DATE: March 25, 2021

SUBJECT: REQUEST FOR PROPOSALS FOR FINANCIAL AUDIT SERVICES

Pursuant to the Financial Audit Services Request for Proposals (RFP), all proposers were to submit any questions regarding this RFP by no later than Thursday, March 18, 2021. Questions were to be answered in writing and all questions and responses were to be posted on the Department’s website.

Below is a list of questions received from proposers, and the Department’s response:

1. Q: Please provide most recent copies of the audit reports for the following deliverables noted in the Scope of Work section of the RFP: Single Audit reports, including SEFA; Annual financial statements of Los Angeles Harbor Improvement Corporation (LAHIC);
   A: Please visit the link: https://www.portoflosangeles.org/business/finance/financial-statements for the Department’s Comprehensive Annual Financial Reports and Single Audit Reports. The website has been updated to include the FY 2019-20 Single Audit Reports. The FY 2019-20 LAHIC annual financial statements will be posted to the Port’s website and LABAVN. The Department staff prepares the financial statements/reports, including the note disclosures.

2. Q: What has been done internally to prepare for implementation of new GASB standards, such as GASB 87, GASB 93, GASB 94 and GASB 96?
   A: GASBS No. 87: The Department is in the process of engaging a consultant to assist with the implementation and will implement this statement by fiscal year 2021-22.
   GASBS No. 93: The Port will implement this statement by fiscal year 2021-22.
   GASBS No. 94: The Port will implement this statement by fiscal year 2022-23.
   GASBS No. 96: The Port will implement this statement by fiscal year 2022-23.

3. Q: What were auditor’s hours and fees to complete each deliverable under the scope of work in the most current period?
A:

<table>
<thead>
<tr>
<th>No.</th>
<th>Deliverables</th>
<th>Contract Maximum</th>
<th>Auditor's Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Comprehensive Annual Financial Report Audit, including assistance on meeting GFOA Certificate of Achievement requirements</td>
<td>$71,524</td>
<td>530</td>
</tr>
<tr>
<td>2</td>
<td>Single Audit</td>
<td>$45,638</td>
<td>298</td>
</tr>
<tr>
<td>3</td>
<td>LAHIC Audit</td>
<td>$9,008</td>
<td>34</td>
</tr>
<tr>
<td>4</td>
<td>Management Letter</td>
<td>$3,112</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Group Audit Communications</td>
<td>$1,254</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Debt Issuance Services</td>
<td>$4,629</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>$135,165</td>
<td>878</td>
</tr>
</tbody>
</table>

4. Q: When does the audit work generally occur? Has interim fieldwork and final fieldwork been performed in the past?
   A: Interim fieldwork starts at the end of July for 1-2 weeks and final fieldwork at the end of August or beginning of September for 4-5 weeks.

5. Q: Did the audit fieldwork for 2020 audit occur remotely and does the Port intend to have the audit complete remotely in 2021?
   A: The 2020 audit was done remotely. For the 2021 audit, it will depend on when the shelter in place order is lifted.

6. Q: What are the deadlines for issuing each audit report stated in the Scope of Work?
   A:

<table>
<thead>
<tr>
<th>Report</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive Audit Financial Report</td>
<td>October 31</td>
</tr>
<tr>
<td>Single Audit Reports</td>
<td>December 31</td>
</tr>
<tr>
<td>Annual financial statements of Los Angeles Harbor Improvement Corporation (LAHIC)</td>
<td>December 31</td>
</tr>
</tbody>
</table>

7. Q: What accounting software does the Port use for its general ledger and financial statement preparation?
   A: Currently, the Department uses Oracle E-Business Suite hosted on the-premises for its General Ledger and financial statements preparation. We plan to migrate and upgrade the system to Oracle E-Business Suite on Oracle Cloud in 2022.

8. Q: Question regarding Form 55 – our firm completed Form 55 in December 2020 when proposing on audit services for another department of the City of Los
Angeles; should we submit the same form again with revisions? If there are over 300 partners in our firm will the Port accept Schedule A in a different format to accommodate extra pages of information?

