



CITY OF COSTA MESA

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Prepared By:

Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, CA 92612

January 23, 2018

Contact Person:

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January 23, 2018

City of Costa Mesa
City Hall, Office of the City Clerk
77 Fair Drive
Costa Mesa, CA 92628-1200

Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

We are pleased to provide our proposal to perform audit services to the City of Costa Mesa (the "City") for the fiscal years ending June 30, 2018 through 2020, with one-year options for the fiscal years ending June 30, 2021 and June 30, 2022.

Our service philosophy is one of open and constant communication, a proactive approach and responsive, value-added services. We will listen to your ideas and concerns and will bring creative solutions to you in both financial and other operational areas. We are aware that while the City has solicited numerous proposals, Davis Farr LLP would be your best selection for the following reasons which are set forth in greater detail in our proposal:

- We take a proactive leadership role in local government accounting and auditing issues. We serve on the Government Accounting and Audit Committee of the Cal CPA Society and are frequent speakers on technical topics at conferences and training events throughout California.
- In addition to providing extensive audit and information technology training for our staff, Davis Farr LLP provides an annual Governmental Accounting Standards Board (GASB) Technical Update each spring for our clients. Our commitment to training our clients benefits you by ensuring you receive accurate and timely information that impact budgeting and financial reporting.
- We extensively utilize IDEA data mining software to evaluate anomalies in your accounting data. This helps focus our auditors' attention on potential errors in the accounting records and transactions that could be more susceptible to fraud.

The Davis Farr LLP office location that is nearest to Costa Mesa will be the office that will also manage the engagement. The location of that office is as follows:

Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, California 92612
(949) 474-2020

We appreciate the opportunity to share our credentials and look forward to continuing to develop our professional relationship. Our proposal remains a firm and irrevocable offer for 180 days. I look forward to you contacting me so that I may answer further any questions which you may have. You may contact me at (949) 783-1740.

Very truly yours,

A handwritten signature in blue ink that reads "Jennifer Farr".

Jennifer Farr, CPA, MBA
Partner





**VENDOR APPLICATION FORM
FOR
RFP NO. 17-08
AUDIT SERVICES**

TYPE OF APPLICANT: NEW CURRENT VENDOR

Legal Contractual Name of Corporation: _____

Contact Person for Agreement: _____

Corporate Mailing Address: _____

City, State and Zip Code: _____

E-Mail Address: _____

Phone: _____ Fax: _____

Contact Person for Proposals: _____

Title: _____ E-Mail Address: _____

Business Telephone: _____ Business Fax: _____

Is your business: (check one)

NON PROFIT CORPORATION FOR PROFIT CORPORATION

Is your business: (check one)

CORPORATION LIMITED LIABILITY PARTNERSHIP
 INDIVIDUAL SOLE PROPRIETORSHIP
 PARTNERSHIP UNINCORPORATED ASSOCIATION

Names & Titles of Corporate Board Members

(Also list Names & Titles of persons with written authorization/resolution to sign contracts)

Names	Title	Phone
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Federal Tax Identification Number: _____

City of Costa Mesa Business License Number: _____

(If none, you must obtain a Costa Mesa Business License upon award of contract.)

City of Costa Mesa Business License Expiration Date: _____

Section A – Background and Project Summary

Scope of Work

Our understanding of the objectives and scope of the work to be performed is as follows:

- We will perform an audit examination of the financial statements of the City of Costa Mesa for the fiscal years ending June 30, 2018 through 2020, with one-year options for the fiscal years ending June 30, 2021 and June 30, 2022. Our examination will be conducted in accordance with auditing standards generally accepted in the United States, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. The City will prepare the Comprehensive Annual Financial Report (CAFR). We will ensure that the report is prepared in conformity with the most recent edition of the GAAFR, the GAAFR Update, and subsequent GASB pronouncements.
- We will perform a financial statement audit of the Costa Mesa Public Financing Authority. The examination will be conducted in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States.
- We will perform a financial statement audit of the Costa Mesa Financing Authority. The examination will be conducted in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States.
- We will perform a financial and compliance audit of the Costa Mesa Housing Authority. The examination will be conducted in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. The compliance audit will include the provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies issued by the State Controller.
- We will perform a compliance audit of federal expenditures in accordance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* in any year the City has federal expenditures of more than \$750,000.
- We will perform a compliance audit of the City's Air Quality Management District Funds. The audit will be performed in accordance with the provisions of the laws and regulations identified in Assembly Bill 2766 Chapter 1705 [Health and Safety Code Sections 44220 through 44247].

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- We will perform agreed-upon-procedures over the City's Gann Appropriations Limit.
- We will prepare a letter to the City Council reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by SAS No. 115. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- As requested, we will meet with the City Council to discuss the results of the audit.
- Finally, we perceive the scope of our work as being advisors to the City regarding generally accepted accounting principles. Throughout the year, the management and other finance personnel of the City will have access to us to seek advice in the application of generally accepted accounting principles, advice regarding debt issuance, financial statement preparation and content, and any other matters relating to the City.

