

BOARD OF DIRECTORS MEETING

October 8, 2020

ITEM 4

PROPOSED CONTRACT WITH NIGRO & NIGRO PC FOR FINANCIAL AUDIT SERVICES FOR THE FISCAL YEARS ENDING JUNE 30, 2020 THROUGH JUNE 30, 2024

SUMMARY OF RECOMMENDATION

Consider approving a contract with Nigro & Nigro PC to provide financial audit services for the fiscal years ending June 30, 2020 through June 30, 2024 for an annual cost of \$15,500, a total cost of \$77,500 over the five-year period.

BACKGROUND

Over the course of approximately fifteen years, the firm of Lamorena and Chang has been providing audit services for KPPCSD for the purpose of expressing an opinion on the presentation of financial statements and making recommendations regarding internal financial controls. Their most recent audit of the fiscal year ending June 30, 2019 was completed for a base cost of \$17,000, plus \$3,125 for additional services to review legal expenses, and \$3,395 for GASB 68 and GASB 75 support services (a total cost for the FY 2018-19 audit of \$23,520).

The Government Finance Officers Association (GFOA) advises that governmental entities enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors, and that entities undertake a competitive process for the selection of independent auditors at the end of the term of each audit contract.

At its meeting of August 13, 2020, the KPPCSD Board of Directors discussed financial audit services for the District and authorized the General Manager to prepare and issue a Request for Proposals (RFP) for audit services for an expected five-year contract. The Board also appointed President Deppe and Vice President Sherris-Watt as an ad hoc committee to oversee the details of the selection of a new auditor.

Request for Proposals Issued

On August 20, 2020, a Request for Proposal (RFP) was broadly distributed to qualified firms for financial audit services. The RFP (Attachment 1) described the required scope of services, the consultant selection process, and the minimum information that must be included in the proposal. The RFP indicated that the goal of the KPPCSD Board of Directors is to enter into a five-year contract for financial auditing services, to include the fiscal years ending June 30, 2020, 2021, 2022, 2023, and 2024, respectively.

Proposals Received

Prior to the due date on September 14, 2020, KPPCSD received two proposals from very qualified firms to perform the audit work described in the RFP. (The complete proposals are attached to this report.) Proposals (with their submitted costs) were received from:

Nigro & Nigro PC	\$	15,500
Mann, Urrutia, Nelson CPA & Associates, LLP	\$	26,700

It should be noted that, consistent with the RFP, the proposals and related costs do not include the GASB 68 and 75 analyses that will need to be contracted separately by the District.

Review Process

The two proposals were reviewed by staff for responsiveness to the RFP, and by the city’s financial consultant, Maze & Associates. Both of the proposals were determined to be of high quality and responsive to the service needs of the District. On September 29, 2020, the ad hoc committee, along with General Manager Lindsay and Finance and Business Manager Katherine Korsak, met (via conference call) for the purpose of formulating a recommendation to the Board. The ad hoc committee determined that, subject to a review of reference checks and work product for other agencies, its recommendation to the Board would be Nigro & Nigro PC.

Following this meeting with the ad hoc committee, the general manager contacted references and reviewed work product for other agencies; references and work product were all excellent.

RECOMMENDATION

Based on the proposals received pursuant to the RFP, and the recommendation of the ad hoc committee (President Deppe and Vice President Sherris-Watt), the staff recommendation is to approve a contract with Nigro & Nigro PC to provide financial audit services for the fiscal years ending June 30, 2020 through June 30, 2024 for an annual cost of \$15,500, and a total cost of \$77,500 over the five-year period.

FISCAL IMPACT

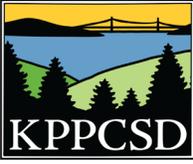
The cost for the recommended consulting services are included in the FY 2020-21 budget.

ATTACHMENTS

1. Request for Proposal for Financial Auditing Services, August 20, 2020
2. Proposal from Nigro & Nigro PC
3. Proposal from Mann, Urrutia, Nelson CPA & Associates, LLP

SUBMITTED BY:

Bill Lindsay
General Manager



Kensington Police Protection and Community Services District

Request for Proposals

Financial Auditing Services

Release Date: August 20, 2020

Deadline for Submittal
Monday, September 14, 2020 3:00 p.m. PDT

Contact: Bill Lindsay, Interim General Manager
Email: blindsay@kppcsd.org
Phone Number: (510) 292-7408

Kensington Police Protection and Community Services District

A. INTRODUCTION

The Kensington Police Protection and Community Services District (KPPCSD) is requesting proposals from qualified certified public accountant firms to audit its financial statements for fiscal years beginning July 1 and ending June 30, in addition to performing other financial audits and reviews as may be requested from time to time. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of State and Local Governments and Non-Profit Organizations*.

This request for proposal (RFP) describes the required scope of services, the consultant selection process, and the minimum information that must be included in the proposal. The goal of the KPPCSD Board of Directors is to enter into a five-year contract for financial auditing services at its regular meeting of Thursday, September 24, 2020, to include the fiscal years ending June 30, 2020, 2021, 2022, 2023, and 2024, respectively.

The firm of Lamorena and Chang has provided financial audit services for the District during the past five years, and for a time frame spanning the last fifteen years, through the fiscal year ending June 30, 2019. While the District has been satisfied with the services, at its meeting of August 13, 2020, the KPPCSD Board discussed the need to rotate audit services from time to time to make certain that there would be a “fresh look” at the District’s financial statements from time to time. This audit rotation policy is also consistent with the provisions of Government Code section 12410.6.(b) which states that a local agency generally must limit an auditor’s tenure to not more than six consecutive years.

Audit reports for the prior twelve years may be accessed on the District’s website by using the following link:

<https://www.kppcsd.org/financial-audits>

The Board seeks to receive final audit reports within six months following the end of each fiscal year. Because of the late release date for this RFP, for the first contract year, the auditor may submit an alternate schedule that extends past this target date.

B. ABOUT THE KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Background on California Special Districts

As described by the California Special Districts Association, the State of California has over 2,000 Special Districts playing a critical role in providing vital services like water and energy, public safety, treatment of wastewater, garbage removal and recycling, and much more. Special Districts are directly accountable to their voters and their ratepayer through:

- Directly elected boards of directors;
- Direct service accountability to voters, taxpayers, and ratepayers;
- Financial accountability; and
- Adherence to state laws pertaining to public meetings, bonded debt, record keeping, and elections.

Background on the Kensington Community and KPPCSD

The unincorporated Kensington community is nestled in the Berkeley Hills among the incorporated cities of Berkeley and Albany in Alameda County, and El Cerrito in Contra Costa County in the San Francisco Bay area. The community occupies one square mile and has approximately 5,000 residents. Land use is almost exclusively residential, with two small, local-serving commercial areas.

Most traditional municipal services in Kensington are provided by Contra Costa County; fire service is provided by the Kensington Fire Protection District; and police protection, parks and recreation, and (contracted) waste management services are provided by the Kensington Police Protection and Community Services District (KPPCSD). The highly educated Kensington residents are actively involved in the governance of their community through these agencies, with a keen interest in the local police services provided by KPPCSD. Approximately 75% of the KPPCSD annual budget funds the police department.

KPPCSD is governed by five unpaid board members elected by the community to serve staggered four-year terms. Two of the five existing Board seats will be elected in November 2020. Board meetings are generally held twice monthly, on the second and fourth Thursdays of the month. Each December, the Board elects one of its members to serve as Board President and one to serve as Board Vice-President for the next calendar year. The President of the Board assigns each of the Board members to serve as chairpersons for the various committees serving the Board.

Revenue to support KPPCSD is mostly property related, including a share of the base (1%) property taxes, two voter-approved property tax overrides, and a landscape maintenance district that helps support park maintenance.

In part due to facility constraints, and current public health restrictions resulting from the coronavirus pandemic, non-police personnel complete much of their duties and responsibilities through remote work.

Each of the four major functional areas of KPPCSD are described below. It may be important to note that there has been substantial turnover in the management of the District within the past year. In particular:

- There is currently an interim General Manager, whose tenure dates back to April 1, 2020 (there is a current active recruitment for a permanent General Manager);
- The Finance and Business Manager's tenure dates back to November of 2019;
- The Board Secretary's tenure dates back to December 2019;
- There is currently an interim Police Chief as of May 2020, although there is not

currently an active recruitment for a permanent Police Chief.

Administration

The Administration section oversees business and finance functions of the District. The General Manager implements policies at the direction of the Board of Directors, and advises the Board on efficient delivery of services and best practices to achieve an effective organization. The General Manager oversees major projects, and works cross-sectionally to explore methods to improve accountability, fiscal stability, cost effectiveness, and professional standards.

Budgeted personnel (FY 2020-21) in the Administrative section consist of a 0.50 full-time equivalent General Manager, a 0.50 FTE Finance and Business Manager, a 0.50 FTE District Board Secretary, a 0.25 Accountant, and a 0.50 Administrative Assistant.

Police

The Kensington Police Department was established in the mid-1940's, and provides a full range of local, municipal-type police services. Typical responsibilities include crime prevention, traffic control, neighborhood patrol, responding to emergency calls, issuing traffic and parking citations, enforcing warrants, mediating disputes, investigating crimes, investigating traffic accidents, providing first aid, enforcing warrants, arresting violators, testifying in court, and enforcing court orders.

Budgeted personnel (FY 2020-21) in the Kensington Police Department consist of a total of 10.5 FTE, including a Police Chief, a Police Captain, two Sergeants, six officers and a 0.50 FTE Police Services Aide.

Community Center and Park

KPPCSD maintains a recently renovated Community Center, Kensington Park and surrounding amenities, including the tot lot, swings, picnic areas, basketball court, and tennis courts. For many years, the District has entered into agreements with the Kensington Community Council (KCC) to offer recreation programs for school children and adults at the Community Center. KCC is a not-for profit organization that also helps raise funds and provides volunteers to help maintain the Community Center and Kensington Park.

Solid Waste

In 1979, Kensington residents voted to add solid waste to the services provided by the Kensington Police Protection and Community Service District. These services are now provided through a franchise agreement with Bay View Refuse and Recycling. The District's most recent franchise agreement with Bay View commenced in 2015 and will expire in 2023. Through this agreement, Bay View Refuse and Recycling provides weekly garbage collection and twice-monthly green waste pick-ups.

