
Request for Proposal

Annual City Audit and Single Audit of the City of Los Angeles

Los Angeles City Council



**MANDATORY PROPOSAL
CONFERENCE**

SOMEDAY, MONTH XX, 2017 @
2PM (INSTRUCTIONS ON PAGE
XX)

PROPOSALS DUE

SOMEDAY, MONTH XX, 2017 BY
4PM

CONTACT

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I INTRODUCTION

The Charter of the City of Los Angeles requires that the City Council have the income and expenditures of each City department audited at the end of each fiscal year by one or more certified public accountants. Further, the Federal Single Audit Act of 1984 (P.L. 98-502) and the Single Audit Act Amendments of 1996 (P.L. 104-156) require a financial and compliance audit to be conducted in accordance with Office of Management and Budget (OMB) Circular A-133 (or its successor). The City has combined the annual and single audits into one contract.

The City Council has directed that an auditor be selected through a request for proposal (RFP) to perform the audit for the fiscal years 2017-18, 2018-19 and 2019-20. The City's financial calendar begins July 1 and ends on June 30 of the following year. You are invited to submit a proposal in accordance with the attached RFP. The resulting audit contract will be for a term of three years, subject to annual appropriation by the Mayor and City Council, with two, one-year renewable options for audit of fiscal years 2020-21 and 2021-22 subject to annual appropriation by the Mayor and City Council.

II ORGANIZATION OF THE CITY

The City of Los Angeles (City) was incorporated in 1850 under the provisions of a City Charter. The current Charter was approved by the electorate on June 8, 1999 and became effective on July 1, 2000. The City operates under a Mayor-Council form of government. As Executive Officer, the Mayor supervises the administrative process of the City and works with the Council in matters related to legislation, budget and finance. As governing body of the City, the 15-member full-time Council enacts ordinances, levies taxes, authorizes contracts and public improvements, adopts zoning and other land use contracts, and provides necessary resources for budgetary departments and offices of the City. Council action is subject to approval or veto of the Mayor, and Council may override a Mayoral veto by a two-third vote. The Charter provides for an independently elected City Attorney and independently elected City Controller.

For single audit purposes in accordance with the amended Single Audit Act, the City reports as five separate component units. These units include: (1) General Government; (2) Department of Airports; (3) Harbor Department; (4) Department of Water and Power; and, (5) Housing Authority of the City of Los Angeles. All five entities are responsible for arranging an annual financial audit. If they receive Federal assistance, they also arrange for single audits and submit the resulting reports to the U.S. Bureau of the Census.

The General Government entity is under the control and management of the Mayor and City Council and consists of 36 departments, bureaus, commissions and offices, and three pension systems governed by the City Charter. Services provided by this entity are delineated in the City Charter and Administrative Code. The remaining four entities are independent of direct Mayor and City Council control and management.

The Department of Airports, Harbor Department, and Department of Water and Power are independent Charter departments headed by citizen commissions appointed by the Mayor and confirmed by the City Council. These departments have control of their own funds and revenue. They establish their own budgets, set their rates subject to City Council review and approval, sell revenue bonds, and have required audits performed.

The Housing Authority of the City of Los Angeles was established as a result of Federal law provisions and is headed by a City commission.

The City prepares and issues a Comprehensive Annual Financial Report (CAFR) that contains the Basic Financial Statements. The CAFR is prepared in conformity with generally accepted accounting principles (GAAP) for State and local governments. For GAAP reporting purposes, the City's reporting entity includes three of the four independent entities. The Housing Authority is fiscally independent of the City and therefore excluded in the City's reporting entity.

III AUDIT COMPONENTS

Sections A through K below provide a general description of the components of the audit and related information.

A. Financial Statement Audit

Under Los Angeles City Charter Section 362 (Attachment 01), the City Council shall require the income and expenditures of each department of the City to be audited at the end of each fiscal year by one or more certified public accountants who are not connected with the department to be audited. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. Government Accountability Office's (GAO) *Government Auditing Standards*. The City Council determines the extent of audits of each of the City departments. Federal statutes, Public Laws 98-502 and 104-156 require the City to have an annual single audit. That audit shall be performed in accordance with the provisions of the federal Single Audit Act of 1984(as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*. The single audit and the City Charter Section 362 audit are considered part of the same audit.

The proposed audit will examine the income and expenditures/expenses of all City departments (Attachment 02) and component units, except for the Los Angeles World Airports, the Los Angeles City Employees' Retirement System, the Los Angeles Harbor Department, the Department of Fire and Police Pensions, the Los Angeles Department of Water and Power, and the Los Angeles Department of Water and Power Retirement System. Those departments and component units have their own audits, which are included in the City's financial statements as part of the City's financial reporting entity in accordance with generally accepted accounting principles (GAAP). The City's auditor is not expected to provide an opinion on the financial statements of these departments or component units. Excluded from this list and the City's financial statements is the City of Los Angeles Housing Authority as it is not considered a component unit of the City under the current financial reporting requirements.

B. Comprehensive Annual Financial Report

The City prepares a Comprehensive Annual Financial Report (CAFR) to comply with current reporting standards and provide complete information to the users of City financial statements. The CAFR is submitted to the Government Finance Officers Association (GFOA) for consideration in their Certificate of Excellence in Financial Reporting program. The auditor is not expected to audit the introductory and statistical sections of the CAFR, but is expected to review those sections for consistency with the audited GAAP financial statements. The auditor is also

expected to work with the City to ensure that the CAFR is completed in time to be submitted to the GFOA by December 31st of each year. The 2015-16 CAFR is available for review in the Los Angeles City Controller's Office, 200 North Main Street, Suite 300 and online at the [Controller's Website](#).

C. Sewer and Construction Maintenance Fund (SCM)

Although the SCM is included in the City's Financial Statements, the fund's stand-alone financial statements prepared in accordance with GAAP are audited as part of an ongoing program to issue revenue bonds. The City's auditor audits the SCM GAAP statements. Since the cost of the SCM audit will be paid for by the SCM—not the City's General Fund—all proposers are required to separately identify the cost and effort required to conduct the SCM financial audit. This fund is budgeted at approximately \$922 million for 2016-17

As required by Section 6.09 of the Wastewater System Revenue Bonds General Resolution, the City requires accounting and auditing services for the SCM. The SCM is a self-supporting enterprise fund, the accounting for which is in conformity with GAAP, and refers to a group of funds, including the Sewer Construction and Maintenance Fund, the Sewer Capital Fund, Sewer Operation and Maintenance Fund, and the Emergency Fund, as well as the Construction Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Rebate Fund for each bond issue. Currently there are seventeen (17) outstanding bond issues and one (1) interest rate swap agreement. The SCM provides all funding for the City wastewater system, including system operations, capital improvements, maintenance, and debt service.

The accounting and auditing services are required, in part, in connection with the issuance of wastewater system revenue bonds. At elections held in June 1987, November 1988, and November 1992, the voters of the City of Los Angeles approved the issuance of a total of \$3.5 billion in debt to fund capital improvements to the City's wastewater system. As of June 30, 2016, the SCM's outstanding bonded indebtedness totaled approximately \$2.54 billion. The General Resolution through Council Action authorizes the issuance of subordinate obligations. Copies of various General Resolutions are available for review in the Los Angeles City Controller's Office, 200 North Main Street, Suite 300.

The wastewater system is primarily supported through user fees, the most significant of which are the Sewer Service Charge (SSC), the Sewer Facilities Charge (SFC), and the Industrial Waste Surcharge (IWS). Additional revenue is generated through contract payments from 27 subscribing agencies, miscellaneous user fees, and federal and state grants. Audited financial statements for the fiscal year ended June 30, 2016 are available for review in the Public Works, Office of Accounting, 9th Floor, 200 North Spring Street, Los Angeles.

