

# City of Placentia

## TECHNICAL PROPOSAL

### ***For Professional Auditing Services for the City of Placentia***

*For the fiscal years ending June 30, 2016 to 2018, with  
the option of extending the contract for two one- fiscal  
year periods*

***June 15, 2016***

**Contact Person:**

**Ahmed Badawi, CPA  
Badawi & Associates  
Certified Public Accountants  
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# City of Placentia

## Table of Contents

	<u>Page</u>
<b>Letter of Transmittal</b>	1
<b>Independence</b>	3
<b>Firm Qualifications and Experience</b>	3
- Insurance	3
- License to Practice in California	3
- Firm Qualifications	3
- Technical Approach	4
- Firm Experience	5
- Additional Activities	5
- Quality Control Review	6
- Federal or State Desk Review	8
- Disciplinary Action	8
- Lost Clients and Pending Legislation	8
<b>Partner, Supervisory and Staff Qualifications and Experience</b>	9
<b>Similar Engagements with other Government Entities</b>	17
<b>Understanding of Services to be Provided</b>	21
<b>Specific Audit Approach</b>	
- Objectives for Our Services	22
- Audit Approach	22
- Technical Approach	23
- Audit Schedule	26
<b>Discussion of Relevant Accounting Issues</b>	29
<b>Conclusion</b>	30
<b>Appendix A – References</b>	31





June 15, 2016

Mr. Larry Schroeder  
Interim Chief Financial Officer  
City of Placentia  
401 E. Chapman Avenue  
Placentia, CA 92870

Dear Mr. Schroeder,

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the City of Placentia (the "City") for the fiscal years ending June 30, 2016 to 2018 with the option of extending the contract for two one-fiscal year periods. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the City in accordance with generally accepted accounting principles. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984, as amended in 1996), and the Uniform Guidance, *Audits of States, Local Governments and Non-Profit Organizations*, Uniform Administrative Requirements, as well as any other applicable federal, state, local or programmatic audit requirements.

We will also perform the following as part of our engagement:

- Single Audit (if required)
- Gann Limit
- Street Report
- State Controller's Report
- Two Agreed-Upon Procedure Engagements (Review of Investment Transactions, Review of Financial Institution Wire Transfers, Review of Journal Entries, Review of Check Stock Sequence and Cancelled Checks, or Review of Cash Receipts)

We will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information. In addition, we will prepare the management letter containing comments and recommendations regarding our review and evaluation of the systems of internal control and accounting procedures.

This proposal will highlight the background of the partners and staff assigned to the engagement, summarize our experience in the governmental area, and describe our approach to auditing the City.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the City on a timely basis.

As a partner of the Firm, I will be the primary contact for negotiation of the contract. Additionally, I have been authorized to legally bind the Firm. You may contact me at the following address and phone number:

Mr. Ahmed Badawi, CPA  
Badawi & Associates  
Certified Public Accountants  
180 Grand Ave. Suite 1500  
Oakland, CA 94612  
Telephone: (510)768-8244  
E-mail: [abadawi@b-acpa.com](mailto:abadawi@b-acpa.com)

Mr. Larry Schroeder  
Interim Chief Financial Officer  
City of Placentia  
Page 2

We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports prior to the City's published time frames and commit to you that we will perform the work within the time frames required.

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in municipal auditing and reporting requirements. We have performed auditing and consulting engagements for numerous cities throughout California. We will be responsive to the needs of the City, we understand the City's operational environment, and pledge to you our complete commitment to providing a quality product that meets the City's requirements.

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the City's office operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of City operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and City Management and staff throughout the engagement eliminate "surprises" Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies and disruptions are kept to a minimum. In addition, we perform almost half of the audit tasks during the interim phase to minimize any unforeseen delays during the year-end phase and to ensure a smooth and timely audit process.

The Firm maintains liability insurance coverage for professional liability, Workers' Compensation, Comprehensive General Liability and Auto as part of our comprehensive insurance policy.

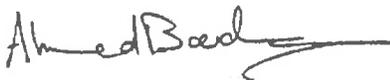
The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

This proposal is a firm and irrevocable offer for 180 days.

We are confident that you will find our organization offers the required expertise, technical knowledge, and business understanding to perform an audit of the City. Our past experience provides us with a thorough understanding of the needs and requirements of the City, as well as the technical knowledge to perform such services in accordance with the accounting and auditing guidelines as published by the various authoritative entities.

We welcome your inquiries and look forward to further discussions with you.

Sincerely,



Ahmed Badawi  
Partner  
Badawi & Associates  
Certified Public Accountants

**Independence****Independence**

The Firm is independent of the City of Placentia as defined by the GAO's *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, and the AICPA and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards.

**Insurance**

The Firm maintains professional liability insurance and other coverage as part of our comprehensive insurance policy. Upon selection as City's independent auditor, the Firm and our insurance provider will provide a certificate of insurance to City which shows the minimum requirements identified by City have been met.

**License to Practice in California**

The Firm and all key professional staff assigned to City's audit are properly licensed to practice as Certified Public Accountants in the State of California and comply with GAO *Government Auditing Standards*.

The Firm is registered with the California State Board of Accountancy. Its State number is COR6823.

The Firm has met all required State and local laws, rules, and regulations.

**Firm  
Qualifications  
and  
Experience****Firm Qualifications**

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 18 years of experience working with state and local government with a special focus on cities. Prior to founding B&A, Mr. Badawi was a partner with several local and national firms, where he headed their government practice in Northern California. Mr. Badawi founded Badawi & Associates to serve the fast-paced needs of California's local governments. The goal is to build a proactive, client-focused culture from the ground up and to eliminate the entrenched bureaucratic culture and intrinsic limitations of the big audit firms.

Located in Oakland, CA, the Firm serves a variety of cities throughout California as well as conducting financial related services for numerous special districts and authorities. Names and phone numbers of several of our current and past clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and the ability of the audit staff.

Our Oakland office will be the Engagement Office assigned to the City.

In addition to specific city financial statements, the Firm members have also audited numerous redevelopment agencies, public financing authorities, hospitals, housing authorities, transportation authorities, special districts, water districts, OCJP grants, self-insurance pools, joint power authorities and has also performed numerous compliance audits in accordance with the Single Audit Act, childcare regulations, TOT regulations, AQMD regulations, franchise requirements, RDA compliance, and other special projects. Additionally, the Firm has significant experience in bond offerings, post closure landfill costs, and recent changes to redevelopment agency reporting requirements.

The Engagement Partner assigned to the City, Mr. Ahmed Badawi. Mr. Badawi has over 18 years of government audit experience. He is a member of various governmental committees, has actively participated in the development of accounting and audit guidelines for the governmental sector, and is an instructor for the California Society of Municipal Finance Officers.

The professional staffs assigned to the Engagement are qualified and experienced. Each individual of the Engagement Team has several years of experience and has conducted or participated in numerous municipal audits of various sizes. Their understanding of governmental operations and the various authoritative guidelines will provide the where-with-all to perform the audit in an efficient and effective manner with minimal disruption to the City's finance department.

