

City of Manhattan Beach

TECHNICAL PROPOSAL

For Professional Auditing Services for the City of Manhattan Beach

*For fiscal years ending June 30, 2014 through 2016 with
the option of extending the contract for two subsequent
fiscal years*

February 5, 2014

Contact Person:

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Badawi & Associates
Certified Public Accountants
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City of Manhattan Beach

Table of Contents

	<u>Page</u>
Cover Letter	1
Firm Qualifications and Experience	3
- Independence	3
- License to Practice in California	3
- Insurance	3
- Firm Qualifications	3
- Technical Approach	4
- Firm Experience	5
- Additional Activities	6
- Client Training	6
- CSMFO Training	6
- Free Services	6
- Quality Control Review	7
- Federal or State Desk Review	8
- Disciplinary Action	8
- Contract Termination and Legislations	8
Partner, Supervisory and Staff Qualifications and Experience	9
Similar Engagements with other Government Entities	19
Understanding of Services to be Provided	21
Specific Audit Approach	22
- Objectives for Our Services	22
- Audit Approach	23
- Technical Approach	23
- Audit Schedule	27
Discussion of Relevant Accounting Issues	30
Conclusion	31
Appendix A – References	32



February 5, 2014

Gwen Eng
Purchasing Manager
1400 Highland Avenue
Manhattan Beach, CA 90266

Dear Miss. Eng:

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the City of Manhattan Beach (the "City") for fiscal years ending June 30, 2014 through 2016 with the option of extending the contract for two subsequent fiscal years. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the City in accordance with generally accepted accounting principles. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984, as amended in 1996), and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, *Governmental Accounting Standard Board (GASB) Pronouncements*, and all other applicable federal, state, local or programmatic audit requirements.

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

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

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

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

Mr. Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
180 Grand Ave. Suite 955
Oakland, CA 94612
Telephone: (510)768-8244
E-mail: abadawi@b-acpa.com

Gwen Eng
Purchasing Manager
City of Manhattan Beach
Page 2

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

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

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

The Firm maintains liability insurance coverage of not less than \$1,000,000 each for professional liability, Workers' Compensation, Comprehensive General Liability and Auto as part of our comprehensive insurance policy.

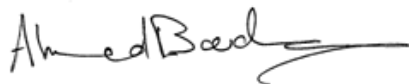
The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

This proposal is a firm and irrevocable offer.

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

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

Sincerely,



Ahmed Badawi
Partner
Badawi & Associates
Certified Public Accountants

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

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

License to Practice in California

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

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

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

Insurance

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

Firm Qualifications

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 17 years of experience working with state and local government with a special focus on cities. Prior to founding B&A, Mr. Badawi was a partner with Caporicci & Larson, CPAs, where he headed their government practice in Northern California. Mr. Badawi founded Badawi & Associates to serve the fast-paced needs of California's local governments. The goal is to build a proactive, client-focused culture from the ground up and to eliminate the entrenched bureaucratic culture and intrinsic limitations of the big audit firms.

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

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

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

The Engagement Partner assigned to the City, Mr. Ahmed Badawi. Mr. Badawi has over 17 years of government audit experience. He is a member of various governmental committees, has actively participated in the development of accounting and audit guidelines for the governmental sector, and is an instructor for the California Society of Municipal Finance Officers.

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

Technical Approach

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

The audit approach will consist of four phases:

Initial Planning Meeting:

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

Interim:

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

Year end:

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

Reporting:

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

Firm Experience

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

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

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

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

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

In addition, most of our City and County clients require that Single Audits also be conducted.

We perform our audits in a detailed manner utilizing approaches developed internally that comply with the authoritative literature currently issued by the AICPA, GASB, FASB, GAO, Single Audit Act, OMB, and the California State Controller's Office. And we do this with minimal disruption to our clients and within the time frame required.

Additional Activities

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

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

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

Client Training Seminar

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

CSMFO Training

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

Free Services:

The Firm is offering 20 hours of services free to the City to use for consulting purposes as long as the service requested does not impair our independence as the City auditors. Examples of such services are tax related issues, implementation of GASB statement, review of cash receipts process, TOT reviews, etc.

Quality Control Review

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



JOHN LERIAS, CPA
STEPHEN C. WILLIAMS, CPA
JOSEPH O. ROMERO, CPA

System Review Report**BADAWI & ASSOCIATES**

Oakland, California;
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Badawi & Associates (the firm) in effect for the year ended February 28, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 28, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Badawi & Associates has received a peer review rating of *pass*.

