

Proposal to Provide Professional Auditing Services to the City of Placentia



June 15, 2016

COPY



EADIE + PAYNE

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City of Placentia



Office of the Interim Chief Financial Officer
City of Placentia
401 E. Chapman Avenue
Placentia, CA 92870

Dear Members of the Finance Committee:

We are pleased to submit our proposal to provide professional auditing services to the City of Placentia (City) for three fiscal years beginning with the fiscal year ending June 30, 2016, with the option of auditing an additional two subsequent fiscal years.

Our proposal includes:

- The audits of the financial statements of the City of Placentia performed in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of the Single Audit Act as amended in 1996, and the provisions of the Uniform Guidance;
- Preparation of the City's comprehensive annual financial report (CAFR) and assistance in meeting deadlines and content review for CAFR award programs by the Government Financial Officers Association (GFOA);
- Single Audit on the expenditures of federal grants in accordance with OMB Uniform Guidance;
- Agreed-upon procedures applied to Appropriations Limit Calculations (GANN Limit);
- Preparation of the City's Annual State Controller's Report;
- Issuance of report on internal control and compliance for the City; and
- Issuance of management letters that include recommendations for improvements in internal control and accounting procedures, and other observations that may be of benefit to the City and its component units under audit.



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Our proposal also includes performing agreed-upon procedures as requested by the City. We will select two of the following procedures each year.

- Review of investment transactions
- Review of financial institution wire transfers
- Review of journal entries
- Review of check stock sequence and cancelled checks
- Review of cash receipts

We understand that City of Placentia has been the victim of misappropriation of funds. Our audit approach includes additional procedures, including fraud detection techniques, to provide reasonable assurance that your financial statements are free of material misstatements due to fraud.

Selecting your CPA firm is an important decision. As the City strives to accomplish its mission, it faces many challenges -- financial matters are at the forefront of these challenges. Your annual financial report is critical to your mission for two reasons: it provides the City's leaders with reliable information to make more informed financial decisions and it assures the public that their taxes are being spent wisely. Our objective is to provide you assurance and peace of mind with our audit report.

Eadie + Payne is best qualified for your audit engagements because:

- Our audit approach will be differentiated by our commitment to **transparency and communication**. We will inform top City management, the Audit Committee, and the City Council of significant issues identified during the audit. We will be available to make presentations to the Citizens Fiscal Sustainability Task Force.
- We have a **proven track record** in serving local government agencies, including cities, redevelopment agencies (and their successor agencies), community college districts, water districts, and joint powers authorities.
- We are familiar with the unique requirements of **governmental accounting and auditing**. We have extensive experience in performing audits in accordance with *Government Auditing Standards* and Single Audits.
- With Eadie + Payne, you will have access to an **engagement team** that brings a combination of technical expertise, government experience, and dedication to excellent service.

We are committed to the **completion of the audits** in an efficient, effective, and timely manner. During the initial audit year and every subsequent year, our audits will be planned with completion dates that meet timelines that we will co-develop with City management.

This proposal is firm and irrevocable for 60 days. Please contact us if you have any questions. We would be pleased to meet with the Audit Committee and the City Council to further discuss our proposal.



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MEMBER OF THE
SERVING CLIENTS

Thank you for your consideration of our Firm. We look forward to the opportunity to be of service to the City of Placentia and its citizens.

Very truly yours,

EADIE AND PAYNE, LLP

Eden C. Casareno

Eden C. Casareno
Partner-in-charge of Government Services
P.O. Box 9360
Redlands, CA 92375-2560
Telephone: (909) 793-2406
Cell: (909) 239-0679
Email: ecasareno@eadiepaynellp.com



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MEMBER FIRM | INTEGRITY | EXCELLENCE
1988-2017 E.A. Payne

INDEPENDENCE

We affirm that Eadie + Payne meets the independence requirements of the American Institute of Certified Public Accountants and the *Government Auditing Standards*, 2011 revision, with respect to the City of Placentia and the Placentia Public Financing Authority.

We affirm that Eadie + Payne has not had a relationship with the City or the Placentia Public Financing Authority for the past five years.

LICENSE TO PRACTICE IN THE STATE OF CALIFORNIA

We affirm that Eadie and Payne, LLP is properly licensed to practice as a certified public accounting firm in the State of California, license number 411. All Eadie + Payne's partners and key engagement team members are certified public accountants (CPAs) licensed to practice in the State of California.

FIRM'S QUALIFICATIONS AND EXPERIENCE

Eadie + Payne is a leading regional public accounting and business advisory firm serving clients since 1919. We have decades of experience in serving cities, special districts, and joint powers authorities. We will use our depth of governmental experience, knowledge, and resources to provide the City high-quality professional auditing services.

The Firm has six partners and staff of 25 members. We have two offices in the Inland Empire - Redlands and Ontario. We offer accounting, audit and attestation, business advisory, and tax services.

Our government services team consists of two partners and seven full-time professional staff. All team members have relevant experience in auditing governmental entities. All team members undergo extensive education and training related to government auditing and accounting as well as specialized knowledge of governmental entities' environment. Your engagement team will be comprised of an engagement partner, a risk management director, an IT specialist, a technical standards review partner, two managers, a supervisor and one or more staff auditors.

Eadie and Payne will engage the services of Liam Collins, partner at Armanino LLP, to assist in documenting and testing IT controls over financial reporting and perform additional computer-assisted fraud testing. Armanino LLP is the largest independent accounting and business consulting firm based in California and is a member of Moore Stephens International. No part-time employees will be utilized on this engagement.



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DRINKS GET IT DONE.
SERVICES GET IT DONE.

We enhance the quality of our audits by becoming active members of the Government Audit Quality Center and the Private Companies Practice Section of the American Institute of Certified Public Accountants. Eadie + Payne is also associated with Moore Stephens International.



As members of the American Institute of CPAs Governmental Audit Quality Center, we are committed to staying on top of government audit regulations and providing the highest quality audit services for our clients.