### Technical Approach

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the City's operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of City operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and City Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.

The audit approach will consist of four phases:

#### Initial Planning Meeting:

The Engagement Partner and Manager will meet with City Management to discuss the audit approach, identify specific needs of City Management, and familiarize themselves with City policies and practices.

#### Interim:

The Engagement Team members including the Engagement Team Partner will perform the internal control reviews, test transactions, evaluate compliance with Single Audit Act requirements, identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and City Management of the year end audit responsibilities and assignments. **In addition, we strive to complete many of the year-end audit tasks during the interim phase to ensure a smoother audit process. We will work with the City on providing a list of those tasks that we will target to complete during interim and work with the City on how to complete them to minimize the amount of effort and time needed at year-end which in turn will assist the City in meeting its goal of issuing the CAFR by the desired deadline.**

#### Year end:

The Engagement Team members including the Engagement Team Partner will conduct validation procedures on general ledger account balances, complete confirmation procedures, perform analytical procedures on revenue and expenditures, perform search for unrecorded liabilities, complete compliance work on Federal Assistance, and wrap up audit field work.

#### Reporting:

Auditor's reports for all City reporting entities and compliance requirements will be finalized along with Single Audit Reports and Management Letter comments. The Partner and Manager will be available to make presentations to the City Council and/or designated bodies.

**Firm Experience**

The Firm is located in Oakland, and provides a full range of accounting services to governmental agencies throughout California, including audit, tax and accounting. The Firm's professional staff members provide the financial background and specific experience to meet the City's operational needs. Additionally, this situation provides the City with an auditing firm that has depth in capabilities to address any financial issue the City may need assistance with, and the quality audit approach that you expect.

Our Oakland office will be the Engagement Office assigned to the City.

Firm policy requires that the Engagement Partner, during the first year of the engagement, be actively involved in the daily fieldwork. This means to the City that Mr. Badawi will actually be on-site during the audit coordinating the audit process, supervising the audit staff, gaining a hands-on understanding of City processes, and benefiting the City with his broad municipal experience. We have found that this effort benefits the City and the Firm through developing a thorough knowledge of the City's practices and issues and establishing a close working relationship with the City's Management. Additionally, continuity of audit personnel is assured because of the hands on involvement of the Partner.

We are committed to providing appropriate and related experience, personal involvement, and a broad business perspective to produce a quality end product within the time frames required.

The Firm provides financial and compliance auditing services to governmental agencies throughout California. We are a governmental agency auditing firm and our professional staff members have been performing these services for many years. As a result, we have performed financial and compliance audits on most, if not all, types of governmental agencies and operations including:

- Cities
- Redevelopment Agencies
- Financing Authorities
- Housing Authorities
- Special Districts
- Water Districts
- Waste Management Authorities and Operations
- Pension Plans
- Child Care Operations
- Joint Power Authorities
- Investment Activities
- Landfills
- Enterprise Funds
- Airports
- Transportation Operations
- Federal and State Grants

**Additional Activities**

We offer a full range of accounting and finance services to the governmental sector. These services include:

- Financial audits
- Compliance audits
- Tax advice
- Development of financial and accounting policies and procedures
- Investment review and compliance evaluation
- Operational reviews
- Technical guidance on existing and upcoming accounting issues
- Training seminars
- Pension/profit-sharing plans
- Performance audits
- Business consulting

Consequently, Firm personnel are well qualified to perform the services expected by the City.

**Client Training Seminar**

The Firm hosts an annual update on recent technical accounting and finance issues affecting the governmental area. This all day session reviews new and anticipated pronouncements from GASB, discusses future issues under consideration by GASB, reviews accounting treatment of various transactions where issues may arise, and provides a general overview of state and federal compliance issues. All of our clients are invited to attend, free of charge. The one day session qualifies for CPE under the rules of the State Board of Accountancy and is held in locations throughout the Bay Area.

**CSMFO Training**

The Firm provides a one-day training session entitled "Introduction to Governmental Accounting" to members of CSMFO. Firm personnel developed the class materials and teach the sessions. Approximately 10 sessions are held annually at various locations throughout the State. The Firm provides these sessions for only the cost of materials to CSMFO in keeping with its philosophy to support the industry in which it serves.

**Quality Control Review**

According to Government Auditing Standards, firms who perform audits under the Yellow Book are required to have a peer review once every three years. We received a report with a rating of pass with no deficiencies which we attached for your review.



JOHN LERAS, CPA  
 STEPHEN C. WELLS, CPA  
 JOSEPH O. ROMERO, CPA

System Review Report

**BADAWI & ASSOCIATES**

Oakland, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Badawi & Associates (the firm) in effect for the year ended February 28, 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 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](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 28, 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*. Badawi & Associates has received a peer review rating of *pass*.

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*your*  
**Success**  
*is our*  
**DESTINATION**

*GYL DeCaauwer LLP*

Rancho Cucamonga, California  
 May 16, 2013

**CPA**MERICA  
 INTERNATIONAL

B&A have policies and procedures to ensure it hires only qualified people, that it properly supervises them and provides professional training, that it advances them to responsibilities they are capable of handling, and that it provides them with necessary technical resources. All members of B&A are very familiar with the stringent quality control standards established by the AICPA.

**The Firm is a member of the AICPA Government Audit Quality Center.**

**The Firm is a member of the AICPA Private Companies Practice Section.**

**Federal or State Desk Reviews**

The Firm has had no negative federal or state reviews in the past three (3) years.

**Disciplinary Action**

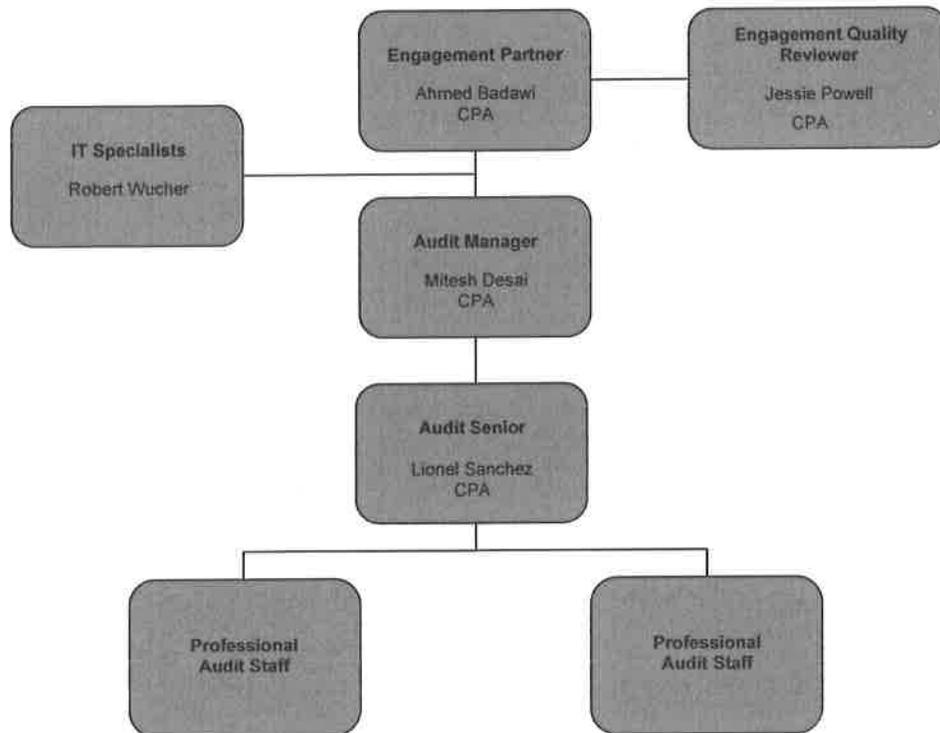
There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

**Lost Clients and Pending Litigations:**

The Firm has not experienced termination of any contracts before completion, and has not experienced any lawsuits or legal actions that have been resolved or are currently pending in the prior five years.

