



MEMORANDUM

TO: Finance and Administration Committee Members/Alternates

FROM: Joyce Machado, Director of Finance

DATE: March 4, 2019

RE: Audit Firm Recommendation – FY18 and FY19 with options to extend up to 3 additional years

BACKGROUND

Sampson, Sampson & Patterson, LLP has audited the SLDMWA financial statements since FY10. Per direction from the Finance and Administration Committee, SLDMWA sent out Request For Proposals (RFP) to obtain proposals necessary to engage a new firm for auditing services beginning with FY18.

ISSUE FOR DECISION

Whether to authorize staff to engage recommended new external auditor.

RECOMMENDATION

Based on the attached evaluation of proposals received, staff recommends engagement with and contracting auditing services with Richardson & Company, LLP.

ANALYSIS

See attached audit firm proposal evaluation.

SAN LUIS & DELTA MENDOTA WATER AUTHORITY
EVALUATION OF PROPOSALS TO PROVIDE FINANCIAL STATEMENT AUDIT SERVICES - FY18 and FY19
 FAC 3.4.19

Overall Ranking *	No. of EE's	FIRM	AUDIT STANDARDS	SINGLE AUDIT ACT EXPERIENCE	ADDITIONAL SERVICES	CLIENT LIST REFERENCES	PEER REVIEW	CPA LICENSE	ESTIMATED HOURS	FEE FY18	FEE FY19	FEE** FY18 & FY19	CURRENT AND PAST CLIENTS	Proposed Audit Years	COMMENTS
1	26	Richardson & Company, LLP	Stated	Extensive	Accounting Services Tax Services Business Advisory Services Single Audit Act Audits Grant Compliance Audits	Yes	Yes	Yes	375	\$ 36,500.00	\$ 34,500.00	\$ 66,800.00	Glenn-Colusa Irrigation District Oakdale Irrigation District South San Joaquin Irrigation District State Water Project Contractors Authority Yuba County Water Agency Westlands Water District Central Valley Project Water Association DWR - State Water Resources Development System Merced Irrigation District (see Proposal for more extensive list)	2 Years with option to extend to 5 Years	Overall a higher quality proposal Expressed interest in supporting efforts to catch up on publishing audited financials Audited CVP & SWP, as well as extensive experience in auditing water agencies Completes audit in about 2 months
2	Not Provided	Price Paige & Company	Stated	Extensive	Forensic Accounting Preparation of SCO	Yes	Yes	Yes	Not Provided	\$ 33,250.00	\$ 33,250.00	\$ 66,500.00	Kings River Conservation District City of Los Banos City of Chowchilla Westlands Water District Panoche Water District	2 Years with option to extend to 4 Years	Extensive experience in auditing governmental agencies and not-for-profits Number of EE's not provided Estimated hours not provided Audit timeline not provided

Note: resumes of key engagement personnel were included

* See Comments column and Comparative Cost Analysis for ranking reasons

** Richardson and Company offers a savings of \$4,200 if FY18 & FY19 audits are performed concurrently

FIRM	HOURS			
	STAFF	SENIOR	PARTNER	TOTAL
Richardson & Company, LLP	60	270	45	375
Price Paige & Company	Not Provided			

	Comparative Cost Analysis				
	FY18	FY19	FY20	TOTAL	FY18 & FY19 Concurrently
Richardson and Company, LLP	\$ 36,500	\$ 34,500	\$ 35,400	\$ 106,400	\$ 102,200
Price Paige & Company	\$ 33,250	\$ 33,250	\$ 34,248	\$ 100,748	

RFPs sent out = 24
 Proposals received = 2

Recommendation:

Based on the above analysis, staff is recommending Richardson & Company, LLP

Received
FEB 08 2019
SLDMWA

PROPOSAL TO PERFORM
INDEPENDENT AUDITING SERVICES
FOR



For the Years Ended
February 28, 2018 and 2019
(Option to renew for fiscal years 2020 to 2022)

Richardson & Company, LLP

550 Howe Avenue, Suite 210
Sacramento, California 95825
(916) 564-8727

Primary Contact Person:

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February 8, 2019

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February 8, 2019

Attn: Joyce Machado, Director of Finance
San Luis & Delta-Mendota Water Authority
842 Sixth Street, Suite 7
Los Banos, California 93635

Thank you for your interest in our firm and the opportunity to present our proposal to serve the **San Luis & Delta-Mendota Water Authority** (the Authority). We are genuinely enthusiastic about the prospect of serving as your auditors. Auditing special districts, especially water agencies, has developed into one of our firm's major areas of expertise. If given the opportunity, you can be sure that we would serve the Authority with great care and pride.

Our Understanding of the Services to be Performed

We will audit and express an opinion on the fair presentation of the Authority's financial statements in conformity with U.S. generally accepted accounting principles for the years ending February 28, 2018 and 2019 with the option to extend for 2020 to 2022. The audits will be conducted in accordance with U.S. generally accepted auditing standards and the standards set forth for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. In conjunction with our audit, we will also issue a report on internal controls and compliance, a management report and auditor's communication letter. If the Authority expends more than \$750,000 of federal funds in a fiscal year, we will also perform an audit under the Single Audit Act.

Our Commitment to Perform Timely Services

We have a reputation for meeting our client's deadlines. You have indicated that you expect to have the books closed for 2018 by June and plan to have the audit completed by July or August. To ensure meeting these reporting deadlines, we will begin our preliminary planning in March and perform tests of controls in April. We will plan to commence year-end fieldwork in June, or at such time as the books have been closed and all documents and analyses have been completed. We will provide the Authority with the priority and timely service it deserves.

Independent Accountants with Proven Expertise Serving Water Districts and Other Governmental Entities

In any service organization, it is the people who make the difference. Our team members know and understand the challenges and opportunities confronting governmental entities and our team consists of professionals who have proven their ability to provide auditing services to water agencies. Serving this industry with its unique reporting requirements has developed into one of

our firm's areas of expertise. Our water experience includes audits of the State Water Project and Central Valley Project, so we are familiar with the concept of water billings to contractors, similar to the Authority's operations. For this reason, we believe we are best qualified to perform the audits of the Authority. You will see on the following pages the extensive list of water agencies we serve.

Audit Fee

Based upon our current understanding of the situation, our cost for the annual audit contract to perform the previously described work in the **SCOPE OF THE AUDIT** section will not exceed the amounts in the following table for the years ended February 28, 2018 and 2019. More detailed fee information can be found on pages 19 and 20.

Classification	Hours Per Year	Hourly Rates	Fee
Partner	45	\$ 180	\$ 8,100
Senior Manager	120	160	19,200
Supervisor	90	140	12,600
Seniors	60	100	6,000
Staff	60	90	5,400
	375		51,300
Travel			3,000
Discount			(17,800)
Total "Not-to-Exceed" Annual Audit Fee February 28, 2018			36,500
Total "Not-to-Exceed" Annual Audit Fee February 28, 2019			34,500
Total			\$ 71,000
Audit fees for February 28, 2018 and 2019 performed concurrently			\$ 66,800

* * * * *

Once again, we would like to thank you for the opportunity to discuss our services, present our qualifications, and submit our proposal to serve as independent auditors for the Authority. We are genuinely enthusiastic over the prospect of serving you and sincerely believe that we have the people, experience, resources and reputation to assure you of outstanding services. For the preceding reasons and many others as outlined in this proposal, we genuinely believe that your selection of our firm as the Authority's independent accountants is the best decision that the Authority could make.

If you have questions or need additional information, please contact Mr. Brian Nash or me at (916) 564-8727, fax (916) 564-8728, correspondence at 550 Howe Avenue, Suite 210, Sacramento, California 95825 or email sent to bnash@richardsoncpas.com or isheipline@richardsoncpas.com. Either of us are authorized to make representations and to bind the firm.

Very truly yours,

RICHARDSON & COMPANY, LLP

Ingrid M. Sheipline

Ingrid M. Sheipline, CPA
 Managing Partner

RICHARDSON & COMPANY, LLP PROFILE

Firm Qualifications and Experience

Richardson & Company, LLP (successor to Richardson & Company) is a regional CPA firm established in 1991 and located in Sacramento. We have a total staff of twenty-six, including thirteen CPAs (50% of our professional staff are CPAs). Our governmental audit staff totals twenty-three, all of which are located in Sacramento. We have two partners, six managers, four supervisors, four seniors, and seven staff that perform government audits. Richardson & Company, LLP is a certified Micro-Small Business Enterprise by the California Department of General Services and a certified Disadvantage Business Enterprise and Woman-owned Business Enterprise by CalTrans. We provide audit, accounting, tax and business advisory services to governmental entities (water districts, cities, regional transportation planning agencies, special districts and joint powers authorities), nonprofit organizations, financial institutions and bank holding companies, real estate partnerships, a magazine circulation audit and others primarily located in northern California and Oregon, including the largest water district in the world located in Los Angeles. We perform Single Audit Act and grant compliance audits for both nonprofits and governmental entities. We provide tax services to our audit clients requiring those services.

