



**RESPONSES TO PROPOSER QUESTIONS**  
**REQUEST FOR PROPOSAL FOR FINANCIAL STATEMENT AUDIT SERVICES (DCFS21-04)**  
**FEBRUARY 22, 2021**

1.	<p><b>Would a proposed engagement partner who does not have a California CPA license but can practice in California under the CPA mobility law meet the Engagement Partner minimum qualification “must be licensed to practice in the State of California?”</b></p> <p><i>LAFPP acknowledges the State of California’s CPA Mobility Law and considers engagement partners licensed outside of California who are allowed to practice in California under this law as meeting minimum qualifications, as long as all other qualifications and experience requirements are met.</i></p>
2.	<p><b>Why is LAFPP going out to bid and how often does LAFPP go out to bid? Does the LAFPP require firm rotation or will the current auditors be invited to propose?</b></p> <p><i>Periodic RFP for City services is required by the City Contracting Policy. This is a routine RFP in compliance with City Policy. LAFPP does not have an audit firm rotation policy and the current auditors are welcomed to bid.</i></p>
3.	<p><b>What were the audit fees and expenses (if any) paid to the auditor for the fiscal 2020 audits? Have there been any significant changes to LAFPP’s organization during 2021 that would impact the scope of audit work required?</b></p> <p><i>LAFPP’s total audit fee for fiscal year June 30, 2020 was \$87,163 for services specified in RFP Sections 1.5.1 and 1.5.2. There are no significant changes at this time in LAFPP’s operations or organization for fiscal year 2021 that would impact the scope of audit work.</i></p>
4.	<p><b>Is LAFPP allowing for redlines of contract provisions and terms as part of the proposal process? If so, what format should the requested edits be provided?</b></p> <p><i>“Redlining” or modification of contract provisions and terms are not allowed.</i></p>
5.	<p><b>What are the key decision factors in the selection of the external audit provider?</b></p> <p><i>See RFP Section 4.</i></p>



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6.	<b>Does LAFPP draft the basic financial statements and footnotes and the GASB 68/75 allocation schedules? Or will the auditor assist with this process?</b>
	<i>LAFPP drafts the basic financial statements and footnotes. LAFPP's actuary prepares the GASB 68/75 valuation reports. The external auditor audits the GASB 68/75 reports which are submitted to the employers: the City, Los Angeles World Airports, and Port of Los Angeles.</i>
7.	<b>Was there a Report on Internal Control or Management Letter of Recommendations issued by the auditor for FY 2020? Were there any material weaknesses or significant deficiencies in internal controls reported for 2020?</b>
	<i>The auditor's Report on Internal Control is included in the audited financial statements posted on LAFPP's website (pg. 63). There was no Management Letter of Recommendations issued by the auditor for FY 2020. There were no material weaknesses or significant deficiencies in internal controls reported for FY 2020.</i>
8.	<b>Section 1.5.2 notes "Perform annual audits of schedules related to GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." Please provide copies of the deliverables related to this portion of the work.</b>
	<i>See Attachment 1.</i>
9.	<b>With the establishment of the Section 115 trust, what is the long-term plan for the Health Subsidy Plan? Will the Section 115 Trust replace the 401(h) component or supplement it in the long-term?</b>
	<i>If approved and established, the Section 115 Trust will supplement the 401(h) account.</i>



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10.	<p><b>Are there significant changes in operations that would have an impact on the scope of the audit including:</b></p> <ul style="list-style-type: none"> <li>• <b>Changes in policies and procedures</b></li> <li>• <b>Material changes in the investment portfolio</b></li> <li>• <b>Significant changes in any of the plans including benefits provided</b></li> <li>• <b>Significant changes in assumptions for valuations and estimates</b></li> <li>• <b>New plans or funds</b></li> </ul>
	<p><i>LAFPP does not expect any significant changes in operations or policies that are expected to impact the scope of audit work.</i></p>
11.	<p><b>Has there been any significant turnover in the accounting staff over the past year or any changes you'd expect would impact fieldwork as compared to prior years?</b></p>
	<p><i>LAFPP's Departmental Chief Accountant and Chief Investment Officer will be retiring in 2021. These personnel changes will not impact the scope of work required. There are experienced staff within the Accounting and Investments Sections that will provide continuity. LAFPP has recently hired a Departmental Chief Accountant and the search for a Chief Investment Officer is in progress.</i></p>
12.	<p><b>Are any changes in information systems contemplated over the contract period (if so, please describe)?</b></p>
	<p><i>LAFPP implemented a new pension administration system in 2019. No significant information systems changes are contemplated over the contract period.</i></p>
13.	<p><b>Are there any tasks specified in the current year RFP that are different from the prior audit contract?</b></p>
	<p><i>The scope of services in RFP Section 1.5 has not materially changed from LAFPP's current contract.</i></p>