Section B – Company Experience and Qualifications

Background Information – Davis Farr LLP is a full-service accounting firm that specializes in providing attest and advisory services to federal, state, and local governments as well as non-profit entities out of our Carlsbad and Irvine offices. Our personnel have served governmental and non-profit entities for over 40 years. A breakdown of our government audit personnel by classification is as follows:

Classification	Number of Employees
<i>Partners</i>	6
<i>Managers</i>	9
<i>Supervisors</i>	4
<i>Seniors</i>	10
<i>Staff</i>	13
<i>Administrative</i>	3
<i>Total personnel</i>	45

License to Practice in California – Davis Farr LLP and all key personnel are licensed with the California State Board of Accountancy to practice as independent certified public accountants. There has been no disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

Independence – Davis Farr LLP is independent with respect to the City of Costa Mesa and the Successor Agency as defined by U.S. General Accounting Office's *Government Auditing Standards* and Generally Accepted Auditing Standards. Neither Davis Farr LLP nor the key personnel have any potential or real conflicts of interest.

Quality Control – Davis Farr LLP and its Partners are members of the American Institute of Certified Public Accountants (AICPA) and is a member of the AICPA's Government Audit Quality Center. Our firm is a voluntary participant in the AICPA Peer Review Program. Included in the appendix is our most recent Peer Review report where our firm received a *Pass*. A *Pass* demonstrates the highest level of quality control in a Peer Review. There has been no disciplinary action taken or pending against the firm during the past 5 years and there is no litigation against the firm.

Training – Every professional of the firm must enroll in continuing professional education courses. Each person is required to take at least 80 hours of training over a two-year period including 24 hours a year specific to government accounting and audit topics. Courses cover a wide spectrum of professional and technical subjects, and include Fraud Auditing, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise.

Professional Organizations

Government Audit Quality Center – Davis Farr LLP is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

National Registry of CPE Sponsors – Davis Farr LLP is registered to provide continuing professional education through the National Association of State Board of Accountancy (NASBA). NASBA recognizes CPE program sponsors who provide continuing professional education programs in accordance with nationally recognized standards.

Cal CPA – Many of the CPAs employed by Davis Farr LLP are members of Cal CPA and regularly participate in chapter meetings, education, and events. In 2015, Cal CPA recognized one of Davis Farr LLP's partners with a **Women to Watch** award in the Experienced Leader category. Davis Farr LLP partners are also members of the **Governmental Accounting and Auditing Committee** of the CalCPA.

American Institute of CPAs – Davis Farr LLP and the firm's Partners are members of the American Institute of CPAs (AICPA). The AICPA develops standards for audits, provides educational guidance materials to its members, and monitors and enforces compliance with the profession's technical and ethical standards.

CSMFO – The Partners of Davis Farr LLP are members of the California Society of Municipal Finance Officers (CSMFO), the statewide organization serving all California municipal finance professionals. Firm personnel regularly attend CSMFO Chapter Meetings and Conferences. The Partners of Davis Farr LLP are frequent presenters on accounting and auditing technical topics at Chapter Meetings and Conferences.

GFOA – The Government Finance Officers Association (GFOA) enhances and promotes the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit. The Partners of Davis Farr LLP are members of the Certificate of Achievement Program's Special Review Committee. The Committee reviews Comprehensive Annual Financial Reports submitted to GFOA for the CAFR Award Program.

Our Prior Experience Auditing Government Agencies

Davis Farr LLP is a leader in the local government sector throughout the Southern California Area. Currently, we service approximately 60 local, state, and federal government entities. Davis Farr LLP services routinely provided to our clients include, but are not limited to:

- **Financial statement audits** prepared in accordance with generally accepted auditing standards (GAAS) and *Government Auditing Standards*.
- **Financial statement reviews & compilations** prepared in accordance with Statements on Standards for Accounting and Audit Services (SSARS), issued by the AICPA Accounting and Audit Services Committee (ARSC).
- **Attestation engagements involving internal control** related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- **Compliance audits** of federally-funded assistance agreements and negotiated contracts as well as all engagements involving internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulation, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the new *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- **Agreed upon procedures** audits for special projects. We perform a number of agreed upon procedure audits to help our clients evaluate contract and law compliance for Transient Occupancy Taxes, Franchise Taxes, Utility User Taxes, Management Agreements to operate golf courses and other government owned facilities, and cost or revenue sharing agreements between government agencies. Additionally, we regularly perform agreed upon procedures for special internal projects such as evaluating compliance with purchasing policies, testing credit card transactions, performing petty cash counts, and other procedures.

We typically supplement these services by providing management with sound recommendations to strengthen internal controls and/or improve operating efficiencies.

