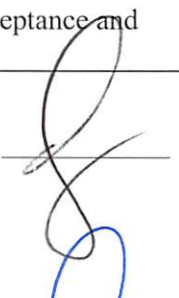
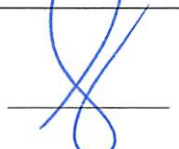
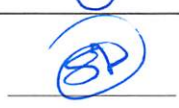


DATE SUBMITTED 7/13/2018  
 SUBMITTED BY CITY MANAGER'S OFFICE  
 DATE ACTION REQUIRED 7/18/2018

COUNCIL ACTION (X)  
 PUBLIC HEARING REQUIRED ( )  
 RESOLUTION ( )  
 ORDINANCE 1<sup>ST</sup> READING ( )  
 ORDINANCE 2<sup>ND</sup> READING ( )  
 DEPUTY CITY CLERK'S INITIALS al

**IMPERIAL CITY COUNCIL  
 AGENDA ITEM**

SUBJECT: DISCUSSION/ACTION: PROFESSIONAL AUDITING SERVICES FOR THE CITY OF IMPERIAL 1. ACCEPT PROPOSAL FOR PROFESSIONAL AUDITING SERVICES TO BE PERFORMED BY MOSS, LEVY & HARTZHEIM, LLP. 2. APPROVAL OF AGREEMENT BETWEEN CITY OF IMPERIAL AND MOSS, LEVY & HARTZHEIM, LLP FOR PROFESSIONAL AUDITING SERVICES FOR FISCAL YEAR 2018-2019	
DEPARTMENT INVOLVED: FINANCE & CITY MANAGER'S OFFICE	
BACKGROUND/SUMMARY: On June 28, 2018 the City Manager's Office and Finance Manager met with our current contracted auditing firm, Hutchinson & Bloodgood. At the request of the firm, Hutchinson & Bloodgood was released from their contract with the City of Imperial. Hutchinson & Bloodgood had one remaining year in the term of the current contract. Due to internal shifts in their company, the firm will no longer be offering government auditing services. As such, the City of Imperial solicited a Request for Proposal for Professional Auditing Services. The response received from Moss, Levy & Harzheim, LLP meets City expectations and it is staff's desire to move forward with the firm for Single and TDA Audit for fiscal year 2018-2019. Moss, Levy & Harzheim was the auditing firm for ten years prior to the City's contract with Hutchinson & Bloodgood. Prior City administration changed firms for checks and balances purposes. Included in Council's packet you will find the proposal received and contract for your acceptance and approval.	
FISCAL IMPACT: Cost Not to Exceed \$59,450.00 for remainder of Fiscal Year 2018-2019.  <i>*Adopted 2018-2019 Fiscal Year Budget \$76,760.00, savings of \$17,310.00.</i>	FINANCE INITIALS 
STAFF RECOMMENDATION: It is staff's recommendation to proceed and accept/approve proposal and agreement for professional auditing services with Moss, Levy, & Harzheim, LLP.	DEPT. INITIALS 
MANAGER'S RECOMMENDATION: City Manager agrees with staff's recommendation to contract with Moss, Levy & Harzheim, LLP for fiscal year 2018-2019.	CITY MANAGER'S INITIALS 
MOTION: SECONDED: APPROVED ( ) REJECTED ( ) AYES: DISAPPROVED ( ) DEFERRED ( ) NAYES: ABSENT: REFERRED TO:	

## **AGREEMENT FOR PROFESSIONAL SERVICES**

This PROFESSIONAL SERVICE AGREEMENT ("AGREEMENT"), is made and entered by and between the City of Imperial, a municipal corporation of the State of California ("Agency") and Moss, Levy & Hartzheim, a limited liability partnership of the State of California ("CONSULTANT").

### **RECITALS**

Whereas, AGENCY desires to engage CONSULTANT to perform certain professional services, as provided herein; and

WHEREAS, the Consultant is qualified and desires to accept such engagement

Now, THEREFORE, In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

#### **I. TERM**

This AGREEMENT shall commence on eighteenth day of July, 2018 and shall remain and continue in effect until tasks described herein are completed, but in no event later than June 30, 2019 unless sooner terminated pursuant to the provisions of this AGREEMENT.

#### **II. SERVICES**

CONSULTANT shall perform the tasks described and set forth in Exhibit B, attached hereto and incorporated herein as though set forth in full. CONSULTANT shall complete the tasks according to the schedule of performance which is also set forth in Exhibit B. To the extent that Exhibit B is a proposal from CONSULTANT, such proposal is incorporated only for the description of the scope of services, pay schedule, performance schedule and assignment of CONSULTANT employees. No other terms and conditions from any such proposal shall apply to this AGREEMENT unless specifically agreed to in writing.

#### **III. PERFORMANCE**

CONSULTANT shall at all times faithfully, competently and to the best of his/her ability, experience, and talent, perform all tasks described herein. CONSULTANT shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing similar services as are required of CONSULTANT hereunder in meeting its obligations under this AGREEMENT. CONSULTANT shall complete all tasks as defined in this AGREEMENT no later than December 31, 2018.

#### **IV. AGENCY MANAGEMENT**

AGENCY'S Manager shall represent AGENCY in all matters pertaining to the administration of this AGREEMENT, review and approval of all products submitted by CONSULTANT. AGENCY's Manager, shall be authorized to act on AGENCY's behalf and to execute all necessary documents which enlarge the Tasks to Be Performed or change CONSULTANT's compensation, subject to Section V hereof.

**V. PAYMENT**

- A. The AGENCY agrees to pay CONSULTANT within thirty (30) days upon receipt of invoice, in accordance with the payment rates and terms and the schedule of payment, set forth Exhibit B incorporated herein by this reference. This amount shall not exceed fifty nine thousand four hundred and fifty dollars (\$59,450.00) for the total term of the AGREEMENT unless additional payment is approved as provided in this AGREEMENT.
- B. CONSULTANT shall not be compensated for any services rendered in connection with its performance of this AGREEMENT which are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by the AGENCY Manager. CONSULTANT shall be compensated for any additional services in the amounts and in the manner as agreed to by Agency Manager and CONSULTANT at the time AGENCY's written authorization is given to CONSULTANT for the performance of said services. The AGENCY Manager may approve additional work but in no event shall the total amount to be paid pursuant to this AGREEMENT exceed ten-thousand dollars (\$10,000.00) without prior approval by the AGENCY Council.
- C. CONSULTANT shall submit in invoice in an amount not to exceed fifty nine thousand four hundred and fifty dollars (\$59,450.00) upon completion of Tasks called for by this AGREEMENT. Payment shall be made within thirty (30) days of receipt of each invoice as to all non-disputed fees. If the AGENCY disputes any of CONSULTANT's fees it shall give written notice to CONSULTANT within thirty (30) days of receipt of an invoice of any disputed fees set forth on the invoice. Any final payment under this AGREEMENT shall be made within thirty (30) days of receipt of an invoice therefore.

**VI. SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE**

- A. The AGENCY may at any time, for any reason, with or without cause, suspend or terminate this AGREEMENT, or any portion hereof, by serving upon the CONSULTANT at least thirty (30) days prior written notice. Upon receipt of said notice, the CONSULTANT shall immediately cease all work under this AGREEMENT, unless the notice provides otherwise. If the AGENCY suspends or terminates a portion of this AGREEMENT such

suspension or termination shall not make void or invalidate the remainder of this AGREEMENT.

- B. In the event this AGREEMENT is terminated pursuant to this Section, the AGENCY shall pay to CONSULTANT the actual value of the work performed up to the time of termination, provided that the work performed is of value to the AGENCY. Upon termination of the AGREEMENT pursuant to this Section, the CONSULTANT will submit an invoice to the AGENCY pursuant to Section V.

## **VII. DEFAULT OF CONSULTANT**

- A. The CONSULTANT's failure to comply with the provisions of this AGREEMENT shall constitute a default. In the event that CONSULTANT is in default for cause under the terms of this AGREEMENT, AGENCY shall have no obligation or duty to continue compensating CONSULTANT for any work performed after the date of default and can terminate this AGREEMENT immediately by written notice to the CONSULTANT. If such failure by the CONSULTANT to make progress in the performance of work hereunder arises out causes beyond the CONSULTANT's control, and without fault or negligence of the CONSULTANT, it shall not be considered a default.
- B. If the AGENCY Manager, or his designee, determines that the CONSULTANT is in default in the performance of any of the terms or conditions of this AGREEMENT, he/she shall cause to be served upon the CONSULTANT a written notice of the default. The CONSULTANT shall have ten (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event that the CONSULTANT fails to cure its default within such period of time or fails to present the AGENCY with a written plan for the cure of the default, the AGENCY shall have the right, notwithstanding any other provision of this AGREEMENT, to terminate this AGREEMENT without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this AGREEMENT.

## **VIII. OWNERSHIP OF DOCUMENTS**

- A. CONSULTANT shall maintain complete and accurate records with respect to sales, costs, expenses, receipts, and other such information required by AGENCY that relate to the performance of services under this AGREEMENT. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible.
- B. Upon completion of, or in the event of termination or suspension of this AGREEMENT, all original documents, reports, financial statements,

materials, files and other documents prepared in the course of providing the services to be performed pursuant to this AGREEMENT shall become the sole property of the AGENCY and may be used, reused, or otherwise disposed of by the AGENCY without the permission of the CONSULTANT. With respect to computer files, CONSULTANT shall make available to the AGENCY, at the CONSULTANT's office and upon reasonable written request by the AGENCY, the necessary computer software and hardware for purposes of accessing, compiling, transferring, copying and/or printing computer files. CONSULTANT hereby grants to AGENCY all right, title, and interest, including any copyright, in and to the documents, designs, drawings, maps, models, computer files, surveys, notes, and other documents prepared by CONSULTANT in the course of providing the services under this AGREEMENT.

## **IX. INDEMNIFICATION AND DEFENSE**

### **A. Indemnity**

To the fullest extent permitted by law, CONSULTANT shall indemnify and hold harmless AGENCY and any and all of its officials, employees and agents ("Indemnified Parties") from and against any and all losses, liabilities, damages, costs and expenses, including legal counsel's fees and costs, caused in whole or in part by the negligent or wrongful act, error or omission of CONSULTANT, its officers, agents, employees or subconsultants (or any agency or individual that CONSULTANT shall bear the legal liability thereof) in the performance of services under this AGREEMENT. CONSULTANT's duty to indemnify and hold harmless AGENCY shall not extend to the AGENCY's sole or active negligence.

### **B. Duty to defend**

In the event the AGENCY, its officers, employees, agents and/or volunteers are made a party to any action, lawsuit, or other adversarial proceeding arising from the performance of the services encompassed by this AGREEMENT, and upon demand by AGENCY, CONSULTANT shall defend the AGENCY at CONSULTANT's cost or at AGENCY's option, to reimburse AGENCY for its costs of defense, including reasonable attorney's fees and costs incurred in the defense of such matters to the extent the matters arise from, relate to or are caused by CONSULTANT's negligent acts, errors or omissions. Payment by AGENCY is not a condition precedent to enforcement of this indemnity. In the event of any dispute between CONSULTANT and AGENCY, as to whether liability arises from the sole or active negligence of the AGENCY or its officers, employees, or agents, CONSULTANT will be obligated to pay for AGENCY's defense until such time as a final judgment has been entered adjudicating the AGENCY as solely or actively negligent. CONSULTANT will not be entitled in the absence of such a determination to any

reimbursement of defense costs including but not limited to attorney's fees, expert fees and costs of litigation.

**X. INSURANCE**

CONSULTANT shall maintain prior to the beginning of and for the duration of this AGREEMENT insurance coverage as specified in Exhibit A attached to and incorporated herein as part of this AGREEMENT.

**XI. INDEPENDENT CONSULTANT**

- A. CONSULTANT is and shall at all times remain as to the AGENCY a wholly independent consultant and/or independent contractor. The personnel performing the services under this AGREEMENT on behalf of CONSULTANT, as identified and incorporated herein as Exhibit B, shall at all times be under CONSULTANT's exclusive direction and control. Neither AGENCY nor any of its officers, employees, or agents shall have control over the conduct of CONSULTANT or any of CONSULTANT's officers, employees, or agents, except as set forth in this AGREEMENT. CONSULTANT shall not at any time or in any manner represent that it or any of its officers, employees, or agents are in any manner officers, employees, or agents of the AGENCY. CONSULTANT shall not incur or have the power to incur any debt, obligation, or liability whatever against AGENCY, or bind AGENCY in any manner.
- B. No employee benefits shall be available to CONSULTANT in connection with the performance of this AGREEMENT. Except for the fees paid to CONSULTANT as provided in the AGREEMENT, AGENCY shall not pay salaries, wages, or other compensation to CONSULTANT for performing services hereunder for AGENCY. AGENCY shall not be liable for compensation or indemnification to CONSULTANT for injury or sickness arising out of performing services hereunder.

**XII. LEGAL RESPONSIBILITIES**

The CONSULTANT shall keep itself informed of State and Federal laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this AGREEMENT. The CONSULTANT shall at all times observe and comply with all such laws and regulations. The AGENCY, and its officers and employees, shall not be liable at law or in equity occasioned by failure of the CONSULTANT to comply with this Section.

**XIII. UNDUE INFLUENCE**

CONSULTANT declares and warrants that no undue influence or pressure was used against or in concert with any officer or employee of the AGENCY in

connection with the award, terms or implementation of this AGREEMENT, including any method of coercion, confidential financial arrangement, or financial inducement. No officer or employee of the AGENCY has or will receive compensation, directly or indirectly, from CONSULTANT, or from any officer, employee or agent of CONSULTANT, in connection with the award of this AGREEMENT or any work to be conducted as a result of this AGREEMENT. Violation of this Section shall be a material breach of this AGREEMENT entitling the AGENCY to any and all remedies at law or in equity.

**XIV. NO BENEFIT TO ARISE TO LOCAL EMPLOYEES**

No member, officer, or employee of AGENCY, or their designees or agents, and no public official who exercises authority over or responsibilities with respect to the Project during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any agreement or sub-agreement, or the proceeds thereof, for work to be performed in connection with the Project performed under this AGREEMENT.

**XV. RELEASE OF INFORMATION/CONFLICTS OF INTEREST**

- A. All information gained by CONSULTANT in performance of this AGREEMENT shall be considered confidential and shall not be released by CONSULTANT without AGENCY's prior written authorization. CONSULTANT, its officers, employees, agents, or subconsultants, shall not without written authorization from the Agency Manager or unless requested by the Agency Attorney, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories, or other information concerning the work performed under this AGREEMENT or relating to any project or property located within the AGENCY. Response to a subpoena or court order shall not be considered "voluntary" provided CONSULTANT gives AGENCY notice of such court order or subpoena.
  
- B. CONSULTANT shall promptly notify AGENCY should CONSULTANT, its officers, employees, agents, or subconsultants be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions, or other discovery request ("Discovery"), court order, or subpoena from any person or party regarding this AGREEMENT and the work performed there under or with respect to any project or property located within the AGENCY, unless the AGENCY is a party to any lawsuit, arbitration, or administrative proceeding connected to such Discovery, or unless CONSULTANT is prohibited by law from informing the AGENCY of such Discovery. AGENCY retains the right, but has no obligation, to represent CONSULTANT and/or be present at any deposition, hearing, or similar proceeding as allowed by law. Unless AGENCY is a party to the lawsuit, arbitration, or administrative proceeding and is adverse to CONSULTANT in such proceeding, CONSULTANT agrees to cooperate fully with





the one provided herein and identifying AGENCY as an indemnified party, or an incorporation of the indemnity provision provided herein, and proof that such proposed sub-consultant carries insurance at least equal to that required by this AGREEMENT or obtain a written waiver from AGENCY for such insurance.

**XVIII. LICENSES**

At all times during the term of this AGREEMENT, CONSULTANT shall have in full force and effect, all licenses required of it by law for the performance of the services described in this AGREEMENT.

**XIX. GOVERNING LAW**

The AGENCY and CONSULTANT understand and agree that the laws of the State of California shall govern the rights, obligations, duties, and liabilities of the parties to this AGREEMENT and also govern the interpretation of this Agreement. Any litigation concerning this AGREEMENT shall take place in the municipal, superior, or federal district court with jurisdiction over the AGENCY.

**XX. ENTIRE AGREEMENT**

This AGREEMENT contains the entire understanding between the parties relating to the obligations of the parties described in this AGREEMENT. All prior or contemporaneous agreements, understandings, representations, and statements, oral or written and pertaining to the subject of this AGREEMENT or with respect to the terms and conditions of this AGREEMENT, are merged into this AGREEMENT and shall be of no further force or effect. Each party is entering into this AGREEMENT based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

**XXI. CONTENTS OF PROPOSAL**

CONSULTANT is bound by the contents of the proposal submitted by the CONSULTANT, Exhibit "B" hereto. In the event of conflict, the requirements of AGENCY's Request for Proposals and this AGREEMENT shall take precedence over those contained in the CONSULTANT's proposals. The incorporation of the CONSULTANT's proposal shall be for the scope of services to be provided only, and any other terms and conditions included in such proposal shall have no force and effect on this AGREEMENT or the relationship between CONSULTANT and/or AGENCY, unless expressly agreed to in writing.

**XXII. AUTHORITY TO EXECUTE THIS AGREEMENT**

The person or persons executing this AGREEMENT on behalf of CONSULTANT warrants and represents that he/she has the authority to execute this

AGREEMENT on behalf of the CONSULTANT and has the authority to bind CONSULTANT to the performance of its obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this AGREEMENT to be executed the day and year first above written.

Moss, Levy & Hartzheim  
A Limited Liability Partnership

By: \_\_\_\_\_

Craig A. Hartzheim, CPA  
Partner

City of Imperial  
A Municipal Corporation

By: \_\_\_\_\_

Stefan T. Chatwin  
City Manager

ATTEST:

\_\_\_\_\_  
Debra Jackson, City Clerk

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Dennis H. Morita, City Attorney

Attachments:      Exhibit A      Insurance Requirements  
                         Exhibit B      Consultant's Proposal

## EXHIBIT A

### INSURANCE REQUIREMENTS

Without limiting CONSULTANT's indemnification of AGENCY, and prior to commencement of Work, CONSULTANT shall obtain, provide and maintain at its own expense during the term of this AGREEMENT, policies of insurance of the type and amounts described below and in a form satisfactory to AGENCY.

**General liability insurance.** CONSULTANT shall maintain commercial general liability insurance with coverage at least as broad as Insurance Services Office form CG 00 01, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, for bodily injury, personal injury, and property damage. The policy must include contractual liability that has not been amended. Any endorsement restricting standard ISO "insured contract" language will not be accepted.

**Automobile liability insurance.** CONSULTANT shall maintain automobile insurance at least as broad as Insurance Services Office form CA 00 01 covering bodily injury and property damage for all activities of the Consultant arising out of or in connection with Work to be performed under this AGREEMENT, including coverage for any owned, hired, non-owned or rented vehicles, in an amount not less than \$1,000,000 combined single limit for each accident.

**Professional liability (errors & omissions) insurance.** CONSULTANT shall maintain professional liability insurance that covers the Services to be performed in connection with this AGREEMENT, in the minimum amount of \$1,000,000 per claim and in the aggregate. Any policy inception date, continuity date, or retroactive date must be before the effective date of this AGREEMENT and CONSULTANT agrees to maintain continuous coverage through a period no less than three (3) years after completion of the services required by this AGREEMENT.

**Workers' compensation insurance.** CONSULTANT shall maintain Workers' Compensation Insurance (Statutory Limits) and Employer's Liability Insurance (with limits of at least \$1,000,000).

CONSULTANT shall submit to AGENCY, along with the certificate of insurance, a Waiver of Subrogation endorsement in favor of AGENCY, its officers, agents, employees and volunteers.

**Umbrella or excess liability insurance.** [Optional depending on limits required]. CONSULTANT shall obtain and maintain an umbrella or excess liability insurance policy with limits that will provide bodily injury, personal injury and property damage liability coverage at least as broad as the primary coverages set forth above, including commercial general liability, automobile liability, and employer's liability. Such policy or policies shall include the following terms and conditions:

- A drop down feature requiring the policy to respond if any primary insurance that would otherwise have applied proves to be uncollectible in whole or in part for any reason;
- Pay on behalf of wording as opposed to reimbursement;
- Concurrency of effective dates with primary policies;
- Policies shall “follow form” to the underlying primary policies; and
- Insureds under primary policies shall also be insureds under the umbrella or excess policies.

### **Other provisions or requirements**

**Proof of insurance.** CONSULTANT shall provide certificates of insurance to AGENCY as evidence of the insurance coverage required herein, along with a waiver of subrogation endorsement for workers’ compensation. Insurance certificates and endorsements must be approved by Agency’s Risk Manager prior to commencement of performance. Current certification of insurance shall be kept on file with AGENCY at all times during the term of this contract. AGENCY reserves the right to require complete, certified copies of all required insurance policies, at any time.

**Duration of coverage.** CONSULTANT shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the Work hereunder by CONSULTANT, his agents, representatives, employees or subconsultants.

**Primary/noncontributing.** Coverage provided by CONSULTANT shall be primary and any insurance or self-insurance procured or maintained by AGENCY shall not be required to contribute with it. The limits of insurance required herein may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of AGENCY before the AGENCY’s own insurance or self-insurance shall be called upon to protect it as a named insured.

**Agency’s rights of enforcement.** In the event any policy of insurance required under this AGREEMENT does not comply with these specifications or is canceled and not replaced, AGENCY has the right but not the duty to obtain the insurance it deems necessary and any premium paid by AGENCY will be promptly reimbursed by CONSULTANT or AGENCY will withhold amounts sufficient to pay premium from CONSULTANT payments. In the alternative, AGENCY may cancel this AGREEMENT.

**Acceptable insurers.** All insurance policies shall be issued by an insurance company currently authorized by the Insurance Commissioner to transact business of insurance or is on the List of Approved Surplus Line Insurers in the State of California, with an assigned policyholders’ Rating of A- (or higher) and Financial Size Category Class VI

(or larger) in accordance with the latest edition of Best's Key Rating Guide, unless otherwise approved by the Agency's Risk Manager.

**Waiver of subrogation.** All insurance coverage maintained or procured pursuant to this agreement shall be endorsed to waive subrogation against AGENCY, its elected or appointed officers, agents, officials, employees and volunteers or shall specifically allow CONSULTANT or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. CONSULTANT hereby waives its own right of recovery against AGENCY, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

**Enforcement of contract provisions (non estoppel).** CONSULTANT acknowledges and agrees that any actual or alleged failure on the part of the AGENCY to inform CONSULTANT of non-compliance with any requirement imposes no additional obligations on the AGENCY nor does it waive any rights hereunder.

**Requirements not limiting.** Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type. If the Consultant maintains higher limits than the minimums shown above, the AGENCY requires and shall be entitled to coverage for the higher limits maintained by the Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the AGENCY.

**Notice of cancellation.** Consultant agrees to oblige its insurance agent or broker and insurers to provide to AGENCY with a thirty (30) day notice of cancellation (except for nonpayment for which a ten (10) day notice is required) or nonrenewal of coverage for each required coverage.

**Additional insured status.** General liability policies shall provide or be endorsed to provide that AGENCY and its officers, officials, employees, and agents, and volunteers shall be additional insureds under such policies. This provision shall also apply to any excess/umbrella liability policies.

**Prohibition of undisclosed coverage limitations.** None of the coverages required herein will be in compliance with these requirements if they include any limiting endorsement of any kind that has not been first submitted to AGENCY and approved of in writing.

**Separation of insureds.** A severability of interests provision must apply for all additional insureds ensuring that Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the insurer's limits of liability. The policy(ies) shall not contain any cross-liability exclusions.

**Pass through clause.** CONSULTANT agrees to ensure that its subconsultants, subcontractors, and any other party involved with the project who is brought onto or involved in the project by CONSULTANT, provide the same minimum insurance coverage and endorsements required of CONSULTANT. CONSULTANT agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. CONSULTANT agrees that upon request, all agreements with consultants, subcontractors, and others engaged in the project will be submitted to AGENCY for review.

**Self-insured retentions.** Any self-insured retentions must be declared to and approved by AGENCY. AGENCY reserves the right to require that self-insured retentions be eliminated, lowered, or replaced by a deductible. Self-insurance will not be considered to comply with these specifications unless approved by AGENCY.

**Timely notice of claims.** CONSULTANT shall give AGENCY prompt and timely notice of claims made or suits instituted that arise out of or result from CONSULTANT's performance under this AGREEMENT, and that involve or may involve coverage under any of the required liability policies. Notice to Agency not to exceed ten (10) days.

**Additional insurance.** CONSULTANT shall also procure and maintain, at its own cost and expense, any additional kinds of insurance, which in its own judgment may be necessary for its proper protection and prosecution of the work.

**EXHIBIT B**  
**CONSULTANT PROPOSAL**

**EXHIBIT D**

**CONSULTANT'S PROPOSAL**



**CITY OF IMPERIAL**  
**PROPOSAL FOR PROFESSIONAL AUDITING SERVICES**  
**For the Fiscal Years Ending June 30, 2018**

---

---

**Submitted By:**

Moss, Levy & Hartzheim, LLP  
5800 Hannum Avenue, Suite E  
Culver City, California 90230  
Phone: (310) 670-2745  
Fax: (310) 670-1689  
Email: [mlhbh@mlhcpas.com](mailto:mlhbh@mlhcpas.com)  
Website: [www.mlhcpas.com](http://www.mlhcpas.com)

**Submitted On:**

July 3, 2018

**Contact Person:**

Craig A. Hartzheim, CPA: Partner  
Ron A. Levy, CPA: Partner  
Hadley Y. Hui, CPA: Partner

**CITY OF IMPERIAL  
AUDIT PROPOSAL  
TABLE OF CONTENTS**

---

**Transmittal Letter** ..... i

**Technical Proposal:**

License to Practice as in California ..... 1

Independence..... 1

Firm Qualifications and Experience..... 1

Partner Supervisory and Staff Qualifications and Experience ..... 5

Similar Engagement with Other Government Entities ..... 7

Specific Audit Approach ..... 8

Identification of Potential Audit Problems..... 14

Audit Fees ..... 14

**Appendices:**

Appendix A – License to Practice in California..... 15

Appendix B – Current and/or Recently Completed Governmental Audits ..... 16

Appendix C – Peer Quality Review Report ..... 18

Appendix D – Resumes..... 19



---

# MOSS, LEVY & HARTZHEIM LLP

---

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

**COMMERCIAL ACCOUNTