large, complex government entities. She has extensive experience managing audits performed in accordance with Government Auditing Standards, including those subject to the Uniform Guidance and Texas Uniform Grant Management Standards. She has experience with

#### Laura says:

My favorite core value is "Help each other succeed at work and in life." I love to see our people offer a helping hand when they see someone struggling with their workload — and also cheer their colleagues on through big work wins, CPA exams, weddings, babies and more! large and diverse cities including cities with their own electric generation, significant federal/state funding, complex derivative transactions, and numerous component units.

She has experience consulting on government investment funds up to \$30 billion in assets, such as the Permanent School Fund, including preparing statements for audit by the State Auditor's Office (SAO); evaluating complex and non-routine alternative investments such as private equity, real estate, and derivative and foreign currency transactions; and performing internal control reviews over alternative assets.

Laura is an active member of the TXCPA, the AICPA and the Texas Hedge Fund Association. She graduated with a

Master of Business Administration degree and a Bachelor of Science degree in business from Wright State University.

**Related Experience in the Past Five Years:** Laura serves government agencies both as an auditor and as an advisor on issues related to investment funds. Her clients include the Texas General Land Office, the Texas Permanent School Fund, Travis Central Appraisal District, City of Bryan and Bryan Texas Utilities, League City, Northside Independent School District and the Houston Independent School District, which is the seventh-largest district in the nation.





#### Jeremy Winkler, CPA | Manager, Assurance Services

For more than seven years, Jeremy has audited governmental entities and investment companies in both Texas and California. As a manager, he supervises the work of staff and helps to ensure that audits remain on schedule and are conducted in accordance with applicable professional standards and Weaver's system of quality control. He is skilled in applying GAGAS, single audit and AU guidelines and has

#### Jeremy says:

My favorite core value is **"Help each other succeed at work and in life."** I think our commitment to this core value is what ultimately defines Weaver's culture. Our people who live this out every day make the firm a truly unique and incredible place to work. experience with funds that report under the provisions of ASC 946. Jeremy is also experienced with Level 3 valuations and complex capital structures.

Jeremy earned a Bachelor of Business Administration and a Master of Accountancy from Abilene Christian University. He is licensed as a CPA in both California and Texas.

**Related Experience in the Past Five Years:** Jeremy has performed audits for government clients with government-wide assets ranging from under \$50 million to approximately \$2 billion. His clients have included

numerous school districts, including one of the five largest districts in the State of Texas, and private alternative investment clients such as the Armory Group, Metis Global Partners, Stage Venture Partners II, Act One Ventures, Powerplant Ventures and Westgate Delaware Basin Royalty Partners.





#### Breanne Martinez | Senior Associate, Assurance Services

Breanne has more than five years of cumulative accounting experience, including three years of public accounting firm audit experience focused on investment funds. She leads external audit engagements for both privately held funds and SEC registrants.

#### Breanne says:

My favorite core value is "Help each other succeed at work and in life." I played different sports growing up and loved being part of a team. Knowing that by working together we can accomplish so much more and share our success gave me a great sense of pride. That team aspect is something I've carried with me throughout my career. During audits, Breanne is responsible for performing risk assessment procedures, determining materiality, evaluating internal controls and performing walkthroughs, detail testing of significant accounts and completing audit programs. She also analyzes valuations prepared by clients and third parties.

Breanne earned two Bachelor of Science degrees from Pennsylvania State University, one in finance and one in accounting.

**Related Experience in the Past Five Years:** Breanne provides monthly consulting services for a registered investment advisor with more than \$1 billion in assets under management. Her clients include Angeles Investment Advisors, Camden Capital, ClearLight

Partners, P10 Holdings (True Bridge Capital Partners), the California Infrastructure Fund I, LP, Chimera Royalty Fund, SP Asset Management and West Coast Financial.





#### Rachel Tominaga | Associate, Assurance Services

Rachel is an associate in the firm's investment funds practice, where she performs external audits and other services for a variety of hedge funds, private equity funds, venture capital funds and broker/dealers.

#### Rachel says:

My favorite core value is "**Keep** perspective: Be passionate and diligent, and have fun." Keeping perspective is really important because it's easy to get wrapped up in trivial matters, so taking a step back every now and then makes work and life more enjoyable. Rachel plans and executes financial audits, responsible for tasks such as performing risk assessments, determining materiality, evaluating internal controls, performing internal control walkthroughs, and performing detail testing of cash, investments and equity. She also has experience performing SOC 1, Type 2, assessments for a fund administrator and performing Sarbanes-Oxley compliance procedures for a financial institution.

Rachel earned a bachelor's degree in economics and accounting from the University of California, Santa Barbara.

**Related Experience:** Rachel's clients have included Angeles Investment Advisors, Atwater, ClearLight, REMY

Capital Partners and Armitrage Street, among others.





#### Janvi Tahilramaney | Associate, Assurance Services

An associate in the firm's investment funds practice, Janvi she performs external audits and other services for a variety of hedge funds, private equity funds, venture capital funds and broker/dealers.

Janvi plans and executes financial audits, responsible for tasks such as performing risk assessments, determining materiality, evaluating internal controls, performing internal control walkthroughs, and performing detail testing of cash, investments and equity. She also provides consulting services for a registered investment advisor with more than \$1 billion in assets under management.

Janvi earned a Master of Science in accounting from Loyola Marymount University and a bachelor's degree in accounting and finance from the University of Mumbai.

#### Janvi says:

My favorite core value is "**Act with integrity, no matter what**." I am a person with high moral values and I'm always committed to act in the best interest of the firm. In matters of principle, I stand like a rock; in matters of service, I'm there 'round the clock! Related Clients: Janvi has worked for clients such as Angeles Investment Advisors, Alpha Edison, Mitchell Partners, Karmel Capital and Camden Capital.



### Audit and Consulting Services Experience

Weaver has experience in all of the areas called out in the RFP, including co-sourced audits focused on knowledge transfer, where we train client staff and help them build the capability to eventually take on risk management and internal audit tasks internally. We have done such training and handoffs to agencies such as the Permanent School Fund in Texas, for example, which is a \$30 billion investment fund used to pay for public K-12 and higher education in that state. Following are some examples of work we have done for clients within the past five years.



#### EXTENSIVE EXPERIENCE

With numerous retirement system clients, we understand the needs of both LACERA and the employees who rely on you.

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#### INTEGRATED SERVICES

Our focused audit and advisory professionals provide integrated, efficient and comprehensive services tailored to your needs.



#### responsive leadership

We're there when you need us, with hands-on leadership from day one. And with Weaver, you can be sure we answer when you call.

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#### TAILORED TO YOUR NEEDS

With years of experience in all three focus areas, Weaver has the depth needed to tailor our team to your evolving needs over time.

Organizational Activities				
Client	Project Description			
Employees Retirement System of Texas	Weaver provides ERS with co-sourced internal audits, including audits performed of agency procedures and processes governing investment accounting and operations over the entire investment portfolio, ongoing due diligence and valuation of alternative assets. Weaver has also performed an audit of the investment manager's incentive package, and fund management audits involving funds of more than \$7 billion.			
Texas Municipal Retirement System	Weaver has performed audits of their real estate investments, as well as management audits of investment accounting. We also provide co-sourced internal audit services, and specifically performed audits over the agency procedures and processes governing investment accounting and operations, ongoing due diligence and valuation of real estate assets. Weaver performed a post-implementation audit of their mortality tables database. We also performed internal audits involving alternative investment funds, which comprise 6% of the portfolio, or more than \$1.3 billion.			
Cancer Prevention and Research Institute of Texas	CPRIT is a \$3 billion cancer research endowment and grant-making organization. Weaver assisted with the development of their initial risk- based grant management program, including training and the development of a fraud hotline. The firm currently serves as CPRIT's internal auditor of record.			

#### LACERA Auditing and Consulting Services Audit Pool Weaver and Tidwell, L.L.P. | Page 38



Client	Project Description
Texas Windstorm Insurance Association	Weaver provides the complete outsourced internal audit function, including risk assessment, preparation of internal audit plan, executing internal audits and producing annual internal audit reports. Weaver also consulted with TWIA on the development of a Self-Evaluation Report, a formal organizational assessment preceding Sunset review.
REDACTED	REDACTED
REDACTED	REDACTED
REDACTED	REDACTED
Austin Community College	In 2015, Weaver worked with ACC to create its comprehensive internal audit program: risk assessment and internal audits over campus operations, admissions, financial aid, student services, information technology, human resources, payroll, purchasing, construction, and grant monitoring and administration.
Texas Department of Information Resources	First qualified as a DIR service provider in 2013, Weaver performed a co-sourced internal audit over DIR governance processes in 2016. The assessment was designed to determine the maturity of DIR's overall governance, as well as governance specific to the IT function.
City of Houston	Weaver has performed a variety of organizational engagements for Houston, most recently a consulting engagement to evaluate and provide recommendations to address pay disparity among select departments and the development of the methodology for incorporating performance-based budgeting throughout the City.
Texas Farm Bureau	Texas Farm Bureau has two insurance companies which require compliance with the NAIC Model Audit Rule regulation. Weaver assisted TFB with the design and documentation of the controls, and the annual test of effectiveness of the applicable internal controls over financial reporting, including ITGCs.
North Texas Tollway Authority	Weaver performed multiple engagements for the internal audit department at NTTA since 2013, including a cybersecurity audit in 2018 and a refresh of the organization's Enterprise Risk Assessment.



### Information Technology

Client	Project Description
Employees Retirement System of Texas	Weaver provides ERS with a full range of IT and risk advisory services, including database audits, security framework-based risk assessments and technical reviews of security processes. Weaver has worked with ERS to assess and prioritize processes based on security risks, as well as review configurations associated with deployed security tools. Weaver worked with ERS to ensure that security-related assets were properly identified, and perform a data loss prevention internal audit.
Texas Department of Information Resources	As part of a co-sourced internal audit, Weaver audited DIR's IT governance, consisting of the leadership, organizational structure, policies and processes that ensure the agency's IT function supported the organization's strategic objectives. As part of the assessment, we also developed and customized governance and IT governance maturity models for ongoing use. Most recently, our team completed an audit of the network security operations center.
REDACTED	REDACTED
REDACTED	REDACTED
Texas Windstorm Insurance Association	Weaver has assisted Texas Windstorm Insurance Association with management's Model Audit Rule compliance monitoring and internal audits. Previous internal audits have included application development, IT Security, Business Continuity and Database and Application administration.
City of Houston	Weaver has performed a variety of IT engagements for Houston, most recently a pre-implementation review of the InforPublic Sector (IPS) system to replace the City's mainframe legacy billing system. The project resulted in a number of recommendations that helped reduce implementation risks to acceptable levels.
North Texas Tollway Authority	Weaver completed internal audit and cybersecurity assessment services in 2019, with a focus on evaluating the effectiveness of frameworks, policies, procedures, implementation, training and an incident response program.



Client	Project Description
Texas Farm Bureau	Texas Farm Bureau has two insurance companies which require compliance with the NAIC Model Audit Rule regulation. Weaver assisted TFB with the design and documentation of the controls, and the annual test of effectiveness of the applicable internal controls of over financial reporting, including ITGCs.
REDACTED	REDACTED
REDACTED	REDACTED
REDACTED	REDACTED

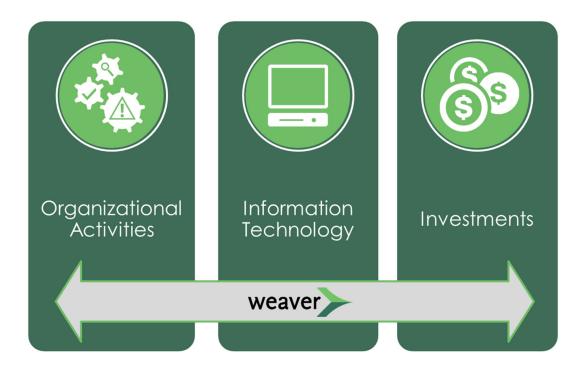


#### Investments

Client	Project Description		
Employees Retirement System of Texas	Weaver provides ERS with a full range of IT and risk advisory services, including database audits, security framework-based risk assessments and technical reviews of security processes. Weaver has worked with ERS to assess and prioritize processes based on security risks, as well as review configurations associated with deployed security tools. Weaver most recently worked with ERS to ensure that security-related assets were properly identified.		
Texas Permanent School Fund	Weaver has provided a variety of assurance and accounting services to the fund — which holds assets exceeding \$30 billion — since 2007.		
Texas Lottery Commission	Weaver has performed the Lottery's annual financial audit since 2013, and since 2017 has performed ongoing compliance monitoring of multiple Lottery drawings each day. Weaver has also helped the agency implement new GASB standards, improve financial reporting and identify duplicate payments to vendors through data analytics.		
Texas General Land Office	Weaver provides consulting services on accounting and financial reporting for GLO investments, particularly real estate investments.		
Houston Municipal Employees Pension System	Weaver has audited the employee pension plan since 2017.		
REDACTED	REDACTED		



Client	Project Description
REDACTED	REDACTED
REDACTED	REDACTED



Weaver is a one-stop shop offering LACERA experienced support across all three domains.



### Sample Audit Report

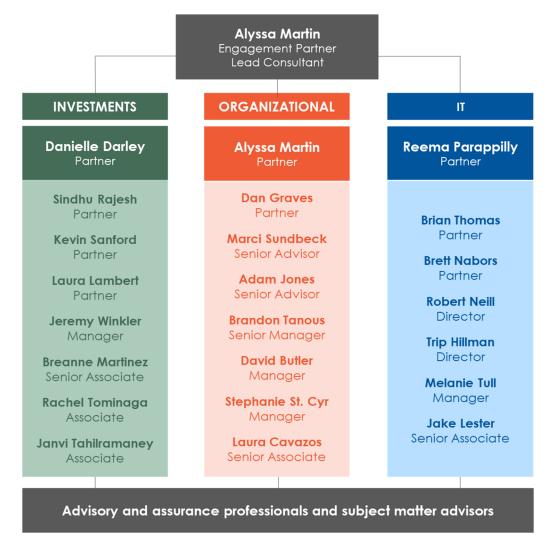
REDACTED



## 5. Assigned Professionals

### Team Organization

Alyssa Martin will serve as lead consultant for LACERA. Her resume, and those of the other professionals staffing your audits and consulting projects, were provided in the prior section. The organization of the team is illustrated below.



For details of these professionals' education, background and relevant experience, see Section 4.

Weaver believes that success is built on relationships. These professionals are committed to support LACERA on a regular, long-term basis. Alyssa Martin, the lead consultant, and the rest of the team will be available to support you when you need them.



### Diversity, Inclusion and Culture

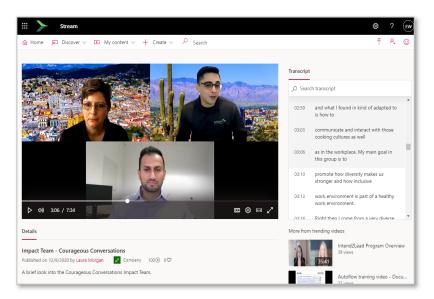
Weaver is committed to creating a work environment that values the contributions of its employees, embraces their diverse backgrounds, cultures and experiences and is conducive to the acceptance and implementation of diversity principles and practices. This workplace diversity policy recognizes that all people have different qualities, skills, values, qualifications, experiences and beliefs. Valuing and embracing these differences can enhance the working environment, overall performance of the organization and the community in which we live.

Workplace diversity maintains the basic principles of Equal Employment Opportunity (EEO) and the Equal Employment Opportunity Commission's (EEOC) standards. Weaver's workplace diversity plan includes measures to address employment and related disadvantages of a number of identified groups.

#### Inspire: Weaver's Inclusion Initiative

Promoting diversity among our staff helps position us as a stronger, more competitive firm in the marketplace. We've created a firmwide, year-round inclusion initiative, called Inspire, which is focused on attracting and retaining the next generation of leaders through visibility, progression and advocacy.

Inspire was launched in 2005 as a career development initiative designed to enhance recruitment and retention efforts, while also promoting, motivating and advancing the careers of our female professionals to whatever level they aspired. We recognize that the workforce is more diverse than ever, and all employees face challenges that deserve a platform for discussion and support. So in 2018, the scope of Inspire evolved to become inclusive of all people at Weaver, regardless of gender. Through Inspire, we lift up our entire workforce with resources and programs that are as diverse as our people.



#### Sample video from the "Courageous Conversations" Impact Team, part of Weaver's diversity and inclusion initiative.

In 2020, Weaver launched the Impact Teams program, inviting staff-level organization of teams to address issues that concern our employees. Four teams were created in the first six months:

Empower — To discuss specific challenges that women face in the accounting industry

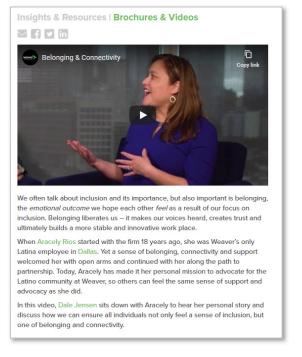
**Expand the Reach** — To create awareness of under-represented people and channel recruiting efforts to enable more diversity within business majors at universities



**Courageous Conversations** — To take steps to support multiculturalism in the workplace while educating our employees and building a positive and inclusive work environment

LGBTQ+ Awareness and Networking — To support gay, lesbian, bisexual, transgender and queer employees, as well as any other employees who want to work toward creating a more inclusive environment at Weaver

At Weaver, we know that genuine inclusion makes our industry, communities and organization better for everyone, which is why we are proud of the gender equality we have achieved, and we continue to work on improving representation of all types.



Aracely Rios, CPA, talks about her journey to partner and her ongoing work to recruit new employees from under-represented communities.



#### Policies and Oversight

Weaver's anti-discrimination and anti-harassment policies are provided in the attachments. The firm's Director of Human Resources, Demetrice Branch, is responsible for overseeing and enforcing these policies nationwide. Weaver has had no judicial, regulatory or other legal finding, formal action or claims related to equal employment opportunity, workplace discrimination or sexual harassment during the past 10 years.



# 6. Quality Control/Peer Review

#### Engagement Quality

Attention to quality and multiple quality-assurance processes are built into every Weaver engagement from inception. From seasoned partners to the newest associates, all Weaver professionals understand that our commitment to quality requires thoughtful planning, consistent follow-through and attention to detail.

We start by ensuring that audit staff have the knowledge and experience required to carry out their responsibilities. Recognizing that supervisors and other reviewers can complement that knowledge, our policies and procedures also provide for consultation on significant matters and multiple layers of technical review.

Automated error-checking tools are used when appropriate, but we never consider them a substitute for thoughtful management review and oversight to deliver the highest quality work possible. During planning, we work with you to properly define the performance standards, including the overall goals, schedule, staffing requirements (in number and experience/skills required) and deliverable requirements.

At end of the engagement, we hold an exit conference to discuss results, including any findings and observations. We will also discuss what went well or what could be changed, so we can incorporate that knowledge into our future delivery of services.

#### Firmwide Quality

Weaver has created and adheres to a quality control document (QCD) that demands integrity, objectivity, competence and diligence from our professionals in all engagements, whatever their nature. We demand independence in fact and appearance in engagements where independence is required by applicable laws, regulations or requirements of professional societies. We take steps to ensure that personnel assigned to engagements have the professional and specialized knowledge required to carry out their responsibilities, recognizing that supervisors, other reviewers and consultants can complement that knowledge.

These quality control guidelines mandate that our engagement teams retain sufficient evidence to substantiate the procedures we performed on the engagement. Such work papers are retained for a minimum of three years, at the firm's expense. As a matter of practice, we offer to make a copy of all work papers available to clients. Our QCD is an important document that memorializes the philosophy of our practice, which is a firm commitment to excellence. More specifically, to achieve high-quality professional performance, Weaver has adopted policies and procedures that implement the quality control standards established by the AICPA.

Our Quality and Risk Management Committee oversees the firm's performance with regard to quality control. In addition, Weaver's successful performance in external peer reviews, conducted every three years, further demonstrates the effectiveness of our quality assurance efforts.



### External Quality Control and Peer Review

External peer review is designed to give the public additional confidence in the quality of our audit and accounting practice. As such, every three years, the firm engages an independent accounting firm to determine whether our quality control policies and procedures are suitably designed, and whether our techniques for implementing these policies and procedures comply with professional standards.

Each peer review has also included a review of governmental audit engagements, as mandated by AICPA Peer Review standards and GAQC requirements.

Weaver has received unmodified reports on every peer review to date.

Ultimately, peer review is administered by the AICPA National Peer Review Committee (NPRC). Our latest peer review was accepted by the NPRC in February 2020; Weaver received a pass rating, the highest grade possible.

#### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Weaver and Tidwell, LLP. applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Weaver and Tidwell, LLP. has received a peer review rating of pass.

Ede Bailly LLP

Eide Bailly LLP



CPAs & BUSINESS ADVISORS

#### Report on Firm's System of Quality Control

October 16, 2019

To the Partners of Weaver and Tidwell, L.L.P. and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Weaver and Tidwell, LL.P. (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at <u>www.aicpa.org/orsummary</u>. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

#### Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

#### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

#### **Required Selections and Considerations**

Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act; audits of employee benefit plans, an audit performed under FDICIA, an audit of a broker-dealer, and examinations of service organizations [SOC 1 and SOC 2 engagements].)