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your
Success
is our
DESTINATION

GYL DeCaUWER LLP

Rancho Cucamonga, California
May 16, 2013

CPA MERICA
INTERNATIONAL

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

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

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

Federal or State Desk Reviews

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

Disciplinary Action

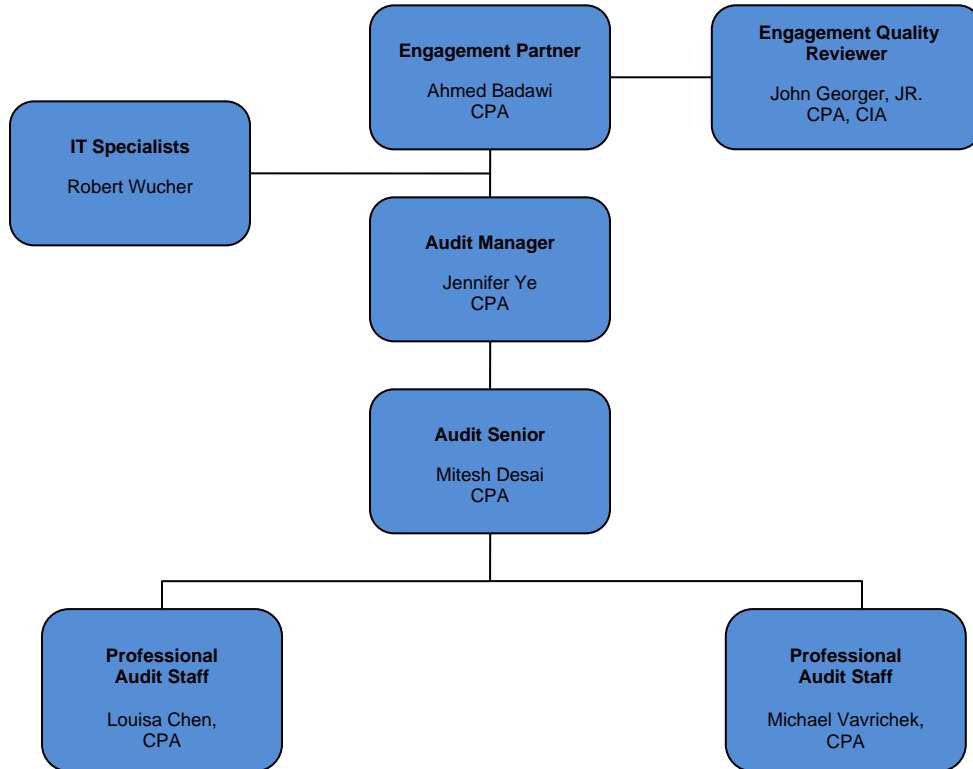
There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

Contract Termination and Legislations:

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

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

The Engagement Team will normally consist of seven individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities which will provide the City with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations to offer effective solutions to issues, and the personal involvement of the Engagement and Compliance Partners of the Firm. No members of the audit team assigned to the City are reviewers in the California Society of Municipal Finance Officers Certificate of Achievement for Excellence in Financial Reporting Program.



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

The second member of the Engagement Team is Jennifer Ye, MBA, CPA. Ms. Ye’s background includes over seven years of experience in municipal auditing with a special focus on cities. Ms. Ye has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their CAFRs in compliance with GASB 34. She will serve as the Audit Manager.

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

The fourth member of the Engagement Team is Louisa Chen, CPA. Ms. Chen's background includes over five years of various accounting experience including one year of municipal auditing experience. She has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their financial statements in compliance with various regulations. Ms. Chen will be the Staff of this engagement.

The fifth member of the Engagement Team is Michael Vavrichek, CPA. Mr. Vavrichek's background includes over four years of various accounting experience including one year of municipal auditing experience. He has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their financial statements in compliance with various regulations. Mr. Vavrichek will be the Staff of this engagement.

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

The seventh member of the Engagement Team is John Georger, JR. CPA, CIA. Mr. Georger background includes thirty eight years of accounting and auditing experience. He is also an American Institute of Certified Public Accountants (AICPA) Discussion Leader and content contributor for auditing and accounting courses with an emphasis on Government and Non-Profit Organizations, Government Auditing Standards (Yellow Book) and OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. He has participated in the audits of numerous district, county and city governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Mr. Georger will serve as an Engagement Quality Reviewer of this engagement.

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

Professional Development:

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

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

- Review of principles of accounting and financial reporting for state and local governments.
- Review of governmental fund types and account groups.
- Review of newly issued generally accepted auditing standards and GAO auditing standards.

- Review of Internal Control evaluation approaches including COSO principles.
- Updates on recent governmental accounting and reporting guidelines.
- Review of Single Audit requirements and approaches.
- Review of financial audit approaches.
- Overview of audit and internal control work paper techniques.
- Review of GASB reporting requirements.
- Review of current issues facing the governmental community.

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

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

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

The Team members will continue their professional development efforts.

Staff Retention and Continuity:

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

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or assigned to another office. These personnel may also be changed for other reasons **only** with the express prior written permission of the City of Manhattan Beach. However, in either case, the City of Manhattan Beach retains the right to approve or reject replacements.

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

Resumes of each member of the Engagement Team follow.