A: A new form with revisions should be submitted with your proposal. All extra pages must be in the same format.

9. Q: Has there been any turnover in management during the past year?
   A: No

10. Q: Has there been any turnover in accounting staff during the past year?
    A: The Principal Accountant for Accounts Receivable and Revenue section retired last year. The Senior Accountant in the same section was promoted to assume the responsibilities.

    A: See answer to question 7.

12. Q: How many journal entries were proposed by the auditor in the prior year?
    A: None.

13. Q: Any management letter comments outstanding from the prior year?
    A: None.

14. Q: May we receive a copy of last year’s management letter?
    A: None.

15. Q: Any known or suspected fraud?
    A: None.

16. Q: When will books be ready for the audit?
    A: See answer to question 4.

17. Q: Are financial records available electronically?
    A: See answer to question 1.

18. Q: Is remote auditing acceptable to the Port?
    A: See answer to question 5.

19. Q: Who prepares the financials?
    A: See answer to question 1.

20. Q: Were there any significant transactions (e.g., bond issuance, leases) during the year?
    A: None.

21. Q: Significant changes to operations or funding sources?
    A: No.
22. Q: Significant construction or capital projects?
   A: Please visit the link below for the adopted annual budget FY 2020-21 that provides Department’s initiatives and developments in the fiscal year.
   https://www.portoflosangeles.org/business/finance/adopted-budget

23. Q: Any audits or inspections by regulatory agencies?
   A: Occasionally, our Federal or State grantors such as US Department of Homeland Security or California Department of Transportation performs grant specific desk review, monitoring, or audits.

24. Q: Any changes to the governance structure of the organization?
   A: None.

25. Q: Is the incumbent auditor invited to bid?
   A: The RFP is posted on the Department and City’s websites and is available to any firms that can meet the requirements of the RFP.

26. Q: What were the audit fees for the prior year?
   A: See answer to question 3.

27. Q: Does Prime contractor SBE certification meet the 25% SBE participation requirement?
   A: Both SBE and VSBE requirements must be met. Any proposal that does not meet the 25% SBE, 5% VSBE requirement will be deemed non-responsive. NO EXCEPTIONS WILL BE MADE. To meet the SBE/VSBE requirements, certification listed on the Consultant Description Form must be reflected on firm’s LABAVN.org profile. Instructions on how to upload certifications can be found on LABAVN.org.

28. Q: What is the reason for considering a change in auditors? How long did the previous auditors serve the Port?
   A: The contract with the previous auditors will expire in August 2021. The auditors have served the Department for 5 years.

29. Q: When going through the auditor selection process, what are the most important attributes you are looking for and what was the primary reason for the selection of the current auditors?
   A: Please refer to Section 3.2 of the RFP.

30. Q: What qualifications/characteristics did the Port appreciate the most about their current auditors or look for in future auditors?
   A: See answer to question 29.

31. Q: For what areas does the Port see as an opportunity for improvement for future audit engagements?
   A: The Department is open to any suggestions from proposers for improvements for future audit engagements.
32. Q: What was the typical audit engagement timeline and duration for the fiscal year engagement, specifically for: Interim fieldwork; Final or substantive fieldwork subsequent to fiscal year end; Approximately how many total hours did the current auditors spend on the audit for each of the last 3 years (2018, 2019, and 2020)?
   A: See answers to questions 3 and 4.

33. Q: Provide the number of partners, managers, and other key staff being used annually by the Port’s current auditors to perform the scope of services included in this RFP.
   A: See answers to questions 3 and 4. Please provide your best estimate in your proposal based on information provided.

34. Q: Provide the name(s) of the M/WBE firms that have worked or are currently working with the current auditors of the Port (if applicable). Provide names of the firms (the MWBE) that have been used for the last 2 years on the audit.
   A: Not applicable

35. Q: What percentage of the audit was allocated to MWBE firms in each of the last 2 years?
   A: Not applicable.

36. Q: When will the final trial balance and audit support schedules be available for auditors for planning purposes?
   A: See answer to question 4.