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Our Prior Experience Auditing Government Agencies, (Continued)

Our government expertise includes Cities, Special Districts, and other Governmental entities. Among the government agencies that the professionals of Davis Farr LLP have served recently are the following:

Bighorn Desert View Water Agency	Coachella Valley Enterprise Zone
City of Avalon	County of Fresno Housing Authority
City of Carlsbad	County of San Diego
City of Commerce	Eastern Municipal Water District
City of Villa Park	Irvine Ranch Water District
City of Delano	Municipal Water District of Southern California
City of El Segundo	Oxnard Housing Authority
City of Fontana	Placer County Water Agency
City of Fresno Housing Authority	Salton Sea Authority
City of Garden Grove	San Diego County Water Authority
City of Huntington Beach	San Diego Association of Governments
City of Mission Viejo	San Diego Local Agency Formation Commission
City of Jurupa Valley	San Diego Pooled Insurance Authority
City of San Bernardino Water Department	San Gabriel Basin Water Quality Authority
City of Torrance	South Coast Water District
City of Upland	South Costa Mesa County Wastewater Authority
City of Victorville	South Montebello Irrigation District
City of Santee	Tahoe Regional Planning Agency
City of Woodland	Tahoe Transportation District
West Basin Municipal Water District	Ventura Housing Authority
Coachella Valley Conservation Authority	Walnut Valley Water District

For experience related to individual engagement team members please see Section D – Staffing.

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Client References

For your convenience, we have listed below references with regard to audit work currently being performed by Davis Farr LLP personnel for several Cities throughout Southern California. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

	Client	Hours	Client Contact	Telephone/Email
1.	City of Mission Viejo 200 Civic Center Mission Viejo, CA 92691	400	Cheryl Dyas, Director of Administrative Services	949.470.3059 cdyas@cityofmissionviejo.org
2.	City of Garden Grove 11222 Acacia Pkwy Garden Grove, CA 92840	1,000	Ellis Chang	714.741.5066 ellisc@ci.garden-grove.ca.us
3.	City of Carlsbad 1635 Faraday Avenue Carlsbad, CA 92008	800	Kevin Branca, Finance Director	760.602.2418 Kevin.branca@carlsbadca.gov
4.	City of Delano 1015 Eleventh Avenue Delano, CA 93215	900	Rosa Rios, Director of Finance	661.720.2235 rrios@cityofdelano.org
5.	City of Huntington Beach 2000 Main Street Huntington Beach, CA 92648	600	Dahle Bulosan, Finance Manager	714.536.5648 dbulosan@surfcity-hb.org

Section C – Methodology

Davis Farr plans and conducts our engagements in the most efficient manner possible, and our audit approach is unique with regard to the following:

- Our firm is sensitive to the priorities and work requirements of our clients. We work around the schedules of our clients when scheduling segments of the audit or requesting documentation in order to minimize disruption of City staff and to complete the audit in a timely manner.
- Whenever possible, we use accounting support already prepared by the City staff in order to avoid duplication or unnecessary requests for audit supporting schedules.
- Our firm's expertise is in governmental auditing. Our auditors are GASB experts and skilled at addressing audit issues that are specific to local governments. You will not spend time training our personnel.
- When formulating internal control recommendations, we obtain a thorough understanding of the specific circumstances at your City in order to provide a tailored, practical recommendation.
- Throughout the year we are a resource to our clients in providing accounting advice, researching technical questions, dealing with tax problems, and helping with other problems as they arise.

Audit Software - We utilize Caseware audit software for the electronic City of workpapers. We have the ability to accept audit documentation in either hard copy or electronic format. Caseware allows us the ability to import trial balances that can be provided in either excel or a text document. Some of the benefits of using Caseware trial balance software are as follows:

- We can create our own lead sheets (i.e., analytical review comparison schedules). This limits the amount of time finance staff spends creating audit schedules. Our software automatically generates analytical review reports by account number for ease of analyzing significant fluctuations between fiscal years.
- We can link the financial statement schedules directly to the Caseware trial balances. As a result, we can provide the City with financial statements almost immediately after receiving the trial balance from the City. Additionally, journal entries are easy to post to the financial statement schedules and the risk of data entry error is minimized
- We can provide the City with reports showing the coding of the financial statement schedules for ease of review by City staff. These reports show each account coded to a specific financial statement line item as well as journal entries that are posted during the audit.

- Creating color PDF's of final reports is a seamless process for our audit staff.
- We can provide the City with draft audit reports soon after audit fieldwork is completed.

Data Mining Software

We have a dedicated team of personnel trained to use special data mining software, IDEA. Our software uses source data from your accounting system to search for anomalies, such as duplicate or voided checks, cross-referencing vendor addresses with employee addresses, detecting accounting transactions recorded on the weekend, reviewing journal entry postings for unauthorized individuals. The IDEA software identifies specific transactions for the auditors to review for potential fraud or error.

Transition from Prior Auditors

Following our appointment as auditors, key audit personnel from our firm will meet with City staff for the purpose of planning the audit. We will also perform the following in order to ensure an effortless transition from the prior auditing firm:

- We will input the prior year trial balance into our audit software and regenerate the prior year financial statement schedules to ensure our coding is accurate.
- When reviewing prior auditor workpapers, we will request copies of permanent file documents from the prior auditor so the City doesn't have to spend time copying these documents for us.
- We will review the confirmations provided to your auditor last year and simply mark up last year's confirmations instead of providing you with MHM templates.
- We will review the prior year CAFR during interim and suggest changes, if necessary, at that time instead of waiting until final to discuss potential changes.