Since leaving the international CPA firm of Ernst & Young LLP, Joe Richardson (deceased), the founder of Richardson & Company, Ingrid Shepline, Brian Nash and their team have built a practice oriented toward providing services equal in caliber to those provided by firms operating on a national level. We believe we have the expertise in the governmental field to ensure high-quality service. The following is a list of governmental and governmental-affiliated entities we are currently serving or have served:

Water Agencies

- Tuolumne Utilities District
- Glenn-Colusa Irrigation District
- Calaveras County Water District
- Oakdale Irrigation District
- South San Joaquin Irrigation District
- Sacramento Suburban Water District
- El Dorado Irrigation District
- San Juan Water District
- South Feather Water and Power Agency
- State Water Project Contractors Authority
- Yolo County Flood Control and Water Conservation District
- Fair Oaks Water District
- Carmichael Water District
- Nevada Irrigation District
- Yuba County Water Agency
- Amador Water Agency
- Yolo Subbasin Groundwater Agency
- Reclamation District 2035
- Merced Irrigation District
- Tri-Dam Project and Power Authority
- Citrus Heights Water District
- Florin Resource Conservation District aka Elk Grove Water Service

- Rio Linda/Elverta Community Water District
- American River Flood Control District
- South Yuba Water District
- Regional Water Authority
- Sacramento Groundwater Authority
- Solano County Water Agency
- South Sutter Water District
- Funds and accounts of the California Department of Water Resources on behalf of a large Southern California water agency, including special analyses and projects related to its contract with the State

Other Governmental Agencies

- Cities of West Sacramento, Elk Grove, Chico, Lincoln, Colfax, Citrus Heights, American Canyon, Sutter Creek, Sonoma, Rocklin, Marysville, Dixon, Folsom, Rancho Cordova, Colusa and Biggs
- Sacramento Metropolitan Fire District
- Sacramento Area Council of Governments
- Sacramento Transportation Authority
- Sacramento Public Library Authority
- Sacramento Regional Fire/EMS Communications Center
- Amador County Transportation Commission
- Amador Transit
- Butte County Association of Governments
- Yolo-Solano Air Quality Management District
- El Dorado County Transportation Commission
- El Dorado County Transit Authority
- Mountain House Community Services District
- Calaveras Council of Governments
- Yuba-Sutter Transit Authority
- Yolo County Transportation District
- Paratransit
- Placer County Transportation Planning Agency
- Fair Oaks Recreation and Park District
- Regional Waste Management Authority
- Cosumnes (formerly Elk Grove) Community Services District
- Sacramento Valley Basinwide Air Quality Control Council
- Yolo County Local Agency Formation Commission
- San Joaquin Council of Governments
- Sacramento County Waste Management and Recycling
- Wilton, Herald, Courtland and Pacific Fruitridge Fire Protection Districts
- Transport System of the University of California at Davis (Unitrans)
- Local Transportation Funds of the Counties of Sacramento, Sutter, Yolo and Yuba
- Sacramento County State Transit Assistance Fund
- Counties of Sacramento, Sutter, Yolo and Yuba Transportation Development Act Funds
- Cities of Folsom, Galt, Isleton, Sacramento, Davis, Live Oak, Rancho Cordova, Yuba City, Marysville, Wheatland, West Sacramento, Winters and Woodland Transportation Development Act Funds
- County of Calaveras Transit Fund
- City of Angels and County of Calaveras Transportation Development Act Funds

- El Dorado County and City of Placerville Transportation Development Act Fund
- El Dorado County Local Transportation and State Transit Assistance Funds
- County of Butte and Cities of Oroville, Chico, Gridley, Biggs and Paradise Transportation Development Act Funds
- Marin County Transit District
- Cities of Escalon, Lodi, Manteca, Lathrop, Ripon and Tracy and County of San Joaquin Transportation Development Act Funds
- San Joaquin County Local Transportation Fund and State Transit Assistance Fund
- San Joaquin Regional Transit District
- Cities of Manteca, Lathrop, Tracy, Lodi and Ripon Transit Systems
- The Alpha Fund (a joint powers authority and workers compensation risk pool primarily for rural hospitals) an affiliate of the Association of California Healthcare Districts, Inc.

The services we provide to these and other clients prove that we have the ability to provide the services that the Authority requires. Examples of these services include the following:

- We conduct the audits of the general purpose financial statements of numerous special districts, including water districts, as well as several cities, some of which have water operations and other enterprise funds similar to those of the Authority. Our experience performing these audits of general and special purpose governmental financial statements has made us thoroughly familiar with the application of generally accepted governmental accounting principles.
- The past several years we have provided the Cities of West Sacramento, American Canyon, Rancho Cordova, Dixon, Chico, Citrus Heights, Elk Grove and Folsom and the Cosumnes Community Services District, Fair Oaks Water District, San Juan Water District, Oakdale Irrigation District, El Dorado Irrigation District, Marin County Transit District, Florin Resource Conservation District and San Joaquin Council of Governments with extensive assistance in the preparation of their CAFR, including the first CAFR the City of Rancho Cordova, Cosumnes Community Services District, Sacramento Metropolitan Fire District, Florin Resource Conservation District and San Joaquin Council of Governments had ever prepared. The CAFRs for all of these agencies have received the Government Finance Officers Association's Certificate of Achievement for the years we have assisted them.
- We have provided federal compliance auditing services to numerous entities, including the South San Joaquin Irrigation District, El Dorado Irrigation District, Calaveras County Water District, Rio Linda/Elverta Community Water District, Cities of Chico, Colfax, Lincoln, Elk Grove, West Sacramento, Citrus Heights, Marysville, Sutter Creek, Colusa, Amador Transit, Butte County Association of Governments, Yolo County Transportation District, El Dorado County Transit Authority, Courtland Fire Protection District, Yuba-Sutter Transit Authority, the Transport System of the University of Davis, Paratransit and to several nonprofit organizations receiving federal grants that must also comply with *Government Auditing Standards*, which are the same standards that apply to the Authority, and the Single Audit Act.

In addition, Ingrid Shepline has gained an extensive amount of governmental accounting and auditing experience in her previous position with Ernst & Young LLP, including the following:

- Provided auditing services to numerous state and local government units that face the same unique governmental accounting and auditing aspects as the Authority such as accounting for bonds and related refundings, extensive reporting requirements, basis of

accounting, and budgetary and other legal compliance requirements. These entities include the California Department of Water Resources Enterprise Fund, Sacramento County, Solano County Private Industry Council, City of Woodland, City of Lodi and California Housing Finance Agency. The audits of Sacramento County and City of Woodland also involved the preparation of award winning CAFRs.

- Established an audit approach for testing for compliance with federal, state and local grant requirements, including application of the Single Audit Act, for Sacramento County, City of Lodi and California Housing Finance Agency.

In addition, our firm and its key members presently provide or have provided auditing and consulting services to the following water districts and agencies:

- **Various Water Agencies (listed on pages 3 and 4)**

We prepared the general purpose financial statements or CAFR and performed the annual audits of these Districts in accordance with generally accepted accounting standards and *Government Auditing Standards*. We also prepared the State Controller's Report for a number of these agencies. We have assisted Oakdale Irrigation District, Florin Resource Conservation District, Fair Oaks Water District, South San Joaquin Irrigation District, San Juan Water District and El Dorado Irrigation District with the preparation of their CAFR.

- **Large Southern California Water Agency**

We perform the ongoing audit of the cost accounting records of the State Water Project on behalf of one of the world's largest water agencies, including completion of numerous special projects, reviewing the Department of Water Resources budget and representing the Authority at meetings with Department of Water Resources personnel. As a result of our audit of the State Water Project, we are familiar with the concept of billing to contractors based on cost projections and truing up to actual costs and wheeling charges to non-contractors. Our audit of the State Water Project has also included verifying activity related to the Delta Habitat Conservation and Conveyance Program (DHCCP) in which the Authority is a participant.

- **Department of Water Resources - State Water Resources Development System**

Conducted the financial audit of the State Water Resources Development System enterprise fund and provided other services associated with bond offerings and refundings, including letters to underwriters.

- **Central Valley Project Water Association (CVPWA)**

CVPWA is an association of approximately 250 water users receiving water from the Central Valley Project. The Central Valley Project is maintained and operated by the U.S. Bureau of Reclamation. We have performed audits of the Bureau's cost accounting records of the Central Valley Project on behalf of CVPWA, including the completion of numerous special projects. Our audit of the Bureau entailed verifying the rates charged to contractors and the calculation of charges.

- **Santa Clara Valley Water District, East Bay Municipal Utility District, Contra Costa Water Agency, Westlands Water District and Other Federal Water Users**

Performed several special auditing and consulting projects for these districts related to their contracts with the U.S. Bureau of Reclamation for delivery of water from the Central Valley Project.

- **Department of Water Resources - Reid Gardner Power Plant and Pine Flat Power Sales Contract**

Examination of the costs associated with the Department's Participation Agreement with Nevada Power Company for the construction and operation of Reid Gardner Unit No. 4 and the costs associated with the Pine Flat Power Sales Contract between the Department and Kings River Conservation District.

Quality Control and Peer Review

We are a member of the Center for Audit Quality of the American Institute of Certified Public Accountants (AICPA) and participate in the California Society of CPA's Peer Review Program. We are registered with the Public Company Accounting Oversight Board (PCAOB) created by the Sarbanes-Oxley Act to inspect firms that audit SEC registrants. Membership in the Center for Audit Quality is voluntary and all firms that join agree to adhere to published quality control standards and submit to peer reviews and inspections of their practice every three years. We have passed all nine of our peer reviews with a "clean opinion" and all three PCAOB inspections. The nine peer reviews cover the entire twenty-eight year period our firm has been in existence. Our latest peer review is attached to this proposal.

We also demonstrate our commitment to providing quality service in many other ways, including:

- Organizing, staffing, and managing engagements to provide for appropriate levels of technical competence, experience, supervision and review.
- Undertaking quality control reviews of selected engagements to assure compliance with professional standards.
- Recognizing our obligation to the public as well as to our clients.
- Conducting engagements in accordance with clients whose concern for reputation and integrity is similar to our own.
- Promoting the growth of our firm primarily by referrals from existing clients satisfied with the quality of our services.

In addition to excellent peer review and inspection results, other examples of our commitment to quality include:

- Assisting numerous governmental entities with receiving the Certificate of Excellence in Financial Reporting awarded by the Government Finance Officers Association, including several that received the award on the first attempt.
- Engaging a nationally recognized accounting consultant who has authored several accounting and reporting manuals, including those dealing with SEC matters, as technical support for our firm in addition to the support customarily available through the American Institute and California Society of CPAs.
- Engaging a partner and Director of Audit and Banking Practices for a large midwestern firm to serve as the concurring reviewer for our SEC registrant bank as well as providing consultation with respect to audit and accounting issues for other clients. He has extensive experience auditing banks and public companies as result of more than twenty years with Ernst & Young, KPMG and his current firm.