D. Municipal Improvement Corporation of Los Angeles

The City has created a non-profit corporation, the Municipal Improvement Corporation of Los Angeles (MICLA), to sell debt used to acquire facilities and equipment for the City. MICLA is comprised of approximately 20 bond issues with a debt outstanding of \$1,626,627,000 and CP Notes of \$155,300,000 as of June 30, 2016. Typically each issue consists of two funds, a debt service fund and an acquisition fund. Typically each issue has approximately five bank accounts for a total of 106. Future issues will depend upon actions by the Mayor and City Council.

MICLA issues both lease revenue bonds and certificates of participation and CP Notes. Sources of revenue to ensure repayment of the bonds include the City's General Fund and dedicated Special Purpose revenues. Audited financial statements for the fiscal year ended June 30, 2016 are available for review in the Los Angeles City Controller's Office, 200 North Main Street, Suite 300.

E. Single Audit

The Single Audit of the City shall include the following:

- 1) The Council-controlled City departments, including the Library and Recreation and Parks departments, and the SCM Fund;
- 2) The Schedule of Expenditures of Federal Awards Assistance (SEFA);

The Los Angeles World Airports, the Port of Los Angeles, the Los Angeles Housing Authority, and the Los Angeles Department of Water and Power are responsible for arranging for their own single audits, to the extent that they receive federal financial assistance, and are not included in the City's Single Audit or its reports.

The 2015-16 Single Audit is available for review in the Los Angeles City Controller's Office, 200 North Main Street, Suite 300 and online at the [Controller's Website](#).

F. Cost Allocation Plan

Annually, the City prepares a Cost Allocation Plan (CAP), which is used to secure reimbursements of indirect costs from State and Federal governments in connection with grant-funded projects. The CAP is prepared in accordance with 2 C.F.R. Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards. The auditor will audit rates developed for each CAP and the application of CAP rates. For the first year the CAP shall include the following:

- 1) The methodology for the development and accuracy of the Cost Allocation Plan (CAP) 42 based on the expenditures of the 2017-18 fiscal year;
- 2) The application of earlier cost allocation plan (CAP 40) rates used by City departments in fiscal year 2017-18;

The audit report for CAP 39 is available for review in the Los Angeles City Controller's Office, 200 North Main Street, Suite 300.

G. Low and Moderate Housing Fund

SB341 allowed the City to designate a successor agency to wind down the affairs of, or retain the assets and continue the functions of, the dissolved Community Redevelopment Agency (CRALA). The law provided that the funds transferred from the redevelopment agency along with funds generated from housing assets be maintained in a separate Low and Moderate Income Housing Fund. Further, the law requires successor agency to the CRALA to audit the financial statements of the Low and Moderate Housing fund annually. The City designated the Housing and Community Investment Department (HCIDLA) to be the successor agency to CRALA.

H. McKinney Act Savings Fund

The City is also a recipient of the McKinney Act Savings Funds. The City is required to audit the housing projects that receive the McKinney funds every three years. The last audit was for the three years ending June 30, 2014. The audit for the three year period covering July 1, 2014 through June 30, 2017 will be conducted during the audit of Fiscal Year 2017 which is not included in the scope of this RFP.

I. Accounting and Payroll Systems

The City uses a financial and accounting system known as the Financial Management System (FMS). FMS was developed by CGI, Inc. using AMS Advantage Financials and includes modules for Accounts Receivable, Cost/Grant and Project Accounting, General Ledger and Accounts Payable. All City financial transactions involving the receipt and disbursement of funds, including SCM funds, are processed through FMS. City employees are paid through a centralized payroll system PaySR. PaySR tracks the employee pay rates, employee time and computes their pay. The system also supports limited human resource functions and interfaces with FMS. Approximately 40,000 employees are paid bi-weekly through this system.

J. Previous Audit

The following table summarizes the City’s annual and single audits fees and hours for the past three years:

Year	Firm	Hours Proposed	Total Contract Cost
2013-14	Macias, Gini & O’Connel	6,050	\$957,396 ¹
2014-15	Macias, Gini & O’Connel	6,580	\$984,968 ²

¹ The 2013-14 audit hours and cost was increased to account for additional internal control reviews caused by reduced City staffing in accounting and financial functions and the addition of the audits of the Low and Moderate Housing Fund and McKinney Act Savings Fund.

² The 2014-15 audit hours and cost includes increased scope associated with GSB 68 implementation and the SSAE 16 audit.

2015-16	Macias, Gini & O'Connel	6,050	\$810,890
2016-17	Macias, Gini & O'Connel	6,925	\$987,149 ³

These are proposed hours and maximum total contract costs. Hours actually used to complete the audit may vary from hours billed. The 2016-17 audit is currently underway.

K. Information Technology Agency (ITA)

The ITA provides centralized hardware and software electronic processing support to the City. ITA also provides other services to the City and the public.

Attached are:

- 1) The ITA's summary organization chart (Attachment 03); and,
- 2) Information on ITA can be found on [ITA's Website](#).
- 3) Description of the City's main financial systems and their environment and architecture can be found in Attachment 04.
- 4) ITA's policy manuals with regard to distributed computing can be found in Attachment 05.

L. Discussion of Recommendations

The City requires that any findings or recommendations regarding department operations be discussed with the manager of the affected department(s) or their designee prior to inclusion in any report. Managers' comments on such recommendations must be summarized in the report. This requirement is not to be construed as any limitation on an auditor's duty to make any recommendations believed appropriate.

M. City Responsibilities

The City will provide space, furniture, and local telephone calls for up to ten (10) audit personnel.

The City, in past years, has provided and will continue to provide the following support services to the auditors.

- (i) Read only access to the City's financial systems. Remote access will not be permitted.
- (ii) Reasonable time in explaining the fiscal accounting system of the City to senior members of the audit staff.
- (iii) Internal control manuals as are available in the auditing division. In all cases, the internal control manuals are available in respective departments.
- (iv) The ITA will provide reasonable access to the City's network. Any outside computer or device connected to the City's network must be approved by the City's network administrators.

³ The 2016-17 audit hours and cost includes the SSAE 16 audit and scope expansion for the CAP audit and the SSAE 16 audit.

- (v) The City will also provide access to City employees and the contractors (as needed) developing the new payroll system and those who may be engaged in any upgrades of existing financial systems.
- (vi) The resources of other City employees will be available within reasonable limits to the auditor at the discretion of the concerned departmental general manager.

IV REQUIREMENTS

The City of Los Angeles is soliciting proposals for independent financial and single audits of the City for the fiscal years ending June 30, 2018, 2019, and 2020. The audit, including the audit of the SCM, must be performed in accordance with generally accepted auditing standards (GAAS) as set forth by the American Institute of Certified Public Accountants (AICPA), the standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards (1994) (GAGAS), the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, audits of states, local governments, and non-profit organizations.

Your firm is invited to submit a proposal to prepare the audit reports described herein based on the following information.

A. Statement of Work

Examine and test the accounting records of each City department listed in Attachment 02, including special funds under its administration. Conduct a general review of the accounting system of each department, including a review of financial statements as required by the Single Audit Act. Make a complete count of all securities in the custody of the Treasurer, including confirmation with banks of funds or securities held by or for them, with the exception of those securities held in custody for the Los Angeles Department of Water and Power, and its Retirement System. This count must be coordinated with the count made by the audit for the LADWP to be certain that all securities are appropriately counted at that time.

B. Financial Statements

The City issues annually a Comprehensive Annual Financial Report (CAFR), which contains the audited Basic Financial Statements (BFS). The City anticipates that the CAFR will be released to the Government Finance Officers Association (GFOA) by December 31 of each year. The Office of the Controller prepares the CAFR.

The City desires the auditor to express an opinion on the fair presentation of its BFS in conformity with GAAP. The auditor is not required to audit the combining and individual fund financial statements and supporting schedules. However, the auditor is to provide an "in-relation-to" opinion on the combining and individual fund financial statements and supporting schedules based on auditing procedures applied during the audit of BFS. The auditor is not required to audit the Management's Discussion and Analysis (MD&A), required supplementary information. The auditor is expected, however, to apply certain limited procedures to evaluate the methods of the measurement and presentation of such required supplementary information. The auditor is not required to audit the statistical section of the report. It is expected that the auditor will be required to provide special assistance to the City to meet the

requirements of the GFOA Certificate Program. Such assistance will include a review of the CAFR for consistency with the audited financial statements and completion of the GFOA Certificate Program Checklist before the CAFR is submitted to the GFOA.