Internal Control Evaluation

Our approach to evaluating internal controls involves observation and inquiry. We spend time with the personnel responsible for the accounting cycles to gain an understanding of the processes. We also carefully evaluate your policies and procedures. After our initial evaluation, we identify key controls in your processes and design test to evaluate the effectiveness of those processes. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements

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- Payroll
- Investment and cash controls
- Information systems

In future years, we will review the accounting cycles noted above but also look at other processes such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and other areas. Our goal is to modify our audit approach every year to further evaluate your internal controls.

Audit Stage	Procedures Performed
<i>Planning and inquiry</i>	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none">• Meet with finance personnel to obtain an understanding of significant transactions during the year• Communicate with the City Council in regards to fraud, compliance with laws, and any concerns they have regarding the finances of the City• Perform internal control evaluations as noted on the previous page• Determine materiality levels that will be used in selecting audit transactions• Perform a risk assessment to develop the audit plan for the year• Review minutes of City Council meetings• Review important new contracts, bond documents, and agreements• Evaluate compliance with investments• Test purchase orders and contract management• Test a sample of cash disbursements to determine adherence to policies and internal controls• Perform a review of the organizations information systems and controls• Perform compliance testing of federal grants, as necessary• Update the prior audited financial statements and provide feedback to City staff regarding best practices for financial reporting• Provide a GASB Update and templates for implementing new accounting standards

Audit Stage	Procedures Performed
<p>Year-End Testing</p>	<p>After the books are closed and ready for audit, we will perform our year-end procedures which include the following:</p> <ul style="list-style-type: none"> • We will confirm 100% of all cash and investment balances and test market values provided by your investment custodians. • We will test for proper cutoffs of accounts receivable and grants receivable. • We will confirm and test material notes and loans receivable. • We will test additions and deletions to capital assets. We will review depreciation expense for reasonableness. • We will test interfund transactions including due to/due from other funds, advances, and transfers. We will review legal documents supporting loans and test the allowability of transfers out of restricted funds. • We will test current liabilities and perform a search for unrecorded liabilities. • We will review deferred revenue balances for proper cutoffs. • We will test the balances of accrued payroll and employee related liabilities. • We will confirm long-term debt with independent parties. • External verification of bond compliance through the Electronic Municipal Market Access (EMMA) database. • Testing of actuarial valuations and calculations related to OPEB obligations. • Testing of actuarial valuations and calculations related to pension obligations and new disclosures under GASB 68. • Evaluation of claims and judgments payable. • Testing of restrictions and classifications of net position. • Analyze grant revenues and expenses to ensure proper matching within the fiscal year. • Test the reasonableness of interest income, realized, and unrealized gains/losses on investments. • Test golf course activities and management company compliance with agreement. • Analytically and substantively test revenues and expenses reported in the financial statements. • We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc. <p>The aforementioned tests are only a few of the tests performed during the examination and by no means is it meant to be all inclusive. During the final stage of the audit we will meet with Finance staff to review our audit findings and any adjusting journal entries.</p>

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Audit Stage	Procedures Performed
<p>Single Audit Approach</p>	<p>As part of our Single Audit for the years in which the City expends greater than \$750,000, we will perform the following procedures in accordance with the Uniform Guidance:</p> <ul style="list-style-type: none"> • Perform an evaluation of the major programs required to be tested • Review OMB guidance and the OMB Compliance Supplement for the grant program audited. • Review internal controls for each of the applicable 14 compliance areas for each program audited. • Using AICPA sampling guidance, we will select a sample for each of the applicable 14 compliance areas for each program audited. We will test the sample for compliance with those 14 areas. • Test the indirect cost rate, if applicable • Review monitoring reports for noncompliance and follow up on the resolution of past noncompliance, if applicable. • Issue a single audit report of federal expenditures. • File the data collection form within the specified deadline.
<p>Completion of the Audit and Preparation of Financial Statements</p>	<p>The nature and extent of the work required is dependent on our assessment of the likelihood of misstatements in the financial statements together with our conclusions from the planning and testing stages of the audit. All of the audit information is then used to reach a conclusion on whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none"> • We will review significant events after year end • We will review attorney letters for significant legal matters • We will prepare the financial section of the Comprehensive Annual Financial Report (CAFR) • We will ensure accurate and complete disclosures in the notes to the financial statements. • The reports will undergo five levels of review before a draft is given to the City • We will print and bind all reports for the City as well as providing Color PDF's of the final reports. • As requested, we will meet with the City Council to present the results of the audit.

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Assistance from City Staff

Maximum cooperation and assistance from City staff is expected by the auditors including preparation of certain confirmation requests, and normal yearend schedule preparation (i.e., support for the City's significant asset and liability balances). We would also expect reasonable assistance from City staff in producing requested documentation during the audit examination.