- Auditing the California Department of Water Resources on behalf of a large Southern California water agency for the past thirty years, including twelve years while key personnel in our firm were with Ernst & Young. The agency is a consortium of twenty-six cities and water districts serving nearly nineteen million people in the Los Angeles and San Diego areas. It is the largest water district in the world. This large, complex audit of the multi-billion dollar State Water Project managed by the California Department of Water Resources is on a scale and nature as to rarely be performed by other than “Big Four” international CPA firms.
- Performing several special investigative audits for governmental special districts that have received extensive statewide news media attention. Being selected several times to conduct this special audit work demonstrates that our firm has the resources and expertise to successfully complete difficult, unusual auditing projects in a timely manner. Our investigations discovered several problems and our audit results were made public by the districts involved. The FBI, IRS and district attorney’s office subpoenaed our workpapers to assist them with their investigations. We have testified in federal court and given depositions related to this work which, in certain cases, resulted in managers and assistants serving federal prison sentences.
- Preparing audited financial statements and other information for inclusion in several public offering documents reviewed by the SEC and other CPA firms, including Big Four firms, with minimal insignificant changes.
- Preparing audited financial statements reviewed by the State Board of Accountancy without change.

Why We are Best Qualified

Richardson & Company is the best qualified to perform the auditing services required by the Authority for the following reasons:

- We have extensive history in providing high-quality audits to water agencies and other governmental agencies, as previously discussed, including auditing the State Water Project and Central Valley Project.
- Our firm uses more experienced staff to actually perform the work than is typical of larger and other firms. If our firm is selected, we plan to have managers and above spend at least forty percent of our total audit time. While larger and other firms may be able to demonstrate significant amounts of experience in the areas of expertise needed to provide the services you require, the specific individuals they actually assign to your engagement may not have the specific experience you need like the team of accountants we will assign to your engagement. The use of more experienced staff will also ensure you will receive quality services. The manager will work on-site during the duration of the audit fieldwork and will interact with your fiscal personnel during the audit, as well the other staff assigned to the audit. The audit partner will also spend time on site and will take a “hands on” approach to the engagement.
- We have a thorough audit approach that focuses on substantive testing of the Authority’s accounts. Some firms provide lower cost audits by performing mostly analytical review procedures and the evaluation of internal controls instead of performing substantive testing of account balances. Our thorough approach ensures material misstatements are detected, which should provide a level of comfort to management and the Board of Directors.

QUALIFICATIONS OF OUR KEY PERSONNEL

We have the personnel with the necessary professional qualifications and technical ability to provide you with the quality service you are looking for. As you can see from the resumes of our key personnel, we have developed the proficiency in the accounting principles and standards and governmental auditing to ensure you will receive quality work. Our firm philosophy centers around our commitment to the highest level of quality service--delivered by quality people. We have a history of providing technical excellence through teamwork responsive to clients' needs and expectations. Our commitment to quality results in satisfying the needs of our clients by providing value-added services and attracting and retaining clients of the highest caliber.

Our key audit executives will participate heavily in the audit of the Authority. This assures the Authority will receive a quality audit managed and executed on-site by seasoned professionals, knowledgeable of the government and specifically the water industry. We believe the quality of our services exceeds that of national and other firms because our audit team uses more experienced professionals to actually perform the work. National and other firms typically rely heavily on senior and staff accountants to perform audit fieldwork with minimal on-site direction from partners or managers.

The following resumes outline the qualifications and experience of our key team members.

Brian Nash, CPA (Partner and Concurring Reviewer)

Brian is a partner with our firm and would serve as the Authority's audit partner. He would have overall responsibility for planning, directing and coordinating our services for you. Since significant and timely partner involvement is a cornerstone of our quality control procedures, he will be involved in all phases of our audit work from initial planning through report preparation. He has twenty-five years of professional accounting and auditing experience and has provided services to a variety of clients, including most of the government entities described in the preceding sections of this proposal. He has served a number of the water districts, including Calaveras County Water District, El Dorado Irrigation District, Florin Resource Conservation District/Elk Grove Water District, Oakdale Irrigation District, South San Joaquin Irrigation District, Sacramento Suburban Water District, Tri-Dam Project and Power Authority, Merced Irrigation District and South Yuba Water District and numerous other governmental agencies, including cities other special districts. Brian received a Bachelor of Science degree in accounting with honors from California State University, Sacramento. He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Ingrid M. Sheipline, CPA (Managing Partner and Audit Partner)

Ingrid serves as our Managing Partner and would serve as a second, additional or concurring reviewer, if needed. Formerly an audit manager with Ernst & Young LLP, she is a Certified Public Accountant with over thirty years of experience. Ingrid has supervised and conducted the fieldwork for a variety of clients including governmental entities, nonprofit organizations, utilities, banks, insurance agencies, manufacturers and distributors. While with Ernst & Young LLP, she specialized in governmental entities and grant compliance auditing, and has attended or taught numerous governmental education seminars. She is currently serving or has served almost all of the previously mentioned governmental entities, including most of the water districts, such as Tuolumne Utilities District, Merced Irrigation District, South Feather Water and Power Agency, Amador Water Agency, Reclamation District 2035, Nevada Irrigation District, El Dorado Irrigation District, Fair Oaks Water District, Sacramento Suburban Water District,

Carmichael Water District, San Juan Water District, Citrus Heights Water District, Rio Linda/Elverta Community Water District and South Yuba Water District. She has audited most of the government agencies listed on the previous pages, including cities and other special districts.

Ingrid has a Bachelor of Science degree in accounting with honors from California State University, Sacramento. She is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants, having served on the Board of Directors of the Society's Sacramento Chapter and as a member of the Government and Nonprofit Committee.

David Chiaravalloti, CPA (Audit Senior Manager)

David, a senior audit manager with our firm, will organize, conduct, review and evaluate field work and will be responsible for the planning and report preparation and review under the direction of Brian. He will work on-site for the duration of fieldwork. He has extensive experience auditing water districts, cities and other governmental entities with Richardson & Company, LLP and another CPA firm. He has eighteen years of professional experience, including twelve years with our firm. The clients he has served with water and/or utility operations include Yolo County Flood Control and Water Conservation District, Calaveras County Water District, Fair Oaks Water District, Citrus Heights Water District, South Yuba Water District, Mountain House Community Services District, City of West Sacramento, City of Lincoln and City of Colfax. He also has experience with other public agencies including auditing proprietary funds at cities. David received a Bachelor of Science degree in accounting from California State University, Sacramento. He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Ryan Giddings, CPA, CMA (Audit Supervisor)

Ryan, an audit supervisor with our firm, will organize, conduct, review and evaluate field work and will be responsible for the planning and report preparation and review under the direction of Brian and David. He has five years of auditing experience and has served a number of water agencies, cities and other public agencies, including Calaveras County Water District, Amador Water Agency, San Juan Water District, City of Citrus Heights and City of West Sacramento. Ryan received a Bachelor of Science degree in accounting from California State University, San Diego and a Masters of Business Administration at California State University, Sacramento. He is a member of the American Institute of Certified Public Accountants.

Other Staff

We would assign senior and staff accountants to the engagement with experience working on governmental audits since everyone in our firm is required to work on a portion of our previously mentioned audits. Thirteen out of our twenty-three professional staff are CPAs.

Our Commitment to Staffing Continuity/Personnel Rotation

Richardson & Company, LLP has proven its ability to attract and retain an excellent professional staff to serve our clients and meet our commitments. We currently have twenty-six professional staff, including thirteen CPAs, and three administrative staff. In addition, while national and other firms have high staff turnover rates, which makes it difficult to provide staffing continuity from year to year, our firm has experienced a very low turnover rate. Accordingly, we commit to maintaining a staffing level sufficient in size and experience to successfully complete the audit

each year. We consider staffing to be of the utmost importance because of its significant impact on our ability to provide you with outstanding service. We have consistently demonstrated our firm's ability to recruit, train and maintain a quality staff as evidenced by our excellent peer review results for the past twenty-eight years and our ability to consistently attract and serve quality clients.

If selected as your auditors, Brian Nash would have overall responsibility for our services for you. Brian would spend a substantial amount of time on site during the audit and will assist with the resolution of any issues. Brian would work closely with David and Ryan to ensure they have all the resources necessary to provide the Authority with excellent service. Brian Nash has been with the firm for twenty-five.

The engagement manager would be David, who has been with our firm for twelve years. He will be assisted by Ryan, a supervisor with five years of experience. They would work on site as the in-charge accountants during the duration of the audit fieldwork. While we would have other auditors assigned to the engagement with less experience, they will always be supervised by David or Ryan.

Should the Authority desire to rotate personnel during the course of the contract to enhance independence, we have sufficient resources to accommodate this rotation.

Independence

We are independent of the San Luis & Delta Mendota Water Authority as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards*.

AUDIT APPROACH

Scope of Services

We understand that the Authority requires an audit of its basic financial statements for the fiscal years ended February 28, 2018 and 2019 with the option to extend for 2020, 2021 and 2022, including all procedures necessary for the issuance of an opinion regarding the fairness of the presentation of the financial statements in conformity with U.S. generally accepted accounting principles. The audits will be conducted in accordance with U.S. generally accepted auditing standards, the standards set forth for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as revised, and the Minimum Audit Requirements and Reporting Guide for California Special Districts as required by the State Controller's Office. These services will include the following:

1. Perform an audit of the Authority's financial statements in accordance with generally accepted auditing standards, *Government Auditing Standards* and the State Controller's Minimum Audit Requirements for California Special Districts.
2. Express an opinion on the financial statements as to whether they present fairly, in all material aspects, the financial position of the Authority and the changes in financial position in conformity with generally accepted accounting principles (GAAP), and issue an independent auditor's report stating this opinion.
3. All adjusting journal entries noted during the audit will be discussed and explained to the Finance Director or designated personnel prior to completion of the audit.
4. Test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in accordance with *Government Auditing Standards*, and issue an independent auditors' report on their consideration. Any reportable conditions found during the audit will be addressed in these reports.
5. Apply limited audit procedures to the Required Supplementary Information (RSI), if any, and the Management's Discussion and Analysis (MD&A).
6. Perform an audit and prepare "Single Audit" Reports, for federal grant monies received and expenditures made, if federal grant funds exceed the threshold for requiring a Single Audit.
7. Prepare a management letter and SAS 114 letter to the Board of Directors and Management which identifies significant audit findings, difficulties encountered in performing the audit, identify any correct and uncorrected misstatements, disagreements with management, management representations, control deficiencies, significant deficiencies and material weaknesses, if any, and our recommendations for improvements in accounting and administrative controls.
8. Present all final reports to the Authority's Finance Committee.