C. SCOPE OF FINANCIAL AUDITING SERVICES REQUESTED

Audit Services

The Kensington Police Protection and Community Services District is requesting an independent audit of its basic financial statements to be fully compliant with all current GASB pronouncements. Specifically, the selected independent auditor will be required to perform the following tasks:

- Perform an audit of all funds of the District, to be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States in full compliance with all current GASB pronouncements.
- Render an auditors' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements.
- Apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the District.
- As may be necessary, perform a single audit on the expenditures of federal grants in accordance with the Uniform Guidance requirements.
- Issue a separate "management letter" to the general manager that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions.

Auditing Standards

To meet the requirements of this Request for Proposals, the audit shall be performed in accordance with:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accounts;
- The standards applicable to financial audits contained in the most current version of the *Generally Accepted Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States;
- The provisions of the Single Audit Act as amended in 1996; and
- The provisions of U. S. Office of Management and Budget, the Uniform Guidance, and applicable OMB Compliance Supplements.

Working Paper Retention

All working papers and reports must be retained at the auditor's expense for a minimum

of seven (7) years, unless the firm is notified in writing by the District of the need to extend the retention period. The auditor will be required to make working papers available to the District or any government agencies included in the audit of federal grants. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties: general manager; District legal counsel, and the Business and Finance Manager.

D. RFP SCHEDULE

The following is the tentative schedule for selection of financial auditing services:

Date	Activity
August 20, 2020	Release RFP
September 2, 2020	Final day to submit questions (5:00 PM)
September 7, 2020	Responses to questions provided to as a supplement to the RFP
September 14, 2020	Proposal due date
September 24, 2020	District Board selection of consultant
September 30, 2020	Approximate effective date of contract

E. PROPOSAL FORMAT GUIDELINES

The proposal should be concise, well organized, and demonstrate the proposer's qualifications and experience applicable to the project. The proposal shall not exceed 30 double-sided pages (8.5 inches x 11 inches), inclusive of graphics, forms, pictures, photographs, dividers, etc., resumes, required forms, certifications, front and back covers, or letters of commitment from sub-consultants. The required font size is 12 point.

Each proposal should adhere to the following order and content of sections. Emphasis should be concentrated on conforming to the RFP instructions, responding to the RFP requirements, and on providing a complete and clear description of the offer.

The following proposal sections are to be included in the consultant's response:

1. Auditor's Cover Letter

A cover letter should summarize key elements of the proposal and shall:

- Confirm that all elements of this RFP have been reviewed and understood, and include a statement of intent to perform the services as outlined in the scope of services;
- Express the firm's willingness to enter into an agreement under the terms and conditions prescribed by this RFP, and industry standard insurance provisions;
- Stipulate that the proposal price will be valid for a period of at least 180 days; and
- Identify a single person for contact during the RFP review process.
- Verify that the firm and all assigned key professional staff are properly licensed to practice in California.
- Provide an affirmative statement that the firm is independent of the District as defined by auditing standards generally accepted in the United States of America and the General Accounting Office's *Government Auditing Standards*.

The cover letter shall be signed (or electronically signed) by an authorized official of the company.

2. Background and Qualifications

This section shall include the following items:

- Provide background information on the firm, including details of the firm's experience performing financial audits for similar agencies, specifically including special district audits;
- Provide a list of financial audits completed within the past two years, with a description of the functions of the agencies for which work was completed;
- Include information that demonstrates the firm's experience in seeking a diverse workforce;
- Include a brief resume of the individual(s) assigned to this project;
- Provide a minimum of five references with related contact information;
- Include information about the firm's current engagements and an affirmation of the firm's ability to focus on this project to meet the timelines.

3. Technical Approach

The proposal should explain the audit methodology for performing the scope of services in this request for proposals. In developing the work plan, reference should be made to such sources of information as KPPCSD's budget and related materials, organizational charts, manuals, programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- Proposed segmentation for the engagement;
- Level of staff and number of hours to be assigned to each proposed segment of the engagement;
- Sample size and the extent to which statistical sampling is to be used in this engagement;
- Type and extent of analytical procedures to be used in this engagement;
- Approach to be taken to gain and document an understanding of the District's internal control structure;
- Approach to be taken in determining laws and regulations that will be subject to audit test work; and
- Approach to be taken in drawing audit samples for purposes of tests of compliance.

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the District.

4. Proposed Schedule

Provide a proposed schedule that identifies the various phases of the audit process, and when these phases will generally begin and conclude. Please note that the expectation is that a final audit report be delivered within 180 days following the end of each fiscal year. Please also identify the responsibilities of KPPCSD that are necessary to meet this timeline.

5. Cost Information

Submit a cost proposal, including consulting fees and reimbursable expenses for each of the five years anticipate in the contract. Payment terms should also be addressed.

6. Value Added Services

Please provide any additional services of benefit not specifically required herein.

7. Contractor Assignment of Sub-Contract

Provide an indication of any subcontracts to be employed for completing the work. Note that any resulting contract for the project shall not be assigned, transferred, or sublet, in whole or in part, without the prior written approval of the KPPCSD. If responders to this RFP intend to subcontract any portion of the resulting contract, they must so state in their proposal.

F. PROCESS FOR SUBMITTING PROPOSALS

Questions Concerning Request for Proposals

All questions must be submitted via email to the KPPCSD Interim General Manager by 5:00 PM PDT, on September 2, 2020. If necessary, responses to questions will be provided through an addendum to the RFP and distributed to potential responders on or prior to September 7, 2020.

Any party submitting a proposal shall not contact or lobby any District boardmember, District official, employee (except those specified for contact) or agent regarding the RFP. Any party attempting to influence or circumvent the RFP, bid submittal, and review process may have their proposal rejected for violating this provision of the RFP.

Submission of Proposals

Please submit an email response (.pdf format) to this RFP no later than 3:00 PM, local time, on September 14, 2020 to blindsay@kppcsd.org. KPPCSD staff may request that email proposals be supplemented with no more than seven (7) hardcopies of the proposal if necessary for Board distribution. If requested, hardcopies shall be mailed to:

Kensington Police Protection and Community Services District
217 Arlington Avenue
Kensington, California 94707-1401

Attention: Bill Lindsay, Interim General Manager

The emailed proposal and any required certifications shall be signed by an individual or individuals authorized to execute legal documents on behalf of the proposer.

Proposer is responsible for submitting its entire proposal package with all required submittal documents and any modifications or revisions in order to reach the KPPCSD's office as designated in the RFP by the time specified above. Any proposal, modification, or revision received by the KPPCSD after the exact time specified for receipt of proposals is "late" and will not be considered

The proposer shall be solely responsible for its delivery to the District prior to the date and hour set forth herein. Any proposals received subsequent to the date and hour set forth herein, because of delayed mail delivery or any other reason, will not be considered by the District.

G. GENERAL GUIDELINES

This RFP does not commit the KPPCSD to award a contract, to defray any costs incurred in the preparation of a proposal pursuant to this RFP, or to procure or contract for work. The KPPCSD may reject a proposal without providing the reason(s) underlying the declination. A failure to award a contract to the proposer with the lowest cost

proposal shall not constitute a valid cause of action against the KPPCSD. The District shall not be responsible for work done, even in good faith, prior to final approval of the proposed contract. The District may investigate the qualifications of any respondent under consideration, require confirmation of information furnished by the respondent, and require additional evidence or qualifications to perform the services described in this RFP.

The District reserves the right to:

1. Reject any or all proposals.
2. Issue subsequent Requests for Proposal.
3. Postpone opening for its own convenience.
4. Remedy technical errors in the Request for Proposal process.
5. Negotiate with any, all, or none of the respondents.
6. Solicit best and final offers from all or some of the respondents.
7. Select one or more respondents.
8. Accept other than the lowest proposed fees.
9. Waive informalities and irregularities in proposals.

Public Records

All proposals submitted in response to this RFP become the property of the KPPCSD and public records; as such, they may be subject to public review. Documents protected by law from public disclosure will not be disclosed by the KPPCSD if clearly marked with the word "confidential" on each applicable page. Trade secrets may be marked as confidential only to the extent they meet the requirements of California Government Code section 6254.7. Only information claimed to be a trade secret at the time of submittal to the KPPCSD and marked as "confidential" will be treated as a trade secret.

Contract

The successful responder will be required to enter into a service contract with KPPCSD that is approved by the District's legal counsel.

Withdrawal of Proposals

A respondent may withdraw their proposal before the expiration of the time for submission of proposals by delivering to the Interim General Manager a written request for withdrawal signed by, or on behalf of, the respondent.

H. PROPOSAL EVALUATION AND SELECTION PROCESS

All proposals shall be reviewed to verify that the respondent has met the minimum requirements.

The District Board may require selected firms to be available to attend a Board meeting or engage in a conference telephone call, or both, to make a presentation or to respond to questions from Board. (Based on public health restrictions imposed as a result of the coronavirus pandemic, all meetings and interviews will be completed

remotely, unless such restrictions are lifted prior to completion of the recruitment process.)

The District reserves the right to reject any or all proposals, or to make no award. The District also reserves the right to require modifications follow-up with requests for additional information, including, but not limited to, follow-up interviews.

Selection Criteria

The criteria upon which the evaluation of the proposals will be based include, but are not limited to, the following:

- **Adherence to the Requirements of this RFP** – The proposer’s responsiveness to the RFP including completeness and thoroughness of proposal; all required information must be provided in the format specified.
- **Qualifications and Experience** – Qualifications and experience with services outlined in this RFP, including experience with audits of special districts, and depth of individuals/ service team assigned to this recruitment.
- **The Proposal/Methodology and Approach to Work** – This category will also evaluate:
 - Approach and proposed methodology to project scope
 - Demonstrated knowledge of the work required
 - Innovative approaches and internal measures for timely completion of the project
- **Schedule and Availability** – Consideration will be given based upon the firm’s experience, years in business, past and current client references; technical expertise and professional competence in areas directly related to this RFP; number of years of experience in performing similar work.
- **Cost**
- **Reference Contact Results**

* * * * *

The KPPCSD Board of Directors thanks you for your interest in this project.

**PROPOSAL FOR FINANCIAL AUDITING SERVICES
Kensington Police Protection & Community Services District**

**For the Fiscal Years Ending
June 30, 2020-2024**



Respectfully Submitted by:

Paul J. Kaymark, CPA

Nigro & Nigro, PC

pkaymark@nncpas.com

Walnut Creek: 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

Murrieta Office: 25220 Hancock Ave. #400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064

Let's Work Together!