The BFS contains information from the audited financial statements of the Los Angeles World Airports, the Port of Los Angeles, the LADWP, and the City's three retirement systems. Each of these entities arranges for their own audit. The BFS also contains information from the audited financial statements of the SCM and MICLA. However, the City's auditor as part of the City's audit contract audits those statements.

The City's annual budget is prepared on a modified cash basis of accounting. Revenues are recognized when cash is received, and appropriations include both cash payments and encumbrances for purchase orders and contractual services. Encumbered appropriations that have not been paid at the end of the current year will be paid in a subsequent year. The budget is not prepared based on Generally Accepted Accounting Principles (GAAP) classifications. The primary differences between the City's budget and GAAP are: the latter's recognition of revenue on an accrual basis; depreciation of fixed assets; certain contingencies, such as compensated absences for accrued vacation and sick pay; and differences in classification of inter-fund transfers. However, the Comprehensive Annual Financial Report for Los Angeles shows the status of the City's finances on the basis of the GAAP classifications.

Department funds are controlled at the line item or account level. Some enterprise funds are controlled at the fund level. Spending authority authorized in the annual budget can be increased or decreased throughout the fiscal year as unanticipated situations arise. The Mayor has authority to transfer funds between accounts within a department subject to a limit established by ordinance. Otherwise the Council, by majority vote and subject to approval by the Mayor, may increase or decrease appropriations, and transfer funds within and between departments and funds. The Mayor may veto the Council action, which then may be overridden by a two-thirds vote of the Council. For Fund types and information please refer to the Comprehensive Annual Financial Report (CAFR) for the Year Ended June 30, 2016 (Pages 239 to 346). The CAFR is available on the [Controller's Website](#).

C. Sewer Construction and Maintenance (SCM) Fund

The City includes the annual SCM audit within the City's audit contract. Please note that the SCM is included as part of the Single Audit as discussed in Section IVE of this RFP.

- 1) Required accounting and auditing services will include the following:

- (i) Prepare the audited financial statements and notes to the financial statements for the SCM resulting from the audit of the final adjusted trial balance prepared by Public Works Office of Accounting.
- (ii) The City desires the auditor to express an opinion on the fair presentation of the SCM financial statements in accordance with GAAP.
- (iii) Annually prepare and deliver a Debt Service Compliance Report, showing a computation of net revenue to debt services and certifying that, during the fiscal year for which financial statements were audited, the City was in compliance with its rate covenant as set forth in Section 6.03(b) of the Wastewater System Revenue Bonds General Resolution and the Wastewater System Subordinate Revenue Bonds General Resolution, or if the City was not in compliance, showing the ratio of net revenues to debt service for the year.
- (iv) Prepare a report addressed to management presenting findings and recommendations to improve or correct, as necessary, any accounting controls and/or management practices.

The City expects the selected auditor to complete and give to the City final drafts of tasks (i) to (iii) above by October 31 of each year. The auditor is expected to annually complete task (iv) above by February 1 of each year.

- 2) In addition to the tasks listed in the entirety of Section IV ,C. ,1) of this RFP, the selected auditor may be required to perform any or all of the following services:
 - (i) Recommend modifications to SCM Fund accounting methods and procedures, including, but not limited to, developing guidelines to distinguish capital costs from operating and maintenance costs;
 - (ii) Review, as required, audited and unaudited financial information to be included in official statements of prospective series of Wastewater System Revenue Bonds, including review and comment on the official statement; and,
 - (iii) Review, as required, various City departments' charges to the SCM Fund to verify the accuracy and appropriateness of such charges.

A separate contract with the City Administrative Officer (CAO) for the wastewater program will be executed if the auditor is requested to perform any or all of the tasks listed in Section IV ,C. ,2) above.

D. Municipal Improvement Corporation of Los Angeles (MICLA)

The City annually prepares and has audited MICLA financial statements. The City's auditor prepares the audited financial statements based upon information provided by the Controller and the City. The City desires the auditor to express an opinion on the fair presentation of the MICLA Financial Statements in accordance with GAAP. The CAO oversees the various programs; various City departments expend bond funds in accordance with legal requirements. The City Treasurer and/or trustees receive the bond proceeds, pay vendors after the City receives items authorized by the issuance of the bonds, and receive scheduled debt service payments from the City, which they remit to bond trustees.

Since MICLA is a non-profit corporation, the City must file tax information with the Internal Revenue Service and the State Franchise Board. The auditor will be expected to prepare the following tax forms and reports:

Form	Title
Federal Form 990	Return of Organization Exempt from Income Tax
State Form 199	Exempt Organization Annual Information Statement or Return
State Form RRF 1-1	Periodic Report to Attorney General of California

E. Single Audit

Perform the financial audit of the City, the SCM, and their various funds in conformance with the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, OMB Circulars, GAAS, and GAGAS. In addition to the report on the Basic Financial Statements discussed in Section IIIA of this RFP, the single audit reports must include the following:

- 1) A report on internal accounting controls made as a part of the audit of the Basic Financial Statements;
- 2) A report on compliance with laws and regulations that may have a material effect on the Basic Financial Statements;
- 3) A report on the supplementary Schedule of Federal Financial Assistance;
- 4) A report on compliance with laws and regulations related to major federal financial assistance programs;
- 5) A report on internal controls (Accounting and Administrative) used in administering federal financial assistance programs; and,
- 6) Reports on fraud, abuse, or illegal acts or indication of such acts, including all questioned costs found as the result of these acts, information of which should be covered in a separate written report and transmitted immediately to the appropriate federal department or agency, the Controller, and any other agency or individual which should receive a report under current professional standards.

The Office of the Controller prepares the Schedule of Federal Financial Assistance.

F. Cost Allocation Plan (CAP)

The City’s CAP is negotiated with the U.S. Department of Housing and Urban Development (HUD), the City’s CAP cognizant agency. The City’s Single Audit will include an audit of the development and application of the City’s CAP. The City prepares its CAP annually in accordance with Title 2 Code of Federal Regulations (CFR); Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.”

The auditor will audit rates developed for each CAP and the application of CAP rates. For the first year, CAP 42—which will be based upon 2017-18 expenditures—

will be audited while the auditor will also review the application of CAP 40 rates used by City departments during fiscal year 2017-18. This process will continue each year with additional CAPs during the term of the contract.

The auditor will annually render an opinion on each of the following four components of the CAP:

- 1) Central Services
- 2) Fringe Benefit Rates
- 3) Departmental Administration and Support Rates
- 4) Departmental Compensated Time Off (paid leave) Rates

Copies of the auditor's report on CAP 39 are available for review in the Los Angeles City Controller's Office, 200 North Main Street, Suite 300.

Completed Schedules are available for review as is a brief summary explaining the manner in which schedules are prepared.

G. Assembly Bill 2766 Audit Requirements

Assembly Bill (AB) 2766 (Health and Safety Code Sections 44220 and 44247) provides funds to local agencies for mobile source air pollution reduction. In exchange for receiving funds, the local agency must have an audit of its receipts and expenditures under the program. The South Coast Air Quality Management District (SCAQMD) has issued guidelines (Attachment 06) for the audit.

The City's Department of Transportation will provide information on receipts and expenditures. The auditor will compile the information into financial statement format and audit that information. Each proposer should include this effort in the audit's scope of work. A separate report will be prepared with a final audited draft submitted by October 14th of each year. The final audit report will be submitted by October 31st of each year. The City received \$5,260,085 under this program during fiscal year 2015-16. During fiscal year 2015-16, the City expended \$4,552,326 on this program.

H. Low And Moderate Housing Fund

State Bill (SB) 341 allowed the City to designate a successor agency to wind down or retain the assets of the Los Angeles Community Redevelopment Agency (CRALA) and continue the functions. The City designated the Housing and Community Investment Development Department to be the successor agency. Further the law required the funds transferred and the funds generated by the housing assets be maintained in a separate Low and Moderate Housing Fund and for the financial statements of the fund to be audited annually.