Ahmed Badawi, Certified Public Accountant – Engagement Partner

Length of Career

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

Professional Experience

- Partial listing of clients served:

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

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

Education

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

Professional Activities

- Instructor, CSMFO’s “Introduction to Governmental Accounting” training class.
- Member, CALCPA Government Accounting and Auditing Committee
- Member, CALCPA Accounting Principles and Auditing Standards Committee
- Member, CALPCA State Technology Committee
- Member, American Institute of Certified Public Accountants.
- Member, California Society of Certified Public Accountants.
- Member, Government Finance Officers Association.
- Member, California Society of Municipal Finance Officers.
- Chair, Audit Committee, Pets Unlimited, a CA nonprofit organization
- Member, Board of Trustees, Pets Unlimited, a CA nonprofit organization

Continuing Education

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

Jennifer Ye, *Certified Public Accountant* – Audit Manager

Length of Career

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

Professional Experience

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

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Cities:						
Antioch	X	X	X	X	X	X
Berkeley	X	X	X	X	X	X
Sunnyvale	X	X	X	X	X	X
Ceres	X	X	X		X	X
Newark	X	X	X			X
Fremont	X	X	X			X
Petaluma	X	X	X		X	X
San Mateo	X	X	X	X	X	X
Redwood City	X	X	X		X	X
Union City	X	X	X		X	X
Counties:						
Santa Cruz County	X					
Glenn County	X	X				
Contra Costa County	X					X
Special Districts and others:						
Tahoe Public Utility District	X	X				
Marin Municipal Water District	X					
Alameda County Medical Center	X	X			X	X
Metropolitan Transportation Commission						X
Community Health Center Network	X					
Alameda Health Consortium	X					

Education

- BA Degree in International Politics from Peking University.
- MA Degree in Accounting from the University of Oregon.

Professional Activities

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

Continuing Education

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

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

Length of Career

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

Professional Experience

- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Cities:						
Antioch	X				X	X
Berkeley	X	X	X		X	X
Foster City	X	X	X		X	X
Fremont	X	X	X		X	X
Pittsburg	X	X	X		X	X
Placerville,	X	X			X	X
Redwood City	X	X			X	X
Rio Vista	X		X		X	X
Turlock	X				X	X
Union City	X				X	X
Vacaville	X	X	X	X		X
Counties:						
Contra Costa	X	X	X	X	X	X
Santa Cruz	X	X	X	X	X	X
Other:						
Alameda County Water District	X					X
Alameda County Medical Center	X	X				X
Golden Valley Health Centers	X					X
West County Wastewater District	X					X
Contra Costa Child Development Programs	X					X
Stanislaus County Childcare	X					X

Education

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

Continuing Education

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

Louisa Chen, *Certified Public Accountant* – Professional Audit Staff

Length of Career

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

Professional Experience

- Partial listing of clients served:

	Financial Audit	Single Audit	PFA Audit	Enterprise Fund	Other
Cities:					
Antioch	X		X	X	X
Albany		X		X	
Newark	X			X	X
Berkeley	X	X		X	X
San Mateo	X			X	X
Union City	X	X		X	X
Redwood City	X	X		X	X
Vacaville	X	X		X	X
Barstow	X	X	X	X	X
Special Districts and others:					
Castro Valley Sanitary District	X	X		X	
Marin Municipal Water District	X	X		X	
Port of Redwood City		X			
Sanitary District No. 5 - Marin County	X			X	
Little Brothers - Friends of the Elderly	X				

- Has performed numerous Single Audits and Transportation Development Act audits.

Education

- BA Degree in Philosophy at Fu-Jen University, Taiwan.
- MA Degree in Marketing at University of the West of England, UK

Continuing Education

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

Michael Vavrichek, *Certified Public Accountant* – Professional Audit Staff

Length of Career

- Four years of experience in various accounting-related positions.
- One year experience in municipal auditing with focus on cities
- Certified Public Accountant for the State of California
-

Professional Experience

- Partial listing of clients served:

	Services Provided				
	Financial Audit	Single Audit	PFA Audit	Enterprise Fund	Other
Cities:					
Newark	X	X		X	X
San Mateo	X	X		X	X
Union City	X	X		X	X
Redwood City	X	X		X	X
Vacaville	X	X	X		X
Special Districts and others:					
Castro Valley Sanitary District	X			x	
Marin Municipal Water District	X			x	

- Has performed numerous Single Audits and Transportation Development Act audits.

Education

- BA Degree in Accounting at Santa Clara University, CA.

Continuing Education

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

Robert Wucher – Information Technology Specialist

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

Areas of Expertise

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

Publications

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

Presentations

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

Education

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

Professional and Civic Associations

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

John Georger, JR. CPA, CIA – Engagement Quality Reviewer

The seventh member of the Engagement Team is John Georger, JR. CPA, CIA. Mr. Georger background includes thirty eight years of accounting and auditing experience. He has participated in the audits of numerous district, county and city governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations.