*By applying our financial expertise,
we partner with our clients to build
valuable relationships that inspire success.*

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September 11, 2020

Bill Lindsay
Interim General Manager
Kensington Police Protection & Community Services District
217 Arlington Avenue
Kensington, CA 94707-1401

Dear Mr. Lindsay:

Thank you for the opportunity to submit this proposal to provide auditing services for the Kensington Police Protection & Community Services District. Our understanding of the work to be done is: the annual audit of the District's financial statements for the years ending June 30, 2020-24. Based on our history with special districts, I believe our firm would be a great fit, and we would develop a great working relationship. Our staff works hard to help ensure our audits are completed with the highest level of service and meet all deadlines.

Although many people think that all special districts function in the same manner, we know that's not the case. The audit leadership team we've assigned to your district, including myself, will take the time to learn the intricacies of your organization. We find that by delving deep into our client's structure and operations we are able to make recommendations that are not only useful, but also practical to implement.

At Nigro & Nigro, PC, our greatest strengths correspond to your most critical needs; we possess the full spectrum of resources needed to most effectively help the District's management team and Board members meet their goals – all at a very competitive rate. We believe we are your best choice.

- **Credibility, Reputation, and Resources of a Large Firm** without sacrificing the small-firm touch. Our CPAs and consultants can help you analyze and address financial, operational, and regulatory issues so you can focus attention on serving your citizens. We were originally formed in 1999, and now perform annual audits for approximately 60+ public agencies annually.
- **State-Wide Reach with Local Presence.** At Nigro & Nigro, we have the benefit of having the resources of a state-wide firm while serving you from our Walnut Creek office. We also have an office in Murrieta for additional resources.

- **Efficiency.** Our use of portal software allows you to upload audit documentation at any time, which will minimize disruption to your staff and enable timely completion of all deliverables.
- **An Efficient and Effective Work Plan.** We currently serve over 60+ governmental entities state-wide, which enables our staff to understand the scope of the audit. We also understand the District's complexities, not just from a compliance standpoint but also from an operational point of view. We have developed an effective work plan that takes into consideration your needs for high quality audit services, as well as timely deliverables. As a result of our efficient work plan, we commit to meeting your deadlines to complete our auditing services within the time period you specify.
- **Thought Leadership.** Members of our firm have been actively involved as presenters in numerous industry conferences and programs, including the GFOA, CSDA, and CSMFO. We have incorporated our experience with these committees into our audit framework.
- **Engagement Team.** We know that quality people drive quality results, which is why our commitment to you starts with the engagement team members who are selected based on their experience, focus on serving local government agencies, and who are the best fit for you. Each of the District's engagement team members have completed and exceeded the mandatory requirement for continuing professional education hours as requested in the RFP. Paul Kaymark, Partner, will be the main contact for the District regarding this project.
- **A Focus on Providing Consistent, Dependable Service to Government Entities.** Nigro & Nigro is organized by industry, affording our clients with industry-specific expertise supplemented by valuable local service and insight. Therefore, the District will enjoy the service of members of our Governmental Audit Services Team who have experience with similar governmental entities and understand the issues and environment critical to you. You will not have to train our auditors.

Our standards require that we be without bias with respect to your operations. The Firm is independent of all entities listed in the RFP, as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's "Governmental Auditing Standards". In addition, the Firm shall give the District written notice of any relevant professional relationships entered into during the period of this agreement.

The Firm has had no prior engagements with the District, nor are there any personal or organizational conflicts of interest as prohibited by law.

The Firm and its entire CPA staff hold licenses to practice in the State of California. The Firm's CPA's are all members in good standing with the California Society of CPA's and the AICPA. We will assign a California licensed CPA as the auditor in charge of the audit.

You may have many options in selecting a professional audit firm. By choosing Nigro & Nigro, you will gain value-added accounting and operational insights. We are the right fit for the District, as we have the expertise and depth of resources within our firm to offer you exceptional service while maintaining a sincere and honest relationship. We understand the work, we are committed to meeting your deadlines, and we would like the opportunity to be your auditors. We also commit to meeting or exceeding your expectations.

It is understood that the District reserves the right to reject this proposal and that this proposal is a firm and irrevocable offer for 180 days from the date of the proposal.

Thank you once again for the opportunity to present our qualifications. If you have any questions about our offerings, please do not hesitate to contact me.

Sincerely,



Paul J. Kaymark, CPA
Audit Services Partner
25220 Hancock Ave. #400
Murrieta, CA 92562
pkaymark@nncpas.com
(951) 698-8783

BACKGROUND & QUALIFICATIONS

Experience

Nigro & Nigro team members are highly trained in governmental accounting and auditing, which sets us apart as being able to add value beyond the basic attest engagement. We are comfortable working with clients of various sizes. Within the past five years, we have worked with numerous governmental clients with revenues ranging from \$200,000 to over \$300 million.

Prior to any audit engagement, our engagement team leader will meet with the Board, Audit Committee and Management to gain a full understanding of the philosophy, objectives and policies for operating the organization, as well as to discuss significant business, regulatory and accounting matters that will affect the audit. At the conclusion of the audit, we will communicate the results of the audit with the Board, Audit Committee and Management.

Areas of specialization include:

- Audit and Review Services
- Government Auditing Standards & Single Audits
- Annual Report of Financial Transactions
- Agreed Upon Procedures Engagements
- Comprehensive Annual Financial Report (CAFR) development

Size of Our Firm

Firm-wide, we have the following staffing for our governmental audit services:

Position	Number of Employees	Number of Licensed CPA's
Partner*	5	5
Manager	1	1
Supervisor	1	-
Senior	4	1
Associates	8	-
Support Staff	3	-
Total	22	7

**Although the term "partner" is used throughout this proposal to avoid confusion, the firm is organized as a Professional Corporation, and the firm's owners are "shareholders."*

BACKGROUND & QUALIFICATIONS (CONTINUED)

Size and Location of Offices

The Firm was originally established in 1999. In 2013, we opened our second office in Northern California in order to better serve our growing client base of school districts in the San Francisco Bay Area. The Firm now has five partners and a professional staff of 18 accountants and expects to add more in the coming years as we continue to grow. We are a full service firm, providing audit and review, tax, consulting, and accounting services to local government, non-profit organizations, charter schools, commercial businesses and homeowners' associations. The office serves clients of all sizes and industries, however, we focus on government agencies, just like yours.

We are prepared to do what it takes to provide the extra level of service required to maintain a long-term business relationship.



WALNUT CREEK OFFICE



MURRIETA OFFICE

Past Performance / Disciplinary Action

The Firm has not had any State desk reviews or field reviews of its audits in the last five years. We also have had no disciplinary action taken or pending against the Firm during the past five years with state regulatory bodies or professional organizations.

Meet Your Audit Leadership Team

Listed on the following pages are the resumes of the management team that will be assigned to your audit. As mentioned previously, our staff members have considerable governmental audit experience. This gives us a pool to draw on in addition to the group listed.

Name	Role	Years of Experience in Audits
Paul J. Kaymark, CPA	Lead Partner	24
Peter Glenn, CPA	Review Partner	11
Jared Solmonsens, CPA	Audit Senior	2
Stacy Macias	Audit Senior	2
Anabel Cruz	Audit Associate	1

BACKGROUND & QUALIFICATIONS (CONTINUED)

Staff Continuity

Effective service relies on a strong-working relationship between clients and our staff. For this reason, we do our best to ensure a consistent audit team is working on the engagement not only throughout the year, but in each subsequent year. This helps enable us to best respond to the specific needs of our clients, and will prevent your staff from feeling like they must “train” new auditors each year.

Our firm has been fortunate to experience less than typical turnover for a typical CPA firm. The average length of time a typical auditor has been employed by the firm is around four years. We find that our employees enjoy coming into work every day, which in turn provides a much better client experience.

Paul J. Kaymark, CPA

Lead Audit Partner

Paul recently joined the firm after more than 24 years of previous public accounting and auditing governmental entities experience. Paul is our choice for new governmental audit clients, having extensive experience in the areas of governmental entities. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

Audit Services:

Mr. Kaymark has been working on audit engagements of governmental agencies, not-for-profit organizations, as well as for-profit corporations and companies. His previous experience includes audit and consulting work for large and small businesses with a focus on client service. Paul strives to build strong relationships with his clients by assisting them with any emerging issues and being available as a resource.

Consulting Services:

Mr. Kaymark has experience in a variety of governmental issues, garnered from his auditing experience over the years. He regularly consults with clients in areas of:

Special District Accounting:

- Internal controls
- Financial reporting
- Annual report of financial transactions

Financial Reporting:

- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections
- Pension and OPEB accounting

Some Agencies Served:

- Big Bear City Community Services District
- Golden Hills Community Services District
- Pauma Valley Community Services District
- Phelan Pinon Hills Community Services District
- Rosamond Community Services District
- Stallion Springs Community Services District



Education:

Bachelor of Science, Business Administration, Accountancy
California State University, Long Beach
1994

Licenses and Certifications:

- Certified Public Accountant, California
- GFOA Certificate for Excellence in Financial Reporting - Reviewer

Professional Affiliations:

- Government Finance Officers Association (GFOA)
- California Society of Municipal Finance Officers (CSMFO)
- California Special District Association (CSDA)

Continuing Education:

Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation including:

- Governmental and Nonprofit Annual Update
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates



Water and Wastewater Clients Audited and/or Consulted With over My Career

Water and Wastewater

Metropolitan Water District of Southern California
 Los Angeles County Sanitation District
 Long Beach Water Department
 Glendale Water and Power
 Colton Public Utilities
 Baldy Mesa Water District
 Bear Valley Community Services District
 Beaumont-Cherry Valley Water District
 Big Bear City Community Services District
 Cabazon Water District
 California Domestic Water Company
 Casitas Municipal Water District
 Castaic Lake Water Agency
 Chino Basin Water Conservation District
 Chino Basin Watermaster
 Coachella Valley Water District
 Diablo Water District
 East Orange County Water District
 El Toro Water District
 Farm Mutual Water Company
 Golden Hills Community Services District
 Goleta Water District
 Hi-Desert Water District
 Inverness Public Utilities District
 Irvine Ranch Water District
 Joshua Basin Water District
 Jurupa Community Services District
 Leucadia Wastewater District
 Mesa Consolidated Water District
 Mojave Water Agency
 Monte Vista Water District
 Montecito Water District
 North Coast County Water District
 North Marin Water District
 Novato Sanitary District
 Palmdale Water District