I. McKinney Act Savings Funds

The City is a recipient of McKinney Act Savings Funds. The City is required to audit the housing projects that receive the McKinney funds every three years. The last audit was conducted in FY2015 covering the three year period from July 1, 2014 through June 30, 2017 will be due in FY 2018.

J. GANN Appropriations Limit

Article XIII B of the California State Constitution, as amended by the electorate on June 5, 1990, requires that the City establish an annual appropriation limit. This amended article also requires that the calculation of the limit be reviewed as part of the annual financial audit.

Each proposer must include this review in the audit's scope of work. A separate report will be prepared. A copy of the 2015-16 appropriations limits calculations is available for review in the Los Angeles City Controller's Office, 200 North Main Street, Suite 300.

K. Data Processing

For each of the audit years, the City expects two types of audit activity related to Electronic Data Processing Systems.

1) Existing Financial Statements and Systems

The City expects, as part of the City's financial statements, that the City's financial systems will be audited in accordance with current audit standards. All proposers must discuss their approach to the audit of EDP financial systems as part of their financial statement audit. Proposers must include this discussion in their work plan for the financial statement audit.

2) Service Organization Audit of the Information Technology Agency

The Information Technology Agency (ITA) is responsible for planning, designing, implementing, operating and coordinating the City's information technology systems and networks, and for the delivery of information processing and communications services. Attachment 04 and 05 provides information on the City's major financial systems and ITA's operations. ITA also provides other services to the City and the public. The City is interested in a Service Organization Audit of the Data Processing Component of ITA. The audit and report should be in accordance with Statement on Standards for Attestation Engagement (SSAE 16) and provide a "Report on Controls Placed in Operation and Tests of Operating Effectiveness."

The City is interested in determining the level of effort to provide this Audit. The City may not proceed with this work but if it does proceed the SSAE 16 Audit will be performed in the second year of the Audit contract and in the fourth year if the City exercises its option to renew.

L. Report to Management

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

- (i) A report on the fair representation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair representation of the supplementary schedule of expenditures of federal awards in relation to audited financial statements.
- (ii) A report on compliance and internal control over financial reporting based on an audit of financial statements.
- (iii) A report on compliance and internal control over compliance applicable to each major federal program.

In the required report on compliance and internal controls, the auditor shall communicate any significant deficiency or material weakness found during the audit. A significant deficiency shall be defined as a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected. A material weakness shall be defined as a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of financial statements will not be prevented or detected. Significant deficiencies that are also material weaknesses shall be identified as such in the report. In addition, the following conditions shall be reported:

Control deficiencies discovered by the auditors that are neither significant deficiencies nor material weaknesses shall be reported in a separate letter to management, which shall be referred to in the report on compliance and internal controls. A control deficiency shall be deemed to have occurred whenever the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

The reports on compliance and internal controls shall include all instances of noncompliance.

The auditor shall be required to make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which they become aware of to the following parties:

- Mayor
- City Council
- City Controller

M. Optional Audit Activity

- 1) Additional Audit Activity. Each proposer must indicate its availability to perform additional audits related to the annual audit. Any additional audits may be authorized by separate contract(s) or by amendment to the City’s annual audit contract.
- 2) Sale of Debt Securities. The City may prepare one or more official statements in connection with the sale of debt securities, which will contain the audited financial statements. The auditor must, if requested by the City or the fiscal advisor and/or underwriter to issue a “consent and citation of expertise” as the auditor and any necessary “consent letters.”

N. Deliverables

1) Reports

Four copies of each of the following reports will be submitted to the City Clerk for consideration by the City Council and its committee(s). The remaining copies in the numbers indicated will be submitted to the department indicated. An electronic copy of each report must also be provided.

Report	Number of Copies	Department
Single Audit Reports	200	Controller
Sewer Construction and Maintenance Fund Financial Statements	100	Public Works ⁴
Other Reports	25	Public Works
Report to Management	50	Controller
Cost Allocation Plan (each of three parts)	25	Controller
Data Processing	25	ITA ⁵
AB 2766	15	Transportation
GANN Appropriations Limit	15	City Administrative Officer
Municipal Improvement Corporation	25	Controller

Draft copies of the report(s) will be released to the CAO, Controller and Chief Legislative Analyst not less than 15 days prior to release of each final report(s), unless other timeframes are called for in Section V, to allow time to review tentative findings and provide appropriate input. Copies of the draft SCM fund report will also be given to the Department of Public Works.

- 2) In addition to the required reports, the auditor will also be required to provide the following deliverables:
 - (i) While conducting the audit, the firm will meet monthly, or more frequently, if necessary, with the Director of Financial Analysis and Reporting or designee

⁴ The auditor will provide the Controller with two (2) copies. The remainder will be distributed to the department indicated, except for four copies given to the City Clerk.

- regarding the status of the audit. The firm will also be required to meet periodically with the Director, Office of Accounting, Board of Public Works to discuss the SCM audit.
- (ii) The firm must file a written monthly status report with the Director of Financial Analysis and Reporting. The report must address the status of the audit, any problems encountered, any problems unresolved from prior periods and any other items the auditor wishes to bring to the attention of the Director of Financial Analysis and Reporting.
 - (iii) The firm must also file as needed status reports with the Director, Office of Accounting, Board of Public Works for the SCM audit. The format of the information will be the same as that used to report to the Director of Financial Analysis and Reporting. Further, all information in the reports to the Director, Office of Accounting, Board of Public Works must also be included in the report to the Director of Financial Analysis and Reporting.
- 3) The Auditor shall assure themselves that the City Council is informed of the following:
- The auditor's responsibility under generally accepted auditing standards
 - Significant accounting policies
 - Management judgments and accounting estimates
 - Significant audit adjustments
 - Auditor's judgment about the quality of the City's accounting principles
 - Other information in documents containing audited financial statements
 - Disagreements with management
 - Management consultation with other accountants
 - Major issues discussed with management prior to audit
 - Difficulties encountered in performing the audit
- 4) Presentations to Council
- (i) The Auditor must be available to present all reports and correspondence with Management to City Council and Council Committees.
 - (ii) The Auditor must be available to provide testimony at Council meetings and Council Committees upon request by the Director of Financial Analysis and Reporting on audit and financial issues.
- 5) Working Papers.
- (i) The auditor will retain the audit working papers and reports for each audit period for three (3) years after the date of issuance of the auditor's report(s) to the City. This may be extended if so directed by the federal cognizant audit agency of the City or in accordance with City requirements. The audit working papers and reports for each audit period will be made available to the authorized representatives of the cognizant audit agency, the U.S. General Accounting Office, federal inspectors general, the State Controller and the Controller of the City of Los Angeles throughout the working papers and reports retention period.
 - (ii) The auditor will provide the Controller with copies of auditor's internal control documentation, risk assessment and evaluation.

O. Applicable Laws and Policies

In performing this audit, the selected firm shall abide by and conform with any and all applicable laws of the United States, State of California and the City of Los Angeles, including but not limited to the applicable provisions of the City Charter; the nondiscrimination provisions of the Los Angeles Administrative Code, Sections 10.8 through 10.12; and the "Standard Provisions For City Contracts" (Exhibit 01) including Insurance Requirements (Exhibit 01a).

The firm(s) awarded the contract, along with its subcontractors (if any), will also be required to have and maintain a valid City of Los Angeles Business Tax Registration Certificate.

V INITIATION OF AUDIT AND FINAL REPORT DATES

After the award of the contract, the Auditor shall meet with the Chief Deputy Controller, the auditor's principal City liaison, to conduct planning for the audit. The Auditor will also meet with the Department of Public Works and ITA to plan the SCM and ITA audits. June 30 is the end of the City's fiscal year. The count of cash and securities at the Treasurer's vault is generally made on the first working day in July.

Final reports are due no later than the date indicated below unless the time is extended by the Controller. Please note that in order to meet these dates the auditor should rely upon interim fieldwork to the maximum extent possible.