MOORE STEPHENS

Eadie and Payne is a member of Moore Stephens International, a network of over 360 accounting and consulting firms in almost 100 countries. As a Moore Stephen member, we have the ability to access additional, specialized resources throughout the state and globally.

Peer review

Our most recent peer review, conducted in 2013, resulted in the issuance of an opinion that the system for quality control for the auditing practice of Eadie + Payne met the objectives established by the AICPA and was being complied with during the period under review. The quality control review included engagements performed under *Government Auditing Standards* and OMB Circular A-133. A copy of the most recent peer review letter can be found in Appendices and Exhibits.

Desk or Field Reviews of Audits

We have not been a subject of federal or state desk reviews or field reviews in the past three years.

Disciplinary Action

We have not been subject to disciplinary action by any state regulatory bodies or professional organizations in the past three years.



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Governmental Experience

The following are governmental clients we have served:

➤ Cities

- City of Barstow
- City of Compton Successor Agency
- City of El Monte
- City of Hemet
- City of Hemet Successor Agency
- City of Highland
- City of Indio
- City of Industry
- City of Industry - Disposal Company
- City of Montebello
- City of Moreno Valley
- City of Oxnard
- City of Pomona Successor Agency
- City of San Fernando Successor Agency
- City of San Jacinto
- City of Industry - Civic-Recreational-Industrial Authority
- City of Industry - Industry Public Utilities Commission
- City of Industry - Property and Housing Management Authority
- City of Industry - Industry Public Facilities Authority
- City of Industry - Industry Urban-Development Agency
- City of Industry Successor Agency of the IUDA
- Barstow Community Services Foundation
- Victor Valley EDA Successor Agency

➤ Special Districts

- Big Bear Municipal Water District
- Hesperia Recreation and Park District
- Inland Valley Development Agency
- Law Library for San Bernardino County
- San Bernardino Public Safety Authority
- San Bernardino Regional Emergency Training Center
- San Bernardino Valley Water Conservation District
- The Hesperia Area Recreation District Foundation
- West Valley Water District

➤ Counties

- County of Los Angeles
- County of Riverside Department of Public Social Services
- County of San Bernardino
- County of San Bernardino Purchasing Department
- Riverside County Sheriff's Department
- Successor Agency to the County of San Bernardino



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CONTRACTS • AGREEMENTS
OPERATIONS • PROJECTS

PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE**City of Placentia Engagement Team**

We are committed to maintain the core team throughout the term of our engagement. If circumstances change, we will apprise you of any personnel changes in the audit team of the City of Placentia.





Eden C. Casareno, CPA
Engagement Partner

Education

BA Degree in Business
Administration, emphasis in
accounting, from University of
California, Riverside

Professional Organizations

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- California Society of Municipal Finance Officers
 - California Special Districts Association

Licensed by the State of California
Years of Experience: 15

ccasareno@eadiepaynellp.com
Cell (909) 239-0679

PARTNER-IN-CHARGE OF GOVERNMENT SERVICES

Eden joined Eadie + Payne in 2002 and became a partner in 2009. Eden will ensure continual communication and high-quality execution, leveraging her over 15 years of experience performing financial statement audits, assisting clients with complex governmental accounting and reporting requirements, evaluating internal control design and implementation, and developing solutions for government clients in Southern California.

Eden served as the engagement partner for the audits of:

- City of Oxnard
- City of Industry
- Inland Valley Development Authority
- Hesperia Recreation and Park District
- Big Bear Municipal Water District
- Law Library for San Bernardino County
- San Bernardino Public Safety Authority

She also served as technical review partner for the audits of:

- Consolidated Fire Agencies of the East Valley (CONFIRE JPA)
- Riverside County Sheriff's Department Grants
- Riverside County Department of Public Social Services Child Development Program
- San Bernardino Regional Emergency Training Center
- San Bernardino Valley Water Conservation District

Eden served as lead partner in providing agreed-upon procedures and consulting services to former redevelopment agencies in eight cities in Los Angeles County, Riverside County, and San Bernardino County, and assisted these agencies with the unique and complex compliance and financial reporting requirements related to the dissolution of redevelopment agencies in California. She also provided consulting services to City of Moreno Valley, City of Eastvale, and County of San Bernardino, among others.

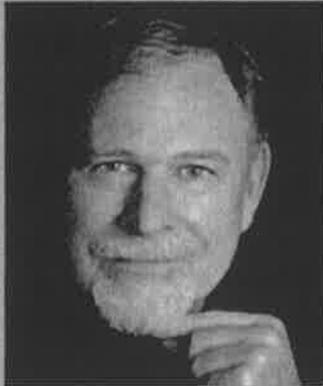
As the engagement partner, Eden will be responsible for meeting all deadlines requested by the City. Having managed large, complex projects, Eden will lead your engagement team throughout the audit.

Recent Relevant CPE:

AICPA Government Audit Quality Center Update: 2016, 2015, 2014
 CSMFO Conference: 2016, 2015, 2014
 Financial Statement, Tax, and Government Fraud: 2016
 E+P Audit and Accounting Update: 2015, 2014, 2013
 CalCPA Governmental Accounting and Auditing Conference: 2015, 2014, 2013
 New COSO Framework: 2015
 AICPA's Webinar Series on GASB's Pension Standard: 2015, 2014
 Inland Empire Economic Outlook: 2015, 2013
 AICPA's IT Considerations in Financial Statement Audits: 2014
 Analytical Procedures: 2014
 California's Fiscal Condition: 2014, 2013



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MEMBER OF THE
 EY NETWORK



Don Ecker, CPA (Inactive)
 Director of Consulting and
 Transactions

Education

BS Degree in Business Administration,
 emphasis in business, from California
 Polytechnic University, Pomona

Executive MBA from Northwestern University,
 Kellogg School of Management

Young Presidents University Programs,
 Stanford, Buckhead-Georgia, Chicago,
 Monterey, Newport, Greece, Sweden, Taiwan,
 New Zealand, Colorado Springs, and Australia

Professional Organizations

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants

Licensed by the State of California
 Years of Experience: 48

decker@ceos2.com
 Cell (310) 962-6736

DIRECTOR OF RISK MANAGEMENT

Don joined Eadie + Payne in 2015 as Director of Consulting and Transactions. Don serves as Risk Advisor and Co-Leader in Communication with boards and top management in assuring clients that commitments are delivered.