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

#### What inspires you, inspires us. | eidebailly.com

U.S. Bancorp Center | 800 Nicollet Mall, Ste. 1300 | Minneapolis, MN 55402-7033 | T 612.253.6500 | F 612.253.6600 | EOE



# 7. Client References

At Weaver, we believe the best indicator of our performance is our clients themselves. We grant consent and encourage you to contact any of the references provided below to discuss the knowledge of our team, the quality of our approach and our commitment to client service.

#### **Employees Retirement System (2013-present)**

Weaver provides ERS with co-sourced internal audits, including audits performed of agency procedures and processes governing investment accounting and operations over the entire investment portfolio, ongoing due diligence and valuation of alternative assets. In the pandemic, we assessed ERS's remote technology processes based on the increase in remote work in 2020. Weaver has also performed an audit of investment accounting, customer service/call center, the investment manager's incentive package, and fund management audits involving funds of more than \$7 billion.

Primary Contact: REDACTED

#### Texas Municipal Retirement System (2014–2016)

Weaver has performed audits of their real estate investments, as well as management audits of investment accounting. We also provide co-sourced internal audit services, and specifically performed audits over the agency procedures and processes governing investment accounting and operations, ongoing due diligence and valuation of real estate assets. Weaver performed a post-implementation audit of their mortality tables database. We also performed internal audits involving alternative investment funds, which comprise 6% of the portfolio, or more than \$1.3 billion.

Primary Contact:: REDACTED

**REDACTED (2017-present)** 

REDACTED

Primary Contact: REDACTED



# 8. Project Planning and Approach

Weaver's audit and consulting pool approach will never leave you in the deep end. Using a consistent framework, we will customize a team and approach to address LACERA's specific needs of the moment, whether that is an outsourced internal audit, consulting assistance, or a co-sourced project culminating in training that leaves your staff with the tools and knowledge to perform the work themselves next time.

The following framework provides a conceptual scaffolding on which we build the individual objectives, procedures and documentation for each unique engagement.

REDACTED — PROPRIETARY TECHNICAL APPROACH



## 9. Potential Conflicts

## a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.

Weaver has completed its due diligence procedures as part of the internal client acceptance process, and no conflicts of interest were identified.

## b) Describe any potential conflicts of interest with the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.

No such conflicts have been identified.

## c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.

No such conflicts have been identified.

# 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.

No such conflicts have been identified. As a CPA firm, Weaver has well-established client acceptance procedures to safeguard against future conflicts or threats to independence. We would not accept new work that created a conflict or independence issue with an existing client.

# 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).

No such relationships have been identified.

# 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.

No such gifts have been identified.

#### 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.

No such conflicts have been identified, and no special assistance will be required.



## 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.

#### REDACTED

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.

#### REDACTED

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.

#### REDACTED

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.

#### REDACTED

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.

REDACTED



## 11. Terms and Conditions

Weaver agrees to LACERA's terms and conditions as provided in the RFP. If selected, we will provide an audit engagement letter for LACERA's signature.



## 12. Fee Schedules

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

#### 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 Consulting Audits		Co-source Consulting	Training
Engagement Types	Maximum	Maximum	Maximum	Maximum	Maximum
	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate	Hourly Rate
Management Levels	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190
Staff Levels	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150

#### INFORMATION TECHNOLOGY

Engagement Types	Audits	Co-source Audits	Consulting	Co-source Consulting	Training	Cyber- security
	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate
Management Levels	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190	\$ 205
Staff Levels	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 165

#### INVESTMENTS

	Audits	Co-source	Consulting	Co-source	Training
Engagement Types		Audits		Consulting	
Engagement Types	Maximum	Maximum	Maximum	Maximum	Maximum
	Hourly Rate				
Management Levels	\$ 190	\$ 190	\$ 190	\$ 190	\$ 190
Staff Levels	\$	\$ 150	\$ 150	\$ 150	\$ 150



## Attachments

- Certificates of Insurance
- Weaver Nondiscrimination Employment Policy
- Weaver Anti-Harassment Employment Policy

ATTACHMENTS CONTAIN CONFIDENTIAL AND PROPRIETARY INFORMATION, AND HAVE THEREFORE BEEN REDACTED..

# L///.CERA

March 30, 2021

TO: 2021 Audit Committee Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez

> Audit Committee Consultant Robert H. Griffin

FROM: Richard P. Bendall Chief Audit Executive

Nathan K. Amick Internal Auditor

FOR: April 23, 2021 Audit Committee Meeting

#### SUBJECT: Death Legal Unit Audit Amendment to Report

Internal Audit has amended the Death Legal Unit audit report, initially issued on February 1, 2021, to clarify the language in the Observation section of Finding #2 on page 5 of 11. The Observation was reported factually correct in the original audit report but needed additional context to help the reader fully understand the situation.

As requested by the Audit Committee on Feb 19, 2021, we have attached the amended report, and a red-line version of original with the changes to the report.

#### RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

- 1. Accept and file report;
- 2. Instruct staff to forward report to Boards or Committees;
- 3. Make recommendations to the Boards or Committees regarding actions as may be required on audit findings; and/or
- 4. Provide further instruction to staff.

Death Legal Unit Audit Amendment to Report March 30, 2021 Page 2 of 2

#### ENGAGEMENT REPORTS

- A. Death Legal Unit Audit Amended VersionB. Death Legal Unit Audit, Red-Line Version

Attachments

RPB:nka

### ATTACHMENT A



### LACERA INTERNAL AUDIT DIVISION

### **DEATH LEGAL UNIT AUDIT**

February 1, 2021

#### **AUDIT PERFORMED BY:**

Nathan Amick, CIA Internal Auditor

AUDIT REPORT
--------------

Audit Name:	Death Legal Unit Audit
<b>Responsible Division:</b>	Benefits Division
Audit Rating <sup>*</sup> :	Opportunities for Improvement
Prior Audit Rating:	Not Applicable
Prior Report Date:	Not Applicable

#### BACKGROUND

The Death Legal Unit (DLU) within the Benefits division is responsible for reviewing and processing member death benefits and legal documents related to members and member benefits.

Member death processing includes, but is not limited to, the determination of survivor continuance payments, minor child survivor continuance payments, and burial benefits. The key objectives in processing these benefits are to ensure the validity and eligibility of survivors and other payees as well as to ensure the accuracy of survivor benefits and other payments. Errors may result in overpayments or underpayments, which in the case of survivor continuances, can grow exponentially over time.

Legal processing includes, but is not limited to, processing divorce documents and calculating legal splits at the time of retirement, minor child guardianship documents, power of attorney documents, trust and estate documents, and conservatorship documents. Reviewing and assessing such documents is essential as these documents have a direct effect on determining who is an eligible survivor/beneficiary to be paid, and the amount of the benefit to be paid.

#### AUDIT OBJECTIVE AND SCOPE

The objectives of this audit were to assess the key controls within the DLU in the following areas:

- Assess the adequacy of documented policy and procedures to ensure staff are completing processes/transactions in the prescribed manner.
- Evaluate the effectiveness for the management of workloads to prevent backlogs, timeliness of case processing, case management/tracking, management of aging cases, management of unclaimed benefits, and the measurement of staff metrics and productivity.
- Assess key controls for accuracy of transactions, i.e., benefit calculation, payee eligibility, and appropriate supporting documentation (POA docs, Marriage Dissolution documents, Marriage Certificates, Claim Forms, etc...).

The scope of this audit was a high-level review of DLU's current policies and procedures and related controls, queues, and staff metrics to ensure the group is operating effectively and efficiently. This review did not include testing of the accuracy of legal split calculations at retirement or the processing of death benefits.

The audit was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

<sup>&</sup>lt;sup>\*</sup> See Appendix 1 for Audit Rating

Death Legal Unit Audit February 1, 2021 Page 3 of 11

#### AUDIT RATING AND SUMMARY OF FINDINGS

Overall, we found that approximately 80 percent of DLU's workload is supported by well documented policies and procedures, specifically as related to death processing and the determination of survivor continuance benefit payments, POAs, and Legal Splits.

However, we did find **Opportunities for Improvement** related to the need to develop policies and procedures, to strengthen controls surrounding unclaimed benefits, to improve the effectiveness for managing workloads, and to strengthen the controls for the tracking of death cases.

5		0	
Ref.	Page	Findings	<b>Risk Rating</b> <sup>**</sup>
F1	4	No Documented Policy or Procedure	Low
F2	5	No Criteria for Determining Unclaimed Accounts	Medium
F3	6	Service Level Expectations Do Not Effectively Manage	Medium
		Workloads	
F4	7	Workspace Does Not Provide Automate Case Tracking for	Medium
		Pending Death Cases	

#### Summary of Findings

The above findings are detailed in the following pages, including our recommendations and management action plans.

Additionally, during the performance of our audit we noted areas outside of our audit scope that will be evaluated as part of the 2021-22 Audit Plan. See Appendix 3 for the "Additional Risk Assessment" performed.

We thank the Benefits Division for their cooperation with this audit.

#### **REVIEWED AND APPROVED**

Richard P. Bendall *Chief Audit Executive* 

#### **REPORT DISTRIBUTION**

2021 Audit Committee	Santos H. Kreimann, CEO	Carlos Barrios, Benefits Division Manager
2021 Plante Moran Audit Team	J.J. Popowich, AEO	Internal Audit Group
Robert H. Griffin, Audit Committee Consultant	Steven Rice, Chief Legal Counsel	

Date: February 1, 2021

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

No Documented Policy or Procedure for Six of the Nine Work Queues	Risk Rating**	
	Low	

#### **OBSERVATION**

DLU staff is responsible for processing transactions that reside in nine different queues within WorkSpace. Our audit disclosed that documented policies and procedures exist for the three work queue areas that constitute approximately 80 percent of DLU's workload (Death Notification, Dissolution, and Seamless). There are no documented policies and procedures for the remaining six work queues which constitute approximately 20 percent of the DLU's workload (POA, Payment Corrections, Conservator, Wage Assignments, Active Death Pension Verification, and Death Legal Misc. Correspondence).

Policies and or procedures are a control element designed to help ensure that management directives are carried out as prescribed. They help ensure that necessary actions are taken to address organizational objectives. Clearly defined policies and procedures provide the basis to train staff and to ensure consistent and accurate processing.

#### RISK

The absence of policy and procedure may result in improper or inconsistent processing of transactions causing an overpayment or underpayment, which if not corrected can compound over time. Additionally, the absence of policy and procedure increases the risk related to business continuity should DLU experience substantial staff turnover.

Since DLU management has policies and procedures for the work queues that make-up approximately 80 percent of its workload, we have rated this risk as a low.

#### RECOMMENDATION

For the six queues that have no documented policy or procedure, we recommend management implement policies and/or procedures for the related processes.

#### MANAGEMENT'S RESPONSE

The Benefits management agrees with the recommendation and has continued its efforts to develop policies and procedures for the remaining queues. The existing methods are currently under review to identify further development of the processes involved with the work queues, and any new methods will be incorporated into the policies and procedures.

#### TARGET COMPLETION DATE

January 29, 2022.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

No Criteria for Determining Unclaimed Accounts	<b>Risk Rating</b> <sup>**</sup>	
	Medium	

#### **OBSERVATION**

Unclaimed accounts are those accounts that have a balance or benefit to be paid, but LACERA is unable to contact or identify the eligible payee. Unclaimed accounts that remain pending/open for lengthy periods of time could subject these accounts to increased risk. Due to a known fraud that occurred on unclaimed accounts prior to the digitalization of member files and the establishment of Workspace, Benefits Management implemented a control within Workspace to lock unclaimed accounts. Locked unclaimed accounts can only be unlocked by the Benefits Division Manager.

However, we found there is no criteria to determine and label accounts as unclaimed and then lock them. Currently the determination to label an account as unclaimed is arbitrarily determined by DLU staff on a case by case basis.

#### RISK

The arbitrary determination of the unclaimed status leaves the potential for such accounts to remain pending/open for lengthy periods of time and creates a window of opportunity for fraud to be committed in this area, again.

#### RECOMMENDATION

We recommend management implement a procedure, which includes criteria to determine when an account is to be labelled as an "unclaimed account" and locked.

#### **MANAGEMENT'S RESPONSE**

The Benefits management agrees with this recommendation. They will address the resolution of this recommendation in three phases:

Phase I: As an immediate remedy, Benefits will work with Systems to identify all unlocked, deceased accounts that remain for more than a year and lock the accounts.

Phase II: Benefits will work with PMG to draft business rules for when these accounts should be locked.

Phase III: Benefits will work with Systems to create an automated process to lock the accounts.

#### TARGET COMPLETION DATE

March 31, 2021: Lock all unlocked accounts

May 1, 2021: Approved business rule

July 29, 2021: Automated process in place

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

Service Level Expectations Do Not Effectively Manage Workloads	<b>Risk Rating</b> **		
	Medium		

#### **OBSERVATION**

During our high-level review of queue maintenance, we observed that the DLU management makes a concerted effort to manage its queues using Service Level Expectations (SLE) reports and a weekly production report. However, we were informed by management that in the past there was a coordinated effort to align the SLE's in Benefits with the processing times quoted to members by Member Services. The two divisions met and developed agreed-upon SLEs they determined to be reasonable based on an understanding of member expectations and feedback, as well as the processing capabilities of Benefits.

Over time, a divergence from these agreed-upon SLEs occurred to where now we noted that the Benefits' SLEs are generally based on the Benefit's Division Manager's experience of actual processing time with input from the Division's Section Heads. These efforts identify SLEs by document type as well as combinations of document types comprising specific member processes. During discussions with Executive and Division Management, we noted that Benefits' SLEs no longer necessarily align with Member Services or organizationally determined SLEs communicated to members. They are often aggregated sub-processes of the Members Services' SLEs. Some are performed in parallel and others sequentially but in aggregate often do not meet the SLEs communicated to members by Member Services per their operating instructions (OIs).

#### RISK

The risk of each division independently developing SLEs may result in the misalignment of expectations and impact the ability of the organization to deliver the promised service to members. Alignment also, impacts the organizations ability to manage backlogs consistently and transparently, as well as staff productivity.

#### RECOMMENDATION

We recommend the Benefit's Division Process Management Group (PMG) coordinate the determination of organizationally accepted and agreed-upon service level expectations (SLEs) for death and legal processing between Member Services and Benefits.

#### **MANAGEMENT'S RESPONSE**

The Benefits management agrees with the recommendation. The Benefits management agrees to work with PMG and Member Services management to draft a proposal to the Executive Office for adoption that includes the following:

- 1) Agreed upon SLEs for both sub-processes and in aggregate that can be communicated by Member Services per the Operating Instructions (OI).
- 2) A policy and procedure outlining a scheduled review of the SLE to ensure they are relevant and appropriate.

#### TARGET COMPLETION DATE

July 29, 2021.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

Workspace Does Not Provide Automate Case Tracking	for Pending Death Risk Rating**
Cases	Medium

#### **OBSERVATION**

Workspace does not provide automated case tracking for pending death cases. Currently, the DLU uses an Access database to track pending death cases. This Access database, was created by the former Benefits Division Manager, is not supported, or maintained by the Systems division, and requires considerable manual input. While this database is helpful in maintaining a list of pending cases, it is only marginally effective and efficient with regards to processing cases timely.

The tracking of member cases, not just within the DLU but throughout LACERA, is an essential function to ensure accurate and timely processing of member transactions. Automated processes (non-manual) enable precise operational capabilities, reducing errors and saving time. The automation of tasks also assists ensuring consistency when these tasks are processed.

#### RISK

The lack of an integrated case management system in Workspace and the use of an independent database that relies on manual inputs by staff risks the effectiveness, efficiency, and reliability of timely and complete processing of pending death cases.

#### RECOMMENDATION

As of March 2020, the Case Management project is one of the organization's "top four Strategic Plan goals" with a workgroup meeting regularly to move the project forward. The workgroup has identified 23 processes, one of which is death processing that would address this risk.

We recommend Benefits Management work with the Executive Office and the Systems Division to develop a plan and timeline to address the implementation of the death processing through the Case Management project.

#### **MANAGEMENT'S RESPONSE**

The Benefits management agrees with a recommendation to work with the Executive Office and Systems Division to develop a plan and timeline by July 29, 2021.

#### TARGET COMPLETION DATE

July 29, 2021.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

Death Legal Unit Audit February 1, 2021 Page 8 of 11

#### APPENDIX 1 AUDIT RATING SCALE

Internal Audit issues three standard audit report evaluations as defined below:

#### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

#### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

#### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

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#### APPENDIX 2 FINDING'S RISK RATING SCALE

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	ating Financial Internal Controls Compliance		Compliance	Reputational	Executive Management
High	Large financial impact to LACERA or members Actions not aligned with fiduciary responsibilities	Missing or inadequate key internal controls Not adequate to identify fraud, noncompliance or misappropriation	Noncompliance with applicable Federal or state laws or LACERA's policies	High probability for external audit issues and/or negative public perception	Important critical business process identified by Exec Office Requires immediate attention
Medium	Moderate financial risk to LACERA or members Actions could be better aligned with fiduciary responsibilities	Partial key internal controls Not adequate to identify noncompliance or misappropriation in timely manner	Inconsistent compliance with applicable Federal or state laws or LACERA's policies	Potential for external audit issues and/or negative public perception	Relatively important May or may not require immediate attention
Low	Low financial impact to LACERA or members	Internal controls in place but not consistently efficient/effective Implementing / enhancing controls could prevent future problems	General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist	Low probability for external audit issues and/or negative public perception	Lower significance Does not require immediate attention

1	Key Objectives or Key Performance Indicator	Risks Related to Objective	Likelihood H, M, L	Impact H, M, L	Management's controls over risk	Control Description Type Automation Frequency	Control Effectiveness 1 (weak) - 5 (strong)	Auditor Comments
	1. Processing payments as the result of Legal Splits.	1. Staff inappropriately processes Legal Split payments.	Medium	Low	Key Controls: Documented policy & procedure. Complex matters are forwarded to the Legal Office. Management's Comments: Policy & procedure documents are voluminous.	Directive Manual Transactional	2	Based on the risk & control analysis, IA will be evaluating these risks in our upcoming Annual Risk Assessment.
					Key Controls: Supervisor reviews all Legal Split payments prior to completion. Complex matters are forwarded to the Legal Office. Management's Comments: Policy & procedure documents are voluminous.	Preventative Manual Transactional	2	
	2. Processing death notifications and related payments	2A. Staff incorrectly process death related payments	Low	Low	Key Controls: Documented policy/procedures, system performs all calculations, majority of staff are highly experienced. Manage ment's Comments: Survivor payments are very straight forward / not complex calculations and are performed by the system.	Directive & Preventative Automated Transactional	4	
		2B. Delayed/unprocessed claims	Medium	Medium	Key Control: Service Level Expectation (SLE) Criteria and SLE Report, Death Log Management's Comments: SLE report identifies pending claims that have not been processed within the required criteria. Death log track cases through completion (outside of the system).	Detective Manual Weekly	2	Based on the risk & control analysis, IA will be evaluating these risks in our upcoming Annual Risk Assessment.
		2C. Unclaimed Benefits	Medium	Low	Key Control: Unclaimed accounts are locked and can only be unlocked by Div. Manager. Those with unclaimed benefits are added to the "Persons of Interest" list. Management's Comments: See above control	Preventative Manual 2 Transactional		
	8. Processing LACERA POA form	3. POA granted to ineligible person	Low	Low	Key Control: LACERA POA is a form created by LACERA that if properly filled out and witnessed or notarized, grants the necessary authority. Management's Comments: See above control	Directive Manual Transactional	4	Based on the risk & control analysis, no additional work at this time.

#### Appendix 3 Risk & Control Matrix for the Death Legal Unit

Death Legal Unit Audit January 29, 2021 Page 11 of 11

Key Objectives or Key Performance Indicator	Risks Related to Objective	Likelihood H, M, L	Impact H, M, L	Management's controls over risk	Control Description Type Automation Frequency	Control Effectiveness 1 (weak) - 5 (strong)	Auditor Comments
	4. POA granted to ineligible person	Medium	n Low	Key Control: Outside POAs are processed by the most skilled staff members. Management's Comments: External POAs are often complicated and DLU staff does not have the legal background to assess the document. Process and procedural documentation does not exist.	Preventative Manual Transactional	2	
4. Processing External POA document				Key Control: All outside POAs are reviewed by DLU Supervisor. Management's Comments: Same as above.	Preventative Manual 2 Transactional	Based on the risk & control analysis, IA will be evaluating these risks in our upcoming Annual Risk Assessment.	
				Key Control: Staff can request asstiance from the Legal Office if needed. Management's Comments: Same as above.	Preventative Manual Transactional	2	
5. Queue Level Maintenance & Staff Productivity	5. Excessive back logs & low productivity	Medium		Key Control: Service Level Expectation (SLE) Criteria, SLE Report, Death Log, Weekly Production Report Management's Comments: Down two staff and only one supervisor is performing reviews. It is management's assumption that if SLE's are met then Queues should remain. Death log assists staff in meeting SLEs by providing a more efficient tracking process than Workspace. Weekly Production Report reports Queue levels, including new incoming and pending objects, and objects recently competed.	Detective Manual & Automated Weekly	2	Based on the risk & control analysis, IA will be evaluating these risks in our upcoming Annual Risk Assessment.