Directly Related Experience

Mr. Georger has provided auditing services and accounting services for over 35 local governments during the last twenty five years, including the following organizations:

- Fairfax County Water Authority
- Dutchess County Water and Wastewater Authority
- Fairfax County, Virginia
- District of Columbia
- City of San Diego, California
- County of San Diego, California
- San Diego Port District, California
- San Diego Unified School District California
- City of Falls Church, Virginia
- City of Richmond, Virginia
- Loudoun County, Virginia
- City of Bloomington, Illinois
- City of Litchfield, Illinois
- County of St. Louis, Missouri
- County of the Isle of Wight Virginia
- Town of Andrews, South Carolina

Publications

- Professional technical reviewer for CCH 2011 Knowledge-Based Audits of State and Local Governments with Single Audits.
- Professional technical reviewer 2012 edition of CCH's Governmental GAAP
- Principal drafter/reviewer for numerous NYSSCPA Comment Letters

Education

- Graduate, George Mason University, Fairfax, Virginia, Bachelor of Science (1971).
- AICPA Certificate of Educational Achievement in Governmental and Not-for-Profit Accounting

Professional and Civic Associations

- Member, American Institute of Certified Public Accountants (AICPA) – Government Audit Quality Center.
- Member, California Society of Certified Public Accountants, Government Accounting & Auditing Committee.
- Member, Missouri Society of Certified Public Accountants,
- Member, Government Finance Officers Association Special Review Committee for the Certificate of Achievement in Financial Reporting.
- Member, California Society of Municipal Finance Officers Association

Similar Engagements with Other Governmental Entities

The following are the five most significant engagements performed that are similar to the City ranked based on the basis of total staff hours:

- 1) City of Berkeley
 - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Measure B Report (Alameda County), Due Diligence Reviews for the RDA Successor Agency
 - Engagement Partner: Ahmed Badawi
 - Date: Fiscal years ended June 30, 2008-2013
 - Hours: 1800
 - Principal Contact:
Mr. Robert Hicks
Finance Director
(510) 981-7399
rhicks@ci.berkeley.ca.us

- 2) City of Union City
 - Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Measure B (Alameda County), Vehicle Registration Fee Audit (Alameda County), Pension Plan
 - Date: Fiscal years ended June 30, 2008-2013
 - Hours: 700
 - Engagement Partner: Ahmed Badawi
 - Principal Contact:
Mrs. Gayle Okada
Accounting Supervisor
(510) 675-5352
gayleo@ci.union-city.ca.us

- 3) City of Barstow
 - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Barstow Fire Protection District, Due Diligence Reviews for the RDA Successor Agency
 - Date: Fiscal years ended June 30, 2012-2013
 - Hours: 600
 - Engagement Partner: Ahmed Badawi
 - Principal Contact:
Mrs. Cindy Prothro
Director of Finance
(760) 255-5115
Cprothro@barstowca.org

- 4) City of Buena Park
 - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Buena Park Foundation
 - Date: Fiscal years ended June 30, 2013
 - Hours: 550
 - Engagement Partner: Ahmed Badawi
 - Principal Contact:
Mr. Sung Hyun

Director of Finance
 (714)562-3717
shyun@buenapark.com

- 5) City of Lemon Grove
 - Scope of Work: Basic Financial Statements, Gann Limit, SAS114
 - Date: Fiscal years ended June 30, 2013
 - Hours: 470
 - Engagement Partner: Ahmed Badawi
 - Principal Contact:
 Ms. Cathleen Till
 Finance Director
 (619)825-3803
ctill@lemongrove.ca.gov

The following is a partial list of our current clients similar to the City:

- | | | |
|---------------------|------------------------|----------------------|
| • City of Antioch | • City of Berkeley | • City of Barstow |
| • City of Newark | • City of Redwood City | • City of San Mateo |
| • City of Vacaville | • City of Rio Vista | • City of Union City |
| • City of Albany | • City of Lemon Grove | • City of Susanville |
| • City of Calimesa | • City of Buena Park | |

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

City Governments:

- | | | |
|------------------------|-----------------------|----------------------------|
| • City of Fremont | • City of Berkeley | • City of Albany |
| • City of Brisbane | • City of Burlingame | • City of Ceres |
| • City of Eureka | • City of Fairfield | • City of Foster City |
| • City of Newark | • City of Rio Vista | • City of Menlo Park |
| • City of Oceanside | • City of Petaluma | • City of Union City |
| • City of Dublin | • City of Pleasanton | • City of Ridgecrest |
| • City of Redding | • City of Los Altos | • City of San Buenaventura |
| • City of Redwood City | • City of Richmond | • City of San Mateo |
| • City of Rocklin | • City of San Bruno | • City of Santa Cruz |
| • City of Walnut Creek | • City of San Leandro | • City of Shafter |
| • City of San Rafael | • City of Sanger | • City of Sunnyvale |
| • City of Santa Cruz | • City of Saratoga | • City of Vacaville |

County Governments

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

Water District:

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

Special Districts

- Port of Redwood City
- Cosumnes Community Service District
- Central County Fire District
- Coastside Fire Protection District
- Castro Valley Sanitary District
- West-County Wastewater District
- South Bayside Systems Authority
- Castro Valley Sanitary District