Audit Approach

Our extensive experience in auditing ensures that we will concentrate on those areas of highest risk and plan and coordinate our work with management. We will not waste your time and resources by auditing areas that have no material risk to the financial statements. We will perform an assessment of the internal controls for the purpose of determining the procedures necessary to perform our audit, and any recommended enhancements to internal controls that we note during our audit will be communicated to management and the Board of Directors.

Our audit approach to this engagement is divided into three stages as follows:

Initial Planning: We believe that a smoothly-run audit is based upon the early identification and resolution of reporting and auditing issues. Due to the extensive knowledge gained through auditing governmental organizations similar to the Authority, we will identify such issues in a timely manner and obtain a better understanding of your organization and the external and internal environments in which the Authority operates. We will examine significant contracts and agreements to determine the effect on the nature and extent of the auditing procedures and to determine laws and regulations subject to test work. Our familiarity with laws and regulations affecting water districts will also be used as a resource for determining the extent of testing needed. We will meet with your personnel to obtain an understanding of your internal control structure policies and procedures and to document the flow of information through the accounting system, including how the computer is used to process data, and prepare internal control questionnaires and walkthrough memos with the assistance of your staff.

In order to familiarize ourselves with the Authority's accounting processes, including internal controls that are in place, we will provide the Authority with a list of questions, and will meet with Authority personnel to discuss them. We will also determine the provisions of any and all federal and state and county orders; statutes; ordinances; charters; bond covenants; administrative code or other rules and regulations that have a significant financial impact on the Authority. We will review organization charts and any accounting procedures manuals to obtain an understanding of the Authority.

Program Development: Our risk assessment and evaluation of internal controls will provide the basis for determining the nature, timing and extent of audit procedures for specific transactions and accounts. Our approach to gaining an understanding of internal control will be in accordance with Statement of Audit Standard (SAS) Nos. 104 through 111, as updated by Nos. 122 through 125. Accordingly, we will focus on obtaining an understanding of the control environment, risk assessment, information and communication, and monitoring components. We will use our experience with other water district audits to document the Authority's control environment and will perform a walkthrough of significant areas to assess control risk for the purpose of planning our substantive tests. We will perform additional testing of internal controls as needed based on our risk assessment. An overall audit program is the end product of our initial planning. The primary purpose of this phase of our audit approach is to assess the likelihood of material error in the accounts and transactions and to determine the most cost effective and cost efficient mix of audit procedures. In developing the audit program, our aim will be to:

- Provide a complete audit program for all important financial statement amounts.
- Eliminate redundant audit procedures.
- Use audit procedures which accomplish more than one purpose.

Our audit approach is based on an analysis and understanding of the external and internal risk currently facing the organization we are auditing. Risk analysis enables us to design the most effective and efficient audit program, which evaluates and includes audit tests in relation to the size and probability of these risks. This approach provides us with a uniform method for developing and documenting the basis for our audit program. We provide our clients with a detailed list of items needed during the audit well in advance to allow for sufficient time to gather the information. This approach minimizes disruption to Authority staff during the course of the audit.

Program Execution: During this stage of our audit, we will perform the tests of transactions processed through the accounting system, direct tests of account balances and tests of compliance with laws, regulations and contracts. We plan to use either random or systematic sample selection methods to perform such tests. We will utilize analytical procedures in all areas of the audit, especially for revenues and expenses. We will perform all requested tasks as one integrated engagement and will schedule the timing of our field work so that there will be minimal disruption of the day-to-day operations. We will perform testing of internal controls in the areas of water billings/cash receipts, cash disbursements and payroll, with sample sizes ranging from 5 to 40 items, which will depend on the size of the population. We will select our samples randomly from number sequences or other documents provided by the Authority. We will use the Authority's budget to determine the need for restrictions or designations as well as to perform analytical procedures for comparison to actual revenues and expenses.

We will perform analytical procedures to assist us in identifying areas of risk for which substantive procedures will be performed. However, we believe analytical procedures alone will not identify all potential significant misstatements and will detail test certain balance sheet and income statement accounts that our experience has shown are frequently misstated, such as certain receivables and subsequent payments that may need to be accrued as liabilities. We will utilize computer software during the engagement, including during the on-site fieldwork, for all workpaper preparation and for developing the lead schedules and trend analysis reports used in the audit process.

The following work plan was developed with your deadlines in mind. The timing identified in the work plan is approximate. **Upon selection as your independent accountants, we will meet with you, and together we will determine a specific timetable which ensures minimal disruption of your employees and that the Authority's desired deadlines are met.** As can be seen from the following work plan, the service team is composed in such a way that each member has adequate supervision and technical support.

WORK PLAN

Task	Timing	Estimated Hours				Total
		Partner	Senior Manager	Supervisor	Senior/ Staff	
Audit Planning:	March/April	5	15	5	5	30
Begin audit planning process						
Risk assessment						
Develop audit programs						
Prepare audit assistance package and confirmation letters						
Provide audit assistance package						
Compliance Testing:	April/May	2	10	10	15	37
Tests of transactions for cash receipts, disbursements and payroll						
Tests of compliance with laws and regulations						
Substantive Testing:	June	26	75	60	88	249
Cash and investments						
Revenue and receivables						
Payroll and related liabilities						
Expenses for goods and services and related liabilities						
Capital assets						
Long-term liabilities						
Equity and other credits						
Reporting and Wrap-up:	July/August	12	20	15	12	59
Review financials						
Prepare management letter/other reports						
Delivery of audit opinion and all other reports						
Total Annual Audit Hours		45	120	90	120	375

Our audit will be planned so that delivery of all required reports will be accomplished in a timely manner. We believe that the staffing of the audit is sufficient to ensure the timely completion of the audit and to ensure that the work is properly supervised. We would work closely with management to ensure that we provide timely services consistent with your requirements. We will review the financial statements prepared by the Authority for consistency with professional standards and will review the drafts of all our reports and letters with the Authority prior to finalization to ensure the reports meet your requirements. Upon completion of the audit, we will provide the Authority with copies of our reports, as needed, for distribution to management, the Board of Directors, and other interested parties.

Our firm philosophy centers around our commitment to the highest level of quality service--delivered by quality people. Our tradition of providing technical excellence through teamwork responsive to clients' needs and expectations--and doing so to the very best of our ability--requires that our single focus be on quality. Our commitment to quality results in:

- Satisfying the Authority's needs by providing value-added services.
- Attracting and retaining clients of the highest caliber.

- Providing personal satisfaction and opportunity for professional growth for every member of our organization.

Some of the specific benefits the Authority will realize from our audit approach include:

A Smooth, Quick Transition--Our audit approach, familiarity with water districts and our experience in succeeding other accountants prepares us to effect a smooth transition. Our transition plan will ensure that:

- We understand the auditing procedures and accounting treatment currently in place.
- Disruption to your normal operations and time lost due to “educating” the new firm will be minimal.
- We will coordinate and plan our work closely with your staff.

A Fresh Look--We will ensure that the Authority benefits from a “fresh look” by its new auditors--Richardson & Company, LLP. Our approach to transition engagements, with which we are very experienced, will result in:

- A thorough review and evaluation of your systems of internal accounting and compliance controls.
- A review and evaluation of your significant data processing systems and controls.
- A fresh review of operating practices.

Ongoing Communications with Management--We will work closely with you to resolve issues and serve as the Authority’s advisor on a timely basis. We do not take dogmatic, unyielding positions, and will keep the lines of communications open. We understand the concepts of materiality and will work with Authority personnel on all issues with materiality in mind. Members of our engagement team will be readily available to answer the Authority’s questions and to respond to the Authority’s needs.

Relevant and insightful suggestions--Our plan and approach requires us to obtain a complete knowledge of the Authority’s operating environment and accounting systems. This will position us well as an “advisor” to Authority management.

Less disruption to the Authority--Our audit plan will result in the most effective and efficient combination of internal control and account balance testing. This will eliminate duplicate procedures and unnecessary tasks, minimizing the necessary number of auditors and, consequently, result in less disruption of Authority personnel. As a result of our past experience auditing water districts, we have a familiarity with transactions and operations typical of water districts, which will ensure the most efficient and effective audit and a smooth transition.

REFERENCES

We have emphasized throughout our proposal that Richardson & Company, LLP provides quality service. Please feel free to contact any of these clients to confirm our ability to provide the type of services you are seeking.

Name of referenced entity: Calaveras County Water District
Name and client contact and title: Jeffrey Meyer, Director of Administrative Services
Address and phone number: 120 Toma Court
P.O. Box 846
San Andreas, CA 95249
(209) 754-3102
Email address: jeffreym@ccwd.org
Services performed: Audit of and preparation of the financial statements in accordance with generally accepted auditing standards, and *Government Auditing Standards* for the years ended June 30, 2016 through 2018.