#### Appendix 3 Risk & Control Matrix for the Death Legal Unit (continued)

# ATTACHMENT B



#### LACERA INTERNAL AUDIT DIVISION

#### **DEATH LEGAL UNIT AUDIT**

February 1, 2021

#### AUDIT PERFORMED BY:

Nathan Amick, CIA Internal Auditor Death Legal Unit Audit February 1, 2021 Page 2 of 11

#### AUDIT REPORT

Audit Name:	Death Legal Unit Audit			
<b>Responsible Division:</b>	Benefits Division			
Audit Rating*:	Opportunities for Improvement			
Prior Audit Rating:	Not Applicable			
Prior Report Date:	Not Applicable			

#### BACKGROUND

The Death Legal Unit (DLU) within the Benefits division is responsible for reviewing and processing member death benefits and legal documents related to members and member benefits.

Member death processing includes, but is not limited to, the determination of survivor continuance payments, minor child survivor continuance payments, and burial benefits. The key objectives in processing these benefits are to ensure the validity and eligibility of survivors and other payees as well as to ensure the accuracy of survivor benefits and other payments. Errors may result in overpayments or underpayments, which in the case of survivor continuances, can grow exponentially over time.

Legal processing includes, but is not limited to, processing divorce documents and calculating legal splits at the time of retirement, minor child guardianship documents, power of attorney documents, trust and estate documents, and conservatorship documents. Reviewing and assessing such documents is essential as these documents have a direct effect on determining who is an eligible survivor/beneficiary to be paid, and the amount of the benefit to be paid.

#### AUDIT OBJECTIVE AND SCOPE

The objectives of this audit were to assess the key controls within the DLU in the following areas:

- Assess the adequacy of documented policy and procedures to ensure staff are completing processes/transactions in the prescribed manner.
- Evaluate the effectiveness for the management of workloads to prevent backlogs, timeliness of
  case processing, case management/tracking, management of aging cases, management of
  unclaimed benefits, and the measurement of staff metrics and productivity.
- Assess key controls for accuracy of transactions, i.e., benefit calculation, payee eligibility, and appropriate supporting documentation (POA docs, Marriage Dissolution documents, Marriage Certificates, Claim Forms, etc...).

The scope of this audit was a high-level review of DLU's current policies and procedures and related controls, queues, and staff metrics to ensure the group is operating effectively and efficiently. This review did not include testing of the accuracy of legal split calculations at retirement or the processing of death benefits.

The audit was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

<sup>\*</sup> See Appendix 1 for Audit Rating

Death Legal Unit Audit February 1, 2021 Page 3 of 11

#### AUDIT RATING AND SUMMARY OF FINDINGS

Overall, we found that approximately 80 percent of DLU's workload is supported by well documented policies and procedures, specifically as related to death processing and the determination of survivor continuance benefit payments, POAs, and Legal Splits.

However, we did find **Opportunities for Improvement** related to the need to develop policies and procedures, to strengthen controls surrounding unclaimed benefits, to improve the effectiveness for managing workloads, and to strengthen the controls for the tracking of death cases.

#### **Summary of Findings**

Ref.	Page	Findings	<b>Risk Rating</b> <sup>**</sup>
F1	4	No Documented Policy or Procedure	Low
F2	5	No Criteria for Determining Unclaimed Accounts	Medium
F3	6	Service Level Expectations Do Not Effectively Manage Workloads	Medium
F4	7	Workspace Does Not Provide Automate Case Tracking for Pending Death Cases	Medium

The above findings are detailed in the following pages, including our recommendations and management action plans.

Additionally, during the performance of our audit we noted areas outside of our audit scope that will be evaluated as part of the 2021-22 Audit Plan. See Appendix 3 for the "Additional Risk Assessment" performed.

We thank the Benefits Division for their cooperation with this audit.

#### **REVIEWED AND APPROVED**

Richard P. Bendall Chief Audit Executive

Date: February 1, 2021

# REPORT DISTRIBUTION 2021 Audit Committee Santos H. Kreimann, CEO Carlos Barrios, Benefits Division Manager 2021 Plante Moran Audit Team J.J. Popowich, AEO Internal Audit Group Robert H. Griffin, Audit Committee Consultant Steven Rice, Chief Legal Counsel Internal Audit Group

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

Death Legal Unit Audit February 1, 2021 Page 4 of 11

#### FINDING #1

No Documented Policy or Procedure for Six of the Nine Work Queues	Risk Rating**
	Low

#### **OBSERVATION**

DLU staff is responsible for processing transactions that reside in nine different queues within WorkSpace. Our audit disclosed that documented policies and procedures exist for the three work queue areas that constitute approximately 80 percent of DLU's workload (Death Notification, Dissolution, and Seamless). There are no documented policies and procedures for the remaining six work queues which constitute approximately 20 percent of the DLU's workload (POA, Payment Corrections, Conservator, Wage Assignments, Active Death Pension Verification, and Death Legal Misc. Correspondence).

Policies and or procedures are a control element designed to help ensure that management directives are carried out as prescribed. They help ensure that necessary actions are taken to address organizational objectives. Clearly defined policies and procedures provide the basis to train staff and to ensure consistent and accurate processing.

#### RISK

The absence of policy and procedure may result in improper or inconsistent processing of transactions causing an overpayment or underpayment, which if not corrected can compound over time. Additionally, the absence of policy and procedure increases the risk related to business continuity should DLU experience substantial staff turnover.

Since DLU management has policies and procedures for the work queues that make-up approximately 80 percent of its workload, we have rated this risk as a low.

#### RECOMMENDATION

For the six queues that have no documented policy or procedure, we recommend management implement policies and/or procedures for the related processes.

#### MANAGEMENT'S RESPONSE

The Benefits management agrees with the recommendation and has continued its efforts to develop policies and procedures for the remaining queues. The existing methods are currently under review to identify further development of the processes involved with the work queues, and any new methods will be incorporated into the policies and procedures.

#### TARGET COMPLETION DATE

January 29, 2022.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

Death Legal Unit Audit February 1, 2021 Page 5 of 11

#### FINDING #2

No Criteria for Determining Unclaimed Accounts	Risk Rating**	
	Medium	

#### **OBSERVATION**

Unclaimed accounts are those accounts that have a balance or benefit to be paid, but LACERA is unable to contact or identify the eligible payee. Unclaimed accounts that remain pending/open for lengthy periods of time <u>could subject these accounts to increased risk</u>. Due to a known fraud that occurred on unclaimed accounts prior to the digitalization of member files and the establishment of Workspace, Benefits Management implemented a control within Workspace to lock unclaimed accounts. Locked unclaimed accounts can only be unlocked by the Benefits Division Manager.

However, <u>we found</u> there is no criteria to determine and label accounts as unclaimed and then lock them. Currently the determination to label an account as unclaimed is arbitrarily determined by DLU staff on a case by case basis.

#### RISK

The arbitrary determination of the unclaimed status leaves the potential for such accounts to remain pending/open for lengthy periods of time and creates a window of opportunity for fraud to be committed in this area, again.

#### RECOMMENDATION

We recommend management implement a procedure, which includes criteria to determine when an account is to be labelled as an "unclaimed account" and locked.

#### MANAGEMENT'S RESPONSE

The Benefits management agrees with this recommendation. They will address the resolution of this recommendation in three phases:

Phase I: As an immediate remedy, Benefits will work with Systems to identify all unlocked, deceased accounts that remain for more than a year and lock the accounts.

Phase II: Benefits will work with PMG to draft business rules for when these accounts should be locked.

Phase III: Benefits will work with Systems to create an automated process to lock the accounts.

#### TARGET COMPLETION DATE

March 31, 2021: Lock all unlocked accounts

May 1, 2021: Approved business rule

July 29, 2021: Automated process in place

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** See Appendix 2 for Finding's Risk Rating
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Delete theft of	<b>d:</b> were successfully targeted for fraud resulting in funds.
Delete	<b>d:</b> ,
Delete	<b>d:</b> To prevent additional fraud,
Delete	d:

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#### FINDING #3

Service Level Expectations Do Not Effectively Manage Workloads	Risk Rating**	
	Medium	

#### **OBSERVATION**

During our high-level review of queue maintenance, we observed that the DLU management makes a concerted effort to manage its queues using Service Level Expectations (SLE) reports and a weekly production report. However, we were informed by management that in the past there was a coordinated effort to align the SLE's in Benefits with the processing times quoted to members by Member Services. The two divisions met and developed agreed-upon SLEs they determined to be reasonable based on an understanding of member expectations and feedback, as well as the processing capabilities of Benefits.

Over time, a divergence from these agreed-upon SLEs occurred to where now we noted that the Benefits' SLEs are generally based on the Benefit's Division Manager's experience of actual processing time with input from the Division's Section Heads. These efforts identify SLEs by document type as well as combinations of document types comprising specific member processes. During discussions with Executive and Division Management, we noted that Benefits' SLEs no longer necessarily align with Member Services or organizationally determined SLEs communicated to members. They are often aggregated sub-processes of the Members Services' SLEs. Some are performed in parallel and others sequentially but in aggregate often do not meet the SLEs communicated to members by Member Services per their operating instructions (OIs).

#### RISK

The risk of each division independently developing SLEs may result in the misalignment of expectations and impact the ability of the organization to deliver the promised service to members. Alignment also, impacts the organizations ability to manage backlogs consistently and transparently, as well as staff productivity.

#### RECOMMENDATION

We recommend the Benefit's Division Process Management Group (PMG) coordinate the determination of organizationally accepted and agreed-upon service level expectations (SLEs) for death and legal processing between Member Services and Benefits.

#### MANAGEMENT'S RESPONSE

The Benefits management agrees with the recommendation. The Benefits management agrees to work with PMG and Member Services management to draft a proposal to the Executive Office for adoption that includes the following:

- 1) Agreed upon SLEs for both sub-processes and in aggregate that can be communicated by Member Services per the Operating Instructions (OI).
- 2) A policy and procedure outlining a scheduled review of the SLE to ensure they are relevant and appropriate.

#### TARGET COMPLETION DATE

July 29, 2021.

\* See Appendix 2 for Finding's Risk Rating

Death Legal Unit Audit February 1, 2021 Page 7 of 11

#### FINDING #4

Workspace Does Not Provide Automate Case Tracking for Pending Death	Risk Rating**
Cases	Medium

#### **OBSERVATION**

Workspace does not provide automated case tracking for pending death cases. Currently, the DLU uses an Access database to track pending death cases. This Access database, was created by the former Benefits Division Manager, is not supported, or maintained by the Systems division, and requires considerable manual input. While this database is helpful in maintaining a list of pending cases, it is only marginally effective and efficient with regards to processing cases timely.

The tracking of member cases, not just within the DLU but throughout LACERA, is an essential function to ensure accurate and timely processing of member transactions. Automated processes (non-manual) enable precise operational capabilities, reducing errors and saving time. The automation of tasks also assists ensuring consistency when these tasks are processed.

#### RISK

The lack of an integrated case management system in Workspace and the use of an independent database that relies on manual inputs by staff risks the effectiveness, efficiency, and reliability of timely and complete processing of pending death cases.

#### RECOMMENDATION

As of March 2020, the Case Management project is one of the organization's "top four Strategic Plan goals" with a workgroup meeting regularly to move the project forward. The workgroup has identified 23 processes, one of which is death processing that would address this risk.

We recommend Benefits Management work with the Executive Office and the Systems Division to develop a plan and timeline to address the implementation of the death processing through the Case Management project.

#### MANAGEMENT'S RESPONSE

The Benefits management agrees with a recommendation to work with the Executive Office and Systems Division to develop a plan and timeline by July 29, 2021.

#### TARGET COMPLETION DATE

July 29, 2021.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

Death Legal Unit Audit February 1, 2021 Page 8 of 11

#### APPENDIX 1 AUDIT RATING SCALE

Internal Audit issues three standard audit report evaluations as defined below:

#### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

#### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

#### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

Death Legal Unit Audit January 29, 2021 Page 9 of 11

APPENDIX 2 FINDING'S RISK RATING SCALE Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
High	Large financial impact to LACERA or members Actions not aligned with fiduciary responsibilities	Missing or inadequate key internal controls Not adequate to identify fraud, noncompliance or misappropriation	Noncompliance with applicable Federal or state laws or LACERA's policies	High probability for external audit issues and/or negative public perception	Important critical business process identified by Exec Office Requires immediate attention
Medium	Moderate financial risk to LACERA or members Actions could be better aligned with fiduciary responsibilities	Partial key internal controls Not adequate to identify noncompliance or misappropriation in timely manner	Inconsistent compliance with applicable Federal or state laws or LACERA's policies	Potential for external audit issues and/or negative public perception	Relatively important May or may not require immediate attention
Low	Low financial impact to LACERA or members	Internal controls in place but not consistently efficient/effective Implementing / enhancing controls could prevent future problems	General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist	Low probability for external audit issues and/or negative public perception	Lower significance Does not require immediate attention

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#### Appendix 3 Risk & Control Matrix for the Death Legal Unit

Key Objectives or Key Performance Indicator	Risks Related to Objective	Likelihood H, M, L	Impact H, M, L	Management's controls over risk	Control Description Type Automation Frequency	Control Effectiveness 1 (weak) - 5 (strong)	Auditor Comments
	<ol> <li>Staff inappropriately processes Legal Split payments.</li> </ol>		Low	Key Controls: Documented policy & procedure. Complex matters are forwarded to the Legal Office. Management's Comments: Policy & procedure documents are voluminous.	Directive Manual Transactional	2	Based on the risk & control analysis, IA will be evaluating these risks in our upcoming Annual Risk Assessment.
1. Processing payments as the result of Legal Splits.		Medium		Key Controls: Supervisor reviews all Legal Split payments prior to completion. Complex matters are forwarded to the Legal Office. Management's Comments: Policy & procedure documents are voluminous.	Preventative Manual Transactional	2	
2.Processing death notifications and related payments	2A. Staff incorrectly process death related payments	Low	Low	Key Controls: Documented policy/procedures, system performs all calculations, majority of staff are highly experienced. Management's Comments: Survivor payments are very straight forward / not complex calculations and are performed by the system.	Directive & Preventative Automated Transactional	4	
	2B. Delayed/unprocessed claims	Medium	Medium	Key Control: Service Level Expectation (SLE) Criteria and SLE Report, Death Log Management's Comments: SLE report identifies pending claims that have not been processed within the required criteria. Death bg track cases through completion (outside of the system).	Detective Manual Weekly	2	Based on the risk & control analysis, IA will be evaluating these risks in our upcoming Annual Risk Assessment.
	2C. Unclaimed Benefits	Medium	Low	Key Control: Unclaimed accounts are locked and can only be unlocked by Div. Manager. Those with unclaimed benefits are added to the "Persons of Interest" list. Management's Comments: See above control	Preventative Manual Transactional	2	
3. Processing LACERA POA form	3. POA granted to ineligible person	Low	Low	Key Control: LACERA POA is a form created by LACERA that if properly filled out and witnessed or notarized, grants the necessary authority. Management's Comments: See above control	Directive Manual Transactional	4	Based on the risk & control analysis, no additional work at this time.

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#### Appendix 3 Risk & Control Matrix for the Death Legal Unit (continued)

Key Objectives or Key Performance Indicator	Risks Related to Objective	Likelihood H, M, L	Impact H, M, L	Management's controls over risk	Control Description Type Automation Frequency	Control Effectiveness 1 (weak) - 5 (strong)	Auditor Comments
4. Processing External POA document	4. POA granted to ineligible person	Medium	đium Low	Key Control: Outside POAs are processed by the most skilled staff members. Management's Comments: External POAs are often complicated and DLU staff does not have the legal background to assess the document. Process and procedural documentation does not exist.	Preventative Manual Transactional	2	Based on the risk & control analysis, IA will be evaluating these risks in our upcoming Annual Risk Assessment.
				Key Control: All outside POAs are reviewed by DLU Supervisor. Management's Comments: Same as above.	Preventative Manual Transactional	2	
				Key Control: Staff can request asstiance from the Legal Office if needed. Management's Comments: Same as above.	Preventative Manual Transactional	2	
5. Queue Level Maintenance & Staff Productivity	5. Excessive back logs & low productivity	Medium		Key Control: Service Level Expectation (SLE) Criteria, SLE Report, Death Log, Weekly Production Report Management's Comments: Down two staff and only one supervisor is performing reviews. It is management's assumption that if SLE's are met then Queues should remain. Death log assists staff in meeting SLEs by providing a more efficient tracking process than Workspace. Weekly Production Report reports Queue levels, including new incoming and pending objects, and objects recently competed.	Detective Manual & Automated Weekly	2	Based on the risk & control analysis, IA will be evaluating these risks in our upcoming Annual Risk Assessment.

# L///.CERA

April 15, 2021

TO: 2021 Audit Committee Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez

> Audit Committee Consultant Robert H. Griffin

Richard P. Bendall FROM: Chief Audit Executive

Kristina Sun <sup>KS</sup> Senior Internal Auditor

FOR: April 23, 2021 Audit Committee Meeting

## SUBJECT: Quality Assurance Operations Review

## RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

- 1. Accept and file report;
- 2. Instruct staff to forward report to Boards or Committees;
- 3. Make recommendations to the Boards or Committees regarding actions as may be required on engagement findings; and/or
- 4. Provide further instruction to staff.

## ENGAGEMENT REPORTS

A. Quality Assurance Operations Review Kristina Sun, Senior Internal Auditor (Report issued: April 9, 2021)

Attachments



# LACERA INTERNAL AUDIT DIVISION

# **QUALITY ASSURANCE OPERATIONS REVIEW**

April 9, 2021

## CONSULTING ENGAGEMENT PERFORMED BY:

Kristina Sun, CPA, CIA Senior Internal Auditor Quality Assurance Operations Review April 9, 2021 Page 2 of 16

Engagement Name:         Quality Assurance Operations Review				
<b>Responsible Division:</b>	Donsible Division:         Quality Assurance Division			
<b>Engagement Rating</b> *:	Opportunities for Improvement			
<b>Prior Engagement Rating:</b>	Not Applicable			
Prior Report Date:	Not Applicable			

## **CONSULTING ENGAGEMENT REPORT**

## BACKGROUND

The Quality Assurance and Metrics (QA) Division is a quality monitoring operation primarily focused on LACERA's member benefits processes. QA supports LACERA's mission by providing independent and objective quality assurance services to LACERA's Member Operations Group (MOG), which are those divisions that provide retirement benefit services to LACERA's members.

The QA Division consists of 19 budgeted staff positions. Most staff within the QA Division are either Quality Auditors or Senior Quality Auditors. They conduct quality assurance audits, perform continual improvement initiatives, analyze exceptions, make recommendations for process improvement, and provide employee development and new-hire training.

Our consulting engagement began at an untimely or perhaps timely point in the QA Division's evolution. Soon after starting our review, the QA Division Manager and a key supervisor in the Division left LACERA. Later during the review, another long-time QA supervisor retired and yet another left LACERA. We saw this as an opportunity to work with the newly assigned QA Division Manager in providing our thoughts and input on a consulting basis in the development of the QA Internal Operating Principles. Our review also came at the time of LACERA's new CEO implementing his 100-day plan and a significant amount of consideration at the Executive level about the role of the QA Division and its critical role and place in the organization.

## ENGAGEMENT OBJECTIVE AND SCOPE

These are standard consulting engagement objectives that the review will focus on:

- Effectiveness of operations and controls Activities are performed adequately to produce the desired or intended results, and controls to mitigate risk are adequate and operating as intended.
- Efficiency of operations Activities are performed economically with minimal wasted effort or expense.

The objectives of this review were to assess key controls related to the following areas:

- 1. Assess the QA Division's current operational processes to identify areas for improvement:
  - a. Quality assurance audits
  - b. Training
  - c. Metrics development
- 2. Assess the current organizational structure of the QA Division related to the following area:
  - a. The QA Division's reporting structure within the organization
  - b. The QA Division's independence from other operational units

<sup>\*</sup> See *Appendix 1* for Consulting Engagement Rating

Quality Assurance Operations Review April 9, 2021 Page 3 of 16

The scope of this review was performed as a consulting project to review the QA Division at a high-level. Internal Audit reviewed the QA Division's current policies and procedures and related controls, organizational structure, and staff metrics to ensure the Division is operating effectively and efficiently.

This consulting engagement was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

## **ENGAGEMENT RATING AND SUMMARY OF FINDINGS**

Overall, we found that the QA Division had a number of well documented policies and procedures, specifically related to conducting quality assurance audits and training.

However, we did find **Opportunities for Improvement** related to the need to develop policies and procedures to strengthen controls for the follow up process on quality assurance audit findings, to improve the efficiency of training, to increase the effectiveness for managing staffing resources, and to evaluate the current reporting structure of the QA Division within the organization.

Ref.	Page	Findings	Risk Rating**
F1	5	The QA Division's independence is weakened when reporting to the same AEO over the operational areas in which they perform quality assurance audits.	Medium
F2	7	The current inline audit process commingles operational supervision with the QA Division's audit work and compromises the accuracy of results.	Medium
F3	9	QA management does not modify its quality assurance audit approaches based on changing risks.	High
F4	11	Transactional findings issued by Quality Auditors from the classic (post-completion) quality assurance audits are not addressed in a timely manner.	High
F5	13	QA management does not have a process for following up and ensuring the implementation of process improvement opportunities reported to the Benefits Division.	Medium
F6	14	QA management does not have an annual quality assurance audit plan and does not have metrics and KPIs for managing their staff's work.	Medium

**Summary of Findings** 

The above findings are detailed in the following pages, including our recommendations and management action plans.