**Partner,  
Supervisory,  
and Staff  
Qualifications  
and  
Experiences**

The Engagement Team will normally consist of seven individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities which will provide the City with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations to offer effective solutions to issues, and the personal involvement of the Engagement and Compliance Partners of the Firm.



The Engagement Team will be led by Ahmed Badawi, CPA. Mr. Badawi's background includes over eighteen years of municipal auditing experience with a special focus on cities. He is the instructor of the CSMFO "Introduction to Governmental Accounting" training classes. Mr. Badawi is a member of the Government Accounting and Auditing Committee, the Accounting Principles and Auditing Standards Committee and the State Technology Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous city, county and special district governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Mr. Badawi is licensed as a CPA with the ability to attest an opinion on an audit.

The second member of the Engagement Team is Mitesh Desai, CPA. Mr. Desai's background includes eight years of experience in municipal auditing with a special focus on cities. Mr. Desai has participated in the audits of numerous governmental agencies, assisted in their efforts to publish their CAFRs in compliance with GASB 34, and a volunteer member of the GFOA Special Review Committee. He will serve as the Audit Manager.

The third member of the Engagement Team is Lionel Sanchez, CPA. Mr. Sanchez's background includes over twenty years of various accounting experience including five years of municipal auditing experience. He has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their financial statements in compliance with various regulations. Mr. Sanchez will be the Senior of this engagement.

The fourth member of the Engagement Team is Robert Wucher. Mr. Wucher has 30 years of experience in the field of Information Technology (IT) at the senior and executive management level. He has worked extensively with government agencies, private organizations and public companies. Industry experience includes the public sector, banking, manufacturing, Internet, health care and not-for-profit organizations.

The fifth member of the Engagement Team is Jessie Powell, CPA. Ms. Powell background includes thirty five years of accounting and auditing experience. She has an extensive background in audit and accounting engagements for small businesses and specializing in governmental entities and not-for-profit organizations. She also performs second partner reviews and engagement quality control reviews for several CPA firms throughout California and is an active peer reviewer for the CalCPA Peer Review Program. She has participated in the audits of numerous district, and city governments, as well as non-profit entities. Her diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Ms. Powell will serve as an Engagement Quality Reviewer of this engagement.

Each member of the Engagement Team participates in continuing education programs offered by the AICPA and California State Society of Certified Public Accountants, and each has met the continuing education requirements for municipalities. In addition, the firm offers at least 60 hours of in-house CPE annually focused mainly on municipal audits.

#### **Professional Development:**

The Firm maintains a comprehensive training program targeted at appropriate professional staff levels. It utilizes in-house developed educational programs, AICPA and California CPA Foundation educational programs, and on-the-job training.

The Firm's annual training schedule which officially begins in April for all professional staff and administrative staff includes comprehensive in-house training sessions on such topics as:

- Review of principles of accounting and financial reporting for state and local governments.
- Review of governmental fund types and account groups.
- Review of newly issued generally accepted auditing standards and GAO auditing standards.
- Review of Internal Control evaluation approaches including COSO principles.
- Updates on recent governmental accounting and reporting guidelines.
- Review of Single Audit requirements and approaches.
- Review of financial audit approaches.
- Overview of audit and internal control work paper techniques.
- Review of GASB reporting requirements.
- Review of current issues facing the governmental community.

During the year, professional staff members are sent to various educational sessions sponsored by the AICPA and California State Society of CPAs, as considered appropriate for the level and need of the individual. These classes include, among others:

- Governmental Financial Reporting Standards and Practices.
- Yellow Book: Government Auditing Standards.
- Financial Accounting Standards: Comprehensive Review.
- Single Audit.
- Governmental Auditing & Accounting Update.
- Governmental Accounting Principles.
- Comprehensive Review of Generally Accepted Auditing Standards

The result of the Firm's training program is the production of a highly educated and competent municipal audit group capable of performing an efficient and effective audit for the City.

The Team members will continue their professional development efforts.

**Staff Retention and Continuity:**

The Firm's policy on providing service to our clients includes a commitment to maintaining continuity of audit personnel. We cannot guarantee that our staff will remain with the Firm. However, to encourage our staff to remain with us, we pay competitive wage rates; offer promotional opportunities; provide state-of-the-art equipment and excellent working conditions; and offer various benefits, such as retirement plans, medical plans, profit sharing programs, educational benefits, and other such benefits. Additionally, we will guarantee that any staff member assigned to this engagement will return to the City in subsequent years if he or she is still with the Firm. We can also guarantee that the partner will be involved in future years. Continuity of audit staff is of prime concern to us and because of the hands-on involvement of the partner; we can assure you that future years' audits will be conducted in an efficient and effective manner with qualified and experienced professionals.

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

Resumes of each member of the Engagement Team follow.

**Ahmed Badawi, Certified Public Accountant – Engagement Partner**

**Length of Career**

- Eighteen years' experience in municipal auditing with a special focus on cities.
- Certified Public Accountant for the State of California.

**Professional Experience**

- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
<b>Cities:</b>						
Antioch	X	X		X	X	X
Albany	X	X	X			X
Berkeley	X	X	X		X	X
Burlingame	X				X	X
Dublin	X	X				X
Fremont	X	X	X			X
Pleasanton	X	X		X		X
Redwood City	X	X	X		X	X
Richmond	X	X	X	X	X	X
San Bruno	X	X	X		X	X
San Leandro	X	X	X			X
San Mateo	X	X	X		X	X
Turlock	X	X	X	X	X	X
Union City	X	X	X		X	X
Walnut Creek	X	X	X		X	X
<b>Counties:</b>						
Santa Cruz County	X	X	X	X	X	X
Contra Costa County	X	X	X	X	X	X
County of Lassen	X	X			X	X
<b>Special Districts and Other:</b>						
Port of Redwood City	X	X				X
Marin Municipal Water District	X					X
Coastside Fire Protection District	X					X
Alameda County Water District	X				X	X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
West County Wastewater District	X					X
<b>Health Care:</b>						
Alameda County Medical Center	X	X				X
Family HealthCare Network	X					X

- Has performed numerous financial audits, Single Audits, Transportation Development Act audits, housing audits, electrical utility audits, RDA audits, PFA audits, and Trust Fund audits, and has prepared numerous CAFRs.