Report	Annual Due Date of Final Draft	Annual Due Date of Final Report
GANN Limitation		August 30 th
AB 2766	October 14 th	October 31 st
SCM Audited Financial Statements	October 31 st	November 15 th
City Audited Financial Statements		December 15 th
Comprehensive Annual Financial Report		December 31 st
SCM Management Report		February 1 st
Single Audit Report	March 3 rd	March 31 st
Cost Allocation Plan	April 30 th	June 1 st
Management Report		March 31 st

VI PROPOSAL REQUIREMENTS

A. Firms

Proposals will be accepted from individual firms or multiple firms entering into joint ventures. Each firm may submit only one proposal, either individually or as part of a joint venture.

B. Organization of Proposal – Technical

EXCLUDE DOLLAR UNITS OR TOTAL COSTS FROM THE TECHNICAL PROPOSAL DOCUMENT.

Price information will only be evaluated after completion of the evaluation of the merits of all proposals. See Section VI ,I (Cost and Schedules) for additional instructions on submitting cost information.

All proposals must include the following information:

1) Cover Letter of Proposal

The cover letter must be limited to no longer than one page in length and must include the title, address, and telephone number(s) of the person or persons authorized to represent the proposer and e-mail address. A firm officer authorized to bind the firm to all commitments made in the proposal must sign the letter.

2) Name and Address

Provide the name and address of all firms participating in the proposal, either as joint venture or as subcontractors.

3) Personnel

List categories of personnel expected to be used, showing the number of hours and percentage of time to be spent on the project.

- (i) Provide a resume of professional experience, including tenure of service with the firm, and an estimate of the time each of the principal and supervisory personnel will devote to the audit.
- (ii) The proposer must name all individuals to be assigned to the audit. For each individual, a resume showing the following should be provided: extent of experience (in time) auditing governmental entities in the last two years; nature of experience with GAAS and GAGAS audits; education in these areas in the last two years and current status of Continuing Professional Education (CPE) with a list of all qualifying classes taken in the last two years. Each member of the audit team should have taken at least one class in government accounting.
- (iii) Upon award and during the course of the contract, if the auditor assigns different personnel to the audit, their names and qualifications, including

information listed above, must be submitted to the Controller for approval prior to their beginning work on the contract.

- (iv) The proposer awarded the contract will be required annually to inform the City of the status of required CPE, including courses taken for each member of the audit team.

4) Firm's Qualifications

The firm must demonstrate its capability to fulfill the requirements of the City's Charter-required audit and the federal government's single audit. The firm shall include the factors listed below and other data which it considers relevant.

- (i) An affirmation that the proposer is properly licensed by the State of California for public practice as a certified public accountant or a public accountant.
- (ii) An affirmation that the proposer meets the independent requirements of the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, 1994 revision, published by the U.S. General Accounting Office.
- (iii) An affirmation that the proposer does not have a record of substandard audit work. The proposer must disclose any positive enforcement actions, legal actions taken by federal or state regulators, or other matters which may reflect on their professional qualifications, including any action for substandard audits taken by a federal inspector general, whether or not made public.
- (iv) A copy of the proposer's most recent quality control or peer review report. If the proposer has not had a quality control or peer review, it should provide a schedule showing the date for a review and an explanation of why it has not had such a report. The proposer awarded the contract must provide the City with copies of each future quality control or peer review report within 30 days of receipt of the final report while under contract with the City.
- (v) A statement of demonstrated capability in auditing governmental entities, particularly experience in auditing large municipal governments. Links to or copies of the latest audited financial statements of a government entity audited by the firm should be included.
- (vi) Reference Information
 - A representative list of governmental agencies or publicly funded enterprises for which the auditor has performed audits and a description of those efforts. Indicate the approximate budget or gross income amounts for such agencies or enterprises. Emphasis must be placed upon work performed within the last six years and work performed on large agencies.
 - Include the name, title, and telephone number (s) of a person to contact at five agencies, especially large agencies, for which your firm has done work. The person whose name is provided must have direct knowledge of the audit work done for that agency.
 - Include the name of representatives of at least one federal inspector general, or of the State Controller, who has conducted an on-site quality control review of your audit work papers. If none, include the name(s) of

an agency or agencies, which has conducted desk reviews of your audit report(s).

- (vii) A statement of knowledge and experience with the single audit, grant programs, and cost allocation plans in accordance with the guidelines issued by OMB and federal departments.
- (viii) A description of knowledge and experience in auditing computer service centers, computer systems, or organizations that use computer systems extensively in their financial operations. Also, include information on your firm's experience in performing SSAE 16 Audits.
- (ix) A description of knowledge and experience with auditing large enterprise funds, especially wastewater funds and capital programs.
- (x) A description of knowledge and experience with auditing large bond-financed programs.
- (xi) A description of experience and qualifications to comment on the management practices of the City and its departments.
- (xii) A disclosure if the proposer is currently performing any audit, accounting, or consulting for any of the City's departments, including departments not included in this audit. The disclosure must be a clear statement of the work being performed and an explanation of why the proposer does not consider this audit to be in conflict.
- (xiii) A template of the firms proposed Management Representation Letter.

C. Audit Work Plan

Provide information on the proposer's audit approach to and a work plan for items listed in Sections IV of this RFP. The work plan must provide a general approach for the overall audit with a more detailed approach for each of the nine items mentioned above. Proposer must also provide a reasonable time frame and hours for each major segment of the audit. Dollar cost information must be excluded.

Please note the due dates for the various reports in Section V of this RFP in preparing time frames. The City desires that its auditor conduct as much interim fieldwork as possible.

1) Firms Comments (optional)

Comments the proposer believes are appropriate in responding to this RFP, but which are not provided for in the RFP, should be made in this section.

2) Optional Audit Work

No fees or dollar amounts should be included with the technical information called for in this section.

- SCM Optional Audit Activity. Each proposer must indicate its availability to perform the optional tasks indicated in Section IV ,C. ,2) of this RFP. These separate tasks, if the City chooses to proceed, will be authorized under separate contract between the auditor and the City Administrative Officer.

- (ii) Additional Audit Activity. Each proposer must indicate its availability for performing additional audits (under Section IV ,M of this RFP) related to the annual audit, if so requested by the City. These additional audits may be authorized under separate contract(s).
- (iii) Sale of Debt Securities. The City currently expects that it will prepare one or more official statements per year in connection with the sale of debt securities, which will contain the City's GAAP financial statements and the auditor's reports (see Section IV ,M. ,2) of this RFP). The auditor must, if requested by the City, issue any necessary "conformity letters". The proposer must indicate the hours by staff level for performing these services per debt instrument sale.

D. Length of Service

The proposal shall be submitted on the basis of a three-year contract for the audit of the records for the fiscal years ending June 30, 2018, 2019, and 2020. The proposal must include an option to extend the contract on a year-to-year basis for each of the following two years, fiscal years ending June 30, 2021 and 2022.

E. Terms of Withdrawal

Each proposal must contain a statement that the proposal shall extend for a period of 180 days after the last date to submit proposals to ensure adequate review, analysis, and acceptance for possible award of the contract.

F. Authorized Negotiators

Include the name, telephone numbers and email address of the personnel in your organization who are authorized to negotiate a contract with the City.

G. Disposition of offers

All offers submitted in response to this RFP shall become the property of the City and a matter of public record. Proposers must identify all copyrighted material, trade secrets or other proprietary information that the proposer claims is exempt from the California Public Records Act (California Government Code Sections 6250 et seq.).

In addition, all proposing consulting firms claiming information exempt from disclosure must provide an additional edited, unbound RFP response copy that does not include any copyrighted material, trade secrets, or other proprietary information that is claimed to be exempt.

In the event a proposer claims such an exemption, the proposer is required to state in the offer that:

"The proposer will indemnify the City and hold it harmless from any claim or liability and defend any action brought against the City for its refusal to disclose copyrighted

material, trade secrets, or other proprietary information to any person making a request thereof."