* * * * *

Name of referenced entity: South San Joaquin Irrigation District
Name of client contact and title: Bere Lindley, Finance & Administration Manager
Address and phone number: 11011 E. Hwy. 120
Manteca, California 95336
(209) 249-4622
Email address: blindley@ssjid.com
Services Performed: Audit of the financial statements in accordance with generally accepted auditing standards, preparation of CAFR *Government Auditing Standards*, and A-133, and preparation of the State Controller's Report for the years ended June 30, 2011 through 2015.

* * * * *

Name of referenced entity: Sacramento Suburban Water District
Name of client contact and title: Dan Bills, Director of Finance
Address and phone number: 3701 Marconi Avenue
Sacramento, California 95821
(916) 972-7171
Email address: dbills@sswd.org
Services performed: Audit of the financial statements in accordance with generally accepted auditing standards, and *Governmental*

Auditing Standards, a Single Audit under OMB Circular A-133 and review of the CAFR. Also completed extensive special project work on behalf of the Board of Director. Audits have been completed for the fiscal years ended January 31, 2003 through December 31, 2006 and 2014 through 2018.

* * * * *

Name of referenced entity: Tuolumne Utilities District

Name of client contact and title: Steve Sheffield, CPA, Finance Director

Address and phone number: 18885 Nugget Blvd.
Sonora, California 95370
(209) 532-5536 ext. 482

Email address: s.sheffield@tudwater.org

Services performed: Audit of the financials in accordance with generally accepted auditing standards, and *Governmental Auditing Standards* and preparation of the State Controller's Report for the years ended June 30, 2013 through 2018.

PROFESSIONAL FEES AND HOURS

Our goal is to provide quality service using the highest professional standards at a reasonable cost. We plan each assignment carefully and set a time budget for each phase of the engagement. All of our staff are well indoctrinated in the need to use their time to the fullest efficiency.

During the first year, we will spend a significant amount of time becoming familiar with your organization and operations, developing permanent files, and performing our risk assessment. We will absorb the cost of some of this nonrecurring time and view it as an excellent investment in establishing a long-term relationship and in becoming more knowledgeable about your operating environment, which will enhance our ability to provide you with responsive service.

Since Richardson & Company, LLP consists primarily of experienced auditors, you can be sure that you will receive the experience level and quality of service you expect. Our firm will bring to the audits strong technical backgrounds, government and utility accounting expertise, outstanding engagement management skills, which will provide a “fresh look” at your programs.

Annual Audit: Based upon our current understanding of the situation, our cost for the annual audit contract to perform the previously described work in the **SCOPE OF THE AUDIT** section will not exceed the amounts in the following table. Our fees for the first year are higher as a result of first-year start-up time for obtaining an understanding of the Authority and its internal controls and processes. As requested in your RFP, these fees include out-of-pocket expenses for items including clerical support, computer charges, supplies, telephone charges, printing and travel. There will be no additional charges to the Authority related to these items. Therefore, our fee is all inclusive and represents a not to exceed amount. The break-down of our fee by classification is as follows:

Classification	Hourly Rates	Hours Per Year	Fee
Partner	\$ 180	45	\$ 8,100
Senior Manager	160	120	19,200
Supervisor	130	90	11,700
Seniors	110	60	6,600
Staff	90	60	5,400
		<u>375</u>	<u>51,000</u>
Travel expenses			3,000
Discount			<u>(17,500)</u>
Total "Not-to-Exceed" Annual Audit Fee February 28, 2018			<u>\$ 36,500</u>
Total "Not-to-Exceed" Annual Audit Fee February 28, 2019			<u>\$ 34,500</u>
Total "Not-to-Exceed" Annual Audit Fee February 28, 2020			<u>\$ 35,400</u>
Total "Not-to-Exceed" Annual Audit Fee February 28, 2021			<u>\$ 36,300</u>
Total "Not-to-Exceed" Annual Audit Fee February 28, 2022			<u>\$ 37,400</u>
Grand Total			<u>\$ 180,100</u>

The discount above gives recognition to the fact the timing of your audit fits well in our schedule and also reflects our commitment to expanding our water district client base.

We understand that the Authority is behind on its audits and plans to catch up this year. If we were to perform the audits for the years ended February 28, 2018 and 2019 at the same time, there would be a cost savings due to the efficiencies we will have in performing both audits concurrently. Our fee for auditing both years is as follows:

Total audit fee for February 28, 2018 and 2019 performed concurrently	<u>\$ 66,800</u>
--	------------------

In order to keep the fees competitive and to keep our hours down, we assumed the following approach to the Authority audit:

- The Authority’s financial statements will be presented on a combined basis for all funds and will be reported as an enterprise fund. Fund balances in the special revenue funds used to track projects would be reported as restricted fund balance. Separate fund information would be presented as supplementary information at the back of the report. Budget to actual comparisons are not required to be presented for enterprise funds and so would not be included in the audited financial statements. Our materiality levels would be calculated for the Authority as a whole, thus avoiding time spent auditing immaterial funds and each major fund independently.
- To minimize our travel expenses, we would propose that the Authority provide requested audit documents and account analyses maintained in the Authority’s audit binder through our electronic portal so that we can begin the audit process in the office and then work on-site to view source documents and discuss follow-up questions with Authority staff. Our proposal includes one day on-site for our interim procedures and three days on-site for our year-end fieldwork. The time on-site would increase by approximately one day, if we performed the 2018 and 2019 fiscal year audits concurrently.

These estimates do not include fees for a single audit and do not take into consideration changes in the scope of the audit due to changes in accounting or auditing pronouncements and standards, laws or regulations, the loss of key accounting personnel, material weaknesses in the internal control environment, or significant changes in the scope of the Authority’s operations. We will discuss a new fee estimate with the Authority if such events occur.

Should a single audit be necessary, the fee each year will be \$4,500 for the first major program and \$3,500 for each additional major program.

Other Audit Services: The fee for other audit services is proposed on a per hour basis by staff classification. The rates proposed are as follows:

<u>Classification</u>	<u>Rate Per Hour</u>
Partner	\$ 180
Senior Manager	160
Manager	140
Supervisors	130
Seniors	110
Staff	90
Administrative or clerical	65

Should you have any questions about the details of our fees, or should our fees not appear competitive with those of the other firms, we would appreciate an opportunity to discuss them with you before you make your final decision.

ATTACHMENT A - PEER REVIEW



CPAs & BUSINESS ADVISORS

Report on the Firm's System of Quality Control

July 17, 2018

To the Partners of Richardson & Company, LLP
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 Richardson & Company, LLP (the firm) in effect for the year ended March 31, 2018. 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 (Standards). A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Richardson & Company, LLP in effect for the year ended March 31, 2018, 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*. Richardson & Company, LLP has received a peer review rating of *pass*.


Eide Bailly LLP

What inspires you, inspires us. eidebailly.com

400 Pine St., Ste. 600 Abilene, TX 79601-5190 T 325.872.4000 TF 800.588.2525 F 325.672.7049 EOE



Received
FEB 07 2019
SLDMWA

February 6, 2019

Ms. Joyce Machado
Director of Finance
San Luis & Delta-Mendota Water Authority
842 6th Street
Los Banos, California 93635

Dear Joyce:

Enclosed are two bound copies of our proposal to provide annual auditing services to San Luis & Delta-Mendota Water Authority for the fiscal years ending February 28, 2019 and 2019.

Thank you for including us in the bid process and considering our firm for these services, and we are looking forward to the possibility of working with you on your audit. Please do not hesitate to contact us if we can provide you with any additional information or answer any further questions.

Sincerely,

Carolyn (Howie) Howerton
Audit Administrative Assistant to
Fausto Hinojosa, CPA, CFE

Enclosures

Via Fed Ex

677 Scott Avenue
Clovis, CA 93612
tel 559.299.9540
fax 559.299.2344

**PROPOSAL FOR
PROFESSIONAL AUDIT SERVICES
FOR
SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
FOR THE YEARS ENDING
FEBRUARY 28, 2018 AND 2019**

Submitted
February 6, 2019

By

Fausto Hinojosa, CPA, CFE

Price Paige & Company
Accountancy Corporation
677 Scott Avenue
Clovis, California 93612
Phone: 559-299-9540
Fax: 559-299-2344

Email: fausto@ppcpas.com

Website: www.ppcpas.com

License No: 66479

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

**PROPOSAL FOR PROFESSIONAL AUDIT SERVICES
FOR THE YEARS ENDING
FEBRUARY 28, 2017 AND 2018**

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February 6, 2019

Ms. Joyce Machado
Director of Finance
San Luis & Delta-Mendota Water Authority
P.O. Box 2157
Los Banos, California 93635

Dear Ms. Machado:

It is our pleasure to present our proposal to provide auditing services to the San Luis & Delta-Mendota Water Authority (the "Authority") for the years ending February 28, 2018 through 2019 with an option of extending the contract for two additional years upon mutual agreement. When presented with viable alternatives, it is not always easy for entities such as the Authority to identify the accounting firm that can best meet their overall audit and accounting needs. Over the past twenty-five years, we have developed significant expertise in governmental audit and accounting. Our knowledge of the municipal environment and operations allows us to develop more robust audit plans, which we believe have improved the quality of our audits.

Our audit professionals are highly qualified and have extensive experience and expertise in governmental auditing and accounting. The firm has been a member of the AICPA Government Audit Quality Center for several years and all of our auditors take a minimum of 80 hours of continuing professional education every two years specifically related to the auditing and accounting services we provide. This commitment to learning yields a direct benefit to the clients we work with. Additionally, our firm has a well-earned reputation for ensuring the audit not only gets done right but, just as importantly, on time. We are committed to communicating effectively to ensure that your questions are addressed comprehensively. As demonstrated by our resumes and considerable involvement by the audit partner and managers, we know that our firm has the resources, knowledge and expertise to meet and service the needs of the Authority. We can assure you that we fully understand the work to be performed and we wish to emphasize our commitment to meeting or exceeding all of your expectations. We are committed to providing these services in accordance with the Authority's required timelines. Additional information about our firm's audit department and services we offer may be found on our website at www.ppcpas.com.