**Education**

- BS Degree in Accounting from the University of Alexandria, Egypt.

**Professional Activities**

- Instructor, CSMFO's "Introduction to Governmental Accounting" training class.
- Member, CALCPA Government Accounting and Auditing Committee
- Member, CALCPA Accounting Principles and Auditing Standards Committee
- Member, CALPCA State Technology Committee
- Member, American Institute of Certified Public Accountants.
- Member, California Society of Certified Public Accountants.
- Member, Government Finance Officers Association.
- Member, California Society of Municipal Finance Officers.
- Chair, Audit Committee, San Francisco SPCA, a CA nonprofit organization
- Member, Board of Directors, San Francisco SPCA

**Continuing Education**

Has met the current CPE educational requirements to perform audits on governmental agencies

**Mitesh Desai, Certified Public Accountant – Professional Audit Manager**

**Length of Career**

- Eight years' experience in municipal auditing with a special focus on cities.
- Certified Public Accountant for the State of California.

**Professional Experience**

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					Other
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	
Cities:						
Antioch	X				X	X
Albany	X					
Barstow	X	X			X	X
Berkeley	X	X	X		X	X
Buena Park	X	X			X	X
Foster City	X	X	X		X	X
Fremont	X	X	X		X	X
East Palo Alto	X	X			X	X
Lemon Grove	X				X	
Newark	X	X	X			X
Menlo Park	X				X	X
Pittsburg	X	X	X		X	X
Placerville,	X	X			X	X
Redwood City	X	X			X	X
Rjo Vista	X		X		X	X
San Mateo	X	X	X		X	X
Susanville	X					
Turlock	X				X	X
Union City	X				X	X
Vacaville	X	X	X	X		X
Counties:						
Contra Costa	X	X	X	X	X	X
Glenn		X				
Santa Cruz	X	X	X	X	X	X
Other:						
Alameda County Water District	X					X
Alameda County Medical Center	X	X				X
Castro Valley Sanitary District	X					
Cosumnes Community Services District	X					
Golden Valley Health Centers	X					X
Marin Municipal Water District	X					
West County Wastewater District	X					X
Contra Costa Child Development Programs	X					X
Stanislaus County Childcare	X					X

**Education**

- BS Degree in Business Economics with an emphasis in Accounting from University of California, Santa Barbara

**Professional Activities**

- \* Member, American Institute of Certified Public Accountants.
- \* Member, California Society of Certified Public Accountants.

**Continuing Education**

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies.

**Lionel Sanchez, Certified Public Accountant – Professional Audit Senior**

**Length of Career**

- Twenty years of experience in various accounting-related positions.
- Five years' experience in municipal auditing with a special focus on cities.
- Certified Public Accountant for the State of California.

**Professional Experience**

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Cities:						
Albany	X					
Berkeley	X	X	X		X	X
Ceres	X	X			X	X
Citrus Heights	X	X	X		X	X
Corte Madera	X	X	X		X	X
Lomon Grovc	X				X	
Newark	X	X	X			X
Redwood City	X	X			X	X
Rocklin	X		X		X	X
San Mateo	X	X	X		X	X
Counties:						
Contra Costa	X	X	X	X	X	X
Glenn		X				
Santa Cruz	X	X	X	X	X	X
Other:						
Coastside County Water District	X					
Fair Oaks Water District	X					
Lassen Regional Solid Waste Mgmt Authority	X					
Marin Municipal Water District	X	X				
North Coast Water District	X					
Peninsula Library Partnership	X					
Peninsula Library System	X					
San Mateo County Library	X					
Sanitary District #2, Corte Madera	X					
Tahoe City Public Utilities District	X					

**Education**

- BA Degree in Economics from University of New Mexico
- Post Baccalaureate in Accounting from California State University East Bay

**Professional Activities**

- \* Member, California Society of Certified Public Accountants.

**Continuing Education**

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies.

**Robert Wucher – Information Technology Specialist**

Robert Wucher has 30 years of experience in the field of Information Technology (IT) at the senior and executive management level. He has worked extensively with government agencies, private organizations and public companies. Industry experience includes the public sector, banking, manufacturing, Internet, health care, and not-for-profit organizations.

**Areas of Expertise**

- Systems Auditing and Controls Review (SEC AU-314, SAS-109, SAS-94)
- Sarbanes-Oxley, Section 404 IT Compliance Consulting and Auditing
- Journal Entry Analysis in Support of SAS-99 using IDEA by Caseware
- SSAE-16 (SOC 1,2 & 3), Type I & II Reporting (Formerly SAS-70)
- ERP/MRP System Reviews and Workflow Analysis
- Software as a Service (SaaS) Cloud Computing Technologies
- International and Multinational Company IT Audit Expertise
- Forensic Data Analysis and Litigation Support in Support of Fraud Auditing
- Systems Selection and Request-for-Proposal (RFP) Development
- Systems Programming and Data Conversion
- Systems Failure Analysis and Quality Improvement
- E-Commerce and EDI Systems
- Information Technology Strategic Planning
- System Process/Procedures Development and Implementation
- Disaster Recovery and Business Continuity Planning

**Publications**

- Author, The Top Five Tips Every Technology Executive Needs to Know About Sarbanes-Oxley, Published 2007, Aspatore Books
- Author, Winning Legal Strategies for Technology & E-Business, An Overview of IT Controls Under Sarbanes-Oxley Published 2005, Aspatore Books

**Presentations**

- IT Security Trends
- Data Privacy and Cloud Computing
- IT Trends and Red Flag Rule
- IT Controls for NFP Organizations

**Education**

- B.S. degree in Business Administration, Finance, Old Dominion University, Norfolk, VA.

**Professional and Civic Associations**

- Member, Information Systems Audit and Control Association (IASCA)
- MAS-90 Accounting Application Suite Qualified Installer, SAGE Systems
- Former Board Member, Pets are Wonderful Support (PAWS), San Francisco, CA

**Jessie Powell, CPA – Engagement Quality Reviewer**

The fifth member of the Engagement Team is Jessie Powell, CPA. Ms. Powell background includes thirty five years of accounting and auditing experience. She has an extensive background in audit and accounting engagements for small businesses and specializing in governmental entities and not-for-profit organizations. She also performs second partner reviews and engagement quality control reviews for several CPA firms throughout California and is an active peer reviewer for the CalCPA Peer Review Program. She has participated in the audits of numerous district, and city governments, as well as non-profit entities. Her diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Ms. Powell will serve as an Engagement Quality Reviewer of this engagement.

Prior to the establishment of Powell & Spafford, Inc. Certified Public Accountants in 1999 she was a shareholder of a large local firm - Soren McAdam Bartells. She joined the firm of Soren McAdam Bartells (formerly Zilch McAdam & Copeland) in 1982 and became a shareholder in 1987.