Don is and has been an active and influential member of the Inland Empire community and understands the business environment. He has played a key role in **transportation** dating back to Measure A in 1988 as well as Measure AA in 1992.

Don is a Retired Senior and Managing Partner/Practice Leader of EY, including Managing Partner of the Riverside Office. While Managing Partner of EY Riverside, he was the coordinating/Relationship Partner on RCTC as well as the County of Riverside.

Don continues to be active in the Riverside community:

- Founder & Governing Board Member – March LifeCare
- Past member & President – Monday Morning Group for 30 Years
- University of California Riverside Foundation Board Member for 27 years

Don founded CEO Strategic Solutions, LLC in 1999. He works with CEOs in clarifying mission and giving objective solutions for business success.

He served on 2 public boards, having qualified as a "financial expert" for SEC reporting, and chaired both audit committees.

Don's career in the public sector includes:

- Riverside County
- Orange County - post bankruptcy
- Riverside County Transportation Commission
- City of Oxnard



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 INTEGRITY & EXCELLENCE
 together we succeed.



Liam Collins
Partner, Armanino LLP
IT Specialist

Education

BSc Degree in Accounting, from
Golden Gate University
JD from University of San Francisco
School of Law
MBA from Wharton School at the
University of Pennsylvania

Years of Experience: 10

IT SPECIALIST

Liam Collins is a Partner and Controls Assurance Practice Leader in Armanino's audit practice. Liam has over fifteen years of experience in external and internal audit, regulatory compliance, and internal controls. Liam has experience in both private industry and public accounting. He brings his knowledge and experience to a wide variety of challenging projects. Liam specializes in helping companies meet their strategic, operational, and regulatory compliance opportunities.

Liam has substantial experience leading and coordinating IT advisory engagements across several industries, with a focus on the engineering and construction, banking, retail, and technology sectors. Liam has over 10 years of prior Big 4 experience where he was most recently an IT consulting partner on large key accounts for KPMG in the west region. Liam has served as engagement leader on multiple projects with responsibility for planning, budgeting, execution, and delivery of complex projects; internal audit process and project assessments; controls measuring and monitoring; Sarbanes-Oxley 404 control documentation and testing assistance; and risk based business process assessments.

External and Internal Audit

- Lead IT Audit Partner on numerous external audits for public and private companies and governmental entities.
- Led internal audit organizational assessments for clients in a variety of industries.
- Led internal audit outsourced and co-sourced projects at large public and private clients in the technology, financial services, and healthcare industries.
- Performed annual internal audit risk assessments and audit plan development for a significant number of clients.

Regulatory compliance

- Led hundreds of SOC1/2/3 and SAS 70 engagements for clients in a variety of industries.
- Extensive experience developing and building unified IT compliance programs for public companies and start-ups.
- Lead Partner on numerous PCI/HIPAA/NIST/FISMA/FedRamp consulting and audit projects.

Information security assessments

- Extensive experience leading and performing information security assessments addressing data access, data privacy, information classification, and data integrity for clients in the retail, technology, and engineering industries.
- Led a large scale data privacy assessment for a major California University system, including the implementation of remediation activities.



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27000 Lake Blvd., Suite 200
San Diego, CA 92124



Deborah L. Crowley,
CPA
 Technical Standards
 Review Partner

Education

BA Degree in Business
 Administration, emphasis in
 accounting, from California State
 University, San Bernardino

Professional Organizations

- American Institute of Certified
 Public Accountants
- California Society of Certified
 Public Accountants
- California Special Districts
 Association

Licensed by the State of California
 Years of Experience: 35

dcrowley@eadiepaynellp.com
 Cell (909) 953-1596

PARTNER IN-CHARGE OF ATTEST SERVICES

Deborah is the Firm's audit quality control partner. She performs the technical standards review for many of the Firm's audit engagements and serves as the liaison with the Firm's independent peer review team.

Deborah has served as the engagement partner for the audits of the following entities:

- Consolidated Fire Agencies of the East Valley (CONFIRE JPA)
- Law Library for San Bernardino County
- Riverside County Sheriff's Department Grants
- Riverside County Department of Public Social Services Child
 Development Program
- San Bernardino Regional Emergency Training Center
- San Bernardino Public Safety Authority
- San Bernardino Community College District
- San Bernardino Valley Water Conservation District
- Victor Valley Wastewater Reclamation Authority

Deborah served as lead partner in providing agreed-upon procedures and consulting services to former redevelopment agencies in several cities in Los Angeles County, Riverside County, and San Bernardino County and assisted these agencies with the unique and complex compliance and financial reporting requirements related to the dissolution of redevelopment agencies in California.

As the technical review partner, Deborah will conduct a review of the financial statements after the engagement partner review. She will act as a second set of eyes to ensure that the financial statements are presented in accordance with GAAP and that the engagement has been performed in accordance with *Government Auditing Standards*.