I trust that this proposal will adequately summarize our approach to client service and identify those attributes which set our firm apart from others. We appreciate the opportunity to submit this proposal to serve you and would be pleased to furnish any additional information regarding our firm or answer any other specific questions or concerns you may have. I am the audit principal for our firm and I am authorized to make representations for the firm with regard to this proposal. I may be reached at (559) 299-9540 or via email at fausto@ppcpas.com.

Sincerely,

Fausto Hinojosa, CPA, CFE
Audit Principal
Price Paige & Company

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

FIRM'S QUALIFICATIONS AND EXPERIENCE

Established in 1976 and located in Clovis, California, Price Paige & Company consists of four owners (principals), Fausto Hinojosa, Mitchell Buckley, Henry Oum, and Robert F. Price, each of whom is a Certified Public Accountant. The principals of the firm have over 90 years of combined experience in public accounting. Our firm is comprised of thirteen CPAs and fifteen CPA candidates, as well as full and part-time accounting, bookkeeping and clerical staff. Over 60% of Price Paige & Company's practice is in auditing and attest services, primarily in the governmental and not-for-profit sectors. In addition, we provide services to many businesses in accounting, tax, and management consultation in all areas.

Price Paige & Company is recognized in the community and by our peers as experts in the areas of governmental and not-for-profit audit and accounting. Our proven commitment to excellence allows us to work with you in the most time and cost-effective manner possible. Our auditors are not seasonal; what we mean by this is that they are not "tax accountants" who perform audits in the "off-season". They are focused exclusively in providing audit services and they receive over 80 hours of continuing education every two years, specifically related to improving their audit skills. The experience of our team allows us to conduct very efficient and effective audits.

We currently provide audit or review services to more than 40 governmental agencies and approximately 35 not-for-profit organizations annually, many of which are federal single audits. The breadth and scope of single audits we have conducted is significant and we have experience auditing organizations with an excess of \$100 million dollars of federal funding.

It is our practice to assign a team of personnel from our firm to your account in order to provide the range of services you have requested. This team is generally kept abreast of any significant developments which arise through our normal association with you. The most important aspect of this approach is to provide continuity to the engagement. We understand that the audit process requires two-way communication and we accept our responsibility to listen and to deliver timely and effective solutions to the audit and accounting problems we encounter.

Mandatory Qualifications

The associates of Price Paige & Company are licensed Certified Public Accountants, certified by the California State Board of Accountancy (License # COR 3442). All team members assigned to the audit comply with the 80-hour continuing education requirements promulgated by *Government Auditing Standards*.

Independence

Our firm is independent with respect to the San Luis & Delta-Mendota Water Authority as defined by the U.S. Government Accountability Office's *Government Auditing Standards*.

Conflict of Interest

Our firm's established policy is that we do not submit proposals for audit services if there is a known conflict of interest with the potential client. There are no current or potential conflicts of interest with anyone within the San Luis & Delta-Mendota Water Authority.

External Peer Review

Our record of successful Peer Reviews and our Engagement Quality Control Review program serves as evidence of our commitment to meeting the standards of care and performance applicable to our audit practice and demonstrate the extra measures we take to ensure continued successful compliance with our client's expectations about our quality and competence.

Our Quality Control Review included a review of specific governmental engagements. For your consideration, a copy of our most recent Peer Review Report is presented as Exhibit 1 in this proposal. In addition, our firm was recently awarded the AICPA's Certificate of Recognition for demonstrating that we designed and complied with a system of quality control standards established by the AICPA (see Exhibit 2).

Price Paige & Company has never had any disciplinary actions taken nor are any pending with the Federal or State regulatory bodies or professional organizations. In addition, we are pleased to affirm that we have never had an unresolved dispute related to accounting or auditing matters that resulted in disengagements. We work closely with our clients to develop solutions that are consistent with the accounting rules and auditing standards.

We Conduct Peer Reviews

In addition to having successful peer reviews, Price Paige & Company also conducts peer reviews of other accounting firms. Essentially, we "audit" other Auditors to ensure auditing and accounting standards are being met. Being a peer reviewer requires us to understand the technical accounting rules, especially in a government environment. We leverage our experience as technical peer reviewers in our audit engagements so that we can perform effective and efficient audits making it much easier on our clients.

Proactive Rather than Reactive Approach to Client Service

A primary objective of our client engagements is to make positive contributions to our client's profitable operations, organizational efficiency and productivity. We work hard at anticipating problems and ensuring there are no surprises. We are creative and always present alternatives for your evaluation rather than insisting upon the "textbook solution". We use frequent meetings and our management recommendation letters as tools for communication with you.

We strive to maintain a continuous involvement with our clients rather than just an annual one. We ask clients to forward copies of their interim financial statements, we review minutes of meetings throughout the year, and we schedule meetings with clients outside of the normal "audit cycle" to stay abreast of changes that might impact the audit. We find this enables us to help our clients identify and solve problems on a timely basis and keeps us informed about their operations.

Smart Technologies

We use sophisticated data analysis software (IDEA) that allows us to perform specific fraud detection tests on large amounts of data, in some cases, testing 100% of the transaction population. Some of the specific tests we perform include duplicate payment tests, matching of employee and vendor addresses to identify potential conflicts, and review of purchase orders to identify potential bid splitting. We believe that our creative use of this value-added software tool allows us to perform more effective audits and gives our clients increased confidence in their financial reporting. We have successfully implemented this data analysis software and testing at Fresno Unified School District which is the fourth largest school district in the state with a budget in excess of \$800 million dollars.

All of our audit engagements are performed utilizing a paperless and digital approach. Our auditing software allows us to increase our efficiency and provide a streamlined workflow. Documents and files can easily be retrieved and forward them to our clients without the need for copying.

Additional Confirmations of Understanding

We will provide to Authority management letters providing reasonable counseling and guidelines with respect to more acceptable and effective methods of accounting.

We will retain working papers for seven years following the completion of the audit.

Price Paige & Company is an equal opportunity employer. All employees are treated on their merits, without regard to race, age, sex, marital status or other factor not applicable to their position. Employees are valued according to how well they perform their duties, and their ability and enthusiasm to maintain the Firm's standards of service.

Price Paige & Company maintains comprehensive General Liability Coverage, as well as Errors and Omissions Insurance with a limit of at least \$3,000,000. All required certificates of insurance will be provided to Authority's officials should our firm be the successful bidder.

Approach to Communication and Expectations of Our Clients

In order to meet and exceed your expectations, we are diligent about maintaining open communication throughout the entire engagement. In our experience, this results in a more effective engagement. Our approach depends on the timely response and assistance of the Authority. This cooperation will further ensure our work is completed in an efficient and cost-effective manner.

VALUE ADDED SERVICES AND SUPPORT

The role of auditors has evolved over time in response to client's needs. Our firm has made it a practice to be proactive with clients by providing value-added services, all of which are included as part of our audit engagement. Below are some of the value added benefits that we provide to our clients at no additional charge.

Consultation on Accounting Matters

We provide our clients with guidance on technical accounting matters. We encourage our clients to communicate with us regarding any technical accounting matter as it allows us to be proactive in the audit process. If the technical accounting questions are outside the scope of the audit or require significant research, we would communicate with management regarding the appropriate cost for their approval before proceeding with any additional services.

Client Training

We believe it is important to give our clients access to a full range of information to help them stay abreast of current accounting developments and financial reporting issues. As part of our client service program, we will periodically hold client training seminars and summary courses geared towards providing our clients an understanding of relevant issues. Training sessions that have been offered included understanding and mitigating the risk of fraud, reading and understanding governmental financial statements.

Other Services Offered by Our Firm

In addition to financial statement audits we also offer the following services to the government sector: Internal Control Review, Forensic Accounting, Fraud Investigation, Agreed-Upon Procedures, Financial Statement Review, Financial Statement Compilation and preparation of State Controller's Reports.

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

We have an outstanding team of professionals who have established themselves as qualified competent individuals. We can assure you that each of our auditors is experienced in governmental auditing, GASB accounting pronouncements and Single Audit requirements. Following is a brief overview of their experience. Detailed experience for each of these professionals is found on pages 6 through 10 of this proposal.

	<u>Years of Auditing/Accounting Experience</u>
Partner: Fausto Hinojosa, CPA, CFE	25
Manager: Usman Illyas, CPA	19
Quality Control Manager: Josh Giosa, CPA	12
Seniors: Larisa Murren, CPA Kristin Torres, CPA Candidate	10 4

Each of these professionals has been the lead auditor/accountant for various governmental, not-for-profit and consulting engagements. They have commendable work ethics and principles, as well as outstanding skills and abilities. Should any of the above members of our audit team become unavailable, we would provide another equally qualified individual from our firm.

In addition to the above-listed professionals, we have other audit staff with several years of governmental audit and accounting experience who may be assigned to your audit.

Continuity of Professional Staff and Succession Planning

Continuity of staff on engagements is as important to us as it is to our clients. Continuity promotes a thorough understanding of your needs and goals, and helps us help you. A smooth auditor transition will be accomplished as follows:

- **Communication** – We stress transparent communication from the very beginning of the engagement through the audit report delivery. We schedule a planning meeting with your staff to determine expectations, timing, and extent and availability of assistance. We provide a comprehensive PBC list for both interim and year-end fieldwork which includes due dates and responsible parties.
- **Experience** – Members of our engagement team are experienced auditors, very familiar with the operational, administrative, and accounting and compliance issues related to the municipal sector and the federal single audit in particular.
- **Quality** – The firm maintains a rigorous quality control review process that includes not only a detailed review by a quality control manager and engagement partner but also an Engagement Quality Control Review (EQCR) as defined by AICPA standards.
- **Audit Approach** – Our audit approach emphasizes effective up-front planning to identify issues for timely resolution.