Jessie is a member of the American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants (CalCPA). She has served as team captain for the AICPA Peer Review Program through the CalCPA Peer Review Program for many years and was a member of the CalCPA Peer Review Committee. She has chaired the CalCPA Accounting Principles and Auditing Standards Committee and is still active on this committee. She also sits on the CalCPA Governmental Accounting & Auditing Committee; has sat on various task forces for the Society, is a past president of the local Inland Empire Chapter of CalCPA; past treasurer of CalCPA and a former committee member of the CalCPA Group Insurance Trust. Jessie is also a former member of the California State Board of Accountancy Administrative Committee. She has taught governmental and nonprofit audit and accounting classes at the university level and for practitioners including the annual CalCPA Accounting & Auditing Conference.

In her local community of Redlands, Jessie is current board member and former treasurer of Kimberly-Shirk Association, current board member and former president and treasurer of the YMCA of the East Valley and past treasurer of the Redlands Community Music Association and Family Service Association of Redlands. She is also a past treasurer and president of Soroptimist International of Redlands, of which she is still a member and actively involved. She is also an active member of the Redlands Chapter of the American Association of University Women.

**Education**

California State University, Long Beach  
Bachelor of Science, Business Administration

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**Similar  
Engagements  
with Other  
Governmental  
Entities**

The table on the following page is a partial listing of our clients similar to the City, and illustrates the many different types of components involved in each audit engagement that present very difficult and complex auditing and accounting challenges.

- \* Indicates cities with population over 50,000
- \*\* Indicates cities with governmental revenues over 100 million and population over 50,000

	City	Client Since	Hours	Engagement Partner	Principal Contact	CAFR	GFOA Award	RDA/ Successor Agency	Single Audit	TDA	Child Care Audit	Housing Authority	Enterprise Funds
**	Berkeley	2008	1800	Ahmed Badawi	Mr. Marvin Tam Accounting Manager (510)981-7332 mtam@ci.berkeley.ca.us	Yes	Yes	X	X	X			X
**	Redwood City	2006	600	Ahmed Badawi	Mrs. Allison Freeman Financial Services Manager (650)780-7071 afreeman@redwoodcity.org	Yes	Yes	X	X	X			X
**	San Mateo	2004	500	Ahmed Badawi	Mr. Drew Corbett Finance Director (650)522-7104 dcorbett@cityofsanmateo.org	Yes	Yes	X	X	X			X
**	Vacaville	2008	800	Ahmed Badawi	Mr. Jeremy Craig Finance Director (707)449-5104 jcraig@cityofvacaville.com	Yes	Yes	X	X	X		X	X
*	Union City	2006	800	Ahmed Badawi	Ms. Gayle Okada Supervising Accountant (510)675-5352 gayleo@unioncity.org	Yes	Yes	X	X	X			X
*	Antioch	2005	470	Ahmed Badawi	Ms. Dawn Merchant Finance Director (925)779-6135 Dmerchant@ci.antioch.ca.us	Yes	Yes	X	X	X			X
	Menlo Park	2014	514	Ahmed Badawi	Mr. Drew Corbett Finance Director (650)330-6640	Yes	Yes	X	X	X	X		X
	Newark	2009	550	Ahmed Badawi	Ms. Susie Woodstock Director of Administrative Services (510)578-4804 susie.woodstock@newark.org	Yes	Yes	X	X	X			
	Albany	2008	380	Ahmed Badawi	Mr. David Glasser Finance & Administrative Service Director (510)528-5730	Yes	Yes	X		X			X
	Rio Vista	2009	480	Ahmed Badawi	Ms. Mary Lee Sharer Finance Manager (707)374-6451 Ext. 1118 mlsharer@ci.rio-vista.ca.us	No	N/A	X	X	X			X
	Barstow	2012	550	Ahmed Badawi	Ms. Cindy Prothro Finance Director (760)255-5115 cprothro@barslow.ca.org	Yes	Yes	X	X				X
	Buena Park	2013	500	Ahmed Badawi	Mr. Sung Hyun Finance Director (714)562-3717 shuyn@buenapark.com	Yes	Yes	X	X				X
	Susanville	2013	450	Ahmed Badawi	Mr. Jared Hancock City Administrator (530)252-5100 jhancock@cityofsusanville.org	Yes	CSMFO						X
	East Palo Alto	2014	450	Ahmed Badawi	Ms. Brenda Olwin Finance Director (650)853-3122 bolwin@cityofepa.org	Yes	Yes	X	X				X
	Millbrae	2015	400	Ahmed Badawi	Mr. Kenneth Spray Finance Director (650)259-2433 kspray@ci.millbrae.ca.us	Yes	N/A	X					X
	Calimesa	2013	350	Ahmed Badawi	Ms. Bonnie Johnson Finance Director (909)795-9801 ext 231 bjohnson@cityofcalimesa.net	No	N/A						
	Yountville	2015	300	Ahmed Badawi	Mr. Richard Arrow Interim Finance Director (707)944-8851 rarrow@yville.com	No	N/A						X
	Lemon Grove	2013	350	Ahmed Badawi	Ms. Cathleen Till Finance Director (619)825-3803 ctill@lemongrove.ca.gov	No	N/A	X					X
	Crescent City	2014	300	Ahmed Badawi	Ms. Emily Boyd Finance Director (707)464-7483 x224 eboyd@crescentcity.org	No	N/A	X	X			X	X

**What Our Clients Say About Us**

In addition to the references provided in Appendix A, we have also provided contact information for all our clients on the previous page if you would like to speak to any of them about their experience with us. These are some of the things our clients have said about us.

*"I have found Badawi and Associates to be a thoroughly professional and responsive firm. Their depth of governmental accounting and auditing knowledge is excellent and their staff are highly skilled professions. Delivery of services are timely and I would highly recommend them for any engagement you may consider"*

**Richard Arrow**  
Finance Director  
Town of Yountville

*"I would recommend Badawi & Associates to anyone seeking professional and knowledgeable audit services"*

**Sung Hyun**  
Finance Director  
City of Buena Park

*"This was the District's first year with Badawi & Associates and I found the entire team to be responsive, thorough, detailed and professional. Not only was this a first year audit, but we also implemented GASB 68 and completed a major restatement of the District's Capital Assets. With all of those moving pieces, this was by far the smoothest first year audit that I have ever participated in."*

**Jim Malberg**  
Finance Manager  
Florin Resource Conservation District/  
Elk Grove Water District

The following is a partial list of selected governmental agencies for which our professional staff members have performed auditing services in accordance with generally accepted auditing standards, GAO auditing standards, Single Audit Act, the Uniform Guidance requirements, and other regulatory requirements.