Recent Relevant CPE:

E+P Audit and Accounting Update: 2013, 2014, 2015
 CalCPA Governmental Accounting and Auditing Conference: 2013, 2014, 2015
 AICPA Government Audit Quality Center Update: 2013, 2014, 2015
 AICPA's Webinar Series on GASB's Pension Standard: 2013, 2014, 2015
 New COSO Framework: 2015
 E+P Fraud Topics: 2014
 MSNA Tax and Audit Conference: 2013, 2014
 CalCPA Inland Empire Professional Issues Update: 2014
 AICPA Uniform Guidance for Federal Awards: 2014



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 THE FIRM'S COMMITMENT
 TO EXCELLENCE



Hong N. Nguyen, CPA
Manager

Education

BA Degree in Business Administration, emphasis in accounting, from University of California, Riverside

Professional Organizations

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- California Society of Municipal Finance Officers

Licensed by the State of California
Years of Experience: 8

hnguyen@eadiepaynellp.com
Cell (909) 706-1667

EXPERIENCED MANAGER

Hong joined Eadie + Payne in 2008 and was promoted to manager in 2014. Hong possesses a comprehensive understanding of governmental auditing standards and an ability to apply technical accounting and auditing knowledge to real-life situations of the clients she serves. She demonstrates professional judgment, makes sound decisions, and possesses strong project management and interpersonal skills.

Hong served as the manager for the audits of:

- City of Oxnard
- Hesperia Recreation and Park District
- San Bernardino Valley Water Conservation District
- Big Bear Municipal Water District
- Law Library for San Bernardino County
- Various San Bernardino and Riverside County grants

Hong served as the in-charge accountant in providing agreed-upon procedures to multiple former redevelopment agencies in Los Angeles County, Riverside County, and San Bernardino County. She gained a thorough understanding of the unique and complex compliance and financial reporting requirements related to the dissolution and consequent presentation of redevelopment agencies in California and continues to remain updated with current developments and regulations such as SB 107.

As the manager in charge, Hong will be responsible for the day-to-day communications with your finance department. She will supervise the Eadie + Payne team in planning, documenting, and testing internal controls, audit procedures, and other agreed-upon procedures per *Government Auditing Standards*. She will analyze the audit results for reasonableness and will provide written recommendations of improvements to internal controls and other accounting processes to help eliminate inefficiencies, mitigate risk, and reduce financial losses.

Recent Relevant CPE:

AICPA Government Audit Quality Center Update: 2016, 2015, 2014
CSMFO Conference: 2016
Preparing for a Single Audit: 2016
An Auditor's responsibility for Fraud in Government: 2015
Demystifying Lean Six Sigma for Government Accountants and Auditors: 2015
E+P Audit and Accounting Update: 2015, 2014, 2013
CalCPA Governmental Accounting and Auditing Conference: 2015, 2014
New COSO Framework: 2015
Benford's Law, Pivot Tables, and Excel Tips and Tricks: 2014
Analytical Procedures: 2014
California's Fiscal Condition: 2014, 2013
AICPA Guides for State and Local Governments, Not for Profits, and Yellow Book/A-133 Audits: 2013
Deciphering Single Audit Act A-133: 2013
Experienced In-Charge Training: 2013



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CERTIFIED PUBLIC ACCOUNTANTS
LICENSED IN CALIFORNIA



Sara Zarineh-Banta, CPA
Audit Manager

Education

BA Degree in Business
Administration, emphasis in
accounting, from California State
Polytechnic University, Pomona

Professional Organizations

- American Institute of Certified
Public Accountants
- California Society of Certified
Public Accountants

Licensed by the State of California
Years of Experience: 6

sbanta@eadiepaynellp.com

EXPERIENCE

Sara joined Eadie + Payne in 2016 as audit manager, bringing with her over six years of experience as auditor in-charge of financial and single audit engagements with governmental as well as not-for-profit entities. Her expertise includes performing detailed analytical procedures of financial statements, analysis and review of internal control structures, year-end closing and accounting-related issues, and compliance with applicable laws, regulations, contracts, and agreements. She has extensive experience conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with OMB Circular A-133.

Sara's experience includes being auditor in charge with the following entities:

- California State Polytechnic Pomona Foundation
- California Community Colleges
- Federal and State Programs
- Prop. 39 Financial/Performance Audits
- Not-for-Profit Organizations

Sara facilitated Q&A sessions regarding audit processes for new directors at the Community Colleges Chancellor's Office. She has completed the CalCPA Emerging Leaders Certificate Program.

As audit manager, she is responsible for managing and leading staff, ensuring that all work is completed within Firm policy and professional standards. She will be responsible for the preparation and reporting on full disclosure financial statements. Sara demonstrates leadership, technology, communication, and analytical abilities, and interacts well with all levels of staff and management as well as clients.

Sara joins Hong as a manager in delivering timely service to the Commission.

Recent Relevant CPE:

Revenue Recognition: The New Guidelines: 2015
Full Disclosure in Financial Reporting: 2015
Fraud and Forensic Accounting Trends: 2015
Control Concepts (Teaching): 2014
Internal Control Application (Teaching): 2014
Bond Compliance and Private Business: 2013



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EADIE + PAYNE



Justin Gonzales
Audit Supervisor

Education

BS Degree in Accounting, from
University of Southern California
Leventhal School of Accounting,
Los Angeles, California

Professional Organizations

- California Society of Certified
Public Accountants
- Latino Professionals in Finance
and Accounting

License Pending
Years of Experience: 9

jgonzales@eadiepaynellp.com
Cell (626) 222-1603

ONSITE SUPERVISOR

Justin joined Eadie + Payne as a senior accountant in October 2013. He was promoted to Supervisor in January 2016. He previously worked for a CPA firm for 8 years where he developed skills in audit and taxes. While working at Eadie + Payne, Justin has gained experience working on governmental audits.

He was the supervisor for the audits of the following entities:

- City of Oxnard
- Law Library of San Bernardino County
- Hesperia Recreation and Park District
- Inland Valley Development Agency

Justin is a results-oriented accountant whose strengths include detail-oriented time management, analytical, and problem-solving skills. He is experienced in partnering with all levels of management and works well in a fast-paced environment.

Justin will be the supervisor on the audit of City of Placentia. He will be onsite at all times during the audit fieldwork to assign tasks to staff, review workpapers, and perform complex audit procedures. He is also responsible for the preparation of the financial reports that will be presented to the City Council.