We thank QA management and staff for their assistance and cooperation with this consulting engagement.

<sup>\*\*</sup> See *Appendix 2* for Finding's Risk Rating

Quality Assurance Operations Review April 9, 2021 Page 4 of 16

## **REVIEWED AND APPROVED**

, la

Richard P. Bendall Chief Audit Executive

Date: <u>April 9, 2021</u>

## **REPORT DISTRIBUTION**

2021 Audit Committee	Santos H. Kreimann, CEO	Bernie Buenaflor, Chief, Quality Assurance & Metrics Division
2021 Plante Moran Audit Team	J.J. Popowich, AEO	Carlos Barrios, Benefits Division Manager
Robert H. Griffin, Audit Committee Consultant	Steven P. Rice, Chief Legal Counsel	Internal Audit Group

#### FINDING #1

The QA Division's independence is weakened when reporting to the same<br/>AEO over the operational areas in which they perform quality assurance<br/>audits.Risk Rating\*\*Medium

#### **OBSERVATION**

The Quality Assurance Division's (QA's) key functions as defined within the QA Internal Operating Principles consist of quality assurance audits, training, and metrics:

- Quality assurance audits provide for systematic transactional testing (quality assurance audits) to
  determine whether LACERA's business transactions and processes are implemented effectively
  and accurately to achieve organizational objectives. They also provide assurance that member
  transactions are processed in compliance with LACERA procedures, policies, and approved
  business rules. Quality assurance audits are currently performed in the pre-completion phase of
  processing (known as inline audit) or the post-completion phase (known as classic audit).
- Training involves three components: 1) CORE Benefit curriculum, 2) Advanced CERL Education (ACE), and 3) refresher and ad hoc courses for veteran staff. These training curriculums provide Member Operations Group (MOG) staff with the necessary knowledge and skills to perform their jobs. The training programs are designed to establish consistency and continuity in processing and reduce re-work.
- Production Metrics were intended to be developed by QA to support MOG management in resource planning and budgeting, process improvement, and workforce management. However, we were informed that due to resource and technology constraints to date, QA has not been able to focus any of their efforts toward this area of responsibility.

As part of this consulting review, Internal Audit staff participated in discussions with QA management and the Executive Office in the development of the QA Internal Operating Principles, which was completed and presented for information to the Operations Oversight Committee (OOC) at the March 2021 meeting.

During the discussions to finalize the QA Internal Operating Principles, there was agreement among all parties that ultimately the QA Division should report to an alternate Assistant Executive Officer (AEO) than the AEO who oversees the MOG divisions. Moreover, the QA Division should not have any operational responsibilities to further ensure its independence from the MOG divisions. Thus, it was agreed that training and metrics development should be transitioned out of the QA Division since both functions are closely tied to member operations. It was noted by management that additional resources would be needed to separate out the training and metrics responsibilities from the QA Division.

#### RISK

The QA Division's independence is impaired by having to report to the same AEO as the operating units in which they perform quality assurance audits.

## RECOMMENDATION

LACERA Executive Management should work with QA and the MOG Divisions to develop a plan and timeline for a) relocating training and metrics out of the QA Division to an operational division, and b) changing the reporting structure such that the QA Division reports independently to the Administrative AEO.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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## **MANAGEMENT'S RESPONSE**

QA Management agrees with the recommendation. QA Management agrees that greater separation between the operations of the MOG and the QA Division will enhance the inherent objectivity and independence of the QA Division. QA Management will work with the Executive Office to develop a transition plan, including a timeline, to achieve greater separation while promoting and maintaining the synergy and efficiency of both the MOG and QA. To do this, we anticipate that the plan will coincide with a plan to move the Process Management Group (PMG) out of the Benefits Division, and must include the infusion of adequate staffing and tools into the QA Division and MOG operations so that the coordination and capacity of the two groups does not suffer. Such an increase requires analysis and metrics, which are currently being developed, as well as the support of LACERA's Board of Retirement. We anticipate that this plan, which will include a process for gathering support for metrics, can be drafted by October 31, 2021.

#### TARGET COMPLETION DATE

October 31, 2021

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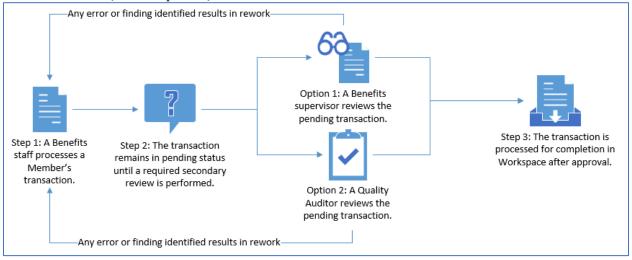
#### FINDING #2

The current inline audit process commingles operational supervision with	<b>Risk Rating</b> <sup>**</sup>
the QA Division's audit work and compromises the accuracy of results.	Medium
the QA Division's addit work and compromises the accuracy of results.	

#### **OBSERVATION**

The inline audit process was originally intended to be performed within the Benefits Division for certain high-risk processes to ensure that transactions were quality reviewed (checked) for completeness and accuracy prior to the processes being completed. The goal was to improve quality, prevent errors from reaching members, avoid unnecessary rework and maximize member satisfaction. However, prior to implementing the inline audit process in 2012, LACERA management determined that the Benefits Division did not have the number of staff necessary to implement this process purely within the Benefits Division. The result was the development of a hybrid model where Quality Auditors in the QA Division would perform the inline audit work along with the supervisors in the various Benefits Units for which the inline audit work was performed. Exhibit 1 depicts a simplified workflow diagram of the inline (precompletion) audit process.

Exhibit 1 - Inline (Pre-Completion) Audit Process



In this hybrid model, Quality Auditors lead the process by administering the inline audit database into which the quality review results are entered by both the Quality Auditors and the Benefits supervisors. First and foremost, this model compromises the QA Division's independence as they are performing in an operational capacity essentially performing or co-performing a management function within the same area that they later perform their independent classic audits.

However, we noted further concerns with the hybrid inline audit process:

- It resulted in variances in the subjective accuracy scoring of work, used for quality control and training purposes. Quality Auditors typically gave lower accuracy rating scores than Benefits supervisors did. Based on our analysis of inline audit result from FY 2018 to FY 2020, the average accuracy rating between the two reviewer groups had a difference of 3.5% to 8.8% across every transaction type. In FY2019-2020, the largest net difference in accuracy rating between the two reviewer groups for a singular business process was 27.9%.
- Benefits supervisors and Quality Auditors share the inline audit workload regardless of a transaction's type or risk level. From FY 2018 to FY 2020, Benefits supervisors reviewed significantly more transactions than Quality Auditors did across essentially all transaction types.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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On average, Benefits supervisors conducted 75%-85% of inline audit transactions annually while Quality Auditors reviewed 15%-25% of inline audit transactions annually.

• The quality assurance work performed by QA staff was not accounted for and reported on separately from the quality reviews performed by Benefits supervisors. Also, QA management has not provided regular reporting of inline audit accuracy results to the Executive Office.

Based on our consulting discussions with the current QA Division Manager and the Executive Office, all parties agreed that changes were needed to improve the independence and integrity of the inline audit process. QA management began addressing the changes with the creation of the QA Internal Operating Principles in February 2021. [Note: In this document, QA management re-branded inline audits as "precompletion quality assurance audits" and classic audits as "post-completion quality assurance audits."]

Additionally, Benefits and QA management are developing a platform in SharePoint with the intent of providing more visibility of audit work and reporting, including separation of work between Quality Auditors and Benefits supervisors.

## RISK

The lack of independence compromises the integrity and reliability of the resulting data to stakeholders.

## RECOMMENDATION

Quality Assurance and Benefits management should:

- a. Complete the process of separating the inline quality assurance auditing performed by Quality Auditors from the quality review performed by Benefits supervisors.
- b. Ensure independent classic audit transactional findings and accuracy information are reported to the Executive Office and the Operations Oversight Committee on a regular basis.

## MANAGEMENT'S RESPONSE

QA Management agrees with the recommendations. QA Management agrees that a clear separation must exist between the audit work performed by Quality Auditors and the MOG Divisions. At the same time, QA believes that Staff must be measured against consistent quality and efficiency expectations, whether they are being measured by their Supervisors or by an independent assessment team, QA. Therefore, QA Management is working with the Executive Office to complete the following:

- To promote consistency of expectations, QA is developing revised audit criteria. QA will train both MOG supervisors and QA auditors on the audit criteria. This will allow the MOG supervisor to spot check, coach, and develop staff members based on the same criteria their quality is being measured.
- 2) QA Management is establishing a revised audit process that includes a new audit management tool in SharePoint that will distinguish the work of both groups while maintaining a consistent set of audit parameters for both groups to follow. The primary difference that will ensure the independence of the QA audits is that the work of QA auditors will be separately tracked and reported to Division and Executive Management, as well as the Boards. Furthermore, to ensure that the work being audited by QA is truly the product of the MOG operations without the undue influence of QA auditors, and to eliminate the potential conflict of interest caused when an auditor reviews their own work, a QA auditor will be prohibited from auditing work that the QA auditor has personally influenced before the audit is performed. The new process will be implemented by QA by June 30, 2021.

## TARGET COMPLETION DATE

#### FINDING #3

QA management does not modify its quality assurance audit approaches	Risk Rating <sup>**</sup>
	High
based on changing risks.	0

#### **OBSERVATION**

Based on an assessment of the most impactful areas of concern in regard to ensuring transactional accuracy and quality, LACERA management determined the scope of quality assurance audit transactions. For the inline audit process, certain Benefits transactions (i.e., Termination Letters, Retirement Estimate, Active Death) are tested at 100% while other Benefits transactions (i.e., Age/Rate Change, Incremental Buyback, Temporary Time) are tested with sample sizes of between 81% and 99%. Similarly, the classic audit process tests Retirement Agenda and Payment Contracts at 100% while the First Payment process is tested at 10%. *[Note: This is provided for information and example purposes. Our scope did not include evaluating the appropriateness of specific areas of testing percentages.]* 

However, the sampling approaches used in these quality assurance audits have not been reviewed and updated by QA management in recent years. Based on our review of the quality assurance audits, we believe there may be high-risk transactions not considered by management. For example, the Post First Payment Adjustment transaction process was identified by QA management as a potential inline audit area but not included in the current inline audit process. It is a relatively new process with financial impact to retiree members that has never been audited by QA staff. Additionally, Internal Audit noted that complex Benefits transactions such as Account Settlement, Administrative Appeal, Executive Referral, and Felony Conviction are not in scope for testing under the current quality assurance audits.

Furthermore, we evaluated the current quality assurance audit processes against requirements for quality management systems published by the American Society for Quality (ASQ). The ASQ standards state that an organization needs to plan and implement actions to address risks and opportunities to create an effective quality management system that serves as a preventive tool.

Since November 2020, QA management has been developing a plan to update its quality assurance audit process. The goal is to expand audit scope to cover more Benefits transactions but with smaller sample sizes. For each process, consistent methodology and parameters will be defined based on audit criteria, process risk levels, risk-based sampling plans, and audit workflow/processes. QA management presented on this topic at the April 2021 Operations Oversight Committee (OOC) meeting.

#### RISK

The quality assurance audits may not adequately address risks associated with each transaction type due to lack of independence and risk assessment.

#### RECOMMENDATION

QA management should develop an annual risk assessment and a risk-based process for developing their QA audit plans (scope, sample size and frequency) for both pre and post completion quality assurance audits.

#### MANAGEMENT'S RESPONSE

QA Management agrees with the recommendation. The risk-based procedures are in development and will be completed and applied to the first Benefits process, which is the Retirement process, by June 30, 2021. The procedures will be applied to every Benefits process that QA staff audits at least annually.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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This approach will involve an annual risk assessment involving both the MOG Division and QA Division, which will provide a formal recommendation to QA Division Management and the Executive Office for their approval.

This recommendation will include updates to the following audit parameters:

- Audit Criteria (specifications which a transaction must conform to in order to be deemed correct and complete).
- Audit Risk Levels (A numeric scale by which a transaction's associated risks can be rated for audit sampling purposes).
- Audit Sampling Plan (The methodology by which transactions for each audited process will be selected for testing)
- Audit Process Workflow (The design of audit steps and their sequence)

## TARGET COMPLETION DATE

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#### **FINDING #4**

Transactional findings issued by Quality Auditors from the classic (post-	<b>Risk Rating</b> <sup>**</sup>
completion) quality assurance audits are not addressed in a timely manner.	High

#### **OBSERVATION**

The classic audit process was so named after the QA Division's entry into the inline audit process. The classic audits are the truly independent quality assurance audits performed by Quality Auditors to assess and report on the accuracy of randomly selected member benefit transactions. Quality Auditors stratify their findings in these classic audits based on risk and agreed-upon criteria, identifying areas that require immediate in-depth study for improvements (Root Cause Analysis). Quality Auditors also use the results of these classic quality assurance audits to assess the business processes and create metrics around performance and accuracy standards. Lastly, Quality Auditors assess and evaluate areas of concern in processes that may require more intensive review for procedural/process documentation revisions. Exhibit 2 depicts a simplified workflow diagram of the classic (post-completion) audit process.

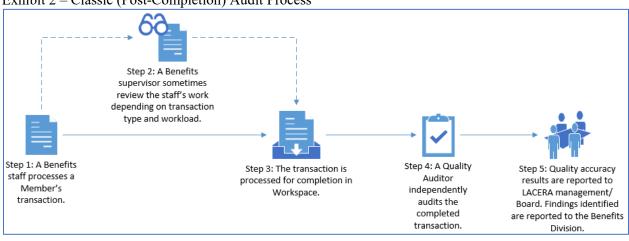


Exhibit 2 - Classic (Post-Completion) Audit Process

During Internal Audit's review, we identified several issues related to the classic audit process:

During fiscal year (FY) 2019-2020, Ouality Auditors issued a total of 1.034 classic audit transactional findings related to thirteen Core Benefits transaction types. By the end of FY 2020, there were 106 findings unresolved, with 77 critical findings and 29 non-critical findings.

As of March 2021, Internal Audit identified at least 3 critical findings that are still unresolved from FY 2020. All three critical findings are related to service credit discrepancies. In one particular case, a member's account had two separate critical findings flagged by different Quality Auditors:

- > Finding #1: During the Retirement Agenda classic audit process, a Quality Auditor flagged the account in September 2019 for having an incorrect membership entry age and underpaying mandatory retirement contributions.
- > Finding #2: During the First Retirement Payment classic audit process, a second Quality Auditor flagged the same account in November 2019 for having overstated service credit and receiving an incorrect retirement allowance.

Since the new QA Division Manager came onboard in November 2020, the classic quality assurance audit process has been re-evaluated. After the OA Internal Operating Principles were developed in February 2021, OA management has focused on revamping its sample selections

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

using a risk level approach to determine the volume, timing, and characteristics of different transaction types. In March 2021, QA management started to standardize procedures for transactional findings issued by Quality Auditors. A cross functional team consisting of Benefits and QA staff was formed to develop instructions on how to follow up on QA findings. The goal of the new procedures is to provide a consistent format across all quality assurance audits.

- QA management reports new classic audit findings to Benefits management and the Executive Office on a daily and monthly basis. On an annual basis, QA management presents the "Report of the Quality Assurance Review" with the cumulative results of quality assurance audit findings and accuracy ratings to the Operations Oversight Committee (OOC). However, Internal Audit noted that the last time QA management presented the Report of the Quality Assurance Review to the OOC was in January 2019 summarizing FY 2017-2018 quality assurance audit results.
- QA findings are not always written in accordance with the QA Division's "Audit Protocol Update" (their policy on audit finding documentation). Unclear audit finding documentation may contribute to delays by Benefits staff in addressing findings.

## RISK

Untimely resolution of quality assurance audit findings may result in an ever-increasing financial impact to LACERA and/or the affected members.

## RECOMMENDATION

QA management should enhance the reporting and follow up on transactional findings identified and reported to Benefits based on their classic quality assurance audits. This should include:

- a. Address any outstanding critical quality assurance audit findings from prior years.
- b. Require Benefits management to provide a management action plan and an estimated completion date for resolving audit findings.
- c. Monitor and report status of audit findings to the Executive Office and the Board of Retirement's Operations Oversight Committee (OOC) on a frequent basis.
- d. Train QA staff on consistently documenting findings in accordance with the Audit Protocol Update on audit finding documentations.

## MANAGEMENT'S RESPONSE

QA Management agrees with the recommendations. In this regard, QA has implemented the following measures:

- QA has established a new protocol for the communication and resolution of QA Audit findings, which may be essential to the audited transaction (i.e., an Audit Action Item) or peripheral to the transaction (i.e., a QA Referral). This protocol defines the manner of communication, as well as the parties included in the communications, the roles of those responsible for resolving and monitoring these findings, and the timeframes for each communication step.
- 2) QA, the audited MOG teams, and the Executive Office meet multiple times a month to review the aging of outstanding Audit Action Items for purposes of resolving them.

By June 30, 2021, QA will have implemented a monthly reporting function for reporting both Audit Action Items and QA Referrals to Division Management and the Executive Office. QA will also have a plan to report on the status of outstanding Audit Action Items and QA Referrals on a semi-annually basis to the Operations Oversight Committee.

## TARGET COMPLETION DATE

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#### FINDING #5

OA management does not have a process for following up and ensuring the	<b>Risk Rating</b> <sup>**</sup>
QA management does not have a process for following up and ensuring the implementation of process improvement opportunities reported to the	Medium
Benefits Division.	

#### **OBSERVATION**

Each fiscal year, QA management issues a list of "Improvement Opportunities" as part of the annual Quality Assurance Review report to Benefits management. These improvement opportunities are process improvement recommendations to increase accuracy and performance for Benefits' operational processes.

The list of improvement opportunities is derived from observations by Quality Auditors performed during each fiscal year. In general, the improvement opportunities are split into various categories such as Account Documentation in Workspace, Calculation Best Practices, Cost Notification Letter and Payment Contracts, General Audit Practices, Member Retirement Account Analysis, and Retirement Agenda Validation.

Internal Audit reviewed a little over one hundred QA process recommendations from FY 2016 through FY 2019. We identified two "Improvement Opportunities" that have been repeated for three consecutive fiscal years (from FY 2017 through FY 2019). It is unclear whether the Benefits Division management have addressed these improvement opportunities based on available documentation.

#### RISK

The delays in addressing and responding to process or procedural recommendations made by QA may negatively impact the ongoing quality of work being performed by operations staff.

#### RECOMMENDATION

QA management should enhance the reporting and follow up on process or procedural findings identified and reported to the Benefits Division.

## MANAGEMENT'S RESPONSE

QA Management agrees with the recommendation. By June 30, 2021, QA will draft a formal reporting and follow-up system for its procedural recommendations to the MOG Division Management related to their operations. To enhance the reliability of this system, it will include periodic status updates to the Division Manager and Executive Office, as well as LACERA's Operations Oversight Committee.

## TARGET COMPLETION DATE

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

#### FINDING #6

	uave an annual qualit	nce audit plan and	<b>Risk Rating</b> **	
QA management does not have an annual quality assurance audit plan and does not have metrics and KPIs for managing their staff's work.       Item to the interval of t	_	—	Medium	

#### **OBSERVATION**

Internal Audit evaluated QA management's oversight in managing its staff resources and workload. We identified the following issues during our review:

- QA management does not have a formal process for allocating or monitoring staff resources. During FY 2020, QA management started using a daily time sheet created in Excel to monitor QA staff's work progress. Because QA supervisors work closely with their staff, QA supervisors assign work on an ad hoc basis based on QA staff availability. However, QA management does not have any pre-determined metrics or key performance indicators (KPIs) to evaluate their staff in a more comprehensive manner.
- QA management has not established a formal Audit Plan to assign work to QA staff. Existing audit work has not been assessed for risk and there has been no change in the scope of audit work performed. Based on best practice guidance published by the Institute of Internal Auditors (IIA), risk-based planning "enables the audit activity to align and focus resources to produce insightful, proactive, and future-focused assurance and advice on the organization's most pressing issues." Furthermore, the IIA recommends implementing an annual risk assessment to identify projects that are "manageable, timely, and value-added."

#### RISK

QA management cannot evaluate the staffing needs within the Division if they do not utilize any resource management tools (i.e., risk assessment, audit plan) to allocate resources or establish key performance indicators (KPIs) for monitoring staff resources. Additionally, current QA activities may not adequately address LACERA's operational risks.

#### RECOMMENDATION

QA management should develop an annual quality assurance audit plan and key performance indicators (KPIs) to allocate and monitor QA staff resources.

#### MANAGEMENT'S RESPONSE

QA Management agrees with this recommendation. QA will immediately use existing metrics tools and implement its own KPIs, which will be monitored and reported monthly to Management at the Division and Executive levels and semi-annually to the Operations Oversight Committee. This will be implemented by June 30, 2021.