**Child Care Programs**

- Contra Costa County Child Care Program
- Stanislaus County Child Care Program
- City of Menlo Park Child Care Program

**City Governments:**

- |                        |                       |                            |
|------------------------|-----------------------|----------------------------|
| • City of Pittsburg    | • City of Sunnyvale   | • City of East Palo Alto   |
| • City of Brisbane     | • City of Burlingame  | • City of Ceres            |
| • City of Eureka       | • City of Fairfield   | • City of Foster City      |
| • City of Santa Cruz   | • City of Saratoga    | • City of Menlo Park       |
| • City of Oceanside    | • City of Petaluma    | • City of Sanger           |
| • City of Dublin       | • City of Fremont     | • City of Ridgecrest       |
| • City of Redding      | • City of Los Altos   | • City of San Buenaventura |
| • City of San Rafael   | • City of Richmond    | • City of Shafter          |
| • City of Rocklin      | • City of San Bruno   | • City of Buena Park       |
| • City of Walnut Creek | • City of San Leandro |                            |

**County Governments**

- County of Contra Costa
- County of Glenn
- County of Lassen
- County of Santa Cruz

**Water District:**

- Alameda County Water District
- South Coast Water District
- Marin Municipal Water District

**Special Districts**

- Dublin San Ramon Services District
- Livermore-Amador Valley Water Management Agency
- Port of Redwood City
- Cosumnes Community Service District
- Central County Fire District
- Coastside Fire Protection District
- Castro Valley Sanitary District
- West-County Wastewater District
- South Bayside Systems Authority

**Housing**

- Vacaville Housing Authority
- Crescent City Housing Authority
- Solano County Housing Authority

## Understanding of Services to be Provided

The City desires an audit of the financial records for the City and an expression of an opinion in accordance with generally accepted accounting principles on the fairness of presentation of financial statements for the fiscal years ending June 30, 2016 to 2018, with the option of extending the contract for two one-fiscal year periods.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statement which includes but is not limited to the financial statements of governmental activities, the business-type activities, each major fund and all aggregate remaining fund information in conformity with generally accepted accounting principles in the United States of America.
- Express an opinion on the fair presentation of its combining and individual non-major and fiduciary fund financial statements and schedules in conformity with generally accepted accounting principles. The Firm will provide an "in-relation-to" report on the supporting schedules contained in the comprehensive annual financial report based on the auditing procedures applied during the audit of the basic financial statements and schedules.
- Provide an "in-relation-to" report on the schedule of federal financial assistance based on the auditing procedures applied during the audit of the financial statements.
- Perform the audit in accordance with generally accepted auditing standards accepted in the United States of America, applicable to the financial audit contained in the Government Auditing Standards issued by the Comptroller General of the United States and the provisions of the Uniform Guidance, Audits of States, Local Governments and Non-Profit Organizations.
- Perform limited procedures on supplementary information required by the Government Accounting Standards Board.
- Issue the following reports, following the completion of the audit of the fiscal year's financial statements:
  - Independent Auditor's Report on Financial Statements and Schedule of Expenditure of Federal awards
  - Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
  - Management Letter comments on Internal Controls
  - Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance
  - Schedule of findings and questioned costs
  - Auditor's Communication with Those Charged with Governance
  - Comprehensive Annual Financial Report following the requirements and guidelines of the GFOA award program
  - Gann Report
  - State Controller's Report
  - Street Report
  - Two(2) Agreed Upon Procedure Engagements:
    - Review of 10 Investment Transactions
    - Review of 24 Financial Institution Wire Transfers
    - Review of 20 Journal Entries
    - Review of Check Stock Sequence and Cancelled Checks
    - Review of 30 Cash Receipts
- Provide special assistance to the City as needed.
- Retain all working papers and reports at the audit firm's expense for a minimum of 7 years. In addition, make working papers available to the City and/or any government agency as appropriate.

Should any conditions be discovered requiring corrective action, the Firm will provide a detailed description of the findings and recommended actions as to their resolution.

The Firm will submit a report to the City Council and management detailing auditor's responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting statements, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention, difficulties encountered during the audit, and any significant deficiencies or material weaknesses found during the audit. Non-material instances of noncompliance will be reported in a separate management letter, if appropriate, along with any other observations or recommendations determined to be informative to City management.

The Firm will be available to provide advice and counsel regarding significant matters during the year.

The Firm's Partner and Staff welcome the opportunity to make presentations to the City Council and will be ready to respond to questions from the Council and citizens of the City.

#### **Objectives of Our Services**

The basic objective of our audit of the City is to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to express our opinion on the fairness of presentation of such financial statements in conformity with generally accepted accounting principles.

Additionally, we believe that another real value of our audit lies in meeting other objectives at no additional cost. The following are other objectives of our services that have important benefits to the City:

- To offer substantive observations and recommendations relating to accounting and operating control policies and procedures.
- To identify opportunities for operating efficiencies and isolate candidate activities for cost reduction opportunities.
- To perform a professional audit in an efficient and effective way to minimize disruption to the office operations.
- To offer ongoing advisory services to assist in the running of the operation and implementation of improved operating procedures.

The engagement will be conducted within the framework of the Firm's quality control program which includes the use of audit programs, careful planning, use of computerized audit software and internal control evaluation & documentation software, and objective review procedures. On-site staff will use Firm supplied portable computers and printers.

## **Specific Audit Approach**

#### **Audit Approach**

The specific audit approach has been designed to efficiently and effectively address the audit requirements of the City, to perform the audit of the City's financial records in a timely manner with minimal disruptions to office operations, and to meet the City's timeline.

The audit will be conducted in accordance with:

- 1) Generally accepted auditing standards established by the AICPA.
- 2) The standards contained in Government Auditing Standards issued by the GAO.
- 3) Provisions of the Single Audit Act and the Uniform Guidance.
- 4) Requirements issued by the California State Controller's office.
- 5) Other requirements as required.

We will conduct the necessary audit steps to perform:

- Planning of the engagement.
- Evaluation of the existing internal control environment to determine degree of risk of material misstatement.
- Determination of degree of compliance with laws, regulations, grant provisions, and City approved policies.
- Assessment of potential fraudulent issues.
- Validation of account balances.
- Verification of reasonableness of management estimates.

#### **Technical Approach**

We use an industry specific audit approach tailored to governmental entities. Our governmental audit approach addresses the special risks and circumstances of local governments. As a result, the audit is conducted efficiently and effectively with minimal disruption to your staff.

The core of our governmental technical audit approach can be summarized as follows:

1. **Planning, Understanding and Communication:**

Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments work, we will obtain an insight to the specific concerns and sensitivities of the City. Our understanding is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback.

2. **In-Depth Review of Systems and Controls:**

We have developed diagnostic reviews which enable us to evaluate your systems and controls, and to provide management with constructive feedback. Combined with our knowledge of the City and understanding and experience with the City's accounting software, our control review will form the basis of our audit risk assessment. We will utilize the COSO approach in our evaluation of the City's internal processes to identify potential control deficiencies. In future years, we will update our understanding through similar procedures.