Failure to include the text quoted above shall constitute a waiver of the proposer's right to exemption from disclosure and authority for the City to provide a copy of the offer or any part thereof to the requester. In addition, the City retains the right to conduct an independent evaluation of whether any proposal or part thereof may be exempted from the California Public Records Act.

All proposers, whether or not including information that the proposer considers exempt from the California Public Records Act, shall include the following signed statement in their offer:

"I have read and understand Section 7.8 of the RFP regarding "Disposition of Offers" and agree that the City may release any materials and information contained in the Offer submitted by the undersigned's firm in the event that the required hold harmless statement is not included in the Offer."

Signature of person authorized to bind proposer

H. Non-Collusion Statement

With each offer, a signed statement shall be submitted by the proposer that: (1) the offer is genuine, not sham or collusive; (2) the offer is not made in the interest or on the behalf of any person not named therein; (3) the proposer has not directly or indirectly induced or solicited any person to submit a false or sham offer or to refrain from proposing; or (4) the proposer has not in any manner sought by collusion to secure an advantage over any other proposer.

I. Organization of Proposal – Costs and Schedules

The cost of performing the audit will be evaluated independently of and after the technical evaluation. Therefore, all cost information must be submitted in a separate, sealed envelope entitled Cost and Schedule.

The envelope must contain the following information:

- (i) List categories of personnel expected to be utilized, number of hours, and their hourly rates for each of the 2017-18, 2018-19, and 2019-20 audits.
- (ii) Indicate the cost and hours for each of the major components of the audit – GAAP Financial Statement, Single Audit, SSAE 16, Audit of ITA, CAP Audit, MICLA Audit, AB 2766 Audit, SCM Audit, Low and Moderate Housing Fund Audit and McKinney Act Saving Fund Audit.
- (iii) The firm must state a total maximum price for each of the 2017-18, 2018-19, and 2019-20 audits. The firm must provide a total cost of all three years of the audit. The maximum annual cost shall be a limitation upon the City's payment obligation. The City shall be obligated to pay only the lesser of either the

maximum annual cost or the amount calculated based upon the hours actually spent and the applicable rates specified in Section VI ,I. ,(i) of this RFP.

- (iv) The annual maximum price quoted must be inclusive and show any out-of-pocket expenses, such as parking, telephone, photocopy, etc., included in the proposal. The total cost must be all-inclusive.
- (v) The proposer should indicate the hourly rate by staff level for performing any optional audit work as defined in Sections IV ,C. ,2) SCM Optional Audit Activity and IV ,M Additional Audit Activity of this RFP.
- (vi) If the City proceeds with the SCM optional audit activity or additional audit activity, the cost will be determined by establishing a negotiated number of hours by level applied to the hourly rates established in this section.
- (vii) If the proposer indicates additional audit effort for Section IV ,M. ,2) Sale of Debt Securities, the proposer must indicate staff level, hours per level, hourly cost and total cost for that effort in this section or state that there will be no cost for performing work related to the sale of debt securities.
- (viii) The fee for the extension of the contract to audits of 2020-21 and 2021-22 will consist of (1) a negotiated number of hours and (2) hourly rates. These rates will be limited to the rates for the base year adjusted by the consumer price index for all urban consumers for Los Angeles, Riverside, and Orange counties (published by the U.S. Department of Labor) for the contract year.
- (ix) If the proposer desires to provide any other information on rates for 2020-21 or 2021-22, please include that information here.

VII PROPOSER'S CONFERENCE

A. Conference Details

The Controller's Office will hold a pre-proposal conference on Month XX, 2017 at 2:00 P.M. pacific standard time to give the proposers an opportunity to obtain additional information about the Request for Proposal. Attendance at the conference is a mandatory requirement of the City Business Inclusion Program.

The conference will be held in the Controller's conference room located in Room 350, City Hall East, 200 N. Main St., Los Angeles, CA 90012.

B. Business Inclusion Program Requirement

An employee of the proposer's company must attend the pre-proposal meeting scheduled for this project. Credit will not be given for the Business Inclusion Program (Exhibit 02) if the employee is not marked as attending on the pre-submittal meeting attendance roster. This requirement will be waived if the proposer both certifies in writing that it is informed as to the BIP Outreach requirements for the project and has participated in a City-sponsored or City-approved matchmaking event in the prior 12 months as is evidenced by the event attendance documents. Arrangements may be made for proposers to attend the meeting by teleconference if the above requirements are met. Please call Shane Min at 213-978-7256 to ensure that you are qualified and to make arrangements.

C. Questions and Clarifications

Questions related to the RFP shall be submitted, prior to the conference, via e-mail addressed to Shane Min (shane.min@lacity.org).

VIII CITY'S ADMINISTRATIVE REQUIREMENTS

This section contains instructions and forms related to the City's Administrative Requirements (A to M). Proposals should adhere to the following requirements for completing the Submittal Forms:

- (i) Administrative requirements and related forms are to be completed in accordance with the directions below and provided within each requirement.
- (ii) All explanatory narratives and supplementary data are to be included with the administrative requirement and related forms as indicated.
- (iii) Identify the Proposer where indicated on each required form.
- (iv) Unless otherwise specified, forms requiring signature(s) must be executed by the person who signs the Proposal Letter.
- (v) Use of black ink and/or typewritten entries is preferred on the Submittal Forms and all additionally requested information.
- (vi) Failure to comply with any of the above requirements may render the Proposal non responsive.

The City has implemented changes to streamline the administrative procedures for some of the requirements. Contractors will now submit the required compliance forms/affidavits through LABAVN. The administrative requirements for which online submittals are applicable are as follows:

- (i) Non-Discrimination, Equal Employment Practices and Affirmative Action
- (ii) Equal Benefits Ordinance
- (iii) Slavery Disclosure Ordinance
- (iv) First Source Hiring Ordinance

A. Business Inclusion Program

It is the policy of the City to provide Minority Business Enterprise (MBE), Women Business Enterprise (WBE), Small Business Enterprise (SBE), Emerging Business Enterprise (EBE), Disabled Veteran Business Enterprise (DVBE), and all Other Business Enterprise (OBE) concerns an equal opportunity to participate in the performance of all City contracts. Proposers will assist the City in implementing this policy by taking all reasonable steps to ensure that all available business enterprises, including MBEs, WBEs, SBEs, EBEs, DVBEs, and OBEs, have an equal opportunity to compete for, and participate in, City contracts. Equal opportunity will be determined by the Proposer's BIP outreach documentation, as described in Exhibit 02 the Business Inclusion Program, of this RFP. Participation by MBEs, WBEs, SBEs, EBEs, DVBEs, and OBEs may be in the form of subcontracting. Proposers must refer to Exhibit 02, Business Inclusion Program of this RFP for additional information and instructions. BIP outreach must be performed using the Business Assistance Virtual Network (www.labavn.org). A proposer's failure to utilize and complete their BIP Outreach as described in Exhibit 02 may result in their proposal being deemed non-responsive.

B. Non-Discrimination, Equal Employment Practices and Affirmative Action

Bidders/Proposers are advised that any contract awarded pursuant to this procurement process shall be subject to the applicable provisions of Los Angeles Administrative Code Section 10.8.2., Non-discrimination Clause.

Non-construction services to or for the City for which the consideration is \$1,000 or more shall comply with the provisions of Los Angeles Administrative Code Sections 10.8.3., Equal Employment Practices Provisions. All Bidders/Proposers shall complete and upload, the Non-Discrimination/Equal Employment Practices Certification (two (2) pages) available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) residing at www.labavn.org at the time it registers on BAVN but no later than the time when an individual Bid/Proposal is submitted. However, Bidders/Proposers with Certifications previously uploaded to BAVN and verified by the Office of Contract Compliance (OCC) do not need to resubmit. Non-construction services to or for the City for which the consideration is \$100,000 or more shall comply with the provisions of Los Angeles Administrative Code Sections 10.8.4., Affirmative Action Program Provisions. All Bidders/Proposers shall complete and upload, the City of Los Angeles Affirmative Action Plan (four (4) pages) available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) residing at www.labavn.org at the time it registers on BAVN, but no later than the time when an individual Bid/Proposal is submitted. Bidders/Proposers opting to submit their own Affirmative Action Plan may do so by uploading their Affirmative Action Plan onto the City's BAVN.