RESUME

FAUSTO HINOJOSA
Certified Public Accountant
Certified Fraud Examiner
California License # 66479

Fausto is the Partner in charge of all audit and forensic consulting engagements for Price Paige & Company. His practice is limited to governmental and not-for-profit audit and accounting, fraud investigation and consulting, and litigation support services. Fausto serves as the Managing Partner for the Firm and is responsible for providing strategic leadership. He has worked professionally in the accounting field since graduating from California State University, Fresno in 1990. He became a Certified Public Accountant in 1994 and a shareholder with Price Paige & Company in 1997. He is a Certified Fraud Examiner and has investigated numerous allegations of fraud and has been designated a fraud expert in various legal proceedings.

After more than twenty-five years in the profession, Fausto has developed significant expertise specifically in the areas of audit risk assessment, governmental and not-for-profit auditing, fraud detection and prevention, federal/state grant compliance, and internal controls.

Fausto is the former Chair of the local Government Accounting and Auditing Committee for the California Society of CPA's and currently serves on the state committee. In addition, he is a **reviewer for the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program**. As the former Chair for the State Board of Accountancy Qualifications Committee, Fausto conducted audit workpaper reviews of CPA candidates in order to make licensure recommendations to the Committee.

Fausto is a former Adjunct Professor at Fresno Pacific University where he taught an upper division auditing course. He is a frequent lecturer to the California Society of CPA's and other professional organizations, business and civic groups on governmental and not-for-profit accounting and auditing, preventative fraud measures, and the unique audit requirements for federal award programs under the Single Audit Act.

Professional Organizations and Community Involvement

State Board of Accountancy Qualifications Committee – Past Chair
Fresno Chapter of California Society of CPA's – Past President
Association of Certified Fraud Examiners – Member
American Institute of Certified Public Accountants – Member
Government Accounting and Auditing Committee of the Fresno Chapter – Past Chair
State Government Accounting and Auditing Committee of the California Society of CPA's – Member
Government Finance Officers Association – CAFR Reviewer

RESUME

USMAN ILYAS

Certified Public Accountant
California License # 118422

Present Position

Manager

Education and Experience

Usman began his accounting career after graduating with an accounting degree from the University of Purdue in West Lafayette, Indiana in 1999 and became a Certified Public Accountant in 2006.

Prior to joining Price Paige & Company Usman worked as an accounting and audit consultant with independent CPA firms performing financial and compliance audits for non-profit and governmental entities including the preparation and review of federal tax form 990 for non-profit entities.

Usman has a total of 19 years of experience working with not-for-profit and governmental organizations in the greater Los Angeles area where he served as Audit Manager to more than one large firm. His specific responsibilities include managing financial statement and compliance audits in conformity with Generally Accepted Auditing Standards applicable in the United States of America, providing leadership to audit teams by assigning and delegating multiple audits simultaneously, and developing effective channels of communication with client management ensuring that all aspects of the engagement are completed from the planning process through the drafting, review, and issuance of the financial statements.

Usman will manage the day-to-day activities and task accomplishments, monitoring progress, and ensure schedule compliance. He will also work to ensure on-going timely communication among all levels of the engagement team and will spend significant time on-site, ensuring the smooth operation of our audit process.

Community and Affiliations

Usman is a member of the American Institute of Certified Public Accountants.

Continuing Education

Usman is in compliance with the continuing education requirements of the AICPA and *Government Auditing Standards*.

RESUME

JOSHUA GIOSA

Certified Public Accountant
California License # 119801

Present Position

Quality Control Manager

Education and Experience

Joshua began his accounting career at Price Paige & Company in January 2007 after graduating from California State University, Fresno. In June 2005, he received a Bachelor of Science in Business Administration with an option in Accountancy and became a Certified Public Accountant in 2013.

Joshua serves as the audit supervisor for most of the firm's municipalities and has performed and overseen substantial grant compliance work on both federal and state programs. Although his government auditing background dates back to 2007, since 2011 he has worked almost exclusively planning, performing, reviewing and compiling financial statements for municipalities. He has conducted several Single Audits and has prepared numerous municipality State Controller reports. Joshua has extensive knowledge in the implementation of GASB 68. He recently conducted a GASB 68 training course for firm personnel and has also trained and assisted numerous finance directors on GASB 68 implementation and financial statement presentation. His background also includes significant experience auditing not-for-profit entities and 401(k) pension plans. He has expertise in the use of IDEA data analysis software and has used this software to conduct fraud detection procedures as a part of the many municipal audits he supervises.

Community and Affiliations

Joshua is a member of the American Institute of Certified Public Accountants, the California Society of CPAs and the Government Finance Officers Association. He is currently serving on the Board of Directors as the Treasurer for North Fresno Rotary Endowment and Bullard Youth Softball League. He was formerly on the Board of Directors as the Treasurer for Big Brothers Big Sisters of Central California, and Fresno's Rotary Storyland/Playland. Joshua is also an honorary member of the North Fresno Rotary Club.

Continuing Education

Joshua is in compliance with the continuing education requirements of the AICPA and Government Auditing Standards. Recently attended courses include: *Avoiding Problems in Conducting Single Audits; Financial Statement, Tax and Government Fraud; Interpreting the Yellow Book; Intermediate Governmental Accounting; The GASB's Pension Standards Parts II: Considerations for Agent Plans and Participating Employers; Putting to Rest Governmental "Urban Legends"; and the Continued Complexities of Auditing Governmental Pension Plans and Participating Employees.*

RESUME

LARISA MURREN

Certified Public Accountant
California License # 1106190

Present Position

Senior

Education and Experience

Larisa is an experienced Certified Public Accountant. Her accounting career began at Kovacevich & Bennett, Accountancy Corporation in 2008. She received a Master's in Economics from St. Petersburg University of Engineering and Economics in St. Petersburg, Russia continuing her education in Fresno, California.

Prior to joining Price Paige & Company, Larisa served as an Auditor and CPA for James & Associates, CPAs, Inc. in Wailuku, Hawaii. Her duties included conducting audits for nonprofits, timeshares, and homeowner associations. In addition, she prepared and reviewed financial statements, and prepared income taxes for individuals and nonprofit organizations. Larisa has obtained her CPA license in both California and Hawaii. Larisa is also a certified Quickbooks ProAdvisor.

Community and Affiliations

Larisa is a member of the American Institute of Certified Public Accountants.

Continuing Education

Larisa complies with the continuing education requirements of the AICPA and *Government Auditing Standards*.

RESUME

KRISTIN TORRES

CPA Candidate

Present Position

Senior

Education and Experience

Kristin began her accounting career after receiving a Bachelor of Science in Business Administration with an option in Accountancy and graduating from California State University, Fresno.

Kristin was hired in December 2014 and has provided invaluable assistance on numerous governmental and not-for-profit audits, which include single audit compliance, State Controller's reports, and preparing financial statements that comply with Yellow Book and required GASB standards. Since joining our audit team, she has been the in-charge auditor for various governmental audit projects. Kristin's background includes governmental and not-for-profit entities which are performed in accordance with GAAP and the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and OMB Uniform Guidance 2 CFR 200 Subpart F.

Community and Affiliations

Kristin has passed two exams and plans on completing her exams in 2019. She is a member of the California Society of CPAs and Chairperson of the Fresno Chapter of the California Society of CPAs Young and Emerging Professionals Committee.

Continuing Education

Kristin is maintaining continuing professional education requirements to meet current standards of the General Accounting Office of the United States of America. Continuing professional education courses and seminars recently attended include: *Background and Overview of SLG Accounting, Part 1A; Audit Watch University Level 3, In - Charge; Companion to PPC's Guide to Audits of Local Governments – Course 1- Audit Programs, Fundamental Audit Strategies, Performing Effective and Efficient Single Audits, Everything You Wanted to Know About Generally Accepted Government Auditing Standards (GAGAS) for Financial Audits, Basic Concepts of Governmental Accounting, Financial Reporting and Auditing, and Staff Training for Accounting and Auditing with Excel, Functional Expenditures and Cash Flows and Net Assets and Endowments.*

RELEVANT PRIOR EXPERIENCE

After evaluating our relevant experience, we are certain you will agree that Price Paige and Company is qualified to serve you. We have been successfully performing audit engagements since 1976. Since then, we have continued to build on our reputation as a well-respected firm throughout the State of California, with the qualifications and experience necessary to provide unequalled performance. Following is a list of some of our audit clients and our primary contact for each:

Reference Name: Kings River Conservation District
Contact: Brian Trevarrow, Finance Director
Address: 4886 E. Jensen Avenue, Fresno, CA 93725
Phone: (559) 237-5567
Email: btrevarrow@krcd.org
Service Provided: Financial Statement Audit (GAAS)
Dates: June 30, 2014 through present

Reference Name: City of Los Banos
Contact: Sonya Williams, Finance Director
Address: 520 J Street
Phone: (209) 827-7000
Email: sonya.williams@losbanos.org
Service Provided: Financial Statement Audit (Single Audit/Uniform Guidance)
Dates: June 30, 2014 through present

Reference Name: City of Chowchilla
Contact: Rod Pruett, CPA
Address: 130 S. Second Street
Phone: (559) 665-8615
Email: rpruett@ci.chowchilla.ca.us
Service Provided: Financial Statement Audit (*Government Auditing Standards*)
Dates: June 30, 2012 through present

Reference Name: Westlands Water District
Contact: Bobbie Ormonde, Director of Finance and Administration
Address: 3130 N. Fresno Street, Fresno, CA 93703
Phone: (559) 241-6203
Email: bormonde@westlandswater.org
Service Provided: Financial Statement Audit (GAAS)
Dates: June 30, 2014 through June 30, 2015

Reference Name: Panoche Water District
Contact: John P. Otollo, Accounting Supervisor
Address: 52027 W. Althea Avenue, Firebaugh, CA 93622
Phone: (209) 364-6136
Email: jpotollo@panochewd.org
Service Provided: Financial Statement Audit (*Government Auditing Standards*)
Dates: June 30, 2016 through present

SCOPE OF SERVICES

As our experience indicates, we clearly understand the scope of services to be provided. You can be assured that we will design a specific service approach to ensure compliance with all applicable standards and ensure that the Authority receives high quality, efficient and effective service.