3. **Risk-Based Customized Testing Program:**

Our audit approach is tailored to governmental applications. We will use audit programs specifically designed to address the operational environment of governmental entities. Our approach will identify potential control risks and the opportunities for risk of material misstatements and fraud. We will evaluate the various risk assessments and identify the potential risks relating to the:

- Balance Sheets/ Statement of Net Position
- Statement of Revenues and Expenditures / Statement of Activities
- Presentation
- Disclosure

Our audit procedures will then be developed to address these risk areas.

4. **Expanded Interim Fieldwork:**

Timeliness and audit efficiency is enhanced by performing extensive interim work. Partners, managers and senior staff work with City staff to identify and resolve potential audit issues early. Accordingly, the amount of audit work to perform at year end is minimized. Because our audit staff is familiar with the operations before year-end fieldwork begins, disruption of accounting staff is minimized.

- 
5. **Smooth Transition:**  
Our testing program focuses on audit risks identified by our understanding of the City's operations. We will work with the accounting staff to identify the most effective ways to address our objectives. Communication between the members of the audit engagement team and City staff will be fluid and continuous.
6. **Sample Size and Sampling Techniques:**  
Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. Our sample size will range normally from 25 to 60 items.
7. **Automated Systems:**  
We will evaluate controls over the IT functions to assess control risk. We intend to test controls for purposes of reliance. Our review procedures will evaluate controls over:
- Security Management
  - Logical and Physical Access
  - Configuration Management
  - Segregation of Duties
  - Contingency Planning
- In addition, we will review controls over:
- Input, processing, output, master data
  - Application interface
  - Data management system interface
- Our Information Technology Specialists Group will evaluate the IT operating control environment.
8. **Analytical Procedures:**  
We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the City to benefit from these procedures.
9. **Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work:**  
We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the City are the requirements of the California Public Utilities Commission, Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, California Constitution GANN Limit requirements, requirements of local measures, Child Care Program compliance requirements, etc.
10. **Report Format:**  
We will meet with City Management to review report formats. Any report format changes will be made in conjunction with approval from the City's management.
11. **Work Plans:**  
The detailed work plans will be designed to efficiently and effectively address the audit requirements of the City in accordance with generally accepted auditing standards, to perform the audit of the City's financial records in a timely manner with minimal disruptions to office operations, and to meet the City's timeline.

**12. Adjusting Journal Entries:**

We will discuss and explain proposed audit adjusting entries with the City's designated Finance Department personnel prior to recording. Audit adjusting entries will be provided in a format showing the lowest level of posting detail needed for data entry on the City's general ledger system.

**13. Listing of Schedules and Tables (anticipated to be prepared by the City):**

Based on preliminary inquiries made with management and City staff and review of documents, we will tailor a list of schedules, tables, and other reconciliations required for the audit. We will take into account as much as possible reconciliations already prepared by the City for day to day operations and reporting, as well as any reports that are system generated to limit the need for additional City staff hours.

The following is a listing of significant reconciliations that we would normally expect the City to provide to us in assisting us in conducting our fieldwork.

- Trial Balance
- CAFR and Account Roll Up Schedule
- Budget to Actual Reports
- Bank Reconciliations
- Listing of manually prepared journal entries posted
- Summary of Investments held by the City
- Capital Asset Schedules
- Long Term Debt Schedules
- Debt amortization schedules & Calculations of deferred amounts
- Calculations of any debt covenants amounts or percentages
- Schedule of Operating Leases
- Schedule of Expenditures of Federal Awards
- Analysis of Deferred Inflows of Resources and Deferred Outflows of Resources
- Reconciliation of Receivables to subsidiary ledgers
- Calculations for estimate of allowance for uncollectible accounts
- Loans Receivable Schedules
- Reconciliation of Significant Revenue Accounts
- Utility billing Registers and Fee schedules
- Compensated Absences and Early Retirement Obligation Schedules and Copies of Related Policies
- Claims Payable schedules
- Pension and OPEB Roll Forward & Supporting Schedules
- GASB 54 Fund Balance Roll Forward Schedule
- Interfund Transaction Schedules

**14. Computer Software:**

The firm maintains a variety of software packages in the audit and financial statement compilation process, which include MS Office (Word, Excel, etc.), Prosystem fx Engagement, PPC Checkpoint and Checkpoint Tools, and Single Audit SMART Tool. Our I.T. Specialist also has the ability to run reports using IDEA (data analysis software).

Our audit software enables us to link our audit trial balance to the financial statements, for efficient financial statement compilation. It also allows us to create various analytical reports easily (e.g. year to year comparisons, budget to actual comparisons, trend analysis, ratio analysis, etc.).

Our research tools are always kept up to date to ensure compliance with accounting and auditing standards, and are also a resource for us to provide guidance to our clients.

**We also use Prosystem electronic portal, which allows our clients to easily upload requested audit schedules and testing selections. The portal is very helpful in the audit process as it reduces duplicated audit requests, and allows our engagement team to review uploaded schedules prior to beginning audit fieldwork.**

**Audit Schedule**

2016 Period	Audit Tasks
	<p><b>Award of Contract</b></p>
	<p><b>Interim Audit Procedures:</b></p>
July	<p><b>- Planning and Administration</b></p> <ul style="list-style-type: none"> <li>▶ Review and obtain copies of key work papers of prior audit firm.</li> <li>▶ Entrance conference with City Management to discuss audit approach, timing, assistance, and issues</li> <li>▶ Review and evaluate the City's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements.</li> <li>▶ Prepare overall memo to City confirming audit procedures, timing, and assistance.</li>   <li>▶ Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by City staff, and provide it to City Management.</li> </ul>
August	<p><b>- Internal Control Evaluation</b></p> <ul style="list-style-type: none"> <li>▶ Meeting with key Finance Division personnel.</li> <li>▶ Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation:                             <ul style="list-style-type: none"> <li>General ledger system.</li> <li>Budgeting system.</li> <li>Revenue, utility billing, accounts receivable, and cash collections.</li> <li>Purchasing, expenditures, accounts payable, and cash disbursements.</li> <li>Payroll.</li> <li>Federal Financial Assistance.</li> <li>Other systems.</li> </ul> </li> <li>▶ Identify control risks.</li> <li>▶ Evaluate IT control environment.</li> <li>▶ Perform testing of the internal control system and evaluate the effectiveness of the City's systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with City policies.</li> <li>▶ Conduct fraud assessment procedures.</li> <li>▶ Assess degree of risk for material misstatement.</li> <li>▶ Provide to the City's management a memo concerning management letter points and identify issues, if any.</li> </ul>