Recent Relevant CPE:

Preparing for a Single Audit: 2016

Risk Assessment Standards: 2015, 2014

New COSO Framework: 2015

Analytical Procedures: 2015, 2014

Benford's Law, Pivot Tables, and Excel Tips and Tricks: 2014

Overview of Governmental Accounting: 2014

Introduction to Governmental Accounting and Auditing: 2014



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INTERNATIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

The following are governmental audit clients for whom we have provided services that are similar to the engagement described in your request for proposal.

City of Oxnard



The City of Oxnard is a general law city in Ventura County. We are providing financial statement audits for the City, and its component units (including the successor agency to the redevelopment agency, a financing authority, and a housing authority) for fiscal years ended June 30, 2015 through 2017. We are also contracted to perform agreed-upon procedures related to Gann appropriations limit and the Single Audit. We assisted in the preparation of the City's comprehensive annual financial report and annual State Controller's report.

City of Industry



The City of Industry is a municipal corporation in the County of Los Angeles with over \$1.0 billion in assets and over \$100 million in revenues. We provided financial statement audits for the City of Industry, and its component units (including a redevelopment agency and its successor agency, a public facilities authority, and a civic-recreational-industrial authority) for 7 years. We also performed agreed-upon procedures related to Gann appropriations limit, disposal rates, and dissolution of the redevelopment agency.



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with passion.
and integrity.

Inland Valley Development Agency



Inland Valley Development Agency was created for the purpose of acquiring the former Norton Air Force Base, facilitate the successful reuse of the property, and to promote economic development within the area surrounding the Air Base. We provided financial statement audits and Single Audits to the Agency for the years ended June 30, 2012 through the present. We also assisted the Agency in the preparation of its financial statements and Data Collection Form.

"Our organization retained the firm amidst one of the most difficult periods in our operational history. Facing the myriad of confusion over dissolution of redevelopment agencies in California and an impending need to complete a comprehensive tax allocation bond refinancing, the team at Eadie + Payne rose to the occasion, completing two complex independent annual financial audits within months of one another. I found their staff to be extremely knowledgeable, professional, and customer-focused – traits of a truly excellent firm. I would strongly recommend Eadie + Payne to any public sector organization."

Michael Burrows
Executive Director
Inland Valley Development Agency

Hesperia Recreation and Park District



Hesperia Recreation and Park District is an independent special district that offers programs and activities for residents of Hesperia and surrounding communities. The District operates eight park sites and 13 facilities such as community centers, recreation facilities, and a golf course. We provided financial statement audits to the District and its blended component unit, the Hesperia Area Recreation District Foundation, for the years ended June 30, 2011 through the present. We also assisted the District in the preparation of its financial statements and State Controller's report, preparation of the Foundation's tax return, and agreed-upon procedures related to its golf course operations.

"Eadie + Payne has served as our auditors for the past three years. I believe their services exceed a "standard audit" for the following reasons:

- They have taken the time to learn how our organization operates
- They focus on our needs and prepare financial reports that are meaningful to our board and management team."

Lindsay D. Woods
General Manager
Hesperia Recreation and Park District



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CERTIFIED ACCOUNTANTS
EXCELLENCE IN SERVICE

San Bernardino Valley Water Conservation District



The San Bernardino Valley Water Conservation District recharges the groundwater basin protecting the safe yield of the San Bernardino Bunker Hill Basin. The District's recharge services benefit the cities, districts, and agricultural and nonagricultural groundwater producers within the District's boundaries. We provided financial statement audits to the District for the years ended June 30, 2002 through 2006 and June 30, 2014 through the present. We also assisted the District in the preparation of its financial statements and State Controller's report.

"Deborah and the staff at Eadie and Payne have completed the District's audits for the past two years. Compared to prior auditors, they arrive well prepared and learned the unusual revenue sources and projects that the District is involved with quickly. Their staff works closely with our staff to ensure a smooth closeout of the year and audit process. Because our Board expects the audit quickly after the end of the fiscal year, we have worked together to meet their expectations."

Daniel Cozad
General Manager
San Bernardino Valley Water Conservation District



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CORPORATE AND GOVERNMENT
ACCOUNTING SERVICES

| Name of Agency | Scope of Work | Date | Engagement Partner | Total Hours | Contact Name/Telephone Number |
|---|--|---|--------------------|-------------|---------------------------------|
| City of Oxnard | Financial audits, single audit, agreed-upon procedures, CAFR preparation, SCO report preparation | June 30, 2015-present | Eden Casareno | 2,000/yr. | Maria Hurtado (805) 385-7475 |
| City of Industry | Financial audits, agreed-upon procedures | June 30, 2008-2014 | Eden Casareno | 1,500/yr. | Dean Yamagata (626) 330-8180 |
| Inland Valley Development Agency | Financial audit, single audit, preparation of financial statements | June 30, 2012-present | Eden Casareno | 500/yr. | Mike Burrows (909) 382-4100 |
| Hesperia Recreation and Park District | Financial audit, preparation of financial statements and SCO report | June 30, 2011-present | Eden Casareno | 300/yr. | Lindsay Woods (760) 244-5488 |
| San Bernardino Valley Water Conservation District | Financial audit, preparation of financial statements and SCO report | June 30, 2002-2006 June 30, 2014-present | Deborah Crowley | 250/yr. | Daniel Cozad (909) 793-2503 |