Proposed Timing of the Audit for FY 17/18

The following proposed timing is subject to the City's revision and approval:

Task	Fiscal Year Ending June 30, 2018
<i>Audit Request List Provided</i>	April 2018
<i>Audit Planning Meeting</i>	May 2018
<i>Interim Audit Procedures</i>	May 14-May 25, 2018
<i>Single Audit Testing</i>	July 2018
<i>Final Audit Fieldwork</i>	Sept 10-Sept 21, 2018
<i>Exit Meeting</i>	Sept 21, 2018
<i>CAFR Draft Presented to City</i>	October 31, 2018
<i>Finalization of Audit Reports</i>	By Nov 30, 2018

Segmentation of the Audit

The following is our estimate of the hours by professional classification required to perform the audit:

Classification	Hours	Percentage
<i>Partner</i>	60	9%
<i>Manager</i>	110	16%
<i>Senior Auditor</i>	273	40%
<i>Staff Auditor</i>	233	35%
<i>Total</i>	676	100%

Implementation of New GASB Pronouncements

The City will be required to implement the following accounting standards during the upcoming fiscal years. Part of our service to you includes consulting on these new auditing standards. A sampling of significant new GASB pronouncements planned or proposed for local governments that will impact the City of Costa Mesa are listed below:

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GASB	Description
<i>GASB Statement No. 75 OPEB</i>	Similar to the new Pension Standards, GASB approved the release of GASB Statements No. 75 in June 2015. This standard changes the calculation of the Other Post Employments Benefit liability and requires additional disclosures. The standard will be effective for the June 30, 2018 financial statements. We will provide the City with templates for recording the OPEB journal entries as well as provide a disclosure example for the CAFR. We will work with the City's actuary to ensure the information necessary for the audit is provided by the actuary.
<i>GASB 83: Asset Retirement Obligations</i>	This statement addresses accounting and financial reporting for certain asset retirement obligations. We will meet with you each year to determine if you have any obligations subject to this standard. The standard will be effective for the fiscal year ending June 30, 2019.
<i>GASB 84: Fiduciary Activities</i>	This statement establishes criteria for identifying fiduciary activities of all state and local governments. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. We will work with the City to identify the activities required to be reported in these four fund types and provide transition guidance for the fiscal year ending June 30, 2020.
<i>GASB 85: Omnibus 2017</i>	Effective for the June 30, 2018 financial statements, this statement addresses a variety of topics including related to blending component units, goodwill, fair value measurement and application and postemployment benefits. We will evaluate the applicability of the standard for the City.
<i>GASB 86: Debt Extinguishments</i>	Effective for the June 30, 2018 financial statements, the objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. We will evaluate the applicability of the standard for the City.
<i>GASB 87: Leases</i>	The objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. The standard will be effective for the fiscal year ending June 30, 2021.

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Section D – Staffing

The successful outcome of any audit requires personnel with the managerial and technical skills to perform the work required. The engagement team who will serve the City of Costa Mesa have served together as a team of professionals on numerous financial audit examinations of local government entities. While not anticipated, any personnel substitutions will be of equally qualified personnel.

We believe that efficient administrative management and supervision of the audits is an extremely critical factor in achieving the desired results for City of Costa Mesa. In that regard, our proposal organizational structure for providing independent auditing services is as follows:



JENNIFER FARR, CPA, MBA
PARTNER

California CPA Certificate No. 76292, October 1998

Ms. Farr will serve as the Partner on this audit. She will oversee the project to ensure all required deadlines are met, provide technical assistance to the audit teams, and review the final reports before they are released. Ms. Farr is a Certified Public Accountant with 20 years of experience in local government auditing. Ms. Farr is a frequent speaker on matters pertaining to technical issues and new GASB pronouncements. Ms. Farr is also responsible for training in the area of local governmental accounting and auditing.



PROFESSIONAL AFFILIATIONS & AWARDS

- California Society of Certified Public Accountants
 - Government Accounting & Auditing Committee
- California Society of Municipal Finance Officers
- American Institute of Certified Public Accountants
- GFOA CAFR Reviewer
- Recipient of the Cal CPA 2015 Women to Watch award in the Experienced Leader category

EDUCATION

- Bachelor of Arts - Business Administration/Accounting (*California State University, Fullerton*)
- Bachelor of Arts - English (*California State University, Fullerton*)
- Masters of Business Administration (*California State University, Fullerton*)

AUDITS OF CALIFORNIA CITIES

- | | |
|-------------------------|-----------------------|
| City of Avalon | City of Indian Wells |
| City of Benicia | City of La Quinta |
| City of Burbank | City of Mission Viejo |
| City of Carlsbad | City of National City |
| City of Commerce | City of Orange |
| City of Campbell | City of Palm Springs |
| City of Costa Mesa | City of Rosemead |
| City of Culver City | City of San Bruno |
| City of Delano | City of Santee |
| City of Fontana | City of Upland |
| City of Fountain Valley | City of Victorville |
| City of Garden Grove | City of Villa Park |
| City of Half Moon Bay | City of Walnut Creek |
| City of Hayward | City of Whittier |
| City of Highland | City of Woodland |

**MARC DAVIS, CPA
QUALITY CONTROL REVIEW**

Marc Davis will serve as the Quality Control Reviewer on the engagement. Mr. Davis has over 30 years of experience in government auditing, accounting, and consulting. As a second reviewer, Mr. Davis will be involved in approving the audit plan, reviewing key audit workpapers, reviewing all reports, and acting as a second technical resource to the City.