37. Q: Did the Port engage their previous independent auditors to perform additional services and, if so, what was the nature of such services and what were the fees paid for those services?
   A: The Department did not engage the previous independent auditors to perform additional services

38. Q: Approximately how many auditor-generated journal entries are made each year?
   A: One or two, if any.

39. Q: Are there any other major transactions/activities planned that may affect the fiscal year ending 2021 or subsequent years’ engagements, e.g., planned major capital projects, IT/system implementations, bond issuances, etc.?
   A: See answers to questions 7, 22, and 47.

40. Q: Provide a copy of the most recent Independent Auditor’s Management Letter in accordance with the Rules of the Auditor General.
   A: See answer to question 14.

41. Q: How much did the Port pay for audit fees for their audits for the past three years? Were there increases to the originally agreed-upon fees for out of
scope work of additional billings? If yes, how much were the increases and what were the reasons for the increases?

A: See answer to question 3. Audit fees are increased annually based on Consumer Price Index. There have been no increases for out of scope work.

42. Q: What are the budgeted audit fees (financial statement and single audit) for the fiscal years 2021 engagements?

A: $135,165 for deliverables per the scope of work.

43. Q: What management and accounting systems does the Port use, e.g., cash collections, data management, financial, assets, financial reporting, etc.?

A: See answer to question 7.

44. Q: Who are the current members of the Port’s Audit Committee and who will serve on the selection committee?

A: Audit Committee: Commissioner Edward R. Renwick and Commissioner Anthony Pirozzi, Jr.

The selection committee will consist of representatives from various divisions within the Department along with an outside rater from the ACTA. The selection committee is subject to change.

45. Q: Project Scope of Work (section 2.1, #1a) - Does the Port staff generate the CAFR (i.e.; financial statements & note disclosures), with notes and the auditor provides their audit opinions?

A: See answer to question 1.

46. Q: Project Scope of Work (section 2.1, #1c) - For the Los Angeles Harbor Improvement Corporation (LAHIC); can we get a copy of the June 30, 2020 financial report? In addition, who writes the financial report, including the note disclosures? Is it prepare by staff of the Port?

A: See answer to question 1.

47. Q: Project Scope of Work (section 2.1, #5) - How many debt issuances is the Port expecting to issue in the next 3 years? Should the responding CPA firms include a fixed fee, or hourly rates for such services?

A: The Department is planning to refund previously issued bonds on their call dates in 2021, and in 2024. The responding CPA firm should include hourly rates and estimated hours to provide a proposed fixed fee for such services. Please note that there has never been a need to use the scope of work defined in Section 2.1., #5 in the past three years.

48. Q: Project Scope of Work (section 2.1, #7a) - how many hours of additional non-audit time may be expected to be incurred every year?

A: None is expected at this point.

49. Q: Project Scope of Work (section 2.1, #8) – In accordance with GAAS and Government Auditing Standards, the audit workpapers are the property of
the audit firm and the Auditor may allow access of specific workpapers at the Auditor’s discretion. This is in accordance with professional standards and maintains the integrity of the audit process.

A: Section 2.1 #8 is the Department’s contract requirement in addition to GAAS and applicable legal or regulatory requirements for records retention.

50. Q: Has the Port completed its implementation support for GASB 87 (Leases)?
   A: See answer to question 2.

51. Q: Has the Port performed an analysis of GASB 84 (Fiduciary activities) to determine if it applies?
   A: Yes. It is not applicable to the Department.

52. Q: Note 10 (Deferred Compensation) – Is the Port or City of LA the fiduciary of the plan assets? Are the assets in the plan protected from Port creditors? Will this be impacted by adoption of GASB 84?
   A: Pursuant to federal requirements, Deferred Compensation Plan (DCP) assets are held in trust for the exclusive benefit of DCP participants. This means that DCP assets are not subject to the claims of City creditors in the event of a municipal bankruptcy.