Housing

- Pleasanton Housing Authority
- Vacaville Housing Authority
- Redding Housing Authority
- Solano County Housing Authority

The City desires an audit of the financial records for the City and an expression of an opinion on the fairness of presentation of financial statements in accordance with generally accepted accounting principles for fiscal years ending June 30, 2014 through 2016 with the option of extending the contract for two subsequent fiscal years.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statement which includes but is not limited to the financial statements of governmental activities, business type activities each major fund and all aggregate remaining fund information in conformity with generally accepted accounting principles in the United States of America.
- Express an opinion on the fair presentation of its combining and individual non-major and fiduciary fund financial statements and schedules in conformity with generally accepted accounting principles. The Firm will provide an “in-relation-to” report on the supporting schedules contained in the comprehensive annual financial report based on the auditing procedures applied during the audit of the basic financial statements and schedules.
- Provide an “in-relation-to” report on the schedule of federal financial assistance based on the auditing procedures applied during the audit of the financial statements.
- Perform the audit in accordance with generally accepted auditing standards accepted in the United States of America, applicable to the financial audit contained in the Government Auditing Standards issued by the Comptroller General of the United States and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, *Governmental Accounting Standard Board (GASB) Pronouncements*, and all other applicable federal, state, local or programmatic audit requirements.
- Perform limited procedures on supplementary information required by the Government Accounting Standards Board.
- Issue the following reports, following the completion of the audit of the fiscal year’s financial statements:
 - Independent Auditor’s Report Opinion on Financial Statements and Schedule of Expenditure of Federal awards
 - Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
 - Management Letter setting forth the findings and/or recommendations
 - Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB A-133
 - Schedule of findings and questioned costs

Understanding of Services to be Provided

- Agreed Upon Procedures Report on the City's Article XIII B (GANN Appropriations Limit) calculations
- Auditor's Communication with Those Charged with Governance
- Provide assistance to the City as needed.
- Retain all working papers and reports at the audit firm's expense for a minimum of 7 years. In addition, make working papers available to the City and/or any government agency as appropriate.

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

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

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

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

Objectives of Our Services

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

Specific Audit Approach

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

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

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

Audit Approach

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

The audit will be conducted in accordance with:

- 1) Generally accepted auditing standards established by the AICPA.
- 2) The standards contained in Government Auditing Standards issued by the GAO.
- 3) Provisions of the Single Audit Act and OMB Circular A-133.
- 4) Audits of States, Local Governments and Non-Profit Organizations
- 5) Other requirements as required.

We will conduct the necessary audit steps to perform:

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

The audit approach will consist of four phases:

- Initial Planning Meeting
- Interim Fieldwork & Internal Control Evaluation
- Year End Fieldwork
- Reporting

Audit Hours and Professional Staff Support by Proposed Segments					
Position	Initial Planning	Interim	Year End	Reporting	Total Hours
Partner	4	8	18	10	40
Manager	4	15	40	10	69
Senior Accountant	1	35	80	16	132
Staff Accountant	1	70	160	8	239
IT	0	3	0	0	3
Clerical	2	0	0	10	12
Total Hours	12	131	298	54	495

Technical Approach

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

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

1. Planning, Understanding and Communication:

Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments work, we will obtain an insight to the specific concerns and sensitivities of the City. Our understanding

is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback.

2. In-Depth Review of Systems and Controls:

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

3. Risk-Based Customized Testing Program:

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

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

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

4. Expanded Interim Fieldwork:

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

5. Smooth Transition:

Our testing program focuses on audit risks identified by our understanding of the City's operations. We will work with the accounting staff to identify the most effective ways to address our objectives. Communication between the members of the audit engagement team and City staff will be fluid and continuous.

6. Sample Size and Sampling Techniques:

Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. Our sample size will range normally from 25 to 60 items.

7. Automated Systems:

We will evaluate controls over the IT functions to assess control risk. We intend to test controls for purposes of reliance. Our review procedures will evaluate controls over:

- Security Management
- Logical and Physical Access
- Configuration Management
- Segregation of Duties
- Contingency Planning

In addition, we will review controls over:

- Input, processing, output, master data
- Application interface
- Data management system interface

Our Information Technology Specialists Group will evaluate the IT operating control environment.

8. Analytical Procedures:

We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the City to benefit from these procedures.

9. Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work:

We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the City are the Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, California Constitution GANN Limit requirements, requirements of local measures, Transportation Development Act requirements, Child Development and Nutrition Program requirements etc.

10. Report Format:

We will meet with City Management to review report formats. Any report format changes will be made in conjunction with approval from the City's management.

11. Work Plans:

The detailed work plans will be designed to efficiently and effectively address the audit requirements of the City in accordance with generally accepted auditing standards, to perform the audit of the City's financial records in a timely manner with minimal disruptions to office operations, and to meet the City's timeline.