Water and Wastewater, continued

Phelan Pinon Hills Community Services District
 Pomona Valley Protective Agency
 Purissima Hills Water District
 Rincon del Diablo Water District
 Rosamond Community Services District
 Rossmoor Los Alamitos Area Sewer District
 Sacramento Suburban Water District
 San Bernardino Valley Water Conservation District
 San Gabriel valley Municipal Water District
 San Lorenzo Valley Water District
 Santa Ana Watershed Project Authority
 Santa Margarita Water District
 Saticoy Sanitary District
 Solano County Water Agency
 Soquel Creek Water District
 Stallion Springs Community Services District
 Summerland Sanitary District
 Trabuco Canyon Water District
 Tres Pinos Water District
 Triunfo Sanitation District
 Twentynine Palms Water District
 Vallecitos Water District
 Valley County Water District
 Ventura Regional Sanitation District
 Victor Valley Water District
 Victor Valley Wastewater Reclamation Authority
 Victorville Water District
 Water Facilities Authority - Joint Power Agency
 Water Replenishment District
 West County Agency
 West County Wastewater District
 West Valley Water District
 Westborough Water District
 Western Municipal Water District
 Western Riverside County Regional Wastewater
 Yorba Linda Water District

Peter Glenn, CPA

Review Partner

Peter joined the firm in 2011 after nearly three years of previous public accounting and auditing experience. Peter will work under the general direction of the partner. Peter is our choice for new governmental audit clients, having successfully worked on each of the Firm's clients since beginning with the Firm. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

Audit Services:

Peter Glenn began his auditing career with Nigro & Nigro in 2011, participating in audits of special districts, LEAs, other governmental audits, and agreed-upon procedure engagements. Prior to joining the firm, he worked for three years at another public accounting firm, developing his auditing skills. He has previously been the in-charge accountant for some of the firm's largest clients.

Consulting Services:

Mr. Glenn has experience in a variety of governmental accounting issues, derived from his auditing experience at the firm. He regularly consults with clients in areas of:

Special District Accounting:

- Internal controls
- Financial reporting & GASB 34
- Annual report of financial transactions

Financial Reporting:

- Uniform Guidance
- Performance Audits
- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections

Other Agencies Served:

- Riverside County Open Space and Park District
- Cahuilla Band of Indians
- Central Basin Municipal Water District
- Murrieta Valley Cemetery District
- Elsinore Valley Cemetery District
- Alamo-Lafayette Cemetery District
- Bodega Bay Fire Protection District
- Los Angeles Harbor Cemetery District



Education:

Bachelor of Science, Business Administration, Accounting
California State University,
San Marcos, 2008, Magna Cum Laude

Licenses and Certifications:

- Certified Public Accountant, California

Continuing Education:

- CASBO Annual Conference
- SSC Finance & Management Conferences
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)



BACKGROUND & QUALIFICATIONS (CONTINUED)

Training & Resources

The Firm is committed to a continuing professional education program, which emphasizes the areas of expertise of each member of our professional staff. The Firm is required to comply with the *Government Auditing Standards* for each professional practicing in the area of governmental accounting and auditing. We are committed to follow those standards, which result in quality audit services, including continuing education for all staff of 60-80 hours each year, specifically in school districts and governmental auditing. As required by *Government Auditing Standards*, all governmental audit staff receives the required continuing education in the area of governmental auditing and accounting. These policies are monitored internally, reviewed annually and certified periodically by independent peer review.

Library facilities are maintained which include current professional literature and specific information for the industries that we serve. The Firm library is also reviewed as part of the external quality review program. The Firm has in-house training programs specific to our school district clients. We also perform auditing and accounting updates for our clients that are organized by our staff. These practices ensure the quality of our staff over the term of the engagement.

Our staff participates in activities relating to government accounting and reporting issues through our membership and involvement with the following organizations:

- a. American Institute of CPA's Governmental Audit Quality Center
- b. California Society of CPAs
- c. Government Finance Officers Association (GFOA)
- d. California Special Districts Association (CSDA)
- e. Government Accounting Standards Board (GASB)
- f. Association of Certified Fraud Examiners (ACFE)

Through our participation in these organizations and continuing education provided by them, the Firm continues to stay abreast of all current governmental accounting and reporting issues. Some of the professional education our audit team members have either presented at or attended in the last two years include:

- SSC Annual Finance and Management Conference
- SSC Governor's Budget Workshop
- CSDA Annual Conference
- CSMFO Conference
- GFOA Annual Conference
- Various other governmental workshops



We recognize that our most important product is prompt and effective service.

We recognize that our most important product is prompt and effective service. We believe the District should work with its CPA firm throughout the entire year. We are available at any time throughout the year to provide any assistance you may need.

BACKGROUND & QUALIFICATIONS (CONTINUED)

References

We currently conduct over 60+ government audits each year and have well rounded experience with local governmental agencies. We are excited for the opportunity to devote our attention to you and your specific needs. Below is a partial list of some similar governmental clients we have audited within the past three years.

Organization Name:	Stallion Springs Community Services District
Contact Person:	Jenni Morris, Financial Officer
Address:	27800 Stallion Springs Drive Stallion Springs, CA 93561
Phone:	(661) 822-3268

Organization Name:	Pauma Valley Community Services District
Contact Person:	Bobby Graziano, Administrator
Address:	33129 Cole Grade Road Pauma Valley, CA 92061
Phone:	(760) 742-6900

Organization Name:	Big Bear City Community Services District
Contact Person:	Shari Strain, Finance Officer
Address:	139 East Big Bear Blvd. Big Bear City, CA 92314
Phone:	(909) 585-2562

Organization Name:	Casitas Municipal Water District
Contact Person:	Denise Collin, CFO
Address:	1055 N. Ventura Ave. Oak View, CA 93022
Phone:	(805) 649-2251 x 103

Organization Name:	Oxnard Harbor District
Contact Person:	Austin Yang, Director of Finance
Address:	333 Ponomo Street Port Hueneme, CA 93041
Phone:	(805) 488-3677

Affirmation of Ability to Meet Deadlines

While the Firm does conduct other audit engagements, we take pride in the fact that we provide each client with individualized focus. We can affirm that we will do our best to meet timelines during the current COVID-19 pandemic.

TECHNICAL APPROACH

Specific Audit Approach

We will audit the basic financial statements of the District for the fiscal year ended June 30, 2020 in accordance with the following standards:

- Auditing Standards Generally Accepted in the United States of America
- *Government Auditing Standards*, issued by the Comptroller General of the United States
- Minimum Audit Requirements and Reporting Guidelines for Special Districts

Our audit will be for the purpose of expressing an opinion on the basic financial statements, and will include such auditing procedures as considered necessary to accomplish this purpose. We will also provide an "in-relation-to" opinion on any other supplemental information and statistical schedules. We anticipate issuing the following reports:

- Independent Auditors' Report on the basic financial statements.
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

In addition, we will provide the District with a management letter that will give written appraisals of its accounting and related systems. This letter will identify any control deficiencies, significant control deficiencies or material weaknesses that are identified during the audit. We will work with management before audit fieldwork and during the course of the audit to assess internal controls and review mitigating controls in place in an effort to reduce the control deficiencies, significant control deficiencies and material weaknesses that need to be reported to management in writing, assuming there are mitigating controls in place. The letter will also offer recommendations for the elimination of weaknesses that we identify, and we will suggest any methods we discover to help improve efficiency and effectiveness.

We will schedule an appearance with the Board and the Audit Committee that allows an opportunity for us to present the audit and management letter. This is an excellent time for the District to resolve any questions it has regarding our audit or management letter. As mentioned earlier, the value in hiring our Firm comes from not only the audit, but from our experience and the education, we can provide. We hope that as questions or concerns arise throughout the year, the District staff will contact us and draw on our knowledge and experience.

Non-significant deficiencies discovered during the audit process shall be reported in a separate letter to management, the Board and the Audit Committee, which shall be referred to in the report(s) on internal controls.

TECHNICAL APPROACH (CONTINUED)

Specific Audit Approach (continued)

This separate letter also informs the Board and the Audit Committee of the following:

- 1) The auditor's responsibility under auditing standards generally accepted in the United States of America.
- 2) Significant accounting policies.
- 3) Management judgments and accounting estimates.
- 4) Significant audit adjustments.
- 5) Other information in documents containing audited financial statements.
- 6) Disagreements with management.
- 7) Management consultation with other accountants.
- 8) Major issues discussed with management prior to retention.
- 9) Difficulties encountered in performing the audit.

All working papers and reports will be retained at the Firm's expense for a minimum of seven (7) years, unless the Firm is notified in writing by the District of the need to extend the retention period.

Segmentation of Engagement

STEP 1: Planning

Our goal in preliminary fieldwork is to gain a thorough understanding of your internal controls, processes and procedures. Our goal is to accomplish as much interim fieldwork as possible so that our stay during final fieldwork is kept to a minimum. Our preliminary work focuses on planning and internal control documentation.

STEP 2: Interim Field Work

Internal Control Documentation

Our internal control documentation usually occurs during interim fieldwork. Our documentation process will be as follows:

- 1) Gather or update documentation for significant processes defined in our preliminary fieldwork.
- 2) Perform a "walk-through" of these significant processes.
- 3) Ask "what can go wrong" questions.
- 4) Identify controls in place. This will include both preventative and detective controls.
- 5) Evaluate the design of internal controls.
- 6) Decide whether to test and rely on controls.
- 7) Summarize preliminary fieldwork and submit management letter of all areas of concern.

TECHNICAL APPROACH (CONTINUED)

Segmentation of Engagement (continued)

STEP 3: Final Fieldwork

We assess risks, design procedures and obtain evidence to support financial statement amounts and disclosures during final fieldwork. Our Firm utilizes a methodology designed specifically for special districts. Our process emphasizes continuous communication with our staff.

Assess Risks and Design Procedures

As outlined in the risk based statements of audit standards (SAS 104 to 111), our Firm uses a risk-based approach to the audit. Our procedures to assess risks and design procedures are as follows:

- 1) Assess risk of material misstatement from errors or fraud based on internal controls combined with inherent risk of significant accounts.
- 2) Design procedures to test controls if considered necessary.
- 3) Design procedures to test details of account balances and classes of transactions based on risk.

Interim and Year End Testing

- 1) Perform tests of controls if considered necessary.
- 2) Perform tests of details of account balances and classes of transactions.
- 3) Evaluate quality and sufficiency of audit evidence.
- 4) Evaluate misstatements.