Standards to be Followed

The financial and compliance audits will be performed in accordance with the following auditing standards:

- Generally Accepted Auditing Standards (AICPA)
- *Government Auditing Standards* (U.S. Comptroller General)
- Provisions of the Single Audit Act Amendments of 1996 (Single Audit)
- OMB Uniform Guidance Title 2 U.S. Code of Federal Regulations Part 200
- All other applicable federal, state and local laws and regulations

Services to be Performed

The following services will be provided to San Luis & Delta-Mendota Water Authority for each respective year.

1. We will audit the books and records of the Authority and issue a report on the fair presentation of the annual financial statements in conformity with accounting principles generally accepted in the United States of America. We will assist Authority staff in the overall implementation of the applicable GASB statements.
2. We will provide an "in-relation-to" report on the combining and individual fund and supporting schedules based on auditing procedures applied during the audit of the general purpose financial statements and the combining and individual fund financial statements and schedules.
3. We will issue a single audit report on compliance with requirements that could have a direct and material effect on each major program and internal control over compliance in accordance with OMB Uniform Guidance 2 CFR Part 200. We will also prepare the related Data Collection Forms for Reporting on Audits of States, Local Governments and Non-Profit Organizations (Form SF-SAC).

We will issue an "in-relation-to" report on the schedule of expenditures of federal awards based on the auditing procedures applied during the audit of the financial statements.

4. We will attend two annual meetings with the Finance & Administration Committee and the Board of Directors (approximately 30 minutes each).
5. We may provide management letters that would include findings observations, opinions, comments and/or recommendations with regard to systems of internal control, accounting systems compliance with laws, rules and regulations, or any other matters that may come to our attention during the course of the examination.
6. We will prepare a written communication to the audit committee which will include the following information: (1) auditor's responsibility under generally accepted auditing standards; (2) significant accounting policies; (3) management judgments and accounting estimates; (4) significant audit adjustments; (5) disagreements with management; (6) management consultation with other accountants; (7) difficulties encountered in performing the audit.

AUDIT APPROACH

Planning and Interim Fieldwork

Our preliminary audit procedures will consist of the following:

- Communicate with the predecessor audit firm and review prior year workpapers.
- Provide a list of all audit schedules to be prepared by the Authority.
- Provide a detailed audit plan for the Authority.
- Internal Controls:
 - Read the Authority's policy and procedure manuals to obtain a general understanding of internal control systems for all significant transaction classes, account balances, financial close process and financial statement preparation process. Perform necessary follow-up inquiries to obtain specific understanding of control procedures in place.
 - Perform walk-throughs of key controls to evaluate whether they are properly designed and have been placed in operation. Walk-through procedures include inquiries, inspection of documents, re-performance and observation.
 - Systems typically tested include: payroll; disbursements/accounts payable; revenues/receipts; capital asset additions/dispositions and depreciation; long-term debt; equity; general ledger closing process.
- Perform a computer control evaluation.
- Perform preliminary analytical review of account balances.
- Use sophisticated data analysis software (IDEA) to efficiently identify anomalies and unusual transactions for further review.
- Read minutes, contracts, contract agreements and investment policies to identify significant compliance requirements.
- Verify major and nonmajor federal and state program compliance requirements, as well as contract requirements based on OMB's Compliance Supplement, grants, and contracts.
- Prepare risk-based tailored audit programs and a client assistance package.
- Make specific inquiries of management and other personnel regarding fraud.
- Perform tests of controls for significant accounting systems (sample sizes will vary based on assessed risks).
- Perform tests of compliance with laws and regulations (sample sizes will vary based on assessed risks).

Fieldwork – Year-End

Based on the results of our planning and risk assessment procedures, we will focus our audit efforts in those areas where the risk of material error or fraud is greatest. Our approach is to identify the most effective and efficient procedures based on inherent and control risk. These procedures may include any of the following for the various account balances and transaction cycles:

- Analytical procedures: if used as the principal substantive test of a significant financial statement assertion, we will document –
 - the expectation and the factors considered in its development.
 - the results of the comparison between the expectation and recorded amounts.
 - any additional procedures performed in response to significant unexpected differences and the results of those procedures.

- Tests of details -
 - Test significant journal entries for propriety and authorization.
 - Trace significant operating, capital and debt service expenditures to source documents.
 - Vouch asset balances to detailed records and schedules.
 - Test individual debt transactions for propriety and proper presentation and disclosure in the financial statements.
 - Perform compliance tests related to grant restrictions.
 - Confirm balances with third parties, including banks and/or other lenders.
 - Trace cash receipts to supporting documents including bank statements.
 - Test both the methodology and the accounting for indirect cost allocations, if applicable.
 - Respond to specific fraud risks identified with further substantive tests of details or analytical procedures.
 - Perform observation procedures for significant fixed asset additions.
 - Perform a search for unrecorded liabilities.
 - Propose adjusting journal entries as necessary and provide to the Authority's finance staff.

Reporting

During the reporting phase, we will:

- Perform and document final analytical procedures on the financial statements.
- Draft financial statements and supplemental schedules in accordance with GAAP and review with finance staff.
- Complete detailed GFOA Certificate of Achievement Checklist to ensure the Authority's financial statements meet program requirements.
- Obtain required representations from management and legal counsel.
- Discuss internal control and program compliance observations and recommendations.
- Conduct exit conference with the Authority's finance manager to review financial statements and review findings.
- Resolve all outstanding issues.
- Issue the financial statements, single audit reports, and other requested reports
- In-person presentation of the final audit report at a regular meeting of the Finance & Administration Committee if requested.

SINGLE AUDIT APPROACH

Our Firm's approach to the Single Audit requirements, as specified in the Single Audit Act and OMB Uniform Guidance 2 CFR 200 Subpart F, are as follows:

Objectives

The objectives of the Single Audit are to determine the following:

- ♦ the financial statements of the reporting entity are presented in accordance with GAAP.
- ♦ the reporting entities internal control systems provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations.
- ♦ the reporting entity has complied with laws and regulations that have a material effect on the financial statements and on each major Federal assistance program.

Procedures

- ♦ Identify major and non-major programs and assess inherent and control risks.
- ♦ Perform substantive tests of compliance and tests of internal control over compliance for all major programs as required by the OMB Uniform Guidance 2 CFR 200 Subpart F.
- ♦ Sample sizes will adhere to the guidance found in the sampling chapter of the, "AICPA Audit Guide, *Government Auditing Standards* and Uniform Guidance Audits".

Reports

The following reports relating to Federal assistance programs will be issued:

- ♦ Report on supplementary Schedule of Expenditures of Federal Awards. The schedule presents total expenditures for each program.
- ♦ Report on internal controls used in administering Federal financial assistance programs.
- ♦ Report on compliance with laws and regulations, identifying all findings of noncompliance and questioned costs, and expressing an opinion and other assurances on compliance.
- ♦ Report on fraud, abuse, or illegal acts, or indications of such acts, if discovered.

PROPOSED FEES

All of the requested fee information is based upon our current understanding of the work to be performed and we have given you "not-to-exceed" fees for the services. In the event disclosures in the audits indicate extraordinary circumstances, which warrant more intensive and detailed services, we will provide in advance to management all pertinent facts relative to the extraordinary circumstances, together with our fee basis for such additional services. Fees for subsequent years may reflect a 3% cost of living adjustment.

This proposal is based on the current audit scope, and is made with the assumption that the Authority's books and records will be in a reasonably balanced condition and reconciled at the start of the audit and that the representations made to us during this proposal process will remain effective throughout our engagement.

<u>Description of Service</u>	<u>Total 2/28/2018</u>	<u>Total 2/28/2019</u>	<u>Optional Total 2/28/2019</u>	<u>Optional Total 2/28/2019</u>
Financial Statement Audit	\$ 32,500	\$ 32,500	\$ 33,475	\$ 33,475
Single Audit (Uniform Guidance)	6,500	6,500	6,695	6,695
Attendance at Committee and Board meetings	750	750	773	773
Out of pocket expenses (travel, food, lodging)	-	-	-	-
All inclusive maximum fee	<u>\$ 39,750</u>	<u>\$ 39,750</u>	<u>\$ 40,943</u>	<u>\$ 40,943</u>

<u>Staff</u>	<u>Hourly Rates</u>
Partner	\$ 285
Manager	160
Supervisor	150
Seniors	135
Staff	120
Support Staff	70

EXHIBIT 1

PEER REVIEW REPORT

McGILLOWAY, RAY, BROWN & KAUFMAN

Accountants & Consultants

2511 Garden Road, Suite A180
Monterey, CA 93940-5301
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

System Review Report

July 31, 2015

To the Partners of Price, Paige & Company A C
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 Price, Paige & Company A C in effect for the year ended April 30, 2015. 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 an audit of an employee benefit plan.

In our opinion, the system of quality control for the accounting and auditing practice of Price, Paige & Company A C in effect for the year ended April 30, 2015, 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*. Price, Paige & Company A C has received a peer review rating of *pass*.

McGilloway, Ray, Brown & Kaufman

McGilloway, Ray, Brown & Kaufman

*Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA,
Larry W. Rollins, CPA*

*Sarita C. Shannon, CPA, Whitney Ernest, CPA, Devyn MacBeth, CPA,
Jesus Montemayor, CPA, Smriti Shrestha, CPA, Wei Ding, CPA*

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EXHIBIT 2

AICPA CERTIFICATE OF RECOGNITION



**American Institute of
Certified Public Accountants**

Private Companies Practice Section (PCPS) is proud to present this

Certificate of Recognition to

Price Paige & Company AC

For demonstrating that your firm designed and complied with a system of the quality control standards established by the AICPA during the period 05/01/2014 to 04/30/2015.




Joel C. Olbricht, CPA, CGMA, Chair
PCPS Executive Committee