EMPLOYMENT HISTORY

Davis Farr LLP: April 2015 to present, Founding Partner
A Top 10 National CPA Firm: 1998-2015, Partner
City of Costa Mesa: 1990-1998, Acting Finance Director
City of Buena Park: 1988-1990, Acting Finance Director
Conrad & Associates, LLP: 1984-1988

EDUCATION

Bachelor of Business Administration – Accounting
California State University, Fullerton

Throughout Mr. Davis' career, he has served in various capacities on the annual financial audits of the following cities and government agencies:

- | | |
|--------------------------------------|--|
| Antelope Valley Transit Authority | City of Fresno Housing Authority |
| County of Fresno Housing Authority | Oxnard Housing Authority |
| Tahoe Regional Planning District | Tahoe Transportation District |
| Ventura Housing Authority | Omnitrans |
| San Diego Association of Governments | Orange County Transportation Authority |
| City of El Segundo | City of Inglewood |
| City of Torrance | City of Buena Park |
| City of Escondido | City of San Gabriel |
| City of Azusa | City of Rialto |
| City of Stanton | City of Beaumont |
| City of Westminster | City of Downey |
| City of Los Alamitos | |

Mr. Davis has provided extensive consulting services to local government including:

- GASB 34 infrastructure inventory and valuation
- Fixed asset inventories
- Preparation of cost allocation plans
- Preparation of user fee studies
- Performance audits
- Outsourcing

**DEAN VOTAVA, CPA
SENIOR MANAGER**

California CPA Certificate No. 64413

Mr. Votava has 30 years of government audit experience. Mr. Votava has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133, and compliance audits. Mr. Votava will be responsible for managing the audit engagement and will supervise the staff assigned.



PROFESSIONAL AFFILIATIONS

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

EDUCATION

Bachelor of Business Administration – Accounting
University of North Dakota, Grand Forks

AUDITS OF CALIFORNIA CITIES

Mr. Votava has managed numerous financial statement audits, redevelopment agency audits and OMB Circular A-133 Single Audits for a number of significant local government entities. Some of the California City audit engagements managed by Mr. Votava include the following:

- | | |
|------------------------|-----------------------|
| City of Garden Grove | City of Mission Viejo |
| City of Carlsbad | City of Santa Ana |
| City of Palm Springs | City of Norwalk |
| City of West Covina | City of Hesperia |
| City of Upland | City of Indio |
| City of Whittier | City of Gilroy |
| City of Pomona | City of Costa Mesa |
| City of La Puente | City of South Gate |
| City of San Bernardino | City of El Segundo |
| City of Torrance | City of Fontana |
| City of Orange | City of Riverside |

**ERICK MARTIN, CPA
IN-CHARGE**

CA CPA Certificate No. 121760

Mr. Martin has over five years of audit experience, spending the majority of that time on audits for local governments. Mr. Martin has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits, and compliance audits. Mr. Martin will be responsible for the audit engagement and will supervise the staff assigned.



EMPLOYMENT HISTORY

Davis Farr LLP: June 2015-current
National CPA firm: January 2011-June 2015

EDUCATION

Bachelor of Business Administration – Accounting
California State University, Fullerton

AUDITS OF CALIFORNIA CITIES

- City of Villa Park
- City of San Marcos
- City of Upland
- City of Moreno Valley
- City of Garden Grove
- City of El Segundo

AUDITS OF SPECIAL PURPOSE GOVERNMENTS

- Palm Springs Desert Resorts Conventions and Visitors Authority
- Walnut Valley Water District
- Mesa Consolidated Water District
- Irvine Ranch Water District
- Puente Basin Water Agency
- Orange County Sanitation District
- Coachella Valley Mosquito District
- West Basin Municipal Water District
- San Bernardino Municipal Water Department

**DIEGO VANEGAS, CPA, CISA, CITP
PARTNER**

INTRODUCTION

Diego Vanegas, CPA, CISA, CITP has over 10 years of progressive governmental accounting and audit experience, including extensive compliance audit experience for governmental and non-profit agencies. He has been involved in financial/compliance audits, internal control audits and assessments, operational/performance audits, and cost proposal analysis/price reviews for various governmental agencies. Mr. Vanegas has served in many capacities depending on the size and requirements of the engagements. He has participated in audits of federal agencies such as NSF, CMS, and CNCS, among others. Additionally, Mr. Vanegas has been involved in agreed-upon-procedures and audit engagements of state/local agencies. These engagements have often times combined both financial and compliance aspects of the audit as well as Information Technology (IT). Furthermore, he has strong internal control audit experience through the performance of SSAE 16 Service Organization Controls (formerly known as SAS 70) audits of the internal controls of service organizations, as well as knowledge of *Government Auditing Standards*, Office of Management and Budget (OMB) Circular A-87 and the Federal Acquisition Regulations (FAR).

