

**Los Angeles County Employees Retirement Association (LACERA) Financial  
Auditor RFP – LACERA’s Responses to Written Questions  
December 15, 2022**

QUESTION: The most recent version of LACERA’s GASB-68 schedule and the schedule of changes in fiduciary net position by employer specifically for Los Angeles County’s portion of the OPEB Trust are not posted on the LACERA’s website. Are they available to proposers?

QUESTION: The final Independent Auditor Report is due approximately October 15th annually. Are the most recent basic financial statements available for proposers?

QUESTION: When will the ACFR be ready for review by the auditor?

ANSWER: Currently the 2022 ACFR has not yet been published and has a tentative date of December 30, 2022 for publishing. Currently, all of the June 30, 2022 Financial Statement Audit materials and related reports can be found within the LACERA’s November 17, 2022 Audit Committee Meeting materials. See the link for materials: [Nov.17.2022 AC Materials](#).

QUESTION: What special projects are contemplated during the first year of the contract?

ANSWER: While we have nothing in mind at this time, the previous auditor assisted us with the implementation of new GASB standards (#67-68 and #74-75). Should anything be identified during the audit where LACERA would benefit from additional work, we would like to receive input from the auditor and discuss options.

QUESTION: During fieldwork, LACERA is asking for bi-weekly status meetings (either virtually or at LACERA’s offices). Would LACERA desire the audit to be performed on-site, virtually, or both?

ANSWER: We are assuming a combination of both and will discuss further once the contract is awarded. Please note, we require all presentations to the LACERA Audit Committee be performed in person at LACERA’s offices. Additionally, we prefer the Partner and Manager will be onsite for the SAS 99 fraud interviews with selected LACERA-management.

QUESTION: The RFP includes Exhibit D Agreement For Services and indicates LACERA’s form contract is attached, but no agreement is attached or online. Can you please provide the Agreement for Services for vendors to review?

QUESTION: The general form of contract is referred to in Exhibit D. However, Exhibit D does not have the contract information posted. Please clarify.

ANSWER: Exhibit D has been updated and now contains the missing information. Please refer to the following link to review the updated [EXHIBIT D](#).

QUESTION: The Fee Schedules in Exhibit I include Audit Hours, Standard Hourly Rates, Quoted Hourly Rates, and a Total for Partners. May we assume that these are examples?

ANSWER: Yes, the numbers provided are examples only.

QUESTION: line “Estimated Out of Pocket Expenses – None.” What is LACERA asking for? Should that be “None” or amounts filled in given that the Fee Schedules are looking for Total Not-To-Exceed Maximum Fees for each year.

ANSWER: We assume that Out of Pocket Expenses will be incorporated into your fixed fee proposal. Reasonable travel expenses will be reimbursed, at LACERA’s discretion. We can discuss further once contract the is awarded.

QUESTION: On page 57, the line “Total (Not-To-Exceed Maximum Fee for 5 Years,) may we assume that the line is meant to be cumulative?

ANSWER: Yes, that line is cumulative.

QUESTION: Our firm is currently not required under professional standards to have an SSAE-16 examination and has not had such an engagement in the last five years. Is there an alternative documentation the firm can provide to meet this requirement?

ANSWER: If the firm does not have an SSAE-16, SOC-2, Type 2 or an ITGC examination in the last five (5) years they must complete “Exhibit E - It Security Controls” questionnaire in its entirety. LACERA will review the completed questionnaire and score it accordingly.

QUESTION: Is the current provider of the audit of LACERA’s annual financial statements precluded from providing a response to this RFP?

ANSWER: No, the previous firm is eligible to bid for the work.

QUESTION: Were there any adjustments proposed by the auditors for FY 2021 or FY 2022?

QUESTION: Were there any audit adjustments, posted or waived for the most recent audit?

ANSWER: Yes, we did accept some recommended adjustments from our external auditor. If there are audit adjustments, they typically involve direct investment valuations which are initially provided on a quarter lag and then updated for June 30. These adjustments can be shared once the contract is awarded.

QUESTION: If LACERA could change one thing about the current audit process what would that be?

ANSWER: The previous audit process worked well for LACERA, but we are open to suggestions.

QUESTION: What controls are in place to monitor and record calls and distributions for real estate and private equity investments? (internal or outside consultants?)

ANSWER: LACERA’s real estate and private equity capital calls and distributions are captured by LACERA’s custodian and administrator, State Street, and reconciled by accounting staff.

QUESTION: What reconciliation procedures are performed between the different investment managers and custodians and how often?

ANSWER: Public market reconciliations between the custodian and the investment manager are conducted on a monthly basis. Alternative asset reconciliations are completed quarterly or annually, depending on the asset class. These reconciliations are performed by a varied mix of LACERA Staff, asset class consultants, investment managers, and our custodian.

QUESTION: Are there going to be any significant changes to the software systems used, or benefits provided in the near-term known at this time?

QUESTION: Have there been changes to financially significant systems in the past year or planned for the next 5 years?

ANSWER: We do not anticipate significant changes to our general ledger software or member database software. With the upcoming calendar year, we will be implementing a new budgeting software system, and a new Accounts Payable software system, but we would not consider those “financially significant systems.” We have not, nor do we foresee making changes to the benefits provided.

QUESTION: Beyond what is in Exhibit G, what are the key qualities that the LACERA is expecting from their auditors?