#### TARGET COMPLETION DATE

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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#### **APPENDIX 1**

## CONSULTING ENGAGEMENT RATING SCALE

Internal Audit issues three standard consulting engagement report evaluations as defined below:

#### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the engagement in order to maintain or enhance the control environment.

#### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

#### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

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## APPENDIX 2 FINDING'S RISK RATING SCALE

Findings identified during the course of the consulting engagement are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
High	Large financial impact to LACERA or members Actions not aligned with fiduciary responsibilities	Missing or inadequate key internal controls Not adequate to identify fraud, noncompliance or misappropriation	Noncompliance with applicable Federal or state laws or LACERA's policies	High probability for external engagement issues and/or negative public perception	Important critical business process identified by Exec Office Requires immediate attention
Medium	Moderate financial risk to LACERA or members Actions could be better aligned with fiduciary responsibilities	Partial key internal controls Not adequate to identify noncompliance or misappropriation in timely manner	Inconsistent compliance with applicable Federal or state laws or LACERA's policies	Potential for external engagement issues and/or negative public perception	Relatively important May or may not require immediate attention
Low	Low financial impact to LACERA or members	Internal controls in place but not consistently efficient/effective Implementing / enhancing controls could prevent future problems	General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist	Low probability for external engagement issues and/or negative public perception	Lower significance Does not require immediate attention



# LACERA INTERNAL AUDIT DIVISION

## **QUALITY ASSURANCE OPERATIONS REVIEW**

Version with Audit Committee Comments/Questions & Internal Audit Responses

April 9, 2021

## CONSULTING ENGAGEMENT PERFORMED BY:

Kristina Sun, CPA, CIA Senior Internal Auditor Quality Assurance Operations Review (Version with AC Comments/Questions and IA Responses) April 9, 2021 Page 2 of 17

Engagement Name:	Quality Assurance Operations Review
<b>Responsible Division:</b>	Quality Assurance Division
<b>Engagement Rating*:</b>	Opportunities for Improvement
Prior Engagement Rating:	Not Applicable
Prior Report Date:	Not Applicable

## CONSULTING ENGAGEMENT REPORT

## BACKGROUND

The Quality Assurance and Metrics (QA) Division is a quality monitoring operation primarily focused on LACERA's member benefits processes. QA supports LACERA's mission by providing independent and objective quality assurance services to LACERA's Member Operations Group (MOG), which are those divisions that provide retirement benefit services to LACERA's members.

The QA Division consists of 19 budgeted staff positions. Most staff within the QA Division are either Quality Auditors or Senior Quality Auditors. They conduct quality assurance audits, perform continual improvement initiatives, analyze exceptions, make recommendations for process improvement, and provide employee development and new-hire training.

Our consulting engagement began at an untimely or perhaps timely point in the QA Division's evolution. Soon after starting our review, the QA Division Manager and a key supervisor in the Division left LACERA. Later during the review, another long-time QA supervisor retired and yet another left LACERA. We saw this as an opportunity to work with the newly assigned QA Division Manager in providing our thoughts and input on a consulting basis in the development of the QA Internal Operating Principles. Our review also came at the time of LACERA's new CEO implementing his 100-day plan and a significant amount of consideration at the Executive level about the role of the QA Division and its critical role and place in the organization.

## **ENGAGEMENT OBJECTIVE AND SCOPE**

These are standard consulting engagement objectives that the review will focus on:

- Effectiveness of operations and controls Activities are performed adequately to produce the desired or intended results, and controls to mitigate risk are adequate and operating as intended.
- Efficiency of operations Activities are performed economically with minimal wasted effort or expense.

The objectives of this review were to assess key controls related to the following areas:

- 1. Assess the QA Division's current operational processes to identify areas for improvement:
  - a. Quality assurance audits
  - b. Training
  - c. Metrics development
- 2. Assess the current organizational structure of the QA Division related to the following area:
  - a. The QA Division's reporting structure within the organization
  - b. The QA Division's independence from other operational units

<sup>\*</sup> See Appendix 1 for Consulting Engagement Rating

Quality Assurance Operations Review (Version with AC Comments/Questions and IA Responses) April 9, 2021 Page 3 of 17

The scope of this review was performed as a consulting project to review the QA Division at a high-level. Internal Audit reviewed the QA Division's current policies and procedures and related controls, organizational structure, and staff metrics to ensure the Division is operating effectively and efficiently.

This consulting engagement was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

## **ENGAGEMENT RATING AND SUMMARY OF FINDINGS**

Overall, we found that the QA Division had a number of well documented policies and procedures, specifically related to conducting quality assurance audits and training.

However, we did find **Opportunities for Improvement** related to the need to develop policies and procedures to strengthen controls for the follow up process on quality assurance audit findings, to improve the efficiency of training, to increase the effectiveness for managing staffing resources, and to evaluate the current reporting structure of the QA Division within the organization.

Ref.	Page	Findings	<b>Risk Rating</b> **
F1	5	The QA Division's independence is weakened when reporting to the same AEO over the operational areas in which they perform quality assurance audits.	Medium
F2	7	The current inline audit process commingles operational supervision with the QA Division's audit work and compromises the accuracy of results.	Medium
F3	9	QA management does not modify its quality assurance audit approaches based on changing risks.	High
F4	11	Transactional findings issued by Quality Auditors from the classic (post-completion) quality assurance audits are not addressed in a timely manner.	High
F5	13	QA management does not have a process for following up and ensuring the implementation of process improvement opportunities reported to the Benefits Division.	Medium
F6	14	QA management does not have an annual quality assurance audit plan and does not have metrics and KPIs for managing their staff's work.	Medium

#### **Summary of Findings**

The above findings are detailed in the following pages, including our recommendations and management action plans.

We thank QA management and staff for their assistance and cooperation with this consulting engagement.

<sup>\*\*</sup> See *Appendix 2* for Finding's Risk Rating

Quality Assurance Operations Review (Version with AC Comments/Questions and IA Responses) April 9, 2021 Page 4 of 17

## **REVIEWED AND APPROVED**

, La

Richard P. Bendall Chief Audit Executive

Date: <u>April 9, 2021</u>

## **REPORT DISTRIBUTION**

2021 Audit Committee	Santos H. Kreimann, CEO	Bernie Buenaflor, Chief, Quality Assurance & Metrics Division
2021 Plante Moran Audit Team	J.J. Popowich, AEO	Carlos Barrios, Benefits Division Manager
Robert H. Griffin, Audit Committee Consultant	Steven P. Rice, Chief Legal Counsel	Internal Audit Group

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## FINDING #1

The QA Division's independence is weakened when reporting to the same	<b>Risk Rating</b> <sup>**</sup>
AEO over the operational areas in which they perform quality assurance	Medium
audits.	

# AC COMMENT: Please define all acronyms when first used.

## **RESPONSE:** Noted.

## **OBSERVATION**

The Quality Assurance Division's (QA's) key functions as defined within the QA Internal Operating Principles consist of quality assurance audits, training, and metrics:

- Quality assurance audits provide for systematic transactional testing (quality assurance audits) to determine whether LACERA's business transactions and processes are implemented effectively and accurately to achieve organizational objectives. They also provide assurance that member transactions are processed in compliance with LACERA procedures, policies, and approved business rules. Quality assurance audits are currently performed in the pre-completion phase of processing (known as inline audit) or the post-completion phase (known as classic audit).
- Training involves three components: 1) CORE Benefit curriculum, 2) Advanced CERL Education (ACE), and 3) refresher and ad hoc courses for veteran staff. These training curriculums provide Member Operations Group (MOG) staff with the necessary knowledge and skills to perform their jobs. The training programs are designed to establish consistency and continuity in processing and reduce re-work.
- Production Metrics were intended to be developed by QA to support MOG management in resource planning and budgeting, process improvement, and workforce management. However, we were informed that due to resource and technology constraints to date, QA has not been able to focus any of their efforts toward this area of responsibility.

As part of this consulting review, Internal Audit staff participated in discussions with QA management and the Executive Office in the development of the QA Internal Operating Principles, which was completed and presented for information to the Operations Oversight Committee (OOC) at the March 2021 meeting.

During the discussions to finalize the QA Internal Operating Principles, there was agreement among all parties that ultimately the QA Division should report to an alternate Assistant Executive Officer (AEO) than the AEO who oversees the MOG divisions. Moreover, the QA Division should not have any operational responsibilities to further ensure its independence from the MOG divisions. Thus, it was agreed that training and metrics development should be transitioned out of the QA Division since both functions are closely tied to member operations. It was noted by management that additional resources would be needed to separate out the training and metrics responsibilities from the QA Division.

## RISK

The QA Division's independence is impaired by having to report to the same AEO as the operating units in which they perform quality assurance audits.

## RECOMMENDATION

LACERA Executive Management should work with QA and the MOG Divisions to develop a plan and timeline for a) relocating training and metrics out of the QA Division to an operational division, and b)

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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changing the reporting structure such that the QA Division reports independently to the Administrative AEO.

# AC QUESTION: Did you consider having the QA staff report into Internal Audit? If yes, what are the reason(s) you did not recommend this. If no, why?

**RESPONSE:** Internal Audit is designed to be completely independent of operations in order to maintain the integrity of an independent outside review of LACERA operations.

QA, while independent of the MOG, is still an integral part of the operations focusing on the services we provide members. But for the desire to keep them independent of any inappropriate influence by the MOG operations manager, they would be part of the MOG since they have a direct role in the day-to-day service we provide members. Their actions precipitate changes to member benefit calculations.

Likewise, Internal Audit must be independent of QA so that they may be able to objectively review QA processes and procedures to ensure they are appropriate and consistent with best practices and compliance issues. If QA were to report to IA, this objectivity would be lost and there would be no independent review of QA.

## MANAGEMENT'S RESPONSE

QA Management agrees with the recommendation. QA Management agrees that greater separation between the operations of the MOG and the QA Division will enhance the inherent objectivity and independence of the QA Division. QA Management will work with the Executive Office to develop a transition plan, including a timeline, to achieve greater separation while promoting and maintaining the synergy and efficiency of both the MOG and QA. To do this, we anticipate that the plan will coincide with a plan to move the Process Management Group (PMG) out of the Benefits Division, and must include the infusion of adequate staffing and tools into the QA Division and MOG operations so that the coordination and capacity of the two groups does not suffer. Such an increase requires analysis and metrics, which are currently being developed, as well as the support of LACERA's Board of Retirement. We anticipate that this plan, which will include a process for gathering support for metrics, can be drafted by October 31, 2021.

## TARGET COMPLETION DATE

October 31, 2021

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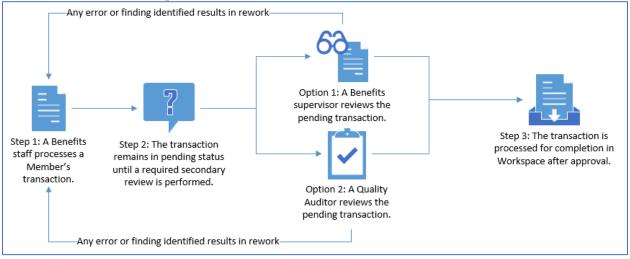
## FINDING #2

The current inline audit process commingles operational supervision with	<b>Risk Rating</b> **
the QA Division's audit work and compromises the accuracy of results.	Medium
the QA Division's addit work and compromises the accuracy of results.	

## **OBSERVATION**

The inline audit process was originally intended to be performed within the Benefits Division for certain high-risk processes to ensure that transactions were quality reviewed (checked) for completeness and accuracy prior to the processes being completed. The goal was to improve quality, prevent errors from reaching members, avoid unnecessary rework and maximize member satisfaction. However, prior to implementing the inline audit process in 2012, LACERA management determined that the Benefits Division did not have the number of staff necessary to implement this process purely within the Benefits Division. The result was the development of a hybrid model where Quality Auditors in the QA Division would perform the inline audit work along with the supervisors in the various Benefits Units for which the inline audit work was performed. Exhibit 1 depicts a simplified workflow diagram of the inline (precompletion) audit process.

Exhibit 1 - Inline (Pre-Completion) Audit Process



In this hybrid model, Quality Auditors lead the process by administering the inline audit database into which the quality review results are entered by both the Quality Auditors and the Benefits supervisors. First and foremost, this model compromises the QA Division's independence as they are performing in an operational capacity essentially performing or co-performing a management function within the same area that they later perform their independent classic audits.

However, we noted further concerns with the hybrid inline audit process:

- It resulted in variances in the subjective accuracy scoring of work, used for quality control and training purposes. Quality Auditors typically gave lower accuracy rating scores than Benefits supervisors did. Based on our analysis of inline audit result from FY 2018 to FY 2020, the average accuracy rating between the two reviewer groups had a difference of 3.5% to 8.8% across every transaction type. In FY2019-2020, the largest net difference in accuracy rating between the two reviewer groups for a singular business process was 27.9%.
- Benefits supervisors and Quality Auditors share the inline audit workload regardless of a transaction's type or risk level. From FY 2018 to FY 2020, Benefits supervisors reviewed significantly more transactions than Quality Auditors did across essentially all transaction types.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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On average, Benefits supervisors conducted 75%-85% of inline audit transactions annually while Quality Auditors reviewed 15%-25% of inline audit transactions annually.

• The quality assurance work performed by QA staff was not accounted for and reported on separately from the quality reviews performed by Benefits supervisors. Also, QA management has not provided regular reporting of inline audit accuracy results to the Executive Office.

# AC QUESTION: There are QA metrics included in the CEO's monthly report to trustees. What is the source of those?

**RESPONSE:** The source for QA metrics in the CEO's monthly report result from several Benefits transactions tested exclusively within the classic audit process and reported by QA to the Executive Office.

Based on our consulting discussions with the current QA Division Manager and the Executive Office, all parties agreed that changes were needed to improve the independence and integrity of the inline audit process. QA management began addressing the changes with the creation of the QA Internal Operating Principles in February 2021. [Note: In this document, QA management re-branded inline audits as "pre-completion quality assurance audits" and classic audits as "post-completion quality assurance audits."]

Additionally, Benefits and QA management are developing a platform in SharePoint with the intent of providing more visibility of audit work and reporting, including separation of work between Quality Auditors and Benefits supervisors.

#### RISK

The lack of independence compromises the integrity and reliability of the resulting data to stakeholders.

## RECOMMENDATION

Quality Assurance and Benefits management should:

- a. Complete the process of separating the inline quality assurance auditing performed by Quality Auditors from the quality review performed by Benefits supervisors.
- b. Ensure independent classic audit transactional findings and accuracy information are reported to the Executive Office and the Operations Oversight Committee on a regular basis.

## MANAGEMENT'S RESPONSE

QA Management agrees with the recommendations. QA Management agrees that a clear separation must exist between the audit work performed by Quality Auditors and the MOG Divisions. At the same time, QA believes that Staff must be measured against consistent quality and efficiency expectations, whether they are being measured by their Supervisors or by an independent assessment team, QA. Therefore, QA Management is working with the Executive Office to complete the following:

- To promote consistency of expectations, QA is developing revised audit criteria. QA will train both MOG supervisors and QA auditors on the audit criteria. This will allow the MOG supervisor to spot check, coach, and develop staff members based on the same criteria their quality is being measured.
- 2) QA Management is establishing a revised audit process that includes a new audit management tool in SharePoint that will distinguish the work of both groups while maintaining a consistent set of audit parameters for both groups to follow. The primary difference that will ensure the independence of the QA audits is that the work of QA auditors will be separately tracked and reported to Division and Executive Management, as well as the Boards. Furthermore, to ensure that the work being audited by QA is truly the product of the MOG operations without the undue influence of QA auditors, and to eliminate the potential conflict of interest caused when an auditor

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reviews their own work, a QA auditor will be prohibited from auditing work that the QA auditor has personally influenced before the audit is performed. The new process will be implemented by QA by June 30, 2021.

TARGET COMPLETION DATE

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## FINDING #3

QA management does not modify its quality assurance audit approaches	Risk Rating <sup>**</sup>	
	High	
based on changing risks.	0	

#### **OBSERVATION**

Based on an assessment of the most impactful areas of concern in regard to ensuring transactional accuracy and quality, LACERA management determined the scope of quality assurance audit transactions. For the inline audit process, certain Benefits transactions (i.e., Termination Letters, Retirement Estimate, Active Death) are tested at 100% while other Benefits transactions (i.e., Age/Rate Change, Incremental Buyback, Temporary Time) are tested with sample sizes of between 81% and 99%. Similarly, the classic audit process tests Retirement Agenda and Payment Contracts at 100% while the First Payment process is tested at 10%. *[Note: This is provided for information and example purposes. Our scope did not include evaluating the appropriateness of specific areas of testing percentages.]* 

However, the sampling approaches used in these quality assurance audits have not been reviewed and updated by QA management in recent years. Based on our review of the quality assurance audits, we believe there may be high-risk transactions not considered by management. For example, the Post First Payment Adjustment transaction process was identified by QA management as a potential inline audit area but not included in the current inline audit process. It is a relatively new process with financial impact to retiree members that has never been audited by QA staff. Additionally, Internal Audit noted that complex Benefits transactions such as Account Settlement, Administrative Appeal, Executive Referral, and Felony Conviction are not in scope for testing under the current quality assurance audits.

Furthermore, we evaluated the current quality assurance audit processes against requirements for quality management systems published by the American Society for Quality (ASQ). The ASQ standards state that an organization needs to plan and implement actions to address risks and opportunities to create an effective quality management system that serves as a preventive tool.

Since November 2020, QA management has been developing a plan to update its quality assurance audit process. The goal is to expand audit scope to cover more Benefits transactions but with smaller sample sizes. For each process, consistent methodology and parameters will be defined based on audit criteria, process risk levels, risk-based sampling plans, and audit workflow/processes. QA management presented on this topic at the April 2021 Operations Oversight Committee (OOC) meeting.

## RISK

The quality assurance audits may not adequately address risks associated with each transaction type due to lack of independence and risk assessment.

#### RECOMMENDATION

QA management should develop an annual risk assessment and a risk-based process for developing their QA audit plans (scope, sample size and frequency) for both pre and post completion quality assurance audits.

## MANAGEMENT'S RESPONSE

QA Management agrees with the recommendation. The risk-based procedures are in development and will be completed and applied to the first Benefits process, which is the Retirement process, by June 30, 2021. The procedures will be applied to every Benefits process that QA staff audits at least annually.

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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This approach will involve an annual risk assessment involving both the MOG Division and QA Division, which will provide a formal recommendation to QA Division Management and the Executive Office for their approval.

This recommendation will include updates to the following audit parameters:

- Audit Criteria (specifications which a transaction must conform to in order to be deemed correct and complete).
- Audit Risk Levels (A numeric scale by which a transaction's associated risks can be rated for audit sampling purposes).
- Audit Sampling Plan (The methodology by which transactions for each audited process will be selected for testing)
- Audit Process Workflow (The design of audit steps and their sequence)

## TARGET COMPLETION DATE

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## FINDING #4

Transactional findings issued by Quality Auditors from the classic (post-	<b>Risk Rating</b> <sup>**</sup>	
completion) quality assurance audits are not addressed in a timely manner.	Ligh	

#### **OBSERVATION**

The classic audit process was so named after the QA Division's entry into the inline audit process. The classic audits are the truly independent quality assurance audits performed by Quality Auditors to assess and report on the accuracy of randomly selected member benefit transactions. Quality Auditors stratify their findings in these classic audits based on risk and agreed-upon criteria, identifying areas that require immediate in-depth study for improvements (Root Cause Analysis). Quality Auditors also use the results of these classic quality assurance audits to assess the business processes and create metrics around performance and accuracy standards. Lastly, Quality Auditors assess and evaluate areas of concern in processes that may require more intensive review for procedural/process documentation revisions. Exhibit 2 depicts a simplified workflow diagram of the classic (post-completion) audit process.

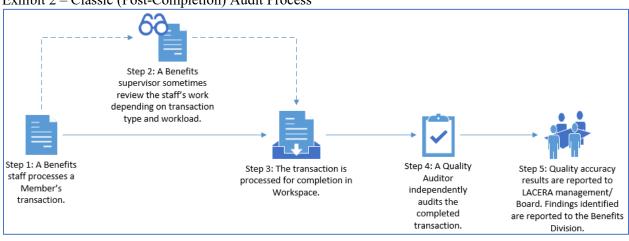


Exhibit 2 – Classic (Post-Completion) Audit Process

During Internal Audit's review, we identified several issues related to the classic audit process:

During fiscal year (FY) 2019-2020, Quality Auditors issued a total of 1,034 classic audit transactional findings related to thirteen Core Benefits transaction types. By the end of FY 2020, there were 106 findings unresolved, with 77 critical findings and 29 non-critical findings.

As of March 2021, Internal Audit identified at least 3 critical findings that are still unresolved from FY 2020. All three critical findings are related to service credit discrepancies. In one particular case, a member's account had two separate critical findings flagged by different Quality Auditors:

- > Finding #1: During the Retirement Agenda classic audit process, a Quality Auditor flagged the account in September 2019 for having an incorrect membership entry age and underpaying mandatory retirement contributions.
- > Finding #2: During the First Retirement Payment classic audit process, a second Quality Auditor flagged the same account in November 2019 for having overstated service credit and receiving an incorrect retirement allowance.