Bidders/Proposers with current OCC approval for their Affirmative Action Plan do not need to re-submit unless the approval is 30 days or less from expiration. Furthermore, subject subcontractors shall be required to submit the Non-Discrimination/Equal Employment Practices Certification and Affirmative Action Plan to the successful Bidder/Proposer prior to commencing work on the contract. The subcontractors' Non-Discrimination/Equal Employment Practices Certification(s) and Affirmative Action Plan(s) shall be retained by the successful Bidder/Proposer and shall be made available to the Office of Contract Compliance upon request.

Both the Non-Discrimination/Equal Employment Practices Certification and the City of Los Angeles Affirmative Action Plan Affidavit shall be effective for a period of twelve (12) months from the date it is first uploaded onto the City's BAVN.

Bidders/Proposers seeking additional information regarding the requirements of the City's Non-Discrimination Clause, Equal Employment Practices and Affirmative Action Program may visit the Bureau of Contract Administration's website at <http://bca.lacity.org>.

C. Indemnity and Insurance

The indemnity requirements for agreements resulting from this RFP and the conditions governing acceptability of any insurance which may be required are set forth in detail in

the Exhibit 01, Standard Provisions for Personal Services Contracts, sections PSC-20 & PSC-21 for Indemnity and PSC-24 Insurance. These paragraphs are incorporated herein by reference. Exhibit 01a details the insurance requirements for this project.

Electronic submission is the preferred method of submitting your documents.

Track4LA™ is the CITY's online insurance compliance system and is designed to make the experience of submitting and retrieving insurance information quick and easy. The system is designed to be used primarily by insurance brokers and agents as they submit client insurance certificates directly to the City. It uses the standard insurance industry form known as the ACORD 25 Certificate of Liability Insurance in electronic format. Track4LA™ advantages include standardized, universally accepted forms, paperless approval transactions (24 hours, 7 days per week), and security checks and balances. The easiest and quickest way to obtain approval of your insurance is to have your insurance broker or agent access Track4LA™ at <http://track4la.lacity.org> and follow the instructions to register and submit the appropriate proof of insurance on your behalf.

D. Compliance with Equal Benefits Ordinance

Proposers are advised that any contract awarded pursuant to this procurement process shall be subject to the applicable provisions of the City's Equal Benefits Ordinance (EBO).

All Proposers shall complete and upload, the Equal Benefits Ordinance Affidavit (two (2) pages) available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) residing at www.labavn.org prior to award of a City contract valued at \$5,000. The Equal Benefits Ordinance Affidavit shall be effective for a period of twelve months from the date it is first uploaded onto the City's BAVN. Proposers do not need to submit supporting documentation with their bids or proposals. However, the City may request supporting documentation to verify that the benefits are provided equally as specified on the Equal Benefits Ordinance Affidavit.

Proposers seeking additional information regarding the requirements of the Equal Benefits Ordinance may visit the Bureau of Contract Administration's web site at www.bca.lacity.org.

E. Contractor Responsibility Ordinance

Proposers are advised that any contract awarded pursuant to this procurement process shall be subject to the provisions of Los Angeles Administrative Code Section 10.40 et seq., Contractor Responsibility Ordinance (CRO). Proposers shall refer to Exhibit 03, "Contractor Responsibility Ordinance," for further information regarding the requirements of the Ordinance.

All Proposers shall complete and return, with their proposal, the Responsibility Questionnaire included in the Exhibit. Failure to return the completed Questionnaire may result in a Proposer being deemed non-responsive.

F. Living Wage and Service Contractor Worker Retention Ordinances

Unless approved for an exemption, contractors under contracts primarily for the furnishing of services to or for the City and that involve an expenditure in excess of \$25,000 and a contract term of at least three (3) months, lessees and licensees of City property, and certain recipients of City financial assistance, shall comply with the provisions of Los Angeles Administrative Code Sections 10.37 et seq., Living Wage Ordinance (LWO) and 10.36 et seq., Service Contractor Worker Retention Ordinance (SCWRO). Proposers shall refer to Exhibit 04, "Living Wage Ordinance and Service Contractor Worker Retention Ordinance" for further information regarding the requirements of the Ordinances.

Proposers who believe that they meet the qualifications for one of the exemptions described in the LWO List of Statutory Exemptions shall apply for exemption from the Ordinance by submitting with their proposal the Bidder/Contractor Application for Non-Coverage or Exemption (Form OCC/LW-10), or the Non-Profit/One-Person Contractor Certification of Exemption (OCC/LW-13). The List of Statutory Exemptions, the Application and the Certification are included in the Exhibit.

G. Workforce Information

The City Council requires the submittal of information on the headquarters address of firms contracting with the City and certain information on firms' employees. A copy of the adopted Council motion (Council File No. 92-0021) is attached as Exhibit 05.

Please provide the following information:

- (i) The headquarters address of your firm.
- (ii) The address of any branch office(s) within the City.
- (iii) Total workforce.
- (iv) Percentage of total workforce residing in the City.
- (v) Percentage of total workforce employed in the City.
- (vi) Workforce in each Los Angeles Branch Office(s).
- (vii) Percentage of workforce in each Los Angeles branch office(s) residing in the City.
- (viii) Percentage of workforce in each Los Angeles branch office(s) employed in the City.

H. Slavery Disclosure Ordinance

Unless otherwise exempt, in accordance with the provisions of the Slavery Disclosure Ordinance, any contract awarded pursuant to this RFP will be subject to the Slavery Disclosure Ordinance, Section 10.41 of the Los Angeles Administrative Code.

All Bidders/Proposers shall complete and upload, the Slavery Disclosure Ordinance Affidavit (one (1) page) available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) residing at www.labavn.org prior to award of a City contract.

Bidders/Proposers seeking additional information regarding the requirements of the Slavery Disclosure Ordinance may visit the Bureau of Contract Administration's web site at www.bca.lacity.org.

I. Business Tax Registration Certificate (BTRC)

The selected firm will be required to demonstrate compliance with the City's business tax laws by acquiring/maintaining one of the following: Business Tax Registration Certificate, Vendor Registration Number or Certificate of Exemption. This Certificate or Registration number must remain in force during the entire period of the contract.

For forms/questions see Exhibit 06 or contact the Office of Finance at (213) 473-5901 or visit Office of Finance [website](#).

J. Internal Revenue Service W-9 Form

The selected firm will be required to complete the Internal Revenue Service Form W-9 (Exhibit 07). Further information is available at the IRS [website](#).

K. Contract Bidder Certification of Compliance with Lobbying Laws.

Any Proposer for a contract, as those terms are defined in Los Angeles Administrative Code Section 10.40.1, shall submit with its bid a certification (Exhibit 08a), on a form prescribed by the City Ethics Commission, that the Proposer acknowledges and agrees to comply with the disclosure requirements and prohibitions established in the Los Angeles Municipal Lobbying Ordinance (Exhibit 08) if the Proposer qualifies as a lobbying entity under Section 48.02 of this article. The exemptions contained in Section 48.03 of this article and Los Angeles Administrative Code Section 10.40.4 shall not apply to this subsection.

Persons who submit a response to this solicitation (bidders) are subject to Charter Section 470(c)(12) and related ordinances. As a result, Proposers may not make campaign contributions to and or engage in fundraising for certain elected City officials or candidates for elected City office from the time they submit the response until either the contract is approved or, for successful Proposers, 12 months after the contract is signed. The Proposer's principals and subcontractors performing \$100,000 or more in work on the contract, as well as the principals of those subcontractors, are also subject to the same limitations on campaign contributions and fundraising.