STEP 4: Audit Completion

Preparation of Audit Report and Management Letter

After reviewing the financial statements, notes and required supplementary schedules, we will agree the data to our working papers and provide a thorough review of all information by using written Firm standards and checklists. We will also review and incorporate any statistical data. This will verify appropriate presentation and disclosure. We will also at this time prepare our management letter that identifies financial trends and recommendations for improvement, reports required communications to the governing board, and discusses change in the environment in which the Agency operates.

TECHNICAL APPROACH (CONTINUED)

Proposed Schedule/Level of Staff Number of Hours Assigned to Each Segment

We will provide a detailed audit plan and prepare a list of schedules upon proposal acceptance. The following table summarizes our proposed segmentation of the engagement by date, segment, and level of staff:

Date/Segment	Total Hours			Total
	Partner/Manager	Supervisor	Staff/Admin	
May/June				
Preliminary planning and fieldwork	2	4	8	14
May/June				
Interim fieldwork	18	18	16	52
September/October				
Final fieldwork, report preparation, review, finalization, and presentation	30	25	32	87
Total hours	50	47	56	153

Sample Size and the Extent to Which Statistical Sampling is to be Used

We perform sampling techniques and determine sample size after assessing the risk associated with specific transaction classes. No single “cookie-cutter” approach will be followed in regards to sampling techniques, but the District can be assured that an appropriate sampling methodology will be utilized. We use the following methods of sampling during our audits: statistical, haphazard, and judgmental. For statistical sampling we use guidance provided by the AICPA and by federal guidelines in accordance with industry standards, which typically recommends sample sizes between 40 to 60 items.

Type and Extent of Analytical Procedures to be Used

We will perform analytical procedures throughout the course of our audit. Professional standards require that analytical procedures be performed in the planning and wrap-up stages of the audit. Analytical review will be used during our expenditure, revenue, budget information as well as many other areas.

These procedures typically entail a review of interim reports, budgets, and comparisons to prior year data. We also use financial statement amounts to calculate certain ratios to determine whether any unusual or unexpected relationships exist in the financial data.

These procedures are then followed by inquiry of key District personnel to corroborate the auditors' expectations based on the data.

TECHNICAL APPROACH (CONTINUED)

Approach to be Taken to Gain and Document an Understanding of Internal Control Structure(s)

Our audit approach will entail interviews with key personnel in the District involved in the design and implementation of internal controls. In conjunction with the interviews, we will perform tests and observations of how well the controls function. Key areas of internal control generally include: cash receipting, accounts payable/purchasing, payroll/personnel, technology, facilities, and maintenance and operations.

Approach to be Taken in Determining Laws and Regulations That Will be Subject to Audit Test Work

We are required to obtain an understanding of the possible financial statement effect of laws and regulations that have a direct and material effect on the determination of financial statement amounts. The determination of laws and regulations is addressed in the planning stage through reading available grant documentation, inquiry of the client, a preliminary review of finance system accounts and search of the Board minutes. We also have working knowledge of the types of laws and regulations under which California special districts operate. We also obtain further information about federal laws and regulations through the Catalog of Federal Domestic Assistance (CFDA) and the Uniform Guidance.

Approach to be Taken in Drawing Audit Samples

Since each program or grant agreement is different, we use many different approaches to sampling in our tests of compliance. The size of the sample considers many factors; size and risk of the program, program maturity, complexity, level of oversight and prior audit findings. AICPA Guidelines generally recommend sample sizes of 25, 40, or 60 items when the population is greater than 250. Ultimately, our professional judgment determines that a representative number of transactions have been selected. You can be confident in our judgment because our peer reviews and an outside review by the U.S. Department of Education have all accepted our audit sampling techniques and procedures.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

At this time, we anticipate no audit problems. Should problems arise, the engagement partner will arrange a meeting with key staff and/or Board members to resolve the situation accordingly. We have a “no surprises” commitment to all of our clients. We strongly believe viewing the draft copy of an audit report is not the time when potential problems should be brought to management’s attention. We stress open lines of communication between the District and its auditors. We take a proactive stance on assisting our clients with the difficult treatment of accounting for certain non-routine transactions.

Should minor issues arise, we address the situations and bring it to the attention of the appropriate level of management. All issues are periodically discussed with management at exit conferences which are conducted at the conclusion of each segment of the audit. Our preliminary testing results are documented in writing with copies distributed to management outlining areas for improvement, potential non-compliance, and possible control weaknesses.

We encourage our clients to call or email us with any questions. We are known in the industry for providing clear and concise answers. An important aspect of this commitment is our typical response time of less than 24 hours.

COST PROPOSAL

	Hours	Rates		Total
		Standard	Quoted	
Partner	20.00	\$ 175.00	\$ 150.00	\$ 3,000.00
Manager	30.00	150.00	125.00	3,750.00
Supervisor	47.00	125.00	100.00	4,700.00
Staff	50.00	100.00	75.00	3,750.00
Admin	6.00	75.00	50.00	300.00
Subtotal	153.00			15,500.00
Out-of-Pocket				-
Total Max				\$ 15,500.00

Fiscal Year	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	Total
Audit	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 75,000
State Controllers	500	500	500	500	500	2,500
Not to Exceed Total	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	\$ 15,500	\$ 77,500

VALUE ADDED SERVICES

Testimonial

"Few people have the opportunity to work with someone who was a coach and a mentor-but I did when I worked with Paul. I had the pleasure working directly under Paul's supervision and I was particularly impressed by his ability to handle even the toughest clients - and effortlessly. That skill often takes years to develop, but it seemed to come perfectly natural to him. Paul was one of those rare partners who also naturally serve as an inspiring mentor for the whole staff and I was grateful to learn a lot from him."

*Deana Miller
Accounting Manager
PolyCera, Inc.*

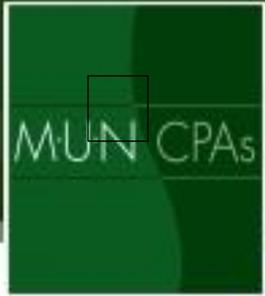
Fraud Hotline



Throughout the audit process, we will make available our fraud hotline reporting service at no additional charge over the period of the contract to ensure the District has an effective anti-fraud program.

SUBCONTRACTORS

We do not subcontract for any part of the audit.



MANN, URRUTIA, NELSON CPAS
& ASSOCIATES LLP

Proposal to Provide Audit Services

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

SEPTEMBER 10 2020

CONTACT:

JUSTIN WILLIAMS, PARTNER

MANN, URRUTIA, NELSON CPAS & ASSOCIATES, LLP

SACRAMENTO OFFICE: 1760 CREEKSIDE OAKS DR., SUITE 160

SACRAMENTO, CA 95833

916-929-0540

jjw@muncpas.com

WWW.MUNCPAS.COM

TOTAL CLIENT COMMITMENT

SACRAMENTO • ROSEVILLE • GLENDALE • SOUTH LAKE TAHOE • KAUAI, HAWAII



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September 10, 2020

Kensington Police Protection and Community Services District
217 Arlington Avenue
Kensington, CA 94707-1401

Attn: Bill Lindsay, Interim General Manager

Dear Mr. Lindsay,

On behalf of our partners and staff of Mann, Urrutia, Nelson CPAs & Associates LLP (MUN CPAs) I am pleased to present our proposal to provide professional services to the Kensington Police Protection and Community Services District (KPPCSD). Our Firm has experienced continuous growth and success as we meet and exceed client expectations. Our overall goal is to provide responsive, innovative services of the highest quality to our clients.

We understand that the KPPCSD (the District) requires timely audit services and we are committed to meeting all terms, conditions, and requirements as addressed in the request for proposal. With our experience and expertise, we fully understand the audit requirements, as well as your expectations. Upon selection as your auditors, we will enter into an agreement under the terms and conditions prescribed by the RFP and industry standard insurance provisions.

It is our understanding that the term of the agreement will be for the fiscal years ending June 30, 2020 through June 30, 2024 and the scope of services will be the following:

1. Perform an audit of all funds of the Kensington Police Protection and Community Services District and issue related reports.
2. Issue a management letter that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions.

The audit will be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *the Basic Audit Program and Reporting Guidelines for California Special Districts*, as prescribed by the State Controller.

Our unique combination of technical expertise, combined with our philosophy of total client commitment throughout all phases of the engagement provides our clients the highest quality service and products available.

We are confident that our proposal addresses your needs and look forward to discussing and reviewing its content with you. We would welcome this opportunity to differentiate our Firm from our competition and further discuss our approach in providing quality service.

As a Partner listed on this proposal, I am authorized to make representations for and to bind our firm. Should you have any questions, I encourage you to contact me via telephone or email.

This proposal is valid for a period of 180 days from due date of the proposal.

Sincerely,


Justin Williams, CPA
Partner

LICENSE TO PRACTICE IN CALIFORNIA

MUN CPAs is a properly licensed, certified public accounting firm in the State of California. All certified public accountants involved in audit engagements of the Firm are licensed to practice in the State of California and have received at least the minimum number of continuing professional education hours required by the State Board of Accountancy and American Institute of Certified Public Accountants and the *U.S. Government Accountability Office's Government Auditing Standards*.

INDEPENDENCE

MUN CPAs is independent of the KPPCSD as defined by U.S. generally accepted auditing standards and the U.S. Government Accountability Office's *Government Auditing Standards* (latest edition).

MUN CPAs and Associates, LLP is independent of all associated agencies of the KPPCSD as defined by U.S. generally accepted auditing standards and the U.S. Government Accountability Office's *Government Auditing Standards*.

If MUN CPAs shall enter into a professional relationship that would present a conflict of interest during the period of engagement with the District, a written notice will be presented to the District defining such conflict.

INSURANCE

The Firm maintains professional liability insurance, worker's compensation, commercial general liability and bodily injury, automobile liability and property damage as part of our comprehensive insurance policy. Upon selection as the District's independent auditor, the Firm and our insurance provider will provide a certificate of insurance to the District that shows the requirements identified by the District have been met.



FIRM BACKGROUND AND QUALIFICATIONS

ABOUT THE FIRM

Founded in 2003, **MUN CPAs** is a locally established and respected full service accounting and auditing firm offering audit, tax, consulting, litigation support, and forensic accounting services. Our commitment to our clients has enabled the firm continued growth and success at developing and maintaining strong professional relationships.

