



City of El Segundo

ADDENDUM NO. 1 to PROFESSIONAL AUDITING SERVICES REQUEST FOR PROPOSAL # 24-01

Date: February 6, 2024

To: All Prospective Bidders

The following questions have been raised regarding this Request for Proposal. The response to each question is provided here and made available to all prospective bidders. The information and clarification provided in this Addendum shall be considered as incorporated into the specifications for the above-referenced Proposal.

- 1. The bid due date and time remains Thursday, February 22, 2024, at 2:00 pm.**
2. Please see the attached Supplement and Addendum 1 for bidder questions and the City's responses to them.

As evidence that the BIDDER has read this Addendum, the BIDDER must acknowledge same in the space provided below and **submit this Addendum with the Bid Proposal**. Failure to provide such acknowledgement may render the bid as non-responsive and may be subject to rejection.

Signature: _____ Date: _____

Print Company Name: _____

**CITY OF EL SEGUNDO
PROFESSIONAL AUDITING SERVICES
REQUEST FOR PROPOSAL # 24-01**

ADDENDUM NO. 1 SUPPLEMENT

- **Question:** Has there been any turnover in management during the past year?
Answer: New CFO came on board in January 2024.
- **Question:** Has there been any turnover in accounting staff during the past year?
Answer: One Accountant left the city in November 2023. The recruitment of the Accountant position is open to public now.
- **Question:** How many journal entries were proposed by the auditor in the prior year?
Answer: About nine entries.
- **Question:** Are any management letter comments outstanding from the prior year?
Answer: No.
- **Question:** May we receive a copy of last year's management letter?
Answer: Please see attached Exhibit A to this document.
- **Question:** How many major programs are subject to a Single Audit?
Answer: Five.
- **Question:** Any known or suspected fraud?
Answer: No.
- **Question:** When will the books be ready for the audit?
Answer: Interim audit is planned to be in mid May 2024 and final fieldwork is planned to be in mid-October 2024.
- **Question:** Are financial records available electronically?
Answer: Yes. Please visit the City's website [Financial Reports | El Segundo](#)
- **Question:** Is remote auditing acceptable to the City?
Answer: Yes.
- **Question:** Were there any significant transactions (e.g., bond issuance, leases) during the year?
Answer: There could be some leases.

- **Question:** Who prepares the financials?
Answer: The City will prepare the Management’s Discussion and Analysis and the Statistical Section; the audit firm will prepare the full Financial Statements (including Government-wide Financial Statements, Fund Financial Statements, Proprietary Fund Financial Statements, Notes to Financial Statements, Required Supplementary Information, and Supplementary Information), and bind and print the final ACFR.
- **Question:** Significant changes to operations or funding sources?
Answer: No.
- **Question:** Significant construction or capital projects?
Answer: No.
- **Question:** Any audits or inspections by regulatory agencies?
Answer: No.
- **Question:** Is there anything specific you are looking for in the successor auditors?
Answer: Please see RFP 24-01.
- **Question:** How many staff did the audit team consist of for both interim and year-end, and how many weeks did the auditor spend in the field?
Answer: Because last audit was done remotely, we don’t know how many staff members were led by the Manager. We mainly contacted the audit manager during the audit. There were approximately two weeks for the interim, and two weeks for the final fieldwork.
- **Question:** How many audit hours did your current auditors propose under your existing contract?
Answer: 463
- **Question:** What were the prior year’s total audit fees, and can you provide the breakdown by components?
Answer: \$63,000 (excluding Single Audit and State Controller’s Report)
- **Question:** Are there any significant changes in operations expected for FY 2023-24?
Answer: No.
- **Question:** Were there any significant events in 2022-23? Will there be any significant events in FY 2023-24?
Answer: No.
- **Question:** Have there been any changes in your accounting system since last year or any planned changes in the future?
Answer: No.