Since the new QA Division Manager came onboard in November 2020, the classic quality assurance audit process has been re-evaluated. After the OA Internal Operating Principles were developed in February 2021, OA management has focused on revamping its sample selections

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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using a risk level approach to determine the volume, timing, and characteristics of different transaction types. In March 2021, QA management started to standardize procedures for transactional findings issued by Quality Auditors. A cross functional team consisting of Benefits and QA staff was formed to develop instructions on how to follow up on QA findings. The goal of the new procedures is to provide a consistent format across all quality assurance audits.

- QA management reports new classic audit findings to Benefits management and the Executive Office on a daily and monthly basis. On an annual basis, QA management presents the "Report of the Quality Assurance Review" with the cumulative results of quality assurance audit findings and accuracy ratings to the Operations Oversight Committee (OOC). However, Internal Audit noted that the last time QA management presented the Report of the Quality Assurance Review to the OOC was in January 2019 summarizing FY 2017-2018 quality assurance audit results.
- QA findings are not always written in accordance with the QA Division's "Audit Protocol Update" (their policy on audit finding documentation). Unclear audit finding documentation may contribute to delays by Benefits staff in addressing findings.

## RISK

Untimely resolution of quality assurance audit findings may result in an ever-increasing financial impact to LACERA and/or the affected members.

## RECOMMENDATION

QA management should enhance the reporting and follow up on transactional findings identified and reported to Benefits based on their classic quality assurance audits. This should include:

- a. Address any outstanding critical quality assurance audit findings from prior years.
- b. Require Benefits management to provide a management action plan and an estimated completion date for resolving audit findings.
- c. Monitor and report status of audit findings to the Executive Office and the Board of Retirement's Operations Oversight Committee (OOC) on a frequent basis.
- d. Train QA staff on consistently documenting findings in accordance with the Audit Protocol Update on audit finding documentations.

## MANAGEMENT'S RESPONSE

QA Management agrees with the recommendations. In this regard, QA has implemented the following measures:

- QA has established a new protocol for the communication and resolution of QA Audit findings, which may be essential to the audited transaction (i.e., an Audit Action Item) or peripheral to the transaction (i.e., a QA Referral). This protocol defines the manner of communication, as well as the parties included in the communications, the roles of those responsible for resolving and monitoring these findings, and the timeframes for each communication step.
- 2) QA, the audited MOG teams, and the Executive Office meet multiple times a month to review the aging of outstanding Audit Action Items for purposes of resolving them.

By June 30, 2021, QA will have implemented a monthly reporting function for reporting both Audit Action Items and QA Referrals to Division Management and the Executive Office. QA will also have a plan to report on the status of outstanding Audit Action Items and QA Referrals on a semi-annually basis to the Operations Oversight Committee.

## TARGET COMPLETION DATE

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## FINDING #5

0.4 management does not have a process for following up and ansuring the	<b>Risk Rating</b> **
QA management does not have a process for following up and ensuring the implementation of process improvement opportunities reported to the	Medium
Benefits Division.	

### **OBSERVATION**

Each fiscal year, QA management issues a list of "Improvement Opportunities" as part of the annual Quality Assurance Review report to Benefits management. These improvement opportunities are process improvement recommendations to increase accuracy and performance for Benefits' operational processes.

The list of improvement opportunities is derived from observations by Quality Auditors performed during each fiscal year. In general, the improvement opportunities are split into various categories such as Account Documentation in Workspace, Calculation Best Practices, Cost Notification Letter and Payment Contracts, General Audit Practices, Member Retirement Account Analysis, and Retirement Agenda Validation.

Internal Audit reviewed a little over one hundred QA process recommendations from FY 2016 through FY 2019. We identified two "Improvement Opportunities" that have been repeated for three consecutive fiscal years (from FY 2017 through FY 2019). It is unclear whether the Benefits Division management have addressed these improvement opportunities based on available documentation.

#### RISK

The delays in addressing and responding to process or procedural recommendations made by QA may negatively impact the ongoing quality of work being performed by operations staff.

## RECOMMENDATION

QA management should enhance the reporting and follow up on process or procedural findings identified and reported to the Benefits Division.

## **MANAGEMENT'S RESPONSE**

QA Management agrees with the recommendation. By June 30, 2021, QA will draft a formal reporting and follow-up system for its procedural recommendations to the MOG Division Management related to their operations. To enhance the reliability of this system, it will include periodic status updates to the Division Manager and Executive Office, as well as LACERA's Operations Oversight Committee.

#### TARGET COMPLETION DATE

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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## FINDING #6

QA management does not have an annual quality assurance audit plan and Risk Rating**	
does not have metrics and KPIs for managing their staff's work.	

## **OBSERVATION**

Internal Audit evaluated QA management's oversight in managing its staff resources and workload. We identified the following issues during our review:

- QA management does not have a formal process for allocating or monitoring staff resources. During FY 2020, QA management started using a daily time sheet created in Excel to monitor QA staff's work progress. Because QA supervisors work closely with their staff, QA supervisors assign work on an ad hoc basis based on QA staff availability. However, QA management does not have any pre-determined metrics or key performance indicators (KPIs) to evaluate their staff in a more comprehensive manner.
- QA management has not established a formal Audit Plan to assign work to QA staff. Existing audit work has not been assessed for risk and there has been no change in the scope of audit work performed. Based on best practice guidance published by the Institute of Internal Auditors (IIA), risk-based planning "enables the audit activity to align and focus resources to produce insightful, proactive, and future-focused assurance and advice on the organization's most pressing issues." Furthermore, the IIA recommends implementing an annual risk assessment to identify projects that are "manageable, timely, and value-added."

#### RISK

QA management cannot evaluate the staffing needs within the Division if they do not utilize any resource management tools (i.e., risk assessment, audit plan) to allocate resources or establish key performance indicators (KPIs) for monitoring staff resources. Additionally, current QA activities may not adequately address LACERA's operational risks.

## RECOMMENDATION

QA management should develop an annual quality assurance audit plan and key performance indicators (KPIs) to allocate and monitor QA staff resources.

## MANAGEMENT'S RESPONSE

QA Management agrees with this recommendation. QA will immediately use existing metrics tools and implement its own KPIs, which will be monitored and reported monthly to Management at the Division and Executive levels and semi-annually to the Operations Oversight Committee. This will be implemented by June 30, 2021.

## TARGET COMPLETION DATE

<sup>\*\*</sup> See Appendix 2 for Finding's Risk Rating

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## **APPENDIX 1**

## **CONSULTING ENGAGEMENT RATING SCALE**

Internal Audit issues three standard consulting engagement report evaluations as defined below:

#### **Satisfactory**

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the engagement in order to maintain or enhance the control environment.

#### **Opportunities for Improvement**

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

#### **Unsatisfactory**

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

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## APPENDIX 2 FINDING'S RISK RATING SCALE

Findings identified during the course of the consulting engagement are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
High	Large financial impact to LACERA or members Actions not aligned with fiduciary responsibilities	Missing or inadequate key internal controls Not adequate to identify fraud, noncompliance or misappropriation	Noncompliance with applicable Federal or state laws or LACERA's policies	High probability for external engagement issues and/or negative public perception	Important critical business process identified by Exec Office Requires immediate attention
Medium	Moderate financial risk to LACERA or members Actions could be better aligned with fiduciary responsibilities	Partial key internal controls Not adequate to identify noncompliance or misappropriation in timely manner	Inconsistent compliance with applicable Federal or state laws or LACERA's policies	Potential for external engagement issues and/or negative public perception	Relatively important May or may not require immediate attention
Low	Low financial impact to LACERA or members	Internal controls in place but not consistently efficient/effective Implementing / enhancing controls could prevent future problems	General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist	Low probability for external engagement issues and/or negative public perception	Lower significance Does not require immediate attention

# L//.CERA

March 30, 2021

TO: 2021 Audit Committee Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez

> Audit Committee Consultant Robert H. Griffin

FROM: Richard P. Bendall Crb Chief Audit Executive

Leisha E. Collins

Nathan K. Amick A Internal Auditor

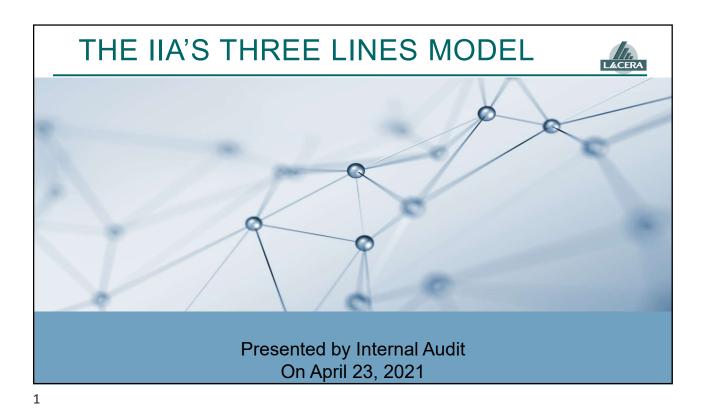
FOR: April 23, 2021 Audit Committee Meeting

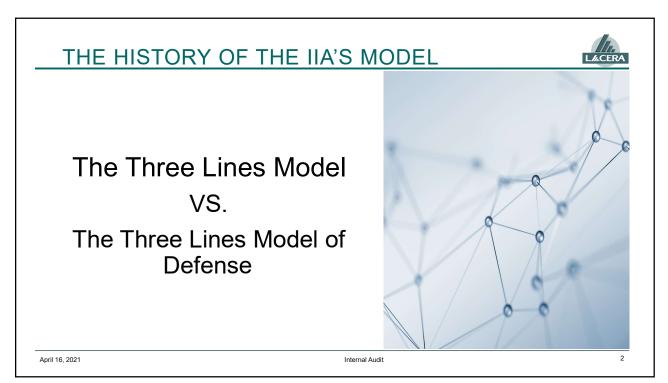
## SUBJECT: The Institute of Internal Auditor's Three Lines Model

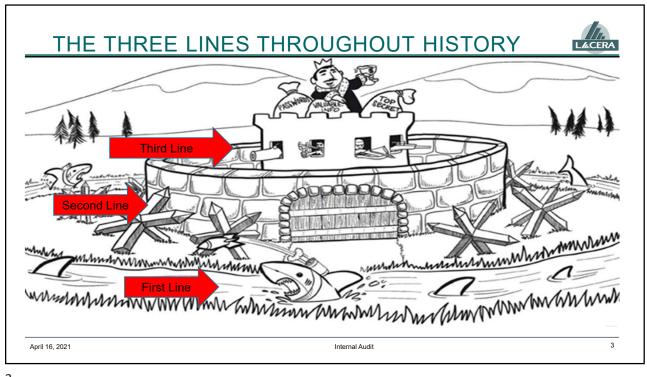
In July of 2020, the Institute of Internal Auditors (IIA) issued literature on The Three Lines Model, an update to the Three Lines of Defense which was established in 2013. The Three Lines Model is intended to help organizations identify structures and processes that best assist with the achievement of objectives and facilitate strong governance and risk management.

Staff will provide a presentation on the updated model at the April meeting. In addition to the presentation we have included the IIA's related publication on the Three Lines Model, see "Attachment A."

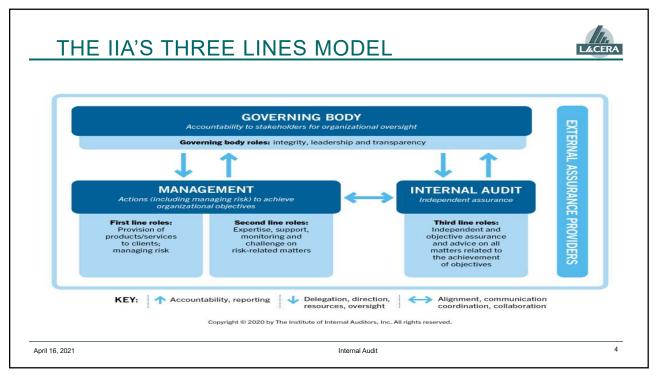
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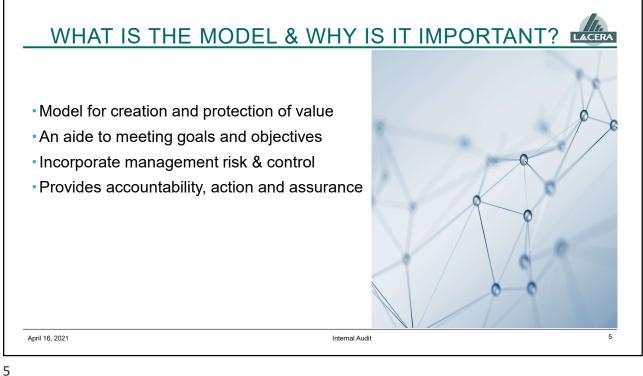




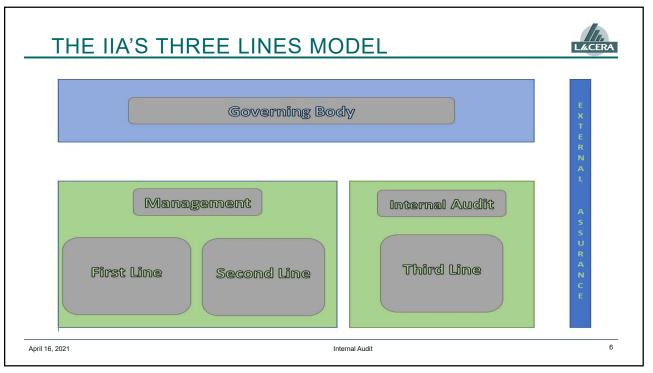




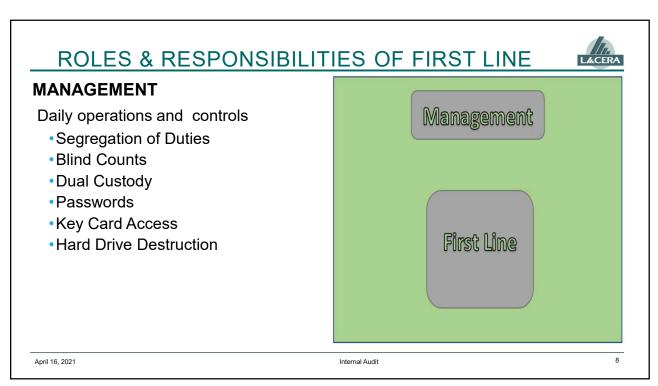


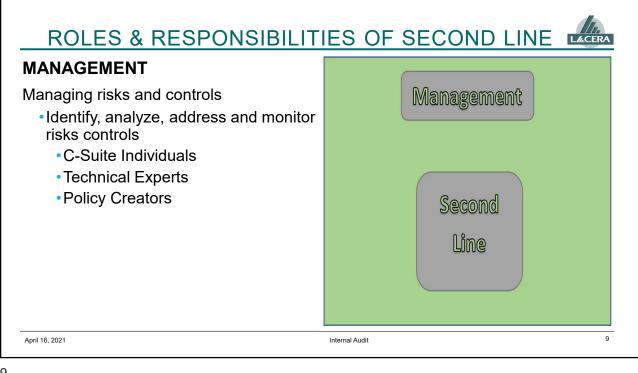




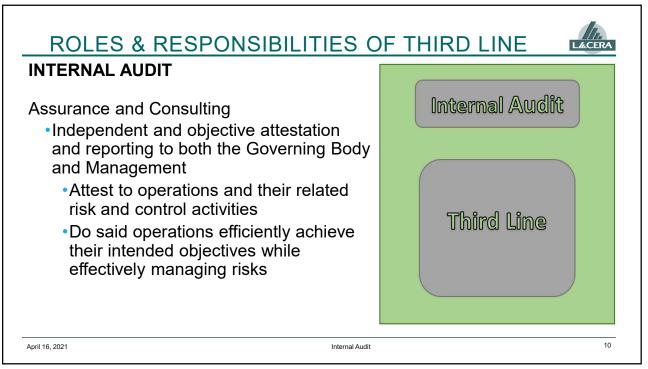


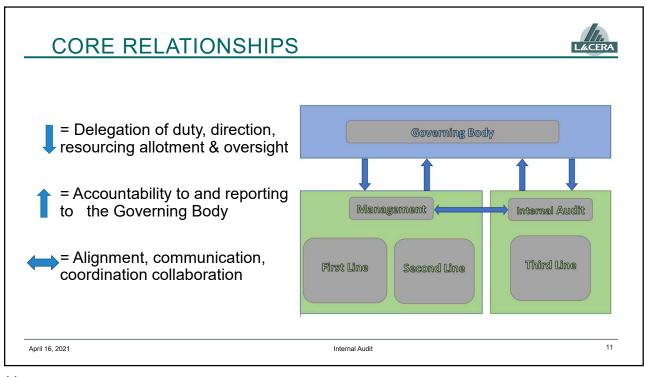
ROLES & RES	SPONSIBILITIES	LÆCERA
	Governing Body	
<ul> <li>Establish structures ar organizational goals ar</li> </ul>	nd processes for governance, this includes setting nd objectives	
<ul> <li>Delegate responsibility goals and objectives</li> </ul>	and resources to management for the achievement	t of
Establish and oversee	independent audit function	
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April 16, 2021	Internal Audit	7



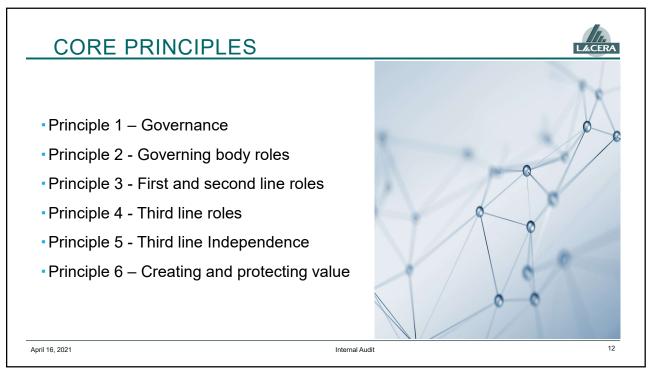


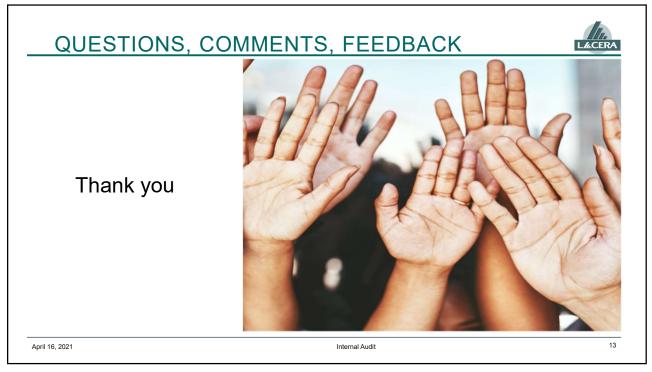












## ATTACHMENT A



## THE IIA'S THREE LINES MODEL

An update of the Three Lines of Defense



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## INTRODUCTION

**Organizations are human undertakings, operating** in an increasingly uncertain, complex, interconnected, and volatile world. They often have multiple stakeholders with diverse, changeable, and sometimes competing interests. Stakeholders entrust organizational oversight to a governing body, which in turn delegates resources and authority to management to take appropriate actions, including managing risk.

For these reasons and more, organizations need effective structures and processes to enable the achievement of objectives, while supporting strong governance and risk management. As the governing body receives reports from management on activities, outcomes, and forecasts, both the governing body and management rely on internal audit to provide independent, objective assurance and advice on all matters and to promote and facilitate innovation and improvement. The governing body is ultimately accountable for governance, which is achieved through the actions and behaviors of the governing body as well as management and internal audit.

The Three Lines Model helps organizations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management. The model applies to all organizations and is optimized by:

#### Key terms

Organization – An organized group of activities, resources, and people working toward shared goals.

Stakeholders – Those groups and individuals whose interests are served or impacted by the organization.

Governing body – Those individuals who are accountable to stakeholders for the success of the organization.

Management – Those individuals, teams, and support functions assigned to provide products and/or services to the organization's clients.

Internal audit – Those individuals operating independently from management to provide assurance and insight on the adequacy and effectiveness of governance and the management of risk (including internal control).

The Three Lines Model – The model previously known as the Three Lines of Defense.

Internal control – Processes designed to provide reasonable confidence over the achievement of objectives.

- Adopting a principles-based approach and adapting the model to suit organizational objectives and circumstances.
- Focusing on the contribution risk management makes to achieving objectives and creating value, as well as to matters of "defense" and protecting value.
- Clearly understanding the roles and responsibilities represented in the model and the relationships among them.
- Implementing measures to ensure activities and objectives are aligned with the prioritized interests of stakeholders.

## PRINCIPLES OF THE THREE LINES MODEL

## Principle 1: Governance

**Governance of an organization** requires appropriate structures and processes that enable:

- Accountability by a governing body to stakeholders for organizational oversight through integrity, leadership, and transparency.
- Actions (including managing risk) by management to achieve the objectives of the organization through risk-based decision-making and application of resources.
- Assurance and advice by an independent internal audit function to provide clarity and confidence and to promote and facilitate continuous improvement through rigorous inquiry and insightful communication.

## Principle 2: Governing body roles

The governing body ensures:

- Appropriate structures and processes are in place for effective governance.
- Organizational objectives and activities are aligned with the prioritized interests of stakeholders.