We have over 60 well-trained professionals with office locations in Sacramento, Roseville, South Lake Tahoe, and Glendale, California, as well as Hawaii. While the majority of audit engagements are performed out of the Sacramento office, our various office locations allow us to expand our services throughout the State of California. **If awarded, work will be performed out of our Sacramento office.**

Sacramento Office

We have an outstanding team of twelve audit professionals consisting of three firm partners, three managers, three seniors and three staff accountants. Five staff members will be dedicated to KPPCSD should services be awarded to our firm. In addition to auditing, reviews and compilations, we also provide accounting, tax and consulting services to our audit clients.

We specialize in audits of local special districts and governmental agencies ranging from small organizations to entities with over \$150 million in annual revenue. We also specialize in retirement plans and nonprofit organizations. We are voluntary members of the following organizations:

- Government Audit Quality Control Center
- California Special Districts Association
- Association of California Water Agencies
- California Municipal Treasurers Association
- California Society of Municipal Finance Officers

Membership in these centers provides our firm with additional resources designed to enhance our audit quality and apply best audit practices to our engagements. We have access to the latest developments in accounting, auditing, and the various rules and regulations that affect the different audits and industries.





GOVERNMENTAL AUDITING EXPERIENCE

Since our founding in 2003, our office has performed over 250 audits of special districts and governmental entities. We have provided audit services for several other special districts that are similar to that which is requested by KPPCSD. We currently provide audit services to 23 governmental entities, of which 12 are special districts. We also perform Single Audits for 26 of our clients.

Every level of our audit staff has extensive experience in auditing special districts and municipalities.

LIST OF GOVERNMENTAL CLIENTS PAST TWO YEARS

Client	Financial Audit	Single Audit	CAFR	GFOA Certificate	Other
Kensington Fire Protection District	Yes	N/A	N/A	N/A	
Vallejo Flood & Wastewater District	Yes	Yes	Yes	Yes	
South Tahoe Public Utility District	Yes	Yes	Yes	Yes	
Santa Nella County Water District	Yes	N/A	N/A	N/A	SCOR
Diablo Water District	Yes	N/A	N/A	N/A	SCOR
South Placer Municipal Utility District	Yes	N/A	Yes	Yes	SCOR
Ironhouse Sanitary District	Yes	N/A	Yes	Yes	
Tahoe City Public Utilities District	Yes	Yes	Yes	Yes	SCOR
Solano County Water Agency	Yes	N/A	N/A	N/A	SCOR
North Tahoe Public Utility District	Yes	Yes	N/A	N/A	GANN
Sac-Yolo Vector Control District	Yes	N/A	N/A	N/A	SCOR
Rodeo Sanitary District	Yes	N/A	N/A	N/A	
City of Hollister	Yes	Yes	Yes	Yes	GANN Limit
City of Novato	Yes	Yes	Yes	Yes	GANN Limit
Town of Paradise	Yes	Yes	N/A	N/A	SCOR, GANN
City of Piedmont	Yes	N/A	N/A	N/A	GANN Limit
City of Sanger	Yes	Yes	N/A	N/A	GANN Limit
Town of Truckee	Yes	Yes	Yes	Yes	SCOR, GANN
City of Marina	Yes	Yes	N/A	N/A	SCOR
City of Gridley	Yes	Yes	N/A	N/A	SCOR, GANN
City of Rio Vista	Yes	Yes	Yes	N/A	GANN Limit
City of Auburn	Yes	Yes	N/A	N/A	SCOR, GANN
City of Lincoln	Yes	Yes	N/A	N/A	GANN Limit



LIST OF NONPROFIT CLIENTS PAST TWO YEARS

League of California Cities	California Rice Industry Association	California Beef Council
Sacramento Public Library Foundation	Community College League of California	Sacramento Steps Forward
Association of California Water Agencies	Rural Community Assistance Corp	Advocates for Mentally Ill Housing, Inc.
California Riceland Waterbird Foundation	Southern Indian Health Council	California Rice Commission
Sierra Business Council	California Park & Recreation Society	Solar Cookers International
Sacramento Native American Health Center	Sacramento Cottage Housing, Inc.	CSAC Finance Corporation
Valley Vision	Northern Valley Indian Health	Roberts Family Development Center
MACT Health Board	Sacramento Regional Conservation Corps	The Gathering Inn
United Mobilehome Owners Assn of Fairfield	Libraries Without Borders	Lakeside Park Association
Lake County Tribal Health Consortium	Project Go, Inc.	Capital Stage Company
Elica Health Centers	Feather River Tribal Health	Lions Center for the Visually Impaired
Fourth & Hope (Yolo Wayfarer)	Sol Aureus College Preparatory	American Indian Health & Services
CA. Statewide Financing Authority	Health Outreach Partners	Western Manufactured Housing Communities Association

LIST OF RETIREMENT PLAN CLIENTS PAST TWO YEARS

Aerometals 401(k) Plan	MACT Health Board 403(b)
Alliance Medical Center 403(b) Plan	Mendocino Coast Clinics 401(k)
Altura Centers for Health 401(k)	Physicians Network Medical Group 401(k)
Bradford & Barthel 401(k) Plan	RCAC 403(b) plan
Center for Human Services 401(k) Plan	Schools Financial Credit Union 401(K) Profit Sharing Plan
Child Action, Inc. 401(k) Plan	Lionakis- 401(k) Plan
Elica Health 403(b) Plan	UNDC 401(k)
Universal Site Services ERS Plan	MACT Health Board 403(b)
Feather River Tribal Health 401(k)	Vibrant Care Rehabilitation 401(k)
Gray & Skyler Electric Companies 401(k)	Winder Nursing 401(k) Plan
LACO Associates 401(k) Profit Sharing Plan	Work Training Center 403(b) Tax Sheltered Annuity

DIVERSITY WITHIN THE WORKFORCE

MUN CPAs is an equal opportunity employer that is committed to diversity and inclusion in the workplace. We prohibit discrimination and harassment of any kind based on race, color, sex, religion, sexual orientation, national origin, disability, genetic information, pregnancy, or any other protected characteristic as outlined by federal, state, or local laws.

MUN CPAs makes hiring decisions based solely on qualifications, merit, and business needs at the time.





THE ENGAGEMENT TEAM

The team assigned to perform the audit of KPPCSD is composed of highly trained professionals with extensive experience in governmental audit engagements. Our small, efficient working group will maintain a knowledgeable, yet non-intrusive, approach to the audit, and in this way, deliver an audit of exceptional quality requiring few disruptions in the conduct of the District's on-going operations. The technical qualifications of MUN CPAs personnel selected for this audit ensures service of the highest quality. Engagements at MUN CPAs are conducted under the supervision of an engagement partner and manager, which assures that quality standards are maintained and all client requirements are met.

We propose the following audit team:

JUSTIN WILLIAMS, CPA, Engagement Partner
ERICA PASTOR, CPA, Concurring Partner
BOWEN AU YOUNG, CPA, Manager
PIERCE WRAY, MSA, Senior Staff Associate

Professional Affiliations

Our commitment to governmental accounting is further amplified by our involvement with respected organizations:

Justin Williams is a member of the California Special Districts Association Audit Committee and Finance Committee, and the statewide CalCPA Governmental Accounting and Auditing Committee. He has also published accounting and auditing articles and has been a speaker at webinars and seminars sponsored by these organizations with topics ranging from GASB 68 and 75, fraud, and preparing for annual audits.

Erica Pastor is a member of the statewide CalCPA Governmental Accounting & Auditing Committee, Sacramento Chapter, and is Past Board President of CalCPA-Sacramento Chapter.

GASB Implementation and Reporting

All audit partners and managers have been involved in the implementation of GASB financial reporting requirements, in addition to auditing and assisting with the preparation of GASB financial statements. Our firm is a leader in implementation of the new GASB standards going into effect in the coming years.

Continuing Education

Continuing education is a top priority for Mann, Urrutia, Nelson, CPA's & Associates LLP. Each of our team members receives a wide variety of annual training and content updates from highly qualified instructors, ensuring that they remain on the forefront of issues that could potentially impact our clients.





JUSTIN WILLIAMS, CPA
Engagement Partner

Justin's professional career includes more than 24 years of public and private accounting experience, of which 22 years has been heavily concentrated on audits of governmental entities throughout Northern California. As the engagement partner, Justin will have overall responsibility for the efficiency, timeliness and delivery of the services we provide, including developing and maintaining effective lines of communication with the District. He will directly interface with the General Manager and will plan and review the audit.

INDUSTRY EXPERIENCE: Special Districts
Municipalities
Nonprofit organizations
Privately held businesses
Retirement / employee benefit plans

OTHER EXPERTISE: GASB implementation
Board of Directors training
Federal and State compliance and financial reporting
Internal control implementation
Peer reviews

RELEVANT ENGAGEMENT EXPERIENCE: Kensington Fire Protection District
Rodeo Sanitary District
Diablo Water District
South Tahoe Public Utility District
Greater Vallejo Recreation District
Tahoe City Public Utility District
South Placer Municipal Utility District
Ironhouse Sanitary District
Town of Truckee
City of Novato
City of Sanger
City of Lincoln

DESIGNATIONS: Certified Public Accountant (CPA)

PROFESSIONAL MEMBERSHIPS: American Institute of Certified Public Accountants
California Society of Certified Public Accountants
CSDA Audit Committee Member
CSDA Finance Committee Member
National Institute of Pension Administrators, Sacramento

EDUCATION: Bachelor of Science, Accounting
Case Western Reserve University – Cleveland, Ohio





ERICA PASTOR, CPA
Concurring Partner

Erica has eighteen years of public accounting experience and has spent over thirteen years working for MUN CPAs. She has extensive experience serving government clients and is a leader in her vocation – Erica is immediate past President of CalCPA – Sacramento. As Concurring Partner Erica will perform a secondary review of the engagement, ensuring that all firm and professional standards are adhered to.