12. Adjusting Journal Entries:

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

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

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

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

- Trial Balance
- CAFR and Account Roll Up Schedule
- Budget to Actual Reports
- Bank Reconciliations
- Listing of manually prepared journal entries posted
- Summary of Investments held by the City
- Capital Asset Schedules
- Long Term Debt Schedules
- Debt amortization schedules & Calculations of deferred amounts
- Calculations of any debt covenants amounts or percentages
- Schedule of Operating Leases
- Schedule of Expenditures of Federal Awards
- Reconciliation of Receivables to subsidiary ledgers
- Calculations for estimate of allowance for uncollectible accounts
- Reconciliation of Utility Receivables and Revenues
- Loans Receivable Schedules
- Reconciliation of Significant Revenue Accounts
- Compensated Absences Schedules
- Claims Payable schedules
- Calculation for estimate for Pollution Remediation obligation
- PERS and OPEB Roll Forward & Supporting Schedules
- GASB 54 Fund Balance Roll Forward Schedule
- Interfund Transaction Schedules

Audit Schedule

2014 Period	Audit Tasks
	Award of Contract
May	<p><u>Interim Audit Procedures:</u></p> <p>- Planning and Administration</p> <ul style="list-style-type: none"> ▸ Entrance conference with City Management to discuss audit approach, timing, assistance, and issues ▸ Review and evaluate the City's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements. ▸ Prepare overall memo to City confirming audit procedures, timing, and assistance. ▸ Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by City staff, and provide it to City Management.
May	<p>- Internal Control Evaluation</p> <ul style="list-style-type: none"> ▸ Meeting with key Finance Division personnel. ▸ Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation: <ul style="list-style-type: none"> General ledger system. Budgeting system. Revenue, utility billing, accounts receivable, and cash collections. Purchasing, expenditures, accounts payable, and cash disbursements. Payroll. Federal Financial Assistance. Other systems. ▸ Identify control risks. ▸ Evaluate IT control environment. ▸ Perform testing of the internal control system and evaluate the effectiveness of the City's systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with City policies. ▸ Conduct fraud assessment procedures. ▸ Assess degree of risk for material misstatement. ▸ Provide to the City's management a memo concerning management letter points and identify issues, if any.

Audit Schedule, Continued

2014 Period	Audit Tasks
May	<p>- Other Tasks</p> <ul style="list-style-type: none"> ▸ Review minutes of City Council meetings and other key committees. ▸ Preliminary testing, verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required. ▸ Preliminary Single Audit and other compliance testing ▸ Coordinate with City staff and prepare of all appropriate confirmation requests including: <ul style="list-style-type: none"> Bank accounts. Investment pool accounts. Accounts receivable. Federal grants. Revenue from governmental agencies. Bond and other debts. Pension plan. Attorney letters. Others, as required. ▸ Provide City with audit plan and list of year end audit schedules. ▸ Hold progress conference with City Management. ▸ Hold exit conference with City Management.
October	<p><u>Year End Field Work Procedures:</u></p> <ul style="list-style-type: none"> ▸ Entrance conference with City Management. ▸ Follow-up on all outstanding confirmations. ▸ Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required. ▸ Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual. ▸ Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing City staff. ▸ Perform review of subsequent events by discussions with City Management and update all minutes of City Council and key committees.

Audit Schedule, Continued

2014 Period	Audit Tasks
October	<p>- Single Audit Compliance and Other Compliance</p> <p>Entrance conference with City Management. Obtain Federal Financial Assistance Schedule. Determine grants to be considered as major programs including clusters. Perform audit tests of major grant programs and compliance with Federal Law and Regulations. Review grant documents, select sufficient number of transactions to test for compliance of Federal Requirements. Coordinate Single Audit efforts with the Financial Audit efforts. Communicate findings to City Management. Other Compliance</p>
November	<p><u>Reporting:</u></p> <ul style="list-style-type: none"> ▸ Create and review drafts of City financial statements. ▸ Prepare draft of Single Audit Reports concerning internal control structure, compliance with laws and regulations, and administering of federal financial assistance programs. ▸ Produce and review other reports as required. ▸ Provide drafts of reports to City Management for review.
November 30	<p>- Final Audit Reports, Financial Statement delivered</p> <p>- Management Letter, Single Audit Reports, GANN Appropriations Limit Report and other required reports delivered.</p>

Discussion of Relevant Accounting Issues

Identification of Anticipated Potential Audit Problems

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

- Investments:
 - Evaluate compliance with GASB 31.
 - Review and evaluate the City's authorization and approval process of its investments.
 - Review and evaluate the City's controls to assure compliance with investment limitations and types of specific investments.
 - Review and evaluate the Town's monitoring of its investments.
- Financial Reporting:
 - Review and evaluate that the City's Annual Financial Reports are in compliance with current reporting and disclosures requirements issued by the GASB and GFOA.
 - Review Annual Financial Reports for financial reporting conformance awards issued by CSMFO and GFOA.
 - Review and evaluate degree of compliance with the various GASBs in effect.
 - Review degree of compliance with infrastructure obligations and regulatory provisions.
- Internal Control Structure:
 - Review and evaluate the City's internal control functions and ascertain compliance with proper internal control philosophies.
 - Review computer system processes and controls and evaluate adequacy of the control environment.