Proposers must submit CEC Form 55 (provided in Exhibit 08b) to the awarding authority at the same time the response is submitted. The form requires Proposers to identify their principals, their subcontractors performing \$100,000 or more in work on the contract, and the principals of those subcontractors. Proposers must also notify their

principals and subcontractors in writing of the restrictions and include the notice in contracts with subcontractors. Responses submitted without a completed CEC Form 55 shall be deemed nonresponsive. Proposers who fail to comply with City law may be subject to penalties, termination of contract, and debarment. Additional information regarding these restrictions and requirements may be obtained from the City Ethics Commission at (213) 978-1960 or ethics.lacity.org.

L. First Source Hiring Ordinance

Unless approved for an exemption, contractors under contracts primarily for the furnishing of services to or for the City, the value of which exceeds \$25,000 with a term of at least three (3) months, and certain recipients of City Loans or Grants, shall comply with the provisions of Los Angeles Administrative Code Sections 10.44 et seq., First Source Hiring Ordinance (FSHO). Bidders/Proposers shall refer to Exhibit 09, "First Source Hiring Ordinance" for further information regarding the requirements of the Ordinance.

All Bidders/Proposers shall complete and upload the First Source Hiring Ordinance Affidavit (one (1) page) available on the City of Los Angeles' Business Assistance Virtual Network (BAVN) at www.labavn.org prior to award of a City contract. The First Source Hiring Ordinance Affidavit shall be valid for a period of twelve months from the date it is first uploaded onto the City's BAVN. Bidders/Proposers seeking additional information regarding the requirements of the First Source Hiring Ordinance may visit the Bureau of Contract Administration's web site at <http://bca.lacity.org>.

M. Local Business Preference Program

This RFP shall be subject to the Local Business Preference Program. Copies of Local Business Enterprise (LBE) certification of proposers and sub-consultants shall be submitted with the proposal. See Exhibit 10 regarding the City's Local Business Preference Program.

IX PROPOSAL REVIEW

The Chief Deputy Controller (or designee) with the assistance of representatives from the offices of the City Administrative Officer, and the Board of Public Works, Office of Accounting will review the proposals.

Proposals will be evaluated in accordance with the criteria contained in Section IX ,A below. All proposals will be evaluated for their technical merits first. Only after the technical evaluation will the envelopes containing "Costs and Schedule" be opened.

A. Proposal Evaluation Criteria

Selection of the certified public accounting firm will be based principally on the following:

Category	Element	Max. Points
Mandatory	(A "No" on these elements may lead to disqualification from further consideration)	
M1	The audit firm is independent and licensed to practice in the State of California	Yes/No
M2	The audit firm is clear of any conflict of interest with regard to any other work performed by the auditor for the City of Los Angeles and/or any departments of the City of Los Angeles	Yes/No
M3	The audit firm adheres to the instructions in this request for proposal on preparing and submitting the proposal and has complied with all City administrative requirements (Section VIII)	Yes/No
M4	The audit firm submitted a copy of its last external quality control review report and the firm has a record of quality audit work	Yes/No
Technical		
T1	The audit firm's past experience and performance on comparable government engagements	15
T2	The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation	20
T3	Adequacy of the proposed staffing plan for various segments of the audit	15
T4	Adequacy of the sampling techniques	15

T5	Adequacy of the analytical procedures	15
T6	Optional audit work	5
Cost	(COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF THE AUDIT FIRM)	
C1	Financial Feasibility of the proposal	15

Financial feasibility will be evaluated independently of and after the technical evaluation. Proposers must submit the information required in Section VI ,I (Organization of Proposal - Costs and Schedules) in a separate sealed envelope. The information in the envelope will be the basis for evaluating financial feasibility.

B. Oral Presentations (if needed)

At the discretion of the City, firms submitting the most responsible proposals may be required to make oral presentations to the proposal evaluation panel. Such presentations will be used if the panel believes they are necessary to determine the top proposer. The successful proposer will be named after the proposals and presentations (if any) are evaluated to select the most qualified firm. Firms will be notified of the time and place of any oral presentations not more than five (5) days or less than two days prior to the event.

C. Consideration by the City Council and Council Committee

The proposal evaluation panel will make its recommendations to the City Council and its Audits and Governmental Efficiency Committee after evaluating the proposals on the basis of qualifications of the auditor(s) and its personnel, the factors previously mentioned, cost to the City and such other criteria as may be deemed appropriate in evaluating the proposals.

Proposers will be notified of the date that the Audits and Governmental Efficiency Committee will schedule the item on its agenda. The Audits and Governmental Efficiency Committee will, in turn, make its recommendation to the City Council for action. The audit will not be divided between proposers.

X CONTRACT REQUIREMENTS

A. City Contract

The firm to whom the award is made will be required to enter into a contract with the City in a form approved by the City Attorney.

B. Standard Provisions

The City's Standard Provisions for Personal Services Contracts Rev 3/09 (Exhibit 01) will be incorporated as part of the contract.

C. Contractor Performance Evaluation Ordinance

At the end of this contract, the City will conduct an evaluation of the Contractor's performance. The City may also conduct evaluations of the Contractor's performance during the term of the contract. As required by Section 10.39.2 of the Los Angeles Administrative Code, evaluations will be based on a number of criteria, including the quality of the work product or service performed, the timeliness of performance, financial issues, and the expertise of personnel that the Contractor assigns to the contract. A Contractor who receives a "Marginal" or "Unsatisfactory" rating will be provided with a copy of the final City evaluation and allowed 14 calendar days to respond. The City will use the final City evaluation, and any response from the Contractor, to evaluate proposals and to conduct reference checks when awarding other personal services contracts.

D. Compliance with Child Support Obligations

The contract resulting from this RFP and work plan is subject to Los Angeles Administrative Code requirements related to child support assignment orders. This requirement is set forth in detail in the Exhibit 01, Standard Provisions for Personal Services Contracts, PSC-30.

E. Americans with Disabilities Act

The contract resulting from this RFP and work plan is subject to United States Code requirements related to providing reasonable accommodations to persons with disabilities. This requirement is set forth in detail in the Exhibit 01 (the City's Standard Provisions for Personal Services Contracts), PSC-32.

XI PROPOSAL PREPARATION

A. Economy of Preparation

Proposals should provide a straightforward, concise description of the Contractor's ability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content.

B. Cost of Preparation

All costs of proposal preparation shall be borne by the Contractor. The City shall not, in any event, be liable for any pre-contractual expenses incurred by the firm in the preparation and/or submission for the proposal.

XII SUBMISSION OF PROPOSALS

A. Time and Date.

To be considered, proposals must be received in the Controller's Office on or before 5:00 P.M., Month XX, 2017. Contractors who mail their proposals should allow normal mail delivery time to ensure timely receipt of the proposals. Late proposals will not be considered for review and funding. The City reserves the right to determine the timeliness of all proposals submitted.

B. Extensions.

The City reserves the right to extend the deadline for submission should such action be in the best interest of the City. Firms will have the right to revise their proposal, in the event the deadline is extended. Proposals may be withdrawn personally, by written request or by e-mail prior to the scheduled closing time for receipt of proposals.

C. Number of Copies.

One (1) unbound original and two (2) bound copies and one (1) electronic copy of each proposal shall be submitted in a sealed envelope or package clearly marked on the outside "Proposal – Annual and Single Audit of the City for FY 2017-18, 2018-19 and 2019-20" and addressed to the City Controller as indicated in the section titled "Correspondence to the Controller." Only one (1) copy of the forms required under Section VIII City's Administrative Requirements should be submitted. The Contractor should not make any other distributions of its proposal. Each Proposal must be signed by an official authorized to bind the Contractor to its provisions and shall be subject to acceptance by the Controller for a period of five (5) months after the Proposals have been opened and declared.

D. Acceptance of Terms.

Submission of a Proposal pursuant to this RFP shall constitute acknowledgement and acceptance of the terms and conditions set forth herein. Portions of this RFP and the contents of the proposal submitted by the successful Contractor may become contractual obligations if a contract is awarded. Failure of the successful proposer to accept these obligations may result in cancellation of the award. The City reserves the right to withdraw this RFP at any time without prior notice. The City reserves the right to reject any and all proposals received as a result of this RFP.