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14.	<b>Please provide a list and brief description of all of the information system/applications used by LAFPP that are used in financial reporting.</b>
	<i>-Financial Management system (FMS) – FMS is the citywide financial system maintained by the City Controller's Office. Revenues such as purchase of service credits, miscellaneous receipts, and operating expenses are processed using the FMS system.</i>
	<i>-Microsoft Dynamics (Dynamics) - Dynamics is used to maintain the complete accounting records for the financial reporting purposes. Periodically, journal entries are prepared to record the monthly financial activities of LAFPP to the Dynamics system. This includes the net changes of activities from the FMS, the investment activities, and the year-end accrual entries that adjust the net position of the system in accordance with the GASB.</i>
15.	<b>Does LAFPP use a document management system for member documentation (e.g. participation enrollment, status changes, benefit payments, etc.)? If so, do the auditors have direct access to this system to look up necessary information for audit purposes?</b>
	<i>LAFPP utilizes DocuShare for document management, which is available to our current firm for audit purposes only.</i>
16.	<b>How soon after year end are the audited financial statements available for the harder to value investments?</b>
	<i>Audited financial statements for some complex valuation investments may be received as late as mid to late October.</i>
17.	<b>Are any of the harder to value investments based on audited financial statements prepared in a basis other than U.S. GAAP?</b>
	<i>Real estate corporate accounts and real estate pooled investments are valued based on an independent appraisal or other methods using various techniques including models. Private equity partnerships, comingled real estate funds, asset/mortgage-backed security funds and commercial mortgages are valued using the net asset value. Hedge funds generally take the form of limited partnerships, which are valued based on the partnerships audited financial statements or from the most recently available internal valuation.</i>



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18.	<b>What reconciliation procedures are performed between the different investment managers and custodian and how often?</b>
	<i>Staff analyzes and reconciles the available reports from the custodian and the investment managers on a monthly or quarterly basis.</i>
19.	<b>What was the overall nature and volume of audit adjustments proposed by the external auditors?</b>
	<i>No audit adjustment was proposed by the external auditors.</i>
20.	<b>Does LAFPP maintain participant census data along with payroll related information? Or would testing of this information need to be performed at the City?</b>
	<i>LAFPP maintains the census data. LAFPP has system access to the active payroll information maintained by the City.</i>
21.	<b>Do the current external auditors utilize internal auditors for testing? What, if any, work of the Internal Audit department has the external auditor used?</b>
	<i>The current external auditor has not utilized internal audit staff or work.</i>
22.	<b>Were there any known instances of fraud or illegal acts or significant compliance matters during the fiscal year?</b>
	<i>There are no known fraud, illegal acts, or significant compliance issues during the fiscal year.</i>
23.	<b>Has the LAFPP been the subject of any recent regulatory investigation?</b>
	<i>LAFPP has not been subject to any recent regulatory investigations.</i>
24.	<b>Has the LAFPP experienced any known cyber breaches and loss of data in the past 12 months?</b>
	<i>LAFPP has not experienced any known cyber breaches or loss of data in the past 12 months.</i>



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25.	<p><b>How has the COVID-19 pandemic affected internal controls or procedures?</b></p> <p><i>Most of LAFPP staff are telecommuting the majority of their time in compliance with the City's protocols related to COVID-19. Internal controls and procedures have not been materially affected.</i></p>
26.	<p><b>Given the COVID pandemic, is the LAFPP open to performing the audit remotely and providing information requests electronically? If so, what challenges would can be foreseen in this remote work environment?</b></p> <p><i>LAFPP is effectively operating remotely and is receptive to the audit being performed remotely, with in person meetings and on-site visits conducted when necessary.</i></p>
27.	<p><b>Outside of Segal, please provide an overview of any other specialists used and its related entities (actuaries, valuation firms, third party experts, SSAE No. 16/SOC reports, etc.)?</b></p> <p><i>LAFPP does not utilize specialists for accounting or valuation purposes outside of Segal.</i></p>
28.	<p><b>If LAFPP changed to new auditors what transition issues would be a concern to LAFPP?</b></p> <p><i>The RFP requires each proposer to provide a description of their overall approach, including describing their approach to transitioning from LAFPP's prior auditor. LAFPP would evaluate any transition issue on a case-by-case basis.</i></p>
29.	<p><b>What is the LAFPP's position on utilizing its audit firm for other consultative matters assuming of course that independence rules are not violated?</b></p> <p><i>LAFPP intends to utilize the external auditor for non-audit related services as needed. See RFP Section 1.5.3.</i></p>