- **Question:** Were there any new bond issues in the current year or any planned bond issuances in the coming years?
Answer: No.
- **Question:** How many leases and subscription arrangements does the City have?
Answer: There were five lessee leases, six lessor leases, and five SBITAs in FY22-23.
- **Question:** Does the City have any arrangements that qualify as PPP under GASB 94?
Answer: Yes. One golf course managed by private party.
- **Question:** If so, please describe the type of arrangement
Answer: In February 2021, together with the ground lease agreement with ES CenterCal, the City entered into a public-private partnership (PPP) arrangement with Topgolf, under which Topgolf will make certain improvements to, operate, maintain and retain the net profits from the City's Golf Course Facility during the term of the PPP arrangement, which commenced upon Topgolf's completion of the Golf Course Facility in April 2022 and is conterminous with the term of the ES CenterCal ground lease of potentially 50 years, unless earlier terminated. At the end of the arrangement, operation of the Golf Course Facility will be transferred to the City.
- **Question:** How many post-closing journal entries did you have for FY 2023? How many were proposed by the auditor?
Answer: about 15 entries. Nine entries were proposed by the auditors.
- **Question:** Is there any litigation not included in the 2023 Financial Statements?
Answer: No.
- **Question:** Did the City have any layoffs, retirements, or replacements of key employees in the finance department?
Answer: New CFO came on board in January 2024.
- **Question:** Do you currently have vacant or frozen positions within finance?
Answer: One vacant Accountant position. The recruitment of the Accountant position is open to the public now.
- **Question:** Was FY 2023 audit performed remotely? If so, is the City open to continuing remote audits in the future?
Answer: Yes for both questions.
- **Question:** Will digital proposals be accepted in lieu of hard copies for submission?
Answer: No.

The City's FY23-24 budget for audit services is in line with previous years expenditures.



City of El Segundo

Finance Department

Elected Officials

*Drew Boyles,
Mayor*

*Chris Pimentel,
Mayor Pro Tem*

*Carol Pirsztuk,
Councilmember*

*Lance Giroux,
Councilmember*

*Ryan Baldino,
Councilmember*

*Tracy Weaver,
City Clerk*

*Matthew Robinson,
City Treasurer*

Appointed Officials

*Darrell George,
City Manager*

*Mark D. Hensley,
City Attorney*

Department Directors

*Barbara Voss,
Deputy City Manager*

*David Cain,
Interim Chief Financial
Officer*

*Robert Espinosa,
Interim Fire Chief*

*Jose Calderon,
Information Technology*

*Aly Mancini,
Recreation Parks and
Library*

*Rebecca Redyk,
Human Resources*

*Michael Allen,
Community Development*

*Jaime Bermudez,
Police Chief*

*Elias Sassoon,
Public Works*

December 26, 2023

CliftonLarsonAllen LLP
2875 Michelle Drive, Suite 300
Irvine, California 92606

This representation letter is provided in connection with your audit of the financial statements of City of El Segundo, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to misstatements that are material. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm, to the best of our knowledge and belief, as of December 26, 2023, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated May 10, 2023, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

2. We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Phone (310) 524-2300

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements or in the schedule of findings and questioned costs.
7. We have not identified or been notified of any uncorrected financial statement misstatements.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
10. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
11. The methods and significant assumptions used to determine fair values of financial instruments are as follows: investments classified in Level 2 of the fair value hierarchy are valued using specified fair market value factors or institutional bond quotes. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
12. We have analyzed all lease contracts and have considered and recorded material embedded leases contained within other contracts in accordance with U.S. GAAP.
13. We have implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, during the audit period. We have implemented the new accounting standard in accordance with the transition guidance prescribed in the standard. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amounts recorded and disclosed in the financial statements.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
15. Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.

16. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
17. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records (including information obtained from within and outside of the general and subsidiary ledgers), documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. Access to all audit or relevant monitoring reports, if any, received from funding sources.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.
7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. There are no known related-party relationships or transactions which need to be accounted for or disclosed in accordance with U.S. GAAP.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have a process to track the status of audit findings and recommendations.
12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to City of El Segundo, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
14. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
15. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
16. We have complied with all restrictions on resources and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
18. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
19. The financial statements properly classify all funds and activities.
20. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

21. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
22. Investments are properly valued.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
27. Deposits and investment securities are properly classified as to risk and are properly valued and disclosed.
28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
29. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
30. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
31. We acknowledge our responsibility for presenting the combining general fund financial statements, the combining and individual nonmajor fund financial statements and budgetary comparison schedules (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
32. We acknowledge our responsibility for the preparation of the other information included in our annual report, which is comprised of introductory and statistical sections (other information). The other information is consistent with the financial statements and does not contain any

material misstatements. With regard to the other information that has not been provided to you, the final version of the documents will be provided to you when available, and prior to issuance of the annual report by the entity, so that you can complete your required procedures. We agree to correct material inconsistencies that you may identify.

33. As part of your audit, you prepared the draft financial statements, related notes, supplementary information, and schedule of expenditures of federal awards. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, supplementary information, and schedule of expenditures of federal awards. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.
34. With respect to federal award programs:
- a. We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
 - c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issued the SEFA and the auditors' report thereon.
 - d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

- q. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Signature:  Title: Interim Chief Financial Officer

Signature:  Title: City Manager