INDUSTRY EXPERIENCE: Special Districts
 Municipalities
 Nonprofit organizations
 Privately held businesses

OTHER EXPERTISE: GASB implementation
 Reviewed and compiled financial statements
 Agreed-upon procedures
 Audit committee training
 Comprehensive Annual Financial Reports (CAFR)
 Internal control implementation
 Federal Single Audit Grant compliance
 Grants and contracts compliance

RELEVANT	Vallejo Flood and Wastewater District	City of Lincoln
EENGAGEMENT	Tahoe City Public Utilities District	City of Rio Vista
EXPERIENCE:	Santa Nella County Water District	City of Piedmont
	Sacramento-Yolo Mosquito & Vector Control Dist.	City of Hollister
	City of Auburn	City of Novato

DESIGNATIONS: Certified Public Accountant (CPA)

PROFESSIONAL
MEMBERSHIPS: American Institute of Certified Public Accountants
 CalCPA Governmental Accounting & Auditing Committee,
 Sacramento Chapter Chair
 CalCPA, Sacramento Chapter, Immediate Past President

EDUCATION: Bachelor of Science, Managerial Economics
 UC Davis – Davis, California
 Certificate of Accountancy
 National University – Sacramento, California





BOWEN AU YOUNG, CPA
Manager

Bowen has eight years of public accounting experience and provides audit services to a wide range of industries, including governmental and nonprofit entities, retirement plans, and closely held companies. As audit manager Bowen will be responsible for and will coordinate the planning and implementation of audit processes, including daily supervision and technical support of the audit. He will work closely with the District to ensure issues are identified and addressed and that the delivery of services is timely and day-to-day audit functions are performed in an efficient manner.

INDUSTRY EXPERIENCE: Governmental
 Nonprofit organizations
 Employee Benefit plans
 Closely held companies
 Publically traded entities

OTHER EXPERTISE: Internal control evaluation
 Accounting services
 Inventory observations
 Single Audit compliance
 Grants and contracts compliance

RELEVANT ENGAGEMENT EXPERIENCE:	Kensington Fire Protection District	City of Sanger
	Santa Nella County Water District	City of Gridley
	Diablo Water District	City of Lincoln
	Sac-Yolo Mosquito and Vector Control Dist.	Town of Truckee
	Ironhouse Sanitary District	City of Piedmont
	Solano County Water Agency	

DESIGNATIONS: Certified Public Accountant (CPA)

PROFESSIONAL
MEMBERSHIPS: American Institute of Certified Public Accountants
 California Society of Certified Public Accountants

EDUCATION: Bachelor of Science, Business Administration: Concentration in
 Accounting and Management Information Systems
 University of the Pacific, Stockton, CA – Cum Laude





PIERCE WRAY, MSA
Senior Staff Associate

Pierce has over 4 years of accounting experience and is soon to be our newest CPA. As the senior staff associate, he provides audit services to a wide range of industries, including governmental, employee benefit plans, and not-for-profit entities. In his role, Pierce will handle specific stages of audit work, ensure work is prepared in compliance with professional standards, and detect exceptional items and issues of non-compliance.

INDUSTRY EXPERIENCE: Governmental
 Employee Benefit Plans
 Nonprofit organizations
 For-profit entities
 Public, Private entities

OTHER EXPERTISE: Internal control evaluation
 Accounting services
 Inventory observations
 Other grants and contracts compliance
 Financial statement preparation

RELEVANT
ENGAGEMENT
EXPERIENCE: Kensington Fire Protection District
 Diablo Water District
 Tahoe City Public Utility District
 South Tahoe Public Utility District
 City of Piedmont
 City of Sanger
 City of Gridley
 City of Lincoln
 Town of Truckee

PROFESSIONAL
MEMBERSHIPS: American Institute of Certified Public Accountants
 California Society of Certified Public Accountants

EDUCATION: Bachelor of Science, Business Administration
 San Diego State University, San Diego, CA

 Master of Science in Accounting
 Saint Mary's College of California, Moraga CA.





REFERENCES

Below are current clients who can attest to our services and work performed on their behalf. We welcome the District to contact any of our clients as references listed below.

Clients	Contact Information	Dates	Services Provided
South Tahoe Public Utility District 1275 Meadow Crest Drive South Lake Tahoe, CA 96150	Paul Hughes Chief Financial Officer (530) 543-6211	2016 – Present	<ul style="list-style-type: none"> • District audit, CAFR • Single audit • GANN Limit
Diablo Water District 87 Carol Lane Oakley, CA 94561	Jennifer McCoy Finance & Accounting Mgr. (925) 625-3798	2018 - Present	<ul style="list-style-type: none"> • District audit • SCO Report
Tahoe City Public Utility District PO Box 5249 Tahoe City, CA 96145	Ramona Cruz Chief Financial Officer (530) 580-6047	2012 – Present	<ul style="list-style-type: none"> • District audit, CAFR • GANN Limit • Single audit • SCO Report
Santa Nella County Water District 12931 State Highway 33 Santa Nella, CA 95677	Amy Montgomery General Manager (209) 826-0920	2015 – Present	<ul style="list-style-type: none"> • District audit • SCO Report
Kensington Fire Protection District 217 Arlington Avenue Kensington, CA 94707	Glenn Lazof (510) 527-8395	2017 – Present	<ul style="list-style-type: none"> • District audit • SCO Report



TECHNICAL APPROACH

Our audit work plan targets our audit efforts on those areas of your financial statements that represent the greatest risk. This includes integrated quality-control processes, including policies and procedures for engagement quality control.

Our financial audit methodology comprises a set of interdependent audit work steps and procedures that enable the audit team to plan and execute the audit strategy and conclude and report audit results. The methodology also provides for performance measurement to enable improvement in quality of audit work through identification of training needs and motivation of staff through performance based growth and advancement. The financial audit methodology of our firm is built around the following:

- Generally accepted auditing standards
- Professional ethics
- Quality assurance and control

Our audit process begins with the assignment of staff to the engagement. Our engagement team has the expertise to provide a level of service desired and deserved by your organization. Our engagements are supervised by the engagement partner and the manager who specialize in government and special district audits. As high-level involvement is vital to a quality audit, the partner and manager's time will account for approximately 30% of total hours spent on the engagement. Our team's approach is designed to be efficient yet non-intrusive.

Proposed Segmentation of the Engagement

Audit Planning

Our audit planning process includes a risk assessment of the District and review of the control environment. We begin with a pre-planning meeting to ensure that management's expectations and our expectations are communicated prior to commencing the audit. We will confirm our understanding of the engagement deadlines and ensure these are met timely.



Interim Audit Phase:

Our interim audit phase typically consists of two to three days of fieldwork and includes the following:

Risk Assessment

As part of our extensive planning phase, the engagement team will discuss with management issues surrounding the applicable industry, the District's internal & external environment, significant events, as well as economic, political, and social factors to determine and document areas of risk. Once areas of risk have been identified, the next process will be to review the control environment.

Control Environment — Interim Phase

We will document and test the following control processes to evaluate their effectiveness in preparing reliable financial statements:

- ◇ Disbursements
- ◇ Receipts
- ◇ Payroll
- ◇ Financial reporting
- ◇ Journal entry process
- ◇ IT and general computer controls

Based on our understanding of the District's risks and control environment, we will design our substantive procedures and communicate our audit approach to management. As part of our review and documentation of the control environment, we may have recommendations for enhancing controls and/or efficiencies. These recommendations will be discussed with management prior to any comments included in a formal management letter.

Year-End Audit Phase:

Our year-end audit phase typically consists of three to four days of fieldwork and includes the following:

Substantive Procedures — Year End Phase

Substantive audit procedures are designed based on our risk assessment process. Complex and high-risk accounts will be identified early in the audit process and these accounts will be assigned to the manager and/or partner for actual testing. Our substantive audit procedures will include the following:



- ◇ Tests of account details — Detail transaction testing to source documentation
- ◇ Analytical procedures — Ratio analysis, variance analysis, trend analysis
- ◇ Use of data analysis software — Review of large volumes of data to detect anomalies
- ◇ Unpredictability tests — Varying timing and extent of tests
- ◇ Review of management’s estimates — To determine reasonableness
- ◇ Review of subsequent events and contingencies — For proper adjustment and footnote disclosure

Based on our review of the financial statements of the KPPCSD, we anticipate that our primary areas of audit focus will be:

- Financial reporting requirements
- Impact of COVID-19 to the District’s financial statement and disclosures
- Impact of new GASB accounting standards
- Fund balance classification
- Revenue recognition
- Valuation of investments
- Valuation of accounts and grants receivable
- Valuation of capital assets
- Valuation of pension and OPEB liabilities
- Expense and accrual timing
- Long-term debt reporting

Preparation of Audit Report and Review — Year-end Phase and Wrap-up Phase

The manager and engagement partner review audit workpapers throughout the audit. Before we leave your offices, the file will be substantially reviewed and any issues will be discussed and resolved. All reports are reviewed by the engagement partner and concurring partner.

Upon approval, we will issue drafts of all reports based on the District’s predetermined schedule as indicated in the Request for Proposal. This will allow adequate time for review and distribution of the report.



Level of Staff and Number of Hours to be Assigned

Staff Classification Performing Work	Estimated Hours Annually
Partners	20
Managers	36
Senior Associates	50
Staff Accountants	70
Total Annual Hours:	176

Hours by Audit Phase	
Phase I - Planning & Interim	64
Phase II - Year End	82
Phase III - Reporting and Wrap-up	30
Total Annual Hours:	176

Sample Methodology and Extent to Which Statistical Sampling is Used

Audit sampling provides the auditor an appropriate basis on which to conclude on an audit area by examining evidence from a sample of a population. We utilize both statistical and non-statistical sampling techniques as described in the AICPA’s Audit Sampling Guide, depending on the type of testing being performed. Internal control, substantive and compliance testing samples are generally selected using non-statistical techniques. Sample sizes are determined by risk assessment and nature of the population. We may use statistical sampling to assist with forensic testing in areas that have a higher risk of misstatement due to fraud.

Use of Analytic Procedures during the Audit

The use of analytic procedures during our audit of the District is part of our planned audit approach for certain financial statement line items. In order to perform effective analytic procedures, MUN CPAs must first obtain an understanding of activity at the District, as well as changes in activity at the District during the year under audit. This will allow MUN CPAs to develop expectations for changes or lack of changes in key account balances for purposes of performing our analytic procedures. Our analytic procedures will be performed using a combination of the following:





- Independent recalculations of account balances: Performing our own independent recalculation of an account balance, then comparing to the District's actual account balance to see if our recalculated balance agrees to the District's balance. Significant variance between our recalculated balance and the District's balance would require additional inquires and procedures to determine if the account balance requires an adjustment.
- Variance analytics of prior year and current year account balances: By developing our understanding of activity at the District, we can then compare current year account balances to the prior year balance and determine if the change in the account balance is reasonable based on our understanding of activity at the District during the year. Account balances and/or changes in account balances that do not meet our expectations will require further inquiry with management to determine if an adjustment is needed.
- Ratio analysis: We can compare the relationship of certain accounts to other accounts or non-financial information to determine if the relationship is consistent or if a variance may indicate an adjustment to an account may be required.

Understanding the District's Internal Control Structure

Our understanding of and reliance on the District's internal controls related to financial reporting is a key factor in our audit approach to the District's financial statements. Our interim audit procedures are primarily focused on developing our understanding of internal controls related to cash receipts, cash disbursements, payroll, financial reporting close and the IT environment, and then performing tests of those controls. Our planned audit approach is a control-based audit, in which we are planning to perform tests of controls in order to place reliance on the District's key controls.

We develop our understanding of the District's internal controls through a combination of verbal discussions with management, and observation and inspection of documents. We first gain a high-level understanding of controls by asking an appropriate member of your finance department to describe the processes for recording transactions and more importantly, how the review and approval of transactions is documented. Then to corroborate the descriptions, we ask to see physical evidence that the control is in place. Physical evidence is typically management providing key documents that have evidence of a review or approval on the document.

Our approach to internal controls is, "If it is not documented, then the control did not operate", meaning, if we cannot see physical evidence of a review or approval on a document, then we must assume that the control did not operate as designed. Verbal representation that a review or approval has taken place is not audit evidence. If we identify any controls that are not operating as designed, we will first discuss with management before providing a written recommendation.



Laws and Regulations

As applicable, we will review the laws and regulations covering the District's grants and other programs. Based upon our inquiry with District staff, review of the District's government code, review of administrative policies, etc. we will determine the relevant laws and regulations that will be subject to additional test work.

Drawing Audit Samples

The selection of audit testing samples is based on a combination of materiality, qualitative factors, and auditor judgement. Account balances and/or transactions over a certain dollar limit are automatically selected for testing. Smaller account balances, transactions or disclosures that MUN CPAs determines may have a qualitative impact on the financial statements and influence a user of the financial statements will also be selected for testing.

Technological Advantages — Electronic Data Processing Software

We utilize the latest technology, including virtual servers, data analysis software, and online libraries, to provide us with the most up-to-date information to better serve our clients. First, our online client portal ShareFile gives us the capability of sending and receiving information to and from our clients faster and more securely. As portals are encrypted and use password protection to ensure that only the appropriate client can view data, we are dedicated to protecting the District's confidential information.

We streamline our audit process and organize support documents through use of the paperless audit program-CaseWare Working Papers. By effectively reviewing large volumes of data through these programs, we are able to develop a better understanding and gain a broader view of the District. These technologies enable us to increase both the scope of our engagement and the reliability of our audit opinion more efficiently, as a larger amount of information can be processed, analyzed and interpreted in a short time frame.

Remote Audit Capabilities

We are committed to serving our clients and meeting their deadlines regardless of the current health and social challenges. If public health concerns, client concerns or other issues restrict our team from performing the audit in-person at your offices, **MUN CPAs has the technological capabilities and solutions to perform the full audit remotely** and complete the audit according to your District's needs and timelines. With the use of our secure Sharefile website, management of the KPPCSD will be able to securely provide MUN CPAs with all needed documents and reports. The use of encrypted e-mails will be used to transmit smaller documents. Scheduling regular phone calls and audit updates will allow both management of the District and MUN CPAs to remain on the agreed-upon timeline.



Communication

Planning and continual communication are essential to developing the appropriate procedures, working collaboratively to resolve any identified issues, and meeting your timelines. We will communicate contemporaneously and directly with management and audit committees of the board regarding results of our procedures, and will anticipate and respond to any concerns of management and the committee.

Although our audits are conducted through a structured, risk-based model, we focus on understanding the client's needs, requirements and expectations. We work collaboratively with management, boards and audit committees to develop a communication and work plan to continuously improve client service.

Partner and Manager Availability

We believe your access to the partner and manager before, during and after the audit is important to the relationship between the District and our Firm. The partner and/or manager will be on-site during the audit in order to discuss issues with management of the District. We encourage our clients to call us throughout the year to discuss accounting matters as they arise. There are no additional charges for these routine phone calls.

We believe on-going communication throughout the entire audit will ensure that all aspects of the audit are thoroughly addressed. We encourage regular communications throughout the year, not just during fieldwork. As such, we do not anticipate any potential audit problems to arise during our engagement.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

The District requested in the RFP that we identify and describe any anticipated potential problems with the audit, the Firm's approach to resolving these problems and specific assistance that may be requested from the District. Based on our review of the financial statements, we do not anticipate any audit problems. However, if issues are noted during the audit process, we will use the following approach to seek a mutually agreeable resolution of accounting and reporting issues:

1. Define and understand the issue through discussion with the District's management and verified audit information.
2. Make an initial assessment of the impact of alternative accounting treatments.
3. If the impact has significant potential, gather research that may include the following: obtain the District's research and rationale for their position; gather additional details; draw on common practices within other California Special Districts or other similar sized local governments; utilize recognized Firm experts.
4. Discuss with District staff the Firm's preferred position and rationale.
5. Resolve the issue.



PROPOSED SCHEDULE

Upon approval, we will issue drafts of all reports based on a predetermined schedule allowing adequate time for review and distribution of reports. We suggest the following schedule for the **2020 year-end** which is subject to mutual approval by the Districts Management and MUN CPAs:

Audit Task	Begin by:	Completed by:
Audit planning and interim fieldwork	October 1, 2020	October 31, 2020
Year-end fieldwork	November 1, 2020	November 30, 2020
Draft reports to the District for review and discussion	December 1, 2020	December 31, 2020
Final financial statements and reports to District	January 1, 2021	January 31, 2021
Presentation to Board		TBD

Proposed schedule for subsequent years:

Audit Task	Begin by:	Completed by:
Audit planning and interim fieldwork	June 1	June 30
Year-end fieldwork	October 1	October 31
Draft reports to the District for review and discussion	November 1	November 30
Final financial statements and reports to District	December 1	December 31
Presentation to Board		TBD

Responsibilities of KPPCSD

A successful audit will not happen without a commitment from management of the Organization. In our experience, the most successful audits are directly linked to a management team that is committed to meeting all deadlines and providing the audit team with all requested information on the agreed-upon dates.

As part of the audit, we will provide management with our PBC request list of reports and schedules needed to perform our audit. We will include requested due dates for each requested document and provide templates for management to prepare as needed. In order for our audit to be completed timely and meet the agreed-upon timeline, we expect management of KPPCSD to provide MUN CPAs with all of the requested reports and documents on the due dates. We also expect management to be available to assist the audit team during audit fieldwork in order to respond to questions as they arise.



COST PROPOSAL

In accordance with the Request for Proposal for Audit Services issued by the Kensington Police Protection and Community Services District we hereby submit the following Cost Proposal for the fiscal years ending June 30, 2020 through June 30, 2024:

ALL-INCLUSIVE "NOT TO EXCEED" PRICE BY SERVICE

Audit Service	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24
District Audit and Related Reports	\$26,700	\$26,700	\$26,700	\$26,700	\$26,700
Management Letter	Included	Included	Included	Included	Included
Out-of-Pocket Expenses	Included	Included	Included	Included	Included
TOTAL	\$26,700	\$26,700	\$26,700	\$26,700	\$26,700

Professional Fees for Additional Services:

MUN CPAs may also furnish other accounting services, which may include advisory and system accounting services as requested by the Kensington Police Protection and Community Services District. If the District requests additional services, either to supplement the services requested or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the District and MUN CPAs. Any such additional work agreed to between the District and MUN CPAs shall be performed at the standard hourly rates listed above.

Staff Level	Standard Hourly Rate
Partners	\$275
Managers	190
Senior Staff	150
Staff	130





Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's proposal. Interim billings shall cover a period of not less than a calendar month.

VALUE ADDED SERVICES

Our value-added services begin with **total client commitment**. Keys to our success are higher levels of commitment, trust, flexibility and enhanced communication. We take pride in delivering value-added services by helping our clients improve transparency, governance accountability, and financial performance.

Our commitment to our clients has enabled the firm to experience continued growth and success at establishing and maintaining long term professional relationships.

Specialized Services

Our firm has provided specialized services to local governments that include, but are not limited to:

- Tax Measure Agreed-Upon procedures
- Cash Collections Agreed Upon procedures
- Board and Finance Committee training
- TDA audits
- Forensic audits
- Internal control special projects

Client Education and Updates

We provide one-on-one guidance and assistance to our clients with the preparation of GASB financial statements, as well as hands-on assistance with implementation of new GASB financial reporting requirements and State and Federal updates. Partner Justin Williams presented on the topic "**GASB Reporting Requirements and Their Effect on Your District**" at the 2015 and 2016 Annual CSDA conference, and "**Assessing the Financial Health of Your District**" at the 2017 Annual CSDA conference. Our firm is a leader in the new GASB standards going into effect in the coming years.



Board/Finance Committee Training

Our job doesn't stop when we issue your District's audited financial statement reports. While these reports may be intimidating to interpret, we can help. Our firm offers training to help you understand what the audit report means for your District. We can show you how to read the financial statements and how to use that information to analyze and evaluate your District's financial performance. We have certified professionals who are happy to further talk to you regarding various topic options that can be presented.

We separate ourselves from our competition by:

- Extensive Partner involvement on each engagement
- Manager and/or Partner always on site during fieldwork
- Consistent and experienced staff
- Timeliness of communications
- Proactive approach in addressing complex issues early in the engagement
- Availability to clients as a specialized resource
- Professionalism with understanding

CONTRACTOR ASSIGNMENT OF SUB-CONTRACT

Our firm does not use subcontractors and will not be subcontracting any portion of the engagement.

PEER REVIEW

Our firm undergoes a peer review every three years as established by the American Institute of Certified Public Accountants. Our last peer review was completed in June 2019 and resulted in a pass rating with no deficiencies (the highest rating possible) on our system of quality control for accounting and auditing. This quality control review included a review of specific government engagements. *A copy of the Peer Review Report is included on the following page.*



Peer Review Report



Report on the Firm's System of Quality Control

June 28, 2019

To Mann, Urrutia, Nelson, CPAS & Associates, 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 Mann, Urrutia, Nelson, CPAS & Associates, LLP (the firm) in effect for the year ended December 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.

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Member: American Institute of CPAs • California, Hawaii, & Oregon Societies of CPAs





Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act, and an audit of an employee benefit plan.

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 Mann, Urrutia, Nelson, CPAS & Associates, LLP in effect for the year ended December 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*. Mann, Urrutia, Nelson, CPAS & Associates, LLP has received a peer review rating of *pass*.

Coughlan Napa CPA Company, Inc.

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