2016 Period	Audit Tasks
August	<p><b>- Other Tasks</b></p> <ul style="list-style-type: none"> <li>▸ Review minutes of City Council meetings and other key committees.</li> <li>▸ Preliminary testing, verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required.</li> <li>▸ Preliminary Single Audit and other compliance testing</li> <li>▸ Coordinate with City staff and prepare of all appropriate confirmation requests including: <ul style="list-style-type: none"> <li>Bank accounts.</li> <li>Investment pool accounts.</li> <li>Accounts receivable.</li> <li>Federal grants.</li> <li>Revenue from governmental agencies.</li> <li>Bond and other debts.</li> <li>Pension plan.</li> <li>Attorney letters.</li> <li>Others, as required.</li> </ul> </li> <li>▸ Provide City with audit plan and list of year end audit schedules.</li> <li>▸ Hold progress conference with City Management.</li> <li>▸ Hold exit conference with City Management.</li> </ul>
October- November	<p><b>- Final Field work</b></p> <ul style="list-style-type: none"> <li>▸ Entrance conference with City Management.</li> <li>▸ Follow-up on all outstanding confirmations.</li> <li>▸ Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required.</li> <li>▸ Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual.</li> <li>▸ Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing City staff.</li> <li>▸ Perform review of subsequent events by discussions with City Management and update all minutes of City Council and key committees.</li> </ul> <p><b>- Single Audit Compliance</b></p> <ul style="list-style-type: none"> <li>▸ Entrance conference with City Management.</li> <li>▸ Obtain Federal Financial Assistance Schedule.</li> <li>▸ Determine grants to be considered as major programs including clusters.</li> <li>▸ Perform audit tests of major grant programs and compliance with Federal Law and Regulations.</li> <li>▸ Review grant documents, select sufficient number of transactions to test for compliance of Federal Requirements.</li> <li>▸ Coordinate Single Audit efforts with the Financial Audit efforts.</li> <li>▸ Communicate findings to City Management.</li> <li>▸ Other Compliance</li> </ul>

**Audit Schedule, Continued**

2016 Period	Audit Tasks
October - November	- <b><i>Audit Reports</i></b>
	<ul style="list-style-type: none"> <li>▸ Prepare drafts of City reports</li> <li>▸ Prepare draft of Single Audit Reports concerning internal control structure, compliance with laws and regulations, and administering of federal financial assistance programs. (if required)</li> <li>▸ Prepare other reports as required.</li> </ul>
November 9	- Provide drafts of reports to City Management for review.
November 19	- Provide revised final drafts of all required reports to the City for approval
November 28	- <b><i>Final Audit Reports, Financial Statements, and Single Audit Reports delivered.</i></b>

**Discussion of  
Relevant  
Accounting  
Issues**

**Identification of Anticipated Potential Audit Problems**

We do not anticipate that there will be any audit problems at the City. However, the following are some areas that we will carefully investigate and monitor during our audit procedures:

- Financial Reporting:
  - Review and evaluate that the City's Annual Financial Reports are in compliance with current reporting and disclosures requirements issued by the GASB and GFOA.
  - Review Annual Financial Reports for financial reporting conformance awards issued by CSMFO and GFOA.
  - Review and evaluate degree of compliance with the various GASBs in effect.
  - Review degree of compliance with infrastructure obligations and regulatory provisions.
- Internal Control Structure:
  - Review and evaluate the City's internal control functions and ascertain compliance with proper internal control philosophies.
  - Review computer system processes and controls and evaluate adequacy of the control environment.

Several new GASB pronouncements will become effective over the time period of this proposal. As such, specific attention will be provided to determine the proper implementation of these new pronouncements. A list of known new pronouncements with implementation dates that fall within this proposal period are as follows:

**2016**

- Statement 72 – Fair Value Measurement and Application
- Statement 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendment to Certain Provisions of GASB Statements 67 and 68
- Statement 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- Statement 79 – Certain External Investment Pools and Pool Participants (some requirements do not need to be implemented until 2017)

**2017**

- Statement 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
- Statement 77 – Tax Abatement Disclosures
- Statement 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans
- Statement 80 – Blending Requirements for Certain Component Units
- Statement 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73

**2018**

- Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension
- Statement 81 – Irrevocable Split – Interest Agreements

## City of Placentia

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### Conclusion

A client relationship with the City will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship with the City. We are committed to:

- Rendering the highest standard of service.
- Developing a long-term working relationship dedicated to meeting the needs of the City.
- Assisting the City in operational issues.
- Producing a quality end-product.

We have the technical qualifications and experience to provide the level of service desired and expected by the City and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the City and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

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Appendix A

References

- 1) City of San Mateo
  - Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Measure A (San Mateo County), Due Diligence Reviews for the RDA Successor Agency
  - Contract Amount: \$60,000
  - Engagement Partner: Ahmed Badawi
  - Address: 330 W 20<sup>th</sup> Avenue, San Mateo, CA 94403
  - Principal Contact:  
Mr. Drew Corbett  
Director of Finance  
Phone: (650)522-7102  
[dcorbett@cityofsanmateo.org](mailto:dcorbett@cityofsanmateo.org)
  
- 2) City of Newark
  - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Utility Users Tax, Vehicle Registration Fee Audit (Alameda County), Measure B (Alameda County), Transportation Development Act, Newark Betterment Corporation Audit, Newark Betterment Corporation 990 Tax Return, Due Diligence Reviews for the RDA Successor Agency
  - Contract Amount: \$55,000
  - Engagement Partner: Ahmed Badawi
  - Address: 37101 Newark Blvd, Newark, CA 94560
  - Principal Contact:  
Mrs. Susie Woodstock  
Director of Administrative Services  
Phone: (510)578-4804  
Fax: (510)578-4358  
[susie.woodstock@newark.org](mailto:susie.woodstock@newark.org)
  
- 3) City of East Palo Alto
  - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Measure C, Measure A Report (San Mateo County),
  - Contract Amount: \$60,000
  - Engagement Partner: Ahmed Badawi
  - Address: 2415 University Avenue, East Palo Alto, CA 94303
  - Principal Contact:  
Mrs. Brenda Olwin  
Finance Director  
Phone: (650) 853-3122  
[bolwin@cityofepa.org](mailto:bolwin@cityofepa.org)
  
- 4) City of Barstow
  - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS 114, Barstow Fire Protection District, Odessa Water District
  - Contract Amount: \$71,152
  - Engagement Partner: Ahmed Badawi
  - Address: 220 E. Mountain View Street, Ste. A, Barstow, CA 92311
  - Principal Contact:  
Mrs. Cindy Prothro  
Finance Director  
Phone: (760)255-5115  
[cprothro@barstowca.org](mailto:cprothro@barstowca.org)

## City of Placentia

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- 5) City of Buena Park
  - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS 114, Buena Park Foundation
  - Contract Amount: \$30,735
  - Engagement Partner: Ahmed Badawi
  - Address: 6650 Beach Boulevard, 1<sup>st</sup> Floor, Buena Park, CA 90622
  - Principal Contact:  
Mr. Sung Hyun  
Finance Director  
Phone: (714)562-3713  
[shyun@buenapark.com](mailto:shyun@buenapark.com)
  
- 6) City of Berkeley
  - Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Measure B (Alameda County), Vehicle Registration Fee Audit (Alameda County), Due Diligence Reviews for the RDA Successor Agency
  - Contract Amount: \$188,000
  - Engagement Partner: Ahmed Badawi
  - Principal Contact:  
Mr. Marvin Tam  
Director of Finance  
(510)981-7332  
[mtam@ci.berkeley.ca.us](mailto:mtam@ci.berkeley.ca.us)