SPECIFIC AUDIT APPROACH

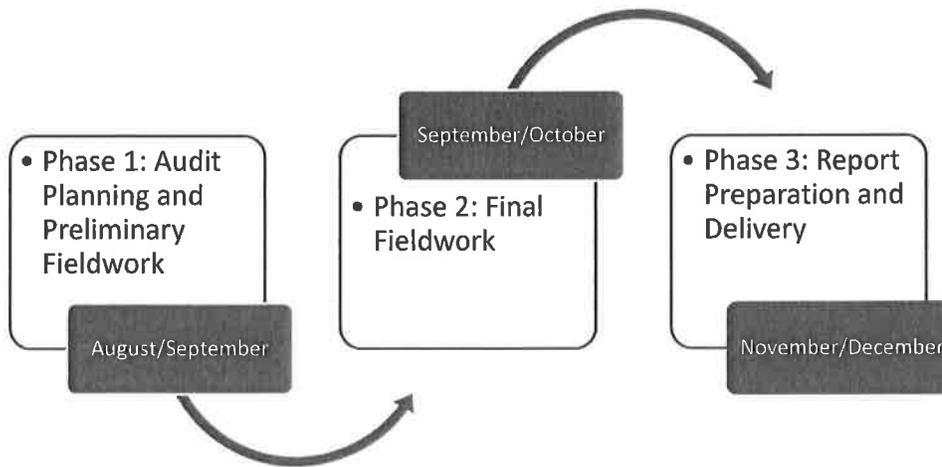
Eadie + Payne is experienced in meeting the needs and expectations of our clients. Our goal is to perform a quality audit that will provide assurance to the City's leaders and constituents whether the financial statements are free from material misstatements due to error or fraud. Our approach will be differentiated by constant communication with the City's top management, Audit Committee and City Council.



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PLACENTIA, CA 92663

We propose to perform the audit in three phases:



Phase 1: Audit Planning and Preliminary Fieldwork

Our audit approach reflects the **risk assessment standards** applicable for governmental audits. These standards require that we assess inherent risk, internal control over financial reporting and compliance, and the likelihood that a material misstatement may occur. To accomplish this, we must truly understand your organization and its environment, systems, procedures, internal controls, and most importantly, the people.

Our audit begins with **documenting our understanding** of the City of Placentia and its environment, including its internal control, and assessing the risks of material misstatements. This process includes inquiries with management and others in your organization, preliminary analytical procedures, observation and inspection, and discussions among the audit team. Specifically, this process will involve:

- Reviewing minutes of the meetings of the City Council and any applicable committees;
- Reviewing important contracts, debt issues, leases, and grant agreements;
- Reviewing organizational charts, manuals, and program documents;
- Comparison and inquiry regarding fluctuations of revenues and expenditures by fund, budget vs. actual; and
- Reviewing prior-year audit files, findings, and recommendations.

Depending on the complexity of the internal controls and the extent to which we intend to rely on them, various tests or walk-throughs will be performed to provide evidence regarding the design and operating effectiveness of your internal control. We will engage **Liam Collins, IT specialist**, to gain an understanding of IT controls.



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Tests of controls will be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and compliance. Our goal is to obtain a knowledge level sufficient to identify the risks of material misstatement of the financial statements, including fraud risks, and material non-compliance, and to design the nature, timing, and extent of further audit procedures.

We will evaluate the design and implementation of internal control over financial reporting and compliance based on the following framework. This framework is contained in the State Controller's Office Internal Control Guidelines for Local Agencies (2015).

1. Control environment - Is the environment favorable to internal control?
2. Risk assessment - Does the City have a risk assessment process at appropriate levels?
3. Control activities - Do control activities contribute to the mitigation of risks and include a mixture of control activity types that address the following:
 - a. Authorization and approval;
 - b. Verification;
 - c. Physical control;
 - d. Reconciliations;
 - e. Supervisory controls; and
 - f. Segregation of duties?
4. Information and communication - Does the City provide, share, and obtain information continually, up, down, and across the organization?
5. Monitoring - How does the City perform ongoing evaluations to ascertain whether the components of internal control are present and functioning?

Single Audit

The single audit will be performed in accordance with the Single Audit Act and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

In a single audit, our objectives are to audit the City's financial statements and report on the supplementary schedule of expenditures of federal awards and to perform a compliance audit of federal awards. The compliance audit includes the understanding and testing of **internal control over compliance for major programs**.

Final Fieldwork

Our audit plan is developed to achieve the appropriate level of assurance that your financial statements are free from material misstatements due to error or fraud. In order to gain the appropriate level of assurance, our audit may include reasonableness tests, examination of source documents, confirmations, inquiry, and other substantive or analytical procedures.



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San Diego, CA 92101
619.594.1234

We will direct our audit emphasis to the areas of significant risk, focusing on the unique characteristics of the City of Placentia' operating environment, the effectiveness of your internal controls, your financial statement amounts and disclosures, and the applicable compliance requirements.

Our audit will include (this is not intended to be a complete discussion of our audit program and approach) the following:

Analysis, Review and Verification of Financial Statements, Account Balances, and Transactions

Eadie + Payne will review and analyze account balances and transactions and certain general ledger accounts, including asset, liability, revenue, and expenditure accounts. We will also review the accounting principles followed and the consistency of their application in preparing the financial statements. Our audit will also include evaluating the reasonableness of accounting estimates and the completeness and accuracy of financial statement disclosures.

Our audit procedures may include, among others:

- Confirmations of cash and investment balances;
- Testing of bank reconciliations;
- Examination of subsequent receipts of receivable balances;
- Search for unrecorded liabilities;
- Review of attorney letters;
- Use of client-prepared schedules and analysis; and
- Examination of supporting documents.

Analytical Procedures

We will use analytical procedures during the planning, performance, and review phases of our audit. We will analyze current and prior-year amounts to ensure changes from year to year are reasonable and proper. Variances will be followed up until we are satisfied that the current-year financial statements are fairly presented. We may also use specific ratio analyses and trend analyses of these ratios.

Consideration of Fraud

In accordance with SAS 99, Eadie + Payne will perform brainstorming sessions, inquiries, and interviews of management and other personnel, analytical procedures, and other appropriate procedures to obtain reasonable assurance that the City of Placentia' financial statements are free from material misstatements due to fraud. We will apply computer-assisted fraud detection techniques, focusing on areas susceptible to fraud. We will consider the City of Placentia' management programs and controls to identify and act on fraud risks.