EMPLOYMENT HISTORY

- Davis Farr LLP: Partner –January 2018 through present
- Davis Farr LLP: Manager –June 2015 through December 2017
- Top 10 National CPA Firm.: Manager, Senior Associate, Associate – May 2005 to June 2015

EDUCATION

- Bachelor of Science in Business Administration, with an emphasis in Accounting California State University - Los Angeles.
- Bachelor of Science in Computer Information Systems, with an emphasis in Business Systems California State University - Los Angeles.

PROFESSIONAL CERTIFICATIONS

- Certified Public Accountant, State of California, No. 113040
- Certified Information Technology Professional, No. 3298
- Certified Information Systems Auditor

Section E – Financial Capacity

Davis Farr LLP is a privately-owned partnership and the financial information related to Davis Farr LLP is considered confidential. Upon notification of the award of the contract, certain financial information related to Davis Farr LLP can be presented to the City upon request. There are no administrative proceedings, claims, lawsuits, or other exposures pending against Davis Farr LLP.

Section F – Cost Proposal

A completed Cost Proposal Form is included as Appendix A.

The single audit fee includes up to two major programs per year. Additional major programs, if necessary, can be audited for \$3,000 each.

Section G – Disclosure

Davis Farr LLP is currently providing transient occupancy tax auditing services to the City of Costa Mesa. The engagement was to terminate on June 30, 2017, with an option to extend the contract in one-year periods for an additional two fiscal years. Davis Farr LLP and its employees have no past or current relationships with any current Costa Mesa elected official, appointed official, City employee, or family member of any current Costa Mesa elected official, appointed official, or City employee.

Section H – Sample Professional Services Agreement

We have reviewed the Sample Professional Services Agreement and we have no exceptions or conditions to the Agreement.

Section I – Checklist of Forms Accompanying Proposal

Below is a list of the forms that are to be included in this Proposal along with the location of the completed form.

1. Vendor Application Form – included in the Vendor Application Form and Cover Letter Section
2. Company Profile & References – included as Appendix A
3. Ex Parte Communication Certificate – included as Appendix B
4. Cost Proposal – included as Appendix C
5. Disclosure of Government Positions – included as Appendix D
6. Disqualification Questionnaire – included as Appendix E

APPENDIX A

Company Profile & References

COMPANY PROFILE & REFERENCES

Company Profile

Company Legal Name: _____

Company Legal Status (corporation, partnership, sole proprietor etc.): _____

Active licenses issued by the California State Contractor's License Board: _____

Business Address: _____

Website Address: _____

Telephone Number: _____ Facsimile Number: _____

Email Address: _____

Length of time the firm has been in business: _____ Length of time at current location: _____

Is your firm a sole proprietorship doing business under a different name: _____ Yes _____ No

If yes, please indicate sole proprietor's name and the name you are doing business under: _____

Is your firm incorporated: _____ Yes _____ No If yes, State of Incorporation: _____

Federal Taxpayer ID Number: _____

Regular business hours: _____

Regular holidays and hours when business is closed: _____

Contact person in reference to this solicitation: _____

Telephone Number: _____ Facsimile Number: _____

Email Address: _____

Contact person for accounts payable:

Telephone Number: _____ Facsimile Number: _____

Email Address: _____

Name of Project Manager: _____

Telephone Number: _____ Facsimile Number: _____

Email Address: _____

COMPANY PROFILE & REFERENCES
(Continued)

Submit the company names, addresses, telephone numbers, email, contact names, and brief contract descriptions of at least five clients, preferably other municipalities for whom comparable projects have been completed or submit letters from your references which include the requested information.

Company Name: _____ Telephone Number: _____

Contact Name: _____ Contract Amount: _____

Email: _____

Address: _____

Brief Contract Description: _____

Company Name: _____ Telephone Number: _____

Contact Name: _____ Contract Amount: _____

Address: _____

Email: _____

Brief Contract Description: _____

Company Name: _____ Telephone Number: _____

Contact Name: _____ Contract Amount: _____

Email: _____

Address: _____

Brief Contract Description: _____

Company Name: _____ Telephone Number: _____

Contact Name: _____ Contract Amount: _____

Address: _____

Email: _____

Brief Contract Description: _____

Company Name: _____ Telephone Number: _____

Contact Name: _____ Contract Amount: _____

Email: _____

Address: _____

Brief Contract Description: _____


APPENDIX B

Ex Parte Communications Certificate

EX PARTE COMMUNICATIONS CERTIFICATION

Please indicate by signing below one of the following two statements. **Only sign one statement.**

I certify that Proposer and Proposer's representatives have not had any communication with a City Councilmember concerning **RFP No. 17-08 AUDIT SERVICES** at any time after **January 3, 2018**.