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

2014

- Statement 65-Assets and Liabilities— Reclassification and Recognition
- Statement 66-Technical Corrections
- Statement 67-Financial Reporting for Pension Plans
- Statement 70-Nonexchange Financial Guarantees

2015

- Statement 68-Accounting and Financial Reporting for Pensions
- Statement 69-Government Combinations and Disposals of Government Operations
- Statement 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68

Conclusion

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

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

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

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

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

Appendix-A **References**

- 1) City of Barstow
 - Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Barstow Fire Protection District, Due Diligence Reviews for the RDA Successor Agency, Single Audit
 - Engagement Partner: Ahmed Badawi
 - Date: Fiscal years ended June 30, 2012-2013
 - Principal Contact:
Mrs. Cindy Prothro
Director of Finance
(760)255-05115
cprothro@barstowca.org
Proposed Audit Manager served this organization YES [] NO [X]

- 2) City of Buena Park
 - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Buena Park Foundation
 - Date: Fiscal year ended June 30, 2013
 - Engagement Partner: Ahmed Badawi
 - Principal Contact:
Mr. Sung Hyun
Director of Finance
(714)562-3717
shyun@buenapark.com
Proposed Audit Manager served this organization YES [] NO [X]

- 3) City of Lemon Grove
 - Scope of Work: Basic Financial Statements, Gann Limit, SAS114
 - Date: Fiscal year ended June 30, 2013
 - Engagement Partner: Ahmed Badawi
 - Principal Contact:
Ms. Cathleen Till
Finance Director
(619)825-3803
ctill@lemongrove.ca.gov
Proposed Audit Manager served this organization YES [] NO [X]

- 4) City of Berkeley
 - Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Measure B Report (Alameda County), Due Diligence Reviews for the RDA Successor Agency
 - Engagement Partner: Ahmed Badawi
 - Date: Fiscal years ended June 30, 2008-2013
 - Principal Contact:
Mr. Robert Hicks
Finance Director
(510) 981-7399
rhicks@ci.berkeley.ca.us
Proposed Audit Manager served this organization YES [X] NO []

- 5) City of Redwood City
- Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Communication Users Tax, Measure A Report (San Mateo County), Due Diligence Reviews for the RDA Successor Agency
 - Engagement Partner: Ahmed Badawi
 - Date: Fiscal years ended June 30, 2006-2013
 - Principal Contact:
Mr. Brian Ponty
Director of Finance
(650) 780-7072
BPonty@redwoodcity.org
Proposed Audit Manager served this organization YES NO
- 6) City of Newark
- Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Utility Users Tax, Vehicle Registration Fee Audit (Alameda County), Measure B (Alameda County), Transportation Development Act, Newark Betterment Corporation Audit, Newark Betterment Corporation 990 Tax Return, Due Diligence Reviews for the RDA Successor Agency
 - Engagement Partner: Ahmed Badawi
 - Date: Fiscal years ended June 30, 2009-2013
 - Principal Contact:
Mrs. Susie Woodstock
Director of Administrative Services
(510)578-4804
susie.woodstock@newark.org
Proposed Audit Manager served this organization YES NO
- 7) City of Antioch
- Scope of Work: Comprehensive Annual Financial Report, Single Audit, Gann Limit, SAS114, Antioch Public Facilities Financing Authority, Antioch Public Financing Authority, Transportation Development Act
 - Engagement Partner: Ahmed Badawi
 - Date: Fiscal years ended June 30, 2005-2013
 - Principal Contact:
Ms. Dawn Merchant
Finance Director
(925)779-6135
DMerchant@ci.antioch.ca.us
Proposed Audit Manager served this organization YES NO
- 8) City of Union City
- Scope of Work: Comprehensive Annual Financial Report, Gann Limit, SAS114, Measure B (Alameda County), Vehicle Registration Fee Audit (Alameda County), Pension Plan
 - Engagement Partner: Ahmed Badawi
 - Date: Fiscal years ended June 30, 2008-2013
 - Principal Contact:
Mrs. Gayle Okada
Accounting Supervisor
(510) 675-5352
gayleo@ci.union-city.ca.us
Proposed Audit Manager served this organization YES NO

City of Manhattan Beach

COST PROPOSAL

For Professional Auditing Services for the City of Manhattan Beach

*For fiscal years ending June 30, 2014 through 2016 with the
option of extending for two subsequent fiscal years*

February 5, 2014

Contact Person:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
180 Grand Avenue, Suite 955
Oakland, CA 94612
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com



Name of Firm and Certification

Name of Firm: Badawi & Associates
 Address: 180 Grand Avenue, Suite 955
 City, State, Zip: Oakland, CA 94612
 Contact Name: Ahmed Badawi
 Contact Telephone Number(s): 510-768-8244
 Contact Fax Number(s): 510-768-8249
 Contact E-mail Address: abadawi@b-acpa.com

I, the undersigned, certify I am duly authorized to represent the above named firm and am empowered to submit this bid. In addition, I certify I am authorized to contract with the City of Menlo Park on behalf of the above named firm.