The governing body:

- Delegates responsibility and provides resources to management to achieve the objectives of the organization while ensuring legal, regulatory, and ethical expectations are met.
- Establishes and oversees an independent, objective, and competent internal audit function to provide clarity and confidence on progress toward the achievement of objectives.

## Key terms

Risk-based decision-making – A considered process that includes analysis, planning, action, monitoring, and review, and takes account of potential impacts of uncertainty on objectives.

Assurance – Independent confirmation and confidence.

## Principle 3: Management and first and second line roles

Management's responsibility to achieve organizational objectives comprises both first and second line roles.<sup>1</sup> *First line roles* are most directly aligned with the delivery of products and/or services to clients of the organization, and include the roles of support functions<sup>2</sup>. *Second line roles* provide assistance with managing risk.

First and second line roles may be blended or separated. Some second line roles may be assigned to specialists to provide complementary expertise, support, monitoring, and challenge to those with first line roles. Second line roles can focus on specific objectives of risk management, such as: compliance with laws, regulations, and acceptable ethical behavior; internal control; information and technology security; sustainability; and quality assurance. Alternatively, second line roles may span a broader responsibility for risk management, such as enterprise risk management (ERM). However, responsibility for managing risk remains a part of first line roles and within the scope of management.

## Principle 4: Third line roles

Internal audit provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management.<sup>3</sup> It achieves this through the competent application of systematic and disciplined processes, expertise, and insight. It reports its findings to management and the governing body to promote and facilitate continuous improvement. In doing so, it may consider assurance from other internal and external providers.

## Principle 5: Third line independence

Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through: accountability to the governing body; unfettered access to people, resources, and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

## Principle 6: Creating and protecting value

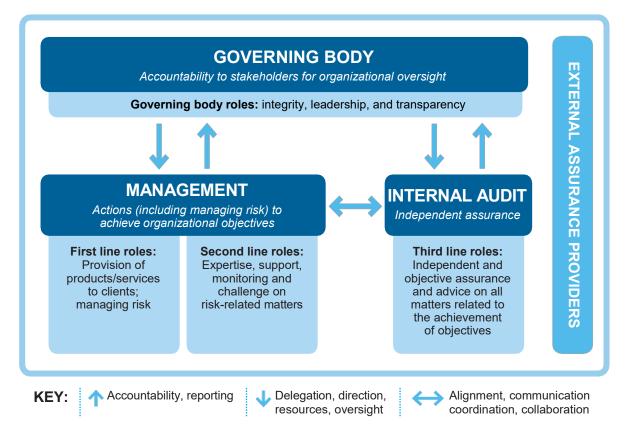
All roles working together collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritized interests of stakeholders. Alignment of activities is achieved through communication, cooperation, and collaboration. This ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

<sup>1.</sup> The language of "first line," "second line," and "third line" is retained from the original model in the interests of familiarity. However, the "lines" are not intended to denote structural elements but a useful differentiation in roles. Logically, governing body roles also constitute a "line" but this convention has not been adopted to avoid confusion. The numbering (first, second, third) should not be taken to imply sequential operations. Instead, all roles operate concurrently.

<sup>2.</sup> Some consider the roles of support functions (such as HR, administration, and building services) to be second line roles. For clarity, the Three Lines Model regards *first line roles* to include both "front of house" and "back office" activities, and *second line roles* to comprise those complementary activities focused on risk-related matters.

<sup>3.</sup> In some organizations, other third line roles are identified, such as oversight, inspection, investigation, evaluation, and remediation, which may be part of the internal audit function or operate separately.

## **The IIA's Three Lines Model**



## KEY ROLES IN THE THREE LINES MODEL

**Organizations differ considerably in their distribution** of responsibilities. However, the following high-level roles serve to amplify the Principles of the Three Lines Model.

## The governing body

- Accepts accountability to stakeholders for oversight of the organization.
- Engages with stakeholders to monitor their interests and communicate transparently on the achievement of objectives.
- Nurtures a culture promoting ethical behavior and accountability.
- Establishes structures and processes for governance, including auxiliary committees as required.
- Delegates responsibility and provides resources to management for achieving the objectives of the organization.
- Determines organizational appetite for risk and exercises oversight of risk management (including internal control).
- Maintains oversight of compliance with legal, regulatory, and ethical expectations.
- Establishes and oversees an independent, objective, and competent internal audit function.

## Management

#### First line roles

- Leads and directs actions (including managing risk) and application of resources to achieve the objectives of the organization.
- Maintains a continuous dialogue with the governing body, and reports on: planned, actual, and expected outcomes linked to the objectives of the organization; and risk.
- Establishes and maintains appropriate structures and processes for the management of operations and risk (including internal control).
- Ensures compliance with legal, regulatory, and ethical expectations.

## Second line roles

- Provides complementary expertise, support, monitoring, and challenge related to the management of risk, including:
  - The development, implementation, and continuous improvement of risk management practices (including internal control) at a process, systems, and entity level.
  - The achievement of risk management objectives, such as: compliance with laws, regulations, and acceptable ethical behavior; internal control; information and technology security; sustainability; and quality assurance.
- Provides analysis and reports on the adequacy and effectiveness of risk management (including internal control).

## Internal audit

- Maintains primary accountability to the governing body and independence from the responsibilities of management.
- Communicates independent and objective assurance and advice to management and the governing body on the adequacy and effectiveness of governance and risk management (including internal control) to support the achievement of organizational objectives and to promote and facilitate continuous improvement.
- Reports impairments to independence and objectivity to the governing body and implements safeguards as required.

## External assurance providers

- Provide additional assurance to:
  - Satisfy legislative and regulatory expectations that serve to protect the interests of stakeholders.
  - Satisfy requests by management and the governing body to complement internal sources of assurance.

## RELATIONSHIPS AMONG CORE ROLES

# Between the governing body and management (both first and second line roles)

#### The governing body typically sets the direction of the

organization by defining the vision, mission, values, and organizational appetite for risk. It then delegates responsibility for the achievement of the organization's objectives to management, along with the necessary resources. The governing body receives reports from management on planned, actual, and expected outcomes, as well as reports on risk and the management of risk.

#### Key term

Chief Executive Officer (CEO) – The most senior individual in the organization with responsibility over operations.

Organizations vary as to the degree of overlap and separation between the roles of the governing body and management. The governing body can be more or less "hands on" with respect to strategic and operational matters. Either the governing body or management may take the lead in developing the strategic plan, or it may be a shared undertaking. In some jurisdictions, the Chief Executive Officer (CEO) may be a member of the governing body and may even be its chair. In all cases, there needs to be strong communication between management and the governing body. The CEO is typically the focal point for this communication, but other senior managers may have frequent interactions with the governing body. Organizations may wish, and their regulators may require, leaders of second line roles such as a Chief Risk Officer (CRO) and a Chief Compliance Officer (CCO) to have a direct reporting line to the governing body. This is fully consistent with the Principles of the Three Lines Model.

# Between management (both first and second line roles) and internal audit

Internal audit's independence from management ensures it is free from hindrance and bias in its planning and in the carrying out of its work, enjoying unfettered access to the people, resources, and information it requires. It is accountable to the governing body. However, independence does not imply isolation. There must be regular interaction between internal audit and management to ensure the work of internal audit is relevant and aligned with the strategic and operational needs of the organization. Through all of its activities, internal audit builds its knowledge and understanding of the organization, which contributes to the assurance and advice it delivers as a trusted advisor and strategic partner. There is a need for collaboration and communication across both the first and second line roles of management and internal audit to ensure there is no unnecessary duplication, overlap, or gaps.

## Between internal audit and the governing body

Internal audit is accountable to, and sometimes described as being the "eyes and ears" of, the governing body.

The governing body is responsible for oversight of internal audit, which requires: ensuring an independent internal audit function is established, including the hiring and firing of the Chief Audit Executive (CAE); serving as the primary reporting line for the CAE<sup>4</sup>; approving and resourcing the audit plan; receiving and considering reports from the CAE; and enabling free access by the CAE to the governing body, including private sessions without the presence of management.

## Key term

Chief Audit Executive (CAE) – The most senior individual in the organization with responsibility for internal audit services, often known as the Head of Internal Audit or similar title.

## Among all roles

The governing body, management, and internal audit have their distinct responsibilities, but all activities need to be aligned with the objectives of the organization. The basis for successful coherence is regular and effective coordination, collaboration, and communication.

<sup>4.</sup> For administrative purposes, the CAE may also report to an appropriately senior level of management.

## **APPLYING THE MODEL**

## Structure, roles, and responsibilities

**The Three Lines Model is most effective** when it is adapted to align with the objectives and circumstances of the organization. How an organization is structured and how roles are assigned are matters for management and the governing body to determine. The governing body may establish committees to provide additional oversight for particular aspects of its responsibility, such as audit, risk, finance, planning, and compensation. Within management, there are likely to be functional and hierarchical arrangements and an increasing tendency toward specialization as organizations grow in size and complexity.

Functions, teams, and even individuals may have responsibilities that include both first and second line roles. However, direction and oversight of second line roles may be designed to secure a degree of independence from those with first line roles — and even from the most senior levels of management — by establishing primary accountability and reporting lines to the governing body. The Three Lines Model allows for as many reporting lines between management and the governing body as required. In some organizations, most notably regulated financial institutions, there is a statutory requirement for such arrangements to ensure sufficient independence. Even in these situations, those in management with first line roles remain responsible for managing risk.

Second line roles may include monitoring, advice, guidance, testing, analyzing, and reporting on matters related to the management of risk. Insofar as these provide support and challenge to those with first line roles and are integral to management decisions and actions, second line roles are part of management's responsibilities and are never fully independent from management, regardless of reporting lines and accountabilities.

A defining characteristic of third line roles is independence from management. The Principles of the Three Lines Model describe the importance and nature of internal audit independence, setting internal audit apart from other functions and enabling the distinctive value of its assurance and advice. Internal audit's independence is safeguarded by not making decisions or taking actions that are part of management's responsibilities (including risk management) and by declining to provide assurance on activities for which internal audit has current, or has had recent, responsibilities over activities utilizing similar competencies, such as aspects of statutory compliance or ERM. In such circumstances, internal audit is not independent of these activities or of their results, and therefore, when the governing body seeks independent and objective assurance and advice relating to those areas, it is necessary for its provision to be undertaken by a qualified third party.

## Oversight and assurance

The governing body relies on reports from management (comprising those with first and second line roles), internal audit, and others in order to exercise oversight and achievement of its objectives, for which it is accountable to stakeholders. Management provides valuable assurance (also referred to as attestations) on planned, actual, and forecast outcomes, on risk, and on risk management by drawing upon direct experience and expertise. Those with second line roles provide additional assurance on risk-related matters. Because of internal audit's independence from management, the assurance it provides carries the highest degree of objectivity and confidence beyond that which those with first and second line roles can provide to the governing body, irrespective of reporting lines. Further assurance may also be drawn from external providers.

## Coordination and alignment

Effective governance requires appropriate assignment of responsibilities as well as strong alignment of activities through cooperation, collaboration, and communication. The governing body seeks confirmation through internal audit that governance structures and processes are appropriately designed and operating as intended.

#### About The IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters is in Lake Mary, Fla., USA. For more information, visit www.globaliia.org.

#### Disclaimer

The IIA publishes this document for informational and educational purposes. This material is not intended to provide definitive answers to specific individual circumstances and as such is only intended to be used as a guide. The IIA recommends seeking independent expert advice relating directly to any specific situation. The IIA accepts no responsibility for anyone placing sole reliance on this material.

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#### July 2020

The Institute of Global

Global Headquarters The Institute of Internal Auditors 1035 Greenwood Blvd., Suite 149 Lake Mary, FL 32746, USA Phone: +1-407-937-1111 Fax: +1-407-937-1101 www.globaliia.org

# L///CERA

April 15, 2021

TO: 2021 Audit Committee Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez

> Audit Committee Consultant Robert H. Griffin

FROM: Richard P. Bendall Crb Chief Audit Executive

> Kristina Sun <sup>KS</sup> Senior Internal Auditor

FOR: April 23, 2021 Audit Committee Meeting

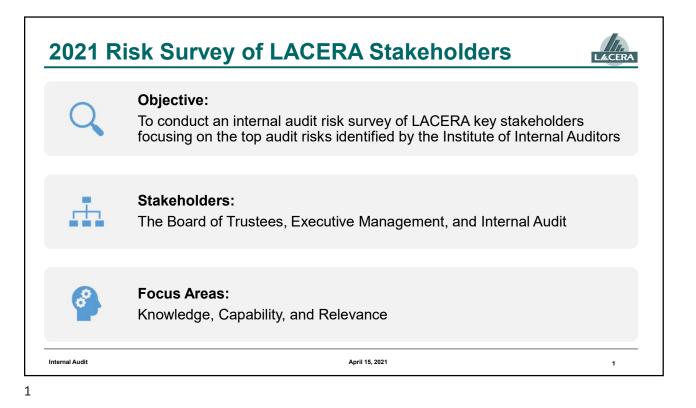
## SUBJECT: 2021 Risk Assessment Survey Results of LACERA

As part of the Audit Planning presentation at the February 2021 meeting, Internal Audit presented the Institute for Internal Auditors (IIA) OnRisk 2021 Report (Attachment A). The report was based on approximately 350 responses to a broad survey of current risks and then in-depth interviews with 30 board members, 30 C-suite executives, and 30 chief audit executives from 90 different organizations. From survey responses and interviews, the IIA determined the 11 top current risks.

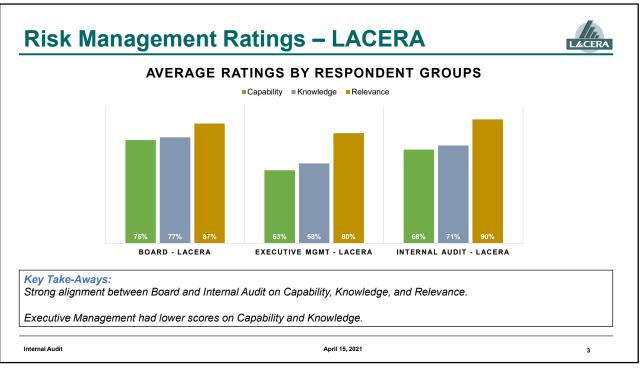
Internal Audit decided it would be helpful as part of LACERA's risk awareness and our own risk assessment and audit planning process to survey the Trustees, our Executive team, and staff in Internal Audit. The high-level results of the survey will be presented at the April meeting for further discussion. We intend to use the survey results as part of our risk assessment discussions with the Executive Office, Division Managers, and staff.

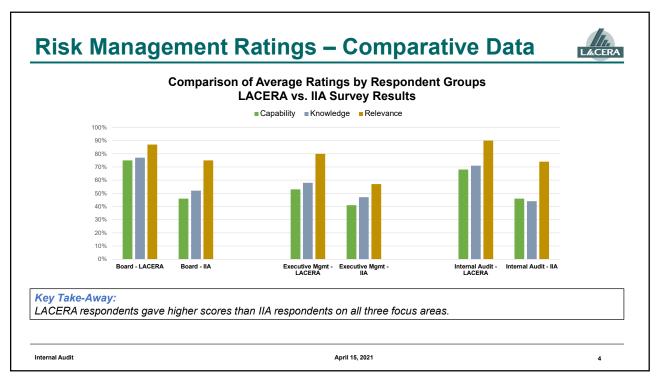
Attachments

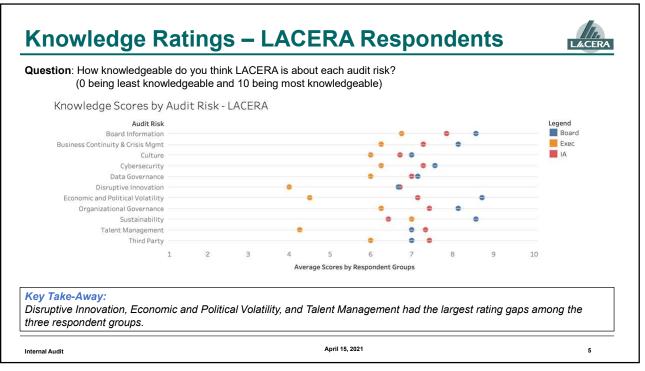
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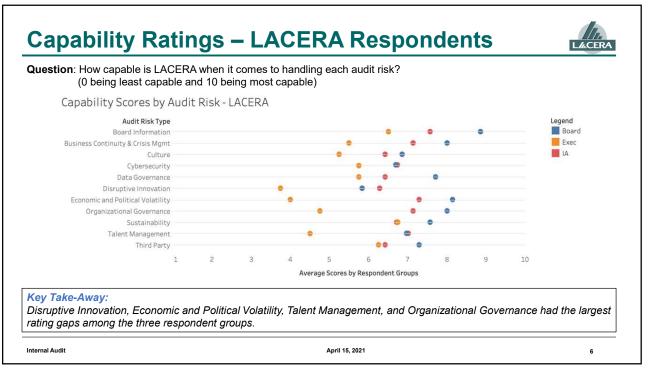


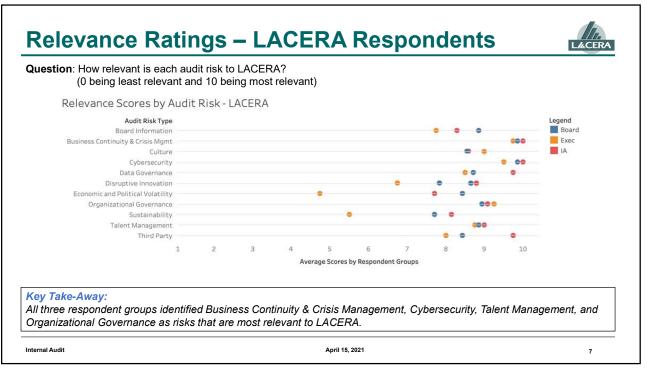
	Audit Risk Type	LACERA	IIA
<ul> <li>LACERA and IIA respondents identified almost the same audit risks as High Risk:         <ul> <li>Business Continuity &amp; Crisis Management</li> <li>Cybersecurity</li> <li>Data Governance</li> <li>Organizational Governance</li> </ul> </li> </ul>	Board Information	0	
	Business Continuity & Crisis Management	0	0
	Culture		
	Cybersecurity	0	0
	Data Governance	0	0
	Disruptive Innovation		
	Economic & Political Volatility		
	Organizational Governance	0	0
	Sustainability		
	Talent Management		
	Third Party		0
	Denotes a High Risk by IIA respondents Denotes a High Risk by LACERA respondents		

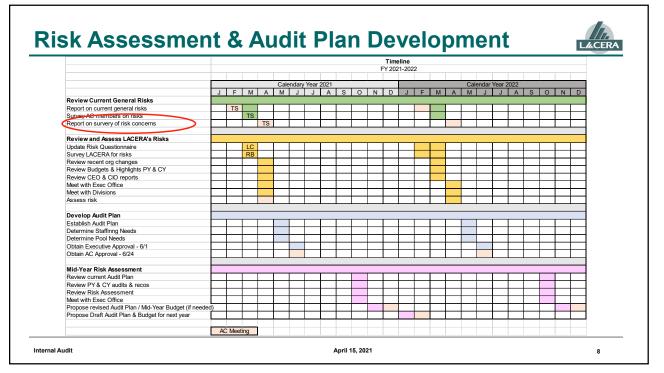














# L///CERA

# FOR INFORMATION ONLY

April 9, 2021

- TO: Audit Committee Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez
- FROM: Steven P. Rice SPR Chief Counsel
- FOR: April 23, 2021 Audit Committee Meeting

## SUBJECT: Legal Review of Incorrect SSNs on Form 1099-Rs

At its February 19, 2021 meeting, the Audit Committee received a report from Internal Audit concerning its Social Security Number Verification System audit and discussed the report's findings and recommendations. The Committee requested the Legal Office to report on the finding that incorrect Social Security Numbers (SSNs) appeared on a small number (six) of Form 1099-Rs issued to members. This memo follows up on the Committee's request based on consultation with LACERA's tax counsel, Jennifer Krengel, of Reed Smith LLP, and staff's plan to implement counsel's advice.

## TAX COUNSEL'S LEGAL REVIEW

When a payer discovers that it has used an incorrect SSN on Form 1099-R, the payer is only required to correct prospectively by including the correct SSN on the next return, provided that the payer satisfies reasonable cause criteria. Treas. Reg. §301.6724-1; IRS Pub. 1586, p. 9; IRS 2021 General Instructions for Certain Information Returns, § H. To show reasonable cause, a filer must establish both that they acted in a reasonable manner before and after a failure to comply and that there were significant mitigating factors (such as an established history of compliance) or that the failure was due to circumstances beyond the filer's control. That said, even when not required, the IRS encourages payers to file corrections for incorrect SSNs. Accordingly, tax counsel advised that LACERA may wish to file corrected returns for affected payees.

Legal Review of Incorrect SSNs on Form 1099-Rs April 9, 2021 Page 2 of 3

Counsel recommended that management confirm that staff is familiar with the SSN solicitation requirements described in IRS Pub. 1586, a copy of which is attached. When satisfied, these solicitation requirements generally mean that the payer will have satisfied the reasonable cause criteria.