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Consideration of Laws and Regulations

As part of the risk assessment process, Eadie + Payne will obtain an understanding of laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts, design tests of compliance with those laws, regulations, and provisions of contracts and grant agreements, and evaluate the results of those tests. Because governments are subject to many laws, regulations, and provisions of contracts or grant agreements, we will identify those that directly relate to specific aspects of the government within the context of our audit objectives. This process will involve discussions with management, legal counsel, or grant administrators about your compliance requirements and reviewing relevant laws, regulations, contracts, and agreements.

Sampling

Sampling is one of many audit procedures we use to provide sufficient appropriate audit evidence to support our auditor's opinion. We may use audit sampling procedures to obtain audit evidence during our testing of your internal controls and compliance and in our tests of details. We will select our sample sizes based on the characterization of the population, our materiality levels, and our risk assessments performed in the planning phase of our audit. Statistical as well as nonstatistical sampling may be used. Sample sizes will generally range from 25-60 items depending on the nature of transactions and purpose of the test. We may also use dual- or multi-purpose samples if the situation permits.

Extent of Use of Computer Software in the Engagement

Eadie and Payne has been using a **paperless audit approach** for many years. We use electronic data processing software to gather, process, and store data for all of our engagements. All members of the Eadie and Payne audit team are assigned personal computers that include the latest updates of professional accounting and auditing software, search engines, word processing, and spreadsheet software. **We will utilize computer-assisted auditing techniques thereby increasing our audit efficiency and effectiveness**, saving you time and money and increasing the reliability of the results of audit tests. We also offer our clients **web-based portals** that provide a secure, convenient, and easy way to exchange and share files with us.

Quality Assurance

Our internal quality assurance process requires the review of significant audit workpapers and the financial statements by the engagement partner. The **engagement partner** will release our report on the financial statements only after she believes the assignment has been completed in full compliance with the code of professional ethics, generally accepted and other applicable auditing standards, and Firm policies.

After the engagement partner completes her review, a **technical standards review** will be performed by a partner unrelated to, and otherwise independent of, the audit engagement. The technical standards review is intended to further ensure that your financial statements are in conformity with generally accepted accounting principles, including adequate and informative disclosures, and that Firm policies have been complied with. Our independent quality control program provides additional assurance that all reports meet the ever-increasing requirements of regulatory agencies and others.



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Single Audit

In the single audit, our goal is to determine whether the City has complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major programs. We will use a **risk-based approach** to determine which federal programs are major programs. Our determination of the programs to audit is based on an overall evaluation of the risks of noncompliance occurring that could be material to the individual federal programs.

The Compliance Supplement is the primary source for identifying compliance requirements for federal programs. We will use professional judgment to determine which of the 12 types of compliance requirements may have a direct and material effect on each major program.

Reporting

We will issue the following reports after completion of the audits of the City of Placentia:

- An Independent Auditor's Report expressing an opinion on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States;
- A report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* describing the scope and results of testing of internal controls over financial reporting and compliance; this report will also describe all reportable conditions noted as a significant deficiency and/or material weakness;
- A management letter describing nonreportable conditions discovered during the audit, which will also be referenced in the reports on internal control;
- A report to those charged with governance in accordance with AU 380; and,
- Agreed-upon procedures report regarding verification of the Gann limit.

At the end of the Single Audit, we will issue a report on compliance for each major federal program, report on internal control over compliance, and report on the Schedule of Expenditures of Federal Awards required by the Uniform Guidance. The reporting package, including the auditor's reports, and the data collection form should be electronically submitted by the City to the Federal Audit Clearinghouse (FAC). We will assist the City in completing the data collection form.

The reports on compliance will include all instances of noncompliance, including illegal acts and violations of provisions of contracts or grant agreements. If we become aware of any irregularities, illegal acts, or indications of illegal acts during the performance of our audits, we will immediately report all such acts in writing to the City Council, City Administrator, City Attorney, and Chief Financial Officer.



We will assist you with the preparation of the Comprehensive Annual Financial Report. The CAFR will be prepared in full compliance with all current GASB requirements and in a format that meets all the requirements of the GFOA Certificate of Achievement for Excellence in Financial Reporting program. Eadie + Payne will prepare the general purpose financial statements and combining statements for the City's CAFR. We will also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards. The City will be responsible for preparing the introductory and statistical sections. We expect the City to prepare the schedule of expenditures of federal awards for the period covered by the financial statements as well as a summary schedule of prior audit findings, if applicable.

The following is the proposed segmentation and timing of the City audit engagement, including the level of staff and the estimated hours for each segment:

| Description | Level of Staff | Estimated Hours First Year |
|---|----------------|-------------------------------|
| Phase 1 - Audit Planning and Interim Audit Fieldwork (August/September) | | |
| Entrance conference; planning meeting by audit team; engagement team to provide PBC list shortly after entrance conference; interviews and walk-throughs of significant accounting and financial reporting areas; tests of internal control and compliance; agreed-upon procedures; meeting with City management/staff to discuss preliminary findings and recommendations; preparation of SCO Report | Partner | 6 |
| | Manager | 10 |
| | Supervisor | 45 |
| | Staff | 45 |
| Phase 2 - Audit Fieldwork (September/October) | | |
| Pre-fieldwork meeting with City management/staff to discuss audit fieldwork; audit testing, analytical procedures, and sampling; single audit testing; partner review and quality assurance; meeting with City management/staff to discuss audit findings and recommendations | Partner | 8 |
| | Manager | 40 |
| | Supervisor | 90 |
| | Staff | 135 |
| Phase 3 - Report Preparation and Delivery (October - December) | | |
| Preparation of CAFR and audit reports (including Gann Limit Agreed-Upon Procedures report); provide drafts of CAFR and auditor's report to the Finance Department by November 9; presentation of final CAFR in December | Partners | 48 |
| | Manager | 36 |
| | Supervisor | 80 |
| | Staff | 40 |
| | Total | 583 |



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IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

A. Accounting Records

Our audit plan is based on the assumption that the accounting records will be in good order. We expect all elements of the financial statements and schedules to be ready when we start final fieldwork or shortly thereafter. The general ledger and subsidiary ledgers for receivables and payables should be in balance and cash accounts should be reconciled. Capital assets and the related depreciation expense should be properly recorded. Revenue and expenses/expenditures should be properly accounted for on the full accrual or modified accrual basis as appropriate. There should be knowledgeable personnel available to assist us in retrieving documents, answer questions concerning the records, and prepare, under our direction, lists and schedules of certain accounts. We should have reasonable access to the personnel and items that we believe are needed to complete our work.