Signature

Date: January 23, 2018

Jennifer Farr

Print

OR

I certify that Proposer or Proposer's representatives have communicated after **January 3, 2018** with a City Councilmember concerning **RFP No. 17-08 AUDIT SERVICES**. A copy of all such communications is attached to this form for public distribution.

Signature

Date: _____

Print

APPENDIX C
Cost Proposal

ATTACHMENT B**COST PROPOSAL
FOR
AUDIT SERVICES**

Provide hourly rates, along with estimated annual pricing in accordance with the City's current requirements, as set forth in section Scope of Work, Attachment A. The City desires a three (3) year cost proposal with two (2) one-year options to renew. Describe your fee schedule for each year of your proposal as follows for fiscal years June 30, 2018, June 30, 2019 and June 30, 2020. Also provide your firm's proposed Staffing Plan on a separate sheet of paper. Proposer should use a separate form to state pricing for any added value.

Pricing shall remain firm for a minimum of two (2) years. Any and all requests for pricing adjustments for follow-on contract renewal periods shall be provided no later than sixty (60) days prior to the end of the contract period. Any such proposed price adjustments shall not exceed The Bureau of Labor Statistics Consumer Price Index (CPI) data for Los Angeles-Riverside-Orange County, CA, All Items, Not Seasonally Adjusted, "annualized change comparing the original proposal month and the same month in the subsequent year. (This information may be found on the U.S. Department of Labor's website at www.bls.gov.)

Description of Services Provided	Estimated Hours	Estimated Cost
Audit of the City		\$
Preparation of the CAFR		\$
Audit & Financial Report of the Costa Mesa Public Financing Authority		\$
Audit & Financial Report of the Costa Mesa Housing Authority		\$
OMB Circular A-133 Single Audit of Federal Grants of the City		\$
Other Reports - AB2766		\$
GANN Limit Review		\$

**COST PROPOSAL
FOR
AUDIT SERVICES
(continuation)**

Hourly Rates

The firm should provide hourly rates of the firm's employees for services that may be requested outside the scope of the audits:

Classification	Hourly Rate
Partner	\$
Manager	\$
Senior Accountant	\$
Staff Accountant	\$

Note: The City of Costa Mesa fiscal year covers the period of July 1 through June 30

Total Estimated Annual Price	\$
-------------------------------------	----

Below is a summary of our cost proposal for the three fiscal years ending June 30, 2018, June 30, 2019 and June 30, 2020, along with our cost proposal for the two option years.

Service	Fiscal Year Ending				
	2017-18	2018-19	2019-20	2020-21	2021-22
Audit of the City	\$40,000	\$40,800	\$41,620	\$42,450	\$43,300
Preparation of the CAFR	\$6,000	\$6,120	\$6,240	\$6,370	\$6,490
Audit & Financial Report of the Costa Mesa Public Financing Authority (1)	\$5,000	\$5,100	\$5,200	\$5,310	\$5,410
Audit & Financial Report of the Costa Mesa Housing Authority	\$6,000	\$6,120	\$6,240	\$6,370	\$6,490
OMB Circular A-133 Single Audit of Federal Grants of the City	\$8,000	\$8,160	\$8,320	\$8,490	\$8,660
Other Reports – AB2766	\$2,000	\$2,040	\$2,080	\$2,120	\$2,160
GANN Limit Review	\$600	\$610	\$620	\$640	\$650
Total for Fiscal Year	\$67,600	\$68,950	\$70,320	\$71,750	\$73,160

(1) Estimated Hours and Estimated Costs also include work associated with the Costa Mesa Financing Authority.

The single audit fee includes up to two major programs. Additional major programs, if necessary, can be audited for \$3,000 each.

For our staffing plan please see Section D – Staffing of the proposal.

APPENDIX D

Disclosure of Government Positions

DISCLOSURE OF GOVERNMENT POSITIONS

Each Proposer shall disclose below whether any owner or employee of Contractor currently hold positions as elected or appointed officials, directors, officers, or employees of a governmental entity or held such positions in the past twelve months. List below or state "None."

APPENDIX E

Disqualifications Questionnaire

DISQUALIFICATION QUESTIONNAIRE

The Contractor shall complete the following questionnaire:

Has the Contractor, any officer of the Contractor, or any employee of the Contractor who has proprietary interest in the Contractor, ever been disqualified, removed, or otherwise prevented from bidding on, or completing a federal, state, or local government project because of a violation of law or safety regulation?

Yes _____ **No** _____

If the answer is yes, explain the circumstances in the following space.

APPENDIX F

Peer Review Documentation

System Review Report

DAVIS FARR LLP

Irvine, 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 Davis Farr LLP (the firm) in effect for the year ended May 31, 2016. 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 *Government Auditing Standards* and an examination of a service organization control (SOC) 1 Type 2.

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 2016, 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*. Davis Farr LLP has received a peer review rating of *pass*.

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GYL Decauwer LLP

Ontario, California
June 29, 2016

your
Success
is our
DESTINATION