ANSWER: Integrity, professional, knowledgeable, thorough, courteous, collaborative, with good communication skills.

QUESTION: Are any of the hard to value investments audited financial statements prepared in a basis of accounting other than US GAAP .

ANSWER: Yes, LACERA does have limited investments in GB Pound and Euro, etc. and may follow IFRS standards.

QUESTION: How many employers / offices were selected in FY 2022 for GASB 68 and GASB 75 testing?

ANSWER: Approximately 95% of LACERA members are “County” employees, and while the previous auditor did not divulge their sampling techniques, we assume they only selected the County. The remaining employers consists of the Los Angeles County Superior Court, which makes up less than 5% of LACERA members, and 4 small “Outside Districts” which make up less than 1% of LACERA members.

Please note, regarding GASB 68, LACERA operates as a cost-sharing multiple-employer defined benefit Pension Plan. With regards to GASB 75, LACERA operates as an agent multiple employer defined benefit OPEB plan.

QUESTION: What role (if any) has the internal auditor function played in the external audit process? Would the successful proposer have access to utilize the internal auditor to assist with the external audit?

ANSWER: Internal Audit is the liaison for the project and will be the external auditor’s primary contact. Internal Audit facilitates all data requests, PBC lists, meetings, questions, etc. Internal audit must be copied on all communications and invited to all meetings

QUESTION: The RFP has conflicting “irrevocable offer” timelines. On page 11, it states proposal must be valid for “not less than 180 days after the submission deadline,” and then on page 18, it says “120 days following the date of proposal.” Please provide clarification on the timeline.

ANSWER: 180 days is the timeline.

QUESTION: LACERA’s website contains conflicting Exhibit C Sections. The one included in the full RFP indicated “respondents shall use the questionnaire numbering in it Proposal” and the has “insert RFP Questions in this Exhibit.” There is no list of questions in Exhibit C in the full RFP document. Exhibit C from the webpage link includes a design that does not follow Exhibit A design. Please clarify which Exhibit C and questions should be used as the proposal design.

QUESTION: There is inconsistency in the “Appendix C” Questionnaire that was included in the pdf of the RFP submitted to the firm and that posted online. Can you please confirm which version of the document should be completed and submitted?

QUESTION: Exhibit C refers to RFP questions that respondents may need to respond to. Are there any?

Please use the following link with regards to [Exhibit C](#).

QUESTION: Are there any anticipated changes in key third party service providers in the next year (actuary, etc.)?

ANSWER: In FY 2023-24, LACERA will be issuing an RFP for actuarial services, and actuarial audit services.

QUESTION: Are there changes in investment policies or allocations anticipated in the next year?

ANSWER:

- Investment policies – No changes are anticipated; only as deemed necessary or as part of LACERA’s asset class structure reviews
- Allocations – LACERA’s functional category and asset class allocations are set by its Board-approved Strategic Asset Allocation (“SAA”) policy weights. The SAA is typically reviewed every three years. We anticipate that the Board will update the SAA effective 2024.

QUESTION: How often are appraisals performed for directly held real assets?

ANSWER: Directly held real estate appraisals are conducted every year.

QUESTION: Have there been any significant changes in the composition of members / census in the past year or anticipated in the next 5 years?

ANSWER: Except for higher rates of death and early retirement as a result of COVID-19, we do not foresee any changes our membership composition.

QUESTION: Does management use third party specialists to assist with determining fair value for harder to value segments of their portfolio? If so, who and how frequently is the valuation performed?

ANSWER: Hard-to-value assets are reported at NAV, for example, private equity fund values come from the investment manager (and/or their respective administrators.) For both hard-to-value assets and private equity, there are some securities custodied by LACERA's custodian, State Street Bank and Trust Co. ("State Street"). As LACERA's custodian is the accounting book of record, LACERA follows State Street's security pricing vendor matrix. Beyond the investment manager's third-party valuation practice and Custodian pricing, no separate valuations are performed.

QUESTION: Historically when are the draft financial statements ready for audit?

ANSWER: The last week of September.

QUESTION: What were the audit fees for FY 2021 and FY 2022 for the pension trust fund, the OPEB trust and the OPEB custodial fund, GASB 68 fees, and GASB 75 fees?

ANSWER: See table below:

Fee Type	Fiscal Year 2021	Fiscal Year 2022
Pension	\$116,955	\$120,900
OPEB (trust and custodial combined)	\$9,845	\$9,985
GASB 68	\$12,295	\$13,150
GASB 75	\$30,215	\$30,645

Please note, LACERA reserves the right to award an agreement to the Proposer that best meets the needs of LACERA as determined by LACERA, which may not be the Proposer offering the lowest fees. Fees account for less than 10% of the weight of the score. The successful Proposer will be determined based on evaluation of all selection criteria.

QUESTION: How many auditors were out in the field during interim? For how many days?

QUESTION: How many auditors were out in the field during final fieldwork? For how many days?

QUESTION: Describe the composition of the audit team (how many team members, what level) and how long they were in the field for each section of audit work.

ANSWER: For the past three financial statement audits performed, the work was performed virtually. As such, we cannot be sure as to the specifics of the audit team or the timing. Generally speaking, the audit team consisted of an engagement partner, manager, senior, and one to three staff people. We do not keep track of the audit team's hours per section.

Interim fieldwork is scheduled for two weeks and final fieldwork is scheduled for approximately six weeks.