## STAFF IMPLEMENTATION PLAN

Based on tax counsel's advice, staff developed the following initial action plan:

- 1. Review the solicitation requirements that are outlined in IRS Pub. 1586 and compare them to LACERA procedures to make sure the organization is satisfying the reasonable cause criteria. While a full review will be conducted, staff believes that LACERA currently complies with the reasonable cause definition stated above because the adequacy of LACERA's process is indicated by the very small number of mismatched SSNs (only six) found by Internal Audit in its analysis of 100% of the 68,600 members receiving Form 1099-Rs as of the July 1, 2020 review date.
- 2. Staff concurs it is good practice to follow the IRS guidance encouraging corrections. Staff is considering sending a letter to affected members that explains we have identified an error and are filing corrective Form 1099-Rs for the last 3 years. LACERA may need more than one form of letter depending on whether or not the payee knows about the error.

LACERA reviewed all six cases and found the following:

- For five of the cases, staff discovered the error and corrected it in 2020 before the Form 1099-R was sent. The 2020 Form 1099-R sent to these members included the correct SSNs.
- Additionally, three of the six payees only began receiving payments in 2020 and may never have been exposed to or know about the SSN error that Internal Audit identified in LACERA's internal databased.

All these initial findings will be confirmed as individual action and communication plans are finalized.

Tax counsel reviewed the action plan and agreed with it. However, in terms of the payee communication under Step 2 above, tax counsel recommended that LACERA keep in mind that the payees may have used the correct Form 1099-Rs, notwithstanding that they included the wrong SSNs, because they were delivered to the right addresses and contain correct information, other than the SSNs. So, it is

Legal Review of Incorrect SSNs on Form 1099-Rs April 9, 2021 Page 3 of 3

possible that the corrected Form 1099-Rs will not change anything for some or all of the payees. Therefore, counsel recommended that LACERA may want to emphasize in the payee communication that the only change being made to the new Form 1099-Rs is to the SSN. Staff will follow tax counsel's advice in preparing member letters.

Staff is actively reviewing and confirming the relevant information and refining and evaluating the action plan, to the extent needed based on full facts. Staff will report to Internal Audit, and to the Audit Committee, through the regular recommendation follow-up process or by such other means as the Committee directs.

Attachment

c: Santos H. Kreimann JJ Popowich Johanna Fontenot Richard Bendall Leisha Collins Christina Logan George Lunde Kathy Delino Carlos Barrios Allan Cochran

# L///CERA

# FOR INFORMATION ONLY

#### April 15, 2021

TO: 2021 AUDIT COMMITTEE MEMBERS Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez

> Audit Committee Consultant Robert H. Griffin

FROM: Richard P. Bendall Crb Chief Audit Executive

Leisha E. Collins *A* 

FOR: April 24, 2021 Audit Committee Meeting

## SUBJECT: FYE 2021 Audit Plan Status Report

## BACKGROUND

According to the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing (Standards), the Chief Audit Executive (CAE), must establish risk-based plans to determine the priorities of the internal audit activity and ensure audit resources are appropriately allocated to address top priorities and key risk areas for the organization.

To remain in compliance with the Standards, as well as the Audit Committee Charter, Internal Audit developed the FYE 2021 Audit Plan (Audit Plan) which was approved by the Committee in July 2020. The Audit Plan currently consists of 47 projects in the areas of assurance, consulting, advisory and other Internal Audit activities. As of March 31, 2021, there are 36 projects that have been completed or are in progress towards completion. Refer to the Audit Plan Status Report (Attachment A) for an updated status of all audits and projects. A brief description of each project is provided on (Attachment B).

Staff have made significant progress in completing the Audit Plan. The following highlights audit activities since the last Committee meeting.

#### Audits

Deliberate efforts to enhance and refine, the audit process, our audit workpapers and the audit reporting process have required a significant amount of staff resources. When these processes are fully developed and our metrics further refined, we expect to have a much more efficient and consistent audit process.

A summary of audits is provided in the following table:

Audit	Description of Project	Status
Quality Assurance Audit	Review of Quality Assurance and Metrics operations, audit processes, and reporting to assess effectiveness and efficiency.	Completed, Report issued 4/9/21
Accounts Payable Audit	Audit of accounts payables, payment vouchers, and ACH transactions for accuracy.	Drafting Audit Report. Est. completion 5/15/21
Rehired Retiree	Audit of LA County's rehired retirees to ensure compliance with PEPRA	Audit work In Progress. Est. completion 5/30/21
Form 700 Audit	Audit of Form 700s process at LACERA for compliance and effectiveness.	Preliminary audit work In Progress
Real Estate Check Review	Incident follow-up review which includes verification of check deposits and review of internal controls of related processes.	Audit work In Progress. Est. completion 4/30/21
Continuous Audit Program (CAP)	CAP is continuous audit testing for fraud and compliance incorporating data analytics as the primary auditing tool. Five CAP testing have been completed thus far and twelve are in various stages of completion and are planned to begin during the third and fourth quarters of this fiscal year.	Continuous

## **Ongoing Projects**

A significant amount of Internal Audit resources has been deployed for ongoing projects and unplanned projects. The following reflects the work performed since the February 2021 meeting and anticipated upcoming work:

#### **Recommendation Follow-Up Training**

Internal Audit enhanced procedures for updating open recommendations to include monthly updates from division managers, and bi-monthly meetings with the Executive Office to discuss and review open recommendations. To further fine-tune our process, we incorporated standardized forms for management to complete when requesting additional time to implement recommendations and when accepting the risk of those recommendations that are not implemented. Both forms require Executive office approval. Internal Audit provided an overview of the revised recommendation follow-up process at the March Management meeting. We began using the revised process for April's monthly follow-up with management.

FYE 2021 Audit Plan Status Report April 15, 2021 Page 3 of 7

#### **RFP for External Audit Services**

Internal Audit issued a Request for Proposal (RFP) to hire a pool of external audit firms to perform auditing and consulting services. This has been a very extensive project requiring staff resources in the development and administration of the RFP, review proposals and selection of firms to be recommended to the Audit Committee for approval.

#### SOC-1 Engagement

In mid-January, Plante Moran provided their data requests for LACERA's first SOC-1 engagement. Internal Audit has reviewed the data requests, worked with the key stakeholders to ensure delivery of data, coordinated the upcoming interviews, and other logistics to ensure the project goes smoothly.

#### Vendor Evaluation

In December 2020, Internal Audit developed a Vendor Evaluation template for LACERA's financial auditor and actuaries which was distributed to key stakeholders to complete. We met with the key stakeholders throughout February and March 2021 to discuss the results of the vendor evaluation and assess which division should have responsibility for facilitating the financial audit, actuarial auditor, and the actuary. These meetings were also used to assess LACERA's option to extend the term of these agreements for two additional one-year terms covering the fiscal years ending June 30, 2022 and June 30, 2023.

#### Quality Assurance Improvement Program (QAIP)

The QAIP includes ongoing improvement of IA performance through periodic and ongoing internal self-assessments, focused discussions on quality and improvement, client surveys, and communication of results to key stakeholders. Improvements resulting from the QAIP include enhancements to our audit report structure, the establishment of risk rankings for findings, and preliminary risk assessment to develop audit scope

#### Teammate Systems Upgrade

Internal Audit is transitioning to Teammate (TM) Plus, an upgraded version of current TM systems used for audit workpapers and reporting. This is an extensive project requiring staff resources for the migration of legacy audit projects, configuration of the new system, and will encompass approximately 12 hours of training for each staff member. Implementation will occur over a four-month period. In March and April, four staff members, who are "championing" the transition, completed online training to understand the basics of TM+, interactive implementation training for two weeks, and "playing in the development sandbox" to customize the software.

FYE 2021 Audit Plan Status Report April 15, 2021 Page 4 of 7

During the February 2021 Audit Committee meeting, the Committee requested that staff provide the Internal Audit Division Organization Chart with the names and titles of staff. Attachment C is provided in reference to the Committee's request.

I would like to thank the team for all their hard work and the Audit Committee for your continued support of Internal Audit.

Attachments

#### Attachment A

#### FY2021INTERNAL AUDIT PLAN STATUS (As of 3/31/2021)

A description of each audit area is included in Attachment B.

А	udit Projects	Project Type	YTD 3/31/21	Est. Hours	Hours Remaining	Status
	<b>EXECUTIVE / LEGAL / ORGANIZAT</b>	ION				
1	Audit Committee Composition	Advisory	58	150	92	Completed
2	LA County Audit - Recommendation Overs	ight Consulting	44	100	56	In Progress
	Form 700 Compliance Audit	Assurance	52	200	148	Q3 Assignment
4	Fiduciary Review Planning	Advisory	5	250	245	Q3 Assignment
5	Business Continuity / Disaster Recovery	Assurance	34	300	266	Ongoing
	Ethical Cultural Assessment	Consulting	5	300	295	Q4 Assignment
	SOC 1 Type 2 Engagement (External)	Assurance	217	400	183	In Progress
	Governance, Risk, Ethics, Fraud, Complian		35	500	465	Ongoing
9	Ethics Hotline & Investigations	Consulting	105	200	95	Ongoing
	ADMINISTRATION					
	IT End-User Manual	Advisory	90	150	60	Completed
	Penetration Tests (External)	Assurance		150	150	TBD
12	Contract Compliance / Third Party Data See	curity Assurance	11	300	289	Q3 Assignment
	Security Incident Management Review (Exte	rnal) Assurance		100	100	Q4 Assignment
14	Privilege Access Review	Assurance		100	100	Q3 Assignment
15	Updated Inventory Process	Consulting	23	150	127	Q3 Assignment
	Employee Salary Bonuses	Assurance		200	200	Q4 Assignment
17	Continuous Auditing Program - Administrat	tion Assurance	106	400	294	In Progress
	INVESTMENTS & FASD					
18	Accounts Payables	Assurance	149	150	1	In Progress
19	Corporate Credit Cards	Assurance	431	300	(131)	Report issued 10/5/
	Investments Due Diligence	Assurance		400	400	Q3 Assignment
21	Oversight of Actuarial Services (External)	Advisory	134	150	16	Ongoing
22	Oversight of Financial Audit (External)	Advisory	377	450	73	Ongoing
23	Oversight of THC RE Financial Audits	Advisory	90	150	60	Ongoing
24	Real Estate Manager Reviews	Assurance	303	200	(103)	In Progress
25	Custodial Bank Services	Advisory	9	100	91	Q3 Assignment
26	Updated Wire Transfer Process	Advisory		150	150	Q4 Assignment
	OPERATIONS					
27	Death Legal Process Audit	Assurance	175	200	25	Report issued 2/2/2
28	LA County Rehired Retirees	Assurance	291	200	(91)	Ongoing
29	Member Benefits Calculation Audit / Datab	ase Assurance		300	300	Q3 Assignment
30	Quality Assurance Operations Review	Consulting	597	450	(147)	In Progress
31	Foreign Payee Audit	Assurance		150	150	Q3 Assignment
	Governance, Risk, and Controls - Benefits	Consulting		400	400	Q3 Assignment
33	Governance, Risk, and Controls - RHC	Consulting		250	250	Q3 Assignment
34	Account Settlement Collections (ASC)	Advisory		150	150	Q3 Assignment
35	Continuous Audit Program - Operations	Assurance	581	500	(81)	In Progress
	IA ADMINISTRATION PROJECTS					
36	Audit Pool – RFP	Assurance	437	400	(37)	In Progress
	TeamMate Optimization	Admin	448	500	52	In Progress
38	Annual Risk Assessment & Audit Plan	Assurance	189	300	111	Q3 Assignment
	External Quality Assessment Review	Admin	10	100	90	Q4 Assignment
40	Audit Committee Support	Admin	604	300	(304)	Ongoing
	Professional Development	Admin	239	250	11	Ongoing
42	Quality Assurance & Improvement Program		244	300	56	Report issued 4/9/2
43	Recommendation Follow-Up	Assurance	805	250	(555)	Ongoing
	UNPLANNED PROJECTS					
44	KPMG Reco Follow-up	Admin	205	0	(205)	Report Issued 12/31
	Real Estate THC Deposit Review	Assurance	323	0	(323)	In Progress
	THC Operations Review	Advisory	11	0	(11)	In Progress
	SSNV Audit	Assurance	254	0	(254)	Report issued 2/2/2
		TOTALS	7437	11000	3563	

## Attachment B

# AUDIT PLAN FYE 2021

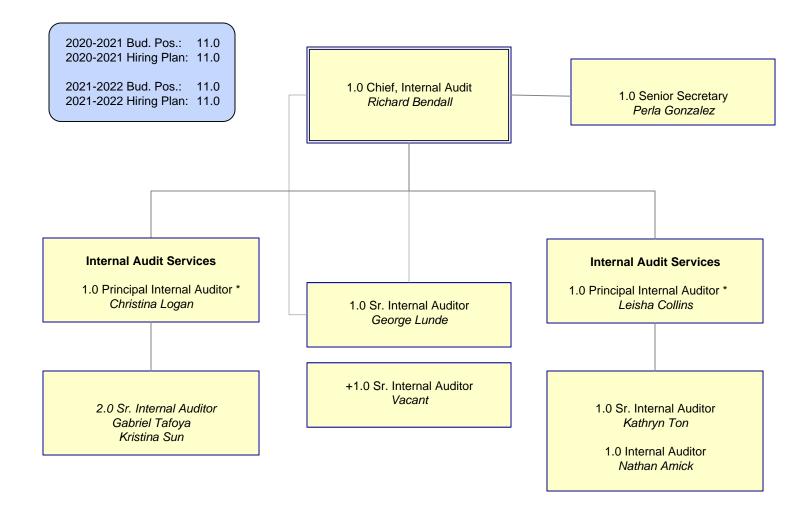
The following table provides a description of each audit area included in the FYE 2021 Audit Plan.

	Audit Projects	Description of Project				
	EXECUTIVE / LEGAL / ORGANIZATION					
1	Audit Committee Composition	Review AC best practices and industry trends. Suggest and facilitate changes.				
2	LAC Audit – Recommendation Oversight	Internal Audit provided oversight of the LA County audit and currently tracks and reports to the Exec Office the status of recommendations.				
3	Form 700 Compliance Audit	Audit of Form 700s to assess Board and Staff compliance.				
4	Fiduciary Review Planning (Year 1 of 2)	Planning of the review. The purpose of mereview is to assess the effectiveness of LACERA governance and operations.				
5	Business Continuity / DRP	Audit of BC plans to ensure they are complete, reviewed and approved, and staff has been trained on them. Participation in DR testing.				
6	Ethical Cultural Assessment	External vendor will assess LACERA's ethical culture. Benefits include the early prevention and detection of problems, improved management of workforce and processes, and enhanced communication.				
7	Systems & Organization Change -1 (SOC 1) - Type 2         Plante Moran (PM) will perform a SOC audit over the controls related to OPEE data. Due to the complexity of this project and coordination among several divisions, IA has taken on the role of project manager.					
8	Governance, Risk, Ethics, Fraud, Compliance	Working with Exec. Management to assess and guide LACERA's development of formalized governance, risks, ethics, fraud, and compliance programs.				
9	Ethics Hotline & Investigations	Monitor and administer the Ethics Hotline. Provide AC summary of incidents.				
	ADMINISTRATION					
10	IT End-User Manual	Facilitate group meetings/discussion in the development of the IT End-User Manual.				
11	Penetration Tests	The objective of the engagement is to evaluate the information security of the network from an external perspective to determine any risks posed from an uncredentialed attacker.				
12	Contract Compliance / Third Party Data Security	Follow-up on CMS audit from FY 2019-2020, perform compliance testing of a broad sample of contracts, including a review of third-party data security.				
13	Security Incident Event Management Review (External)	Review SIEM processes to ensure good practices exist for analyzing log-event data used to monitor threats and facilitate timely incident response.				
14	Privilege Access Review / Segregation of Duties	Review the creation, monitoring, and maintenance of privileged access credentials for compliance with best practice guidelines.				
15	Updated Inventory Process	Review the updated inventory control process for completeness and efficiency.				
16	Employee Salary Bonuses	Audit of employee bonuses since management recently revised its process based on recommendations from the LA County's audit.				
17	Continuous Automated Process (CAP) - AdministrationCAP consists of testing transactions and information systems, provides continuous assurance in key areas of compliance, and includes fraud detection audits.					
	INVESTMENTS & FASD					
18	Accounts Payables	Audit of accounts payables, payment vouchers, and ACH transactions for accuracy.				
19	Corporate Credit Cards	Audit credit card usage to verify compliance with LACERA's Corporate Credit Card Policy.				
20	Investments Due Diligence	Review due diligence practices relating to all asset classes for efficiency and effectiveness.				
21	Oversight of Actuarial Services	Internal Audit manages the relationship with the Actuarial Consultant and Auditor for services relating to actuarial projects.				

	Audit Projects	Description of Project	
	INVESTMENTS & FASD		
22	Oversight of Financial Audit	Internal Audit manages the relationship with LACERA's external financial auditors for the annual financial statement audit.	
23	Oversight of THC RE Financial Audits	Internal Audit manages the relationship with the real estate external auditors who perform the real estate THC financial audits.	
24	Real Estate Manager Reviews	External audit firms conduct real estate manager contract compliance and operational reviews on an as-needed basis.	
25	Custodial Bank Services	Participating on a consulting basis with the Investments Office and FASD in operational improvements of custodial bank services.	
26	Updated Wire Transfer Process	Participating on a consulting basis with the Investments Office and FASD in operational updates and improvements to the wire transfer process.	
	OPERATIONS		
27	Death Legal Process Audit	Benefits: Review Benefits, Member Services, and Legal divisions' processes for tracking and processing member death and legal split cases.	
28	LA County Rehired Retirees	Benefits: Audit of LA County's rehired retirees to ensure compliance with PEPRA.	
29	Member Benefits Calculation Audit / Database	Benefits: Audit member benefit calculations (on a risk basis) for accuracy and completeness.	
30	Quality Assurance Operations Review	Review QA operations for auditing benefit transactions and reporting audit results.	
31	Foreign Payee Audit	Benefits: Periodic audit that confirms the living status of retirees living abroad.	
32	Governance, Risk, and Controls Benefits Division	Benefits: Working with division to gain a deeper understanding of its governance, risks, and controls.	
33	Governance, Risk, and Controls RHC	RHC: Working with division to gain a deeper understanding of its governance, risks, and controls.	
34	Account Settlement Collections	Benefits: The review will serve as a follow-up of management's progress in addressing areas of concern and deficiencies from the FY 2019 review and IA will consult with Benefits on their development of new policies and procedures.	
35	CAP - Operations	Continuous Automated Program (CAP) is automated testing of LACERA's transactions and information systems. CAP provides continuous assurance in key areas of compliance and includes fraud detection audits.	
	IA ADMINISTRATION		
36	Audit Pool – RFP	RFP for audit firms to assist with specialized audit work.	
37	TeamMate Optimization	Working and training to re-configure TeamMate for improved efficiency and effectiveness.	
38	Annual Risk Assessment & Audit Plan	Updating Audit Universe, Risk Assessments, and develop Audit Plan.	
39	External Quality Assessment Review	Working with an external independent reviewer for the required Quality Assessment Review.	
40	Audit Committee Support	Preparation of Audit Committee materials and attendance at meetings.	
41	Professional Development	Annual self-assessment, developing self-development program, and allocating for 30 hours of annual training per staff.	
42	Quality Assurance & Improvement Program (QAIP)	The QAIP includes ongoing improvement of IA performance through periodic and ongoing internal self-assessments, client surveys, and communication of results to key stakeholders.	
43	Recommendation Follow-Up	Quarterly review of outstanding recommendations.	
	UNPLANNED PROJECTS		
44	KPMG Reco Follow-up	Audit Committee engagement to review IA Recommendation Follow-Up Process.	
45	Real Estate THC Deposit Review	Incident follow-up to review internal controls.	
46	THC Operations Review	Review of real estate bank operations and advise key divisions on controls, and procedures to improve processes.	
47	SSN Verification Systems Audit	The scope of this audit was expanded from a Continuance Audit Program (CAP) Test, to a full audit. The objective was to Identify deceased benefit payee accounts receiving benefit payments and validate operational processes are functioning in an adequate manner to prevent benefit payments to deceased member accounts.	

# ATTACHMENT C

# **INTERNAL AUDIT** FISCAL YEAR 2021-2022



+ Added position

Deleted position

\* Classification study for the position requested



# FOR INFORMATION ONLY

March 30, 2021

TO: 2021 Audit Committee Joseph Kelly, Chair Shawn R. Kehoe, Vice Chair Vivian H. Gray, Secretary Alan J. Bernstein Keith Knox Ronald A. Okum Gina V. Sanchez

> Audit Committee Consultant Robert H. Griffin

FROM: Richard P. Bendall

Leisha E. Collins *A*C Principal Internal Auditor

Kathryn Ton K

FOR: April 23, 2021 Audit Committee Meeting

#### SUBJECT: Ethics Hotline Status Report

The purpose of this memorandum is to provide the Committee with information on ethics cases handled by LACERA. LACERA has contracted with NAVEX Global's EthicsPoint since November 2019 for its ethics hotline reporting and case management needs.

To date, LACERA has received four case reports, three of which have been closed out and one of which is under investigation at this time.

Issue Type	Count	Status
Time Abuse	1	In Process
Accounting & Auditing Matters	1	Closed
Time Abuse	1	Closed
Violations of Policy	1	Closed

Staff will continue to provide updates to the Committee on future reports.

RPB:lec:kt