If, during our audit, we discover that accounts have not been properly reconciled, we will bring this information to the attention of management and discuss how to proceed. If the problems are extensive, we may need to reschedule the audit fieldwork. This situation could impact the completion of the audit on a timely basis as well as the fees.

B. GASB No. 68 Adjustments

GASB Statement No. 68, the pension standard for employers, requires annual adjustments. Timely completion of your financial statements will require that information required for recognition of pension liabilities and deferred inflows and deferred outflows be obtained from the pension plan prior to or during final fieldwork.

C. GASB Statement No. 75

GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions, will be effective for the District's fiscal year ending June 30, 2018. Timely completion of your financial statements for that year will require that information required for recognition of your OPEB liabilities and deferred inflows and deferred outflows be obtained prior to or during final fieldwork.

RESPONSE TO CITY STANDARD TWO-PARTY AGREEMENT

Eadie + Payne has no objections to the City's Standard two-party agreement. We request the proposal and audit engagement letter become part of the agreement between the City and Eadie and Payne, LLP. A copy of our standard audit engagement letter follows.



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SAMPLE

June 15, 2016

Honorable Members of the City Council
City of Placentia
401 E. Chapman Avenue
Placentia, CA 92870

Dear Council Members:

We are pleased to confirm our understanding of the services we are to provide to the City of Placentia for the year ended June 30, 2015. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Placentia as of and for the year ended on June 30, 2015. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement City of Placentia's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to City of Placentia's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis;
2. Budgetary comparison schedules; and
3. Schedules of Funding Progress.



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June 15, 2016
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We have also been engaged to report on supplementary information other than RSI that accompanies the City of Placentia's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole, in a separate written report accompanying our auditor's report on the financial statements or in a report combined with our auditor's report on the financial statements:

1. Individual and combining fund financial statements; and
2. Schedule of expenditures of federal awards.

The following additional information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1. Introductory section; and
2. Statistical section.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on --

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The OMB Circular A-133 report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Both reports will state that the report is not suitable for any other purpose.



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City of Placentia

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Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of the accounting records of City of Placentia, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.



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City of Placentia

June 15, 2016
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Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and *Government Auditing Standards* and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Placentia's compliance with provisions of applicable laws, regulations, contracts, agreements and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of City of Placentia's major programs. The purpose of these procedures will be to express an opinion on City of Placentia's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.



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City of Placentia

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Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of City of Placentia in conformity with U.S. generally accepted accounting principles and OMB Circular A-133 based on information provided by you. We will also assist in preparing the annual street report and the financial transactions report required by the State Controller's Office for the City of Placentia and City of Placentia Financing Authority.

We will perform agreed-upon procedures in connection with the Appropriation Limit Worksheet of the City of Placentia for the year ended June 30, 2016. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion. We will report only our procedures and our findings. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.



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City of Placentia

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Page Six

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts and grant agreements, or abuse that we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date of the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.



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Honorable Members of the City Council
City of Placentia

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Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, or attestation engagements performance audits or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Audit Administration, Fees, and Other

Eadie and Payne, LLP meets the independence requirements contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and Rules 101 and 102 of the American Institute of CPAs Code of Professional Conduct with respect to the audit of the City of Placentia for the year ended June 30, 2015.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit report period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

We will provide copies of our reports to City of Placentia; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, we understand that copies of our reports are to be made available for public inspection.



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FIDELITY + SURETY

Honorable Members of the City Council
City of Placentia

June 15, 2016
Page Eight

The audit documentation for this engagement is the property of Eadie and Payne, LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to an oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Eadie and Payne, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period required by law or regulation. If we are aware that an awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Based on our discussions, we expect to begin interim fieldwork and building up permanent file at a mutually convenient date; we expect to carry out the final fieldwork at mutually convenient dates in October 2015, and issue our reports no later than end of December 2015. Eden Casareno is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter or comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2013 peer review accompanies this letter.

We appreciate the opportunity to be of service to the City of Placentia and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign one copy and return it to us.

Very truly yours,

EADIE AND PAYNE, LLP

Eden C. Casareno

Accepted by the City of Placentia

Signature: _____

Title: _____

Date: _____



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INTERNATIONAL SOCIETY OF
QUALITY ASSOCIATION

CITY OF PLACENTIA, CA
AGREED-UPON PROCEDURES
ATTACHMENT TO ENGAGEMENT LETTER

1. We will obtain the completed worksheets (or other alternative computations), and compare the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We will also compare the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.
2. For the Appropriations Limit worksheet we will add line A, last year's limit, to line E, total adjustments, and agree the resulting amount to line F, this year's limit.
3. We will compare the current year information presented in the Appropriation Limit worksheet to the other worksheets described in No. 1 above.
4. We will compare the prior year appropriations limit presented in the Appropriations Limit worksheet to the prior year appropriations limit adopted by the City Council during the prior year.



APPENDICES OR EXHIBITS



A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

System Review Report

To the Partners of Eadie & Payne, LLP
& the California Society of CPAs Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Eadie & Payne, LLP (the firm) in effect for the year ended April 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Eadie & Payne, LLP, in effect for the year ended April 30, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Eadie & Payne, LLP has received a rating of *pass*.

Donaldsonville, Louisiana
August 7, 2013



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