	President	2/5/2014
Signature	Title	Date

Ahmed M. Badawi

 Name (print)

Our fees are firm fixed prices that are based on an estimate of 495 hours to perform procedures necessary to provide the requested services. In determining our fees, we understand that the Authority's records will be in condition to be audited ; that is, transactions will be properly recorded in the general ledger and subsidiary records, these accounting records and the original source documents will be readily available to use, we will be furnished with copies of bank reconciliations, and other reconciliations and analyses prepared by the City and The City personnel will be reasonably available to explain procedures, prepare audit correspondence and obtain files and records.

Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary, which we will communicate and discuss with the City. Such circumstances include but are not limited to the following:

1. Changes to the timing of the engagement at your request. Changes to the timing of the engagement usually require reassignment of personnel used by Badawi & Associates ("the Firm") in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, the Firm may incur significant unanticipated costs
2. All requested schedules are not (a) provided by the accounting personnel on the date requested, (b) completed in a format acceptable to the Firm (c) mathematically correct, or (d) in agreement with the appropriate underlying records (e.g., general ledger accounts). The Firm will provide the accounting personnel with a separate listing of required schedules and deadlines.
3. Weaknesses in the internal control structure.

4. Significant new issues or unforeseen circumstances as follows:
 - a. New accounting issues that require an unusual amount of time to resolve.
 - b. Changes or transactions that occur prior to the issuance of our report.
 - c. Changes in the City’s accounting personnel, their responsibilities, or their availability.
 - d. Changes in auditing requirements set by regulators. Significant delays in the accounting personnel’s assistance in the engagement or delays by them in reconciling variances as requested by the Firm. All invoices, contracts and other documents which we will identify for the City, are not located by the accounting personnel or made ready for our easy access.
5. A significant level of proposed audit adjustments is identified during our audit.
6. Changes in audit scope caused by events that are beyond our control.
7. Untimely payment of our invoices as they are rendered.

Rates for Additional Professional Services:

Any services outside the scope of our engagement will be promptly identified before the services are rendered. Upon mutual agreement, the out-of-scope services will be separately billed at our standard hourly rates. While it can be difficult to simply state hourly rates, as often times the needs of the client and the specific tasks directly impact the billing rates for our services, we want to provide the following information regarding our published billing rates:

Position	Hourly Rate
Partner	\$ 250
EQR	250
Manager	200
Senior	150
Staff	125
IT	150
Admin.	90

Discount:

Because of the importance of your City to our strategic plan, we have discounted our normal fee structure and will assume all costs required to familiarize our staff with the City’s operational environment. We strongly believe that the City should not be penalized for introducing new auditors to its operation. This discount in fees, already included in the All-Inclusive Maximum Price, amounts to:

For the year ending June 30, 2014	\$ 19,190
For the year ending June 30, 2015	19,766
For the year ending June 30, 2016	<u>20,359</u>
Total	<u><u>59,315</u></u>

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

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

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


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

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

Attachment A
 Audit Work Cost Proposal
 City of Manhattan Beach Request for Proposal

Service	FY 2013/14	FY 2014/15	FY 2015/16
Audit and Related Reports	\$ 31,895	\$ 32,852	\$ 33,837
Preparation of Financial Statements	4,000	4,120	4,244
Single Audit and Related Reports	4,000	4,120	4,244
Total for Fiscal Year (Not-to Exceed)	\$ 39,895	\$ 41,092	\$ 42,325

Name of Firm	Badawi and Associates, CPAs
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Authorized Signature	
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Name of Authorized Person	Ahmed Badawi
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Title	President
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Address	180 Grand Avenue, Suite 955
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City/State/Zip	Oakland/California/94612
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Telephone	(510)768-8244
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Email	abadawi@b-acpa.com
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Attachment B
Estimate of Cost
City of Manhattan Beach Request for Proposal

Hourly Billing Rates for Engagement

Position	FY 2013/14	FY 2014/15	FY 2015/16
Partner	\$ 175	\$ 175	\$ 175
Manager	\$ 150	\$ 150	\$ 150
Senior Accountant	\$ 125	\$ 125	\$ 125
Staff Accountant	\$ 100	\$ 100	\$ 100
Clerical	\$ 80	\$ 80	\$ 80
IT Specialist	\$ 125	\$ 125	\$ 125

Name of Firm	Badawi and Associates, CPAs
--------------	-----------------------------

Authorized Signature	
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Name of Authorized Person	Ahmed Badawi
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Title	President
-------	-----------

Address	180 Grand Avenue, Suite 955
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City/State/Zip	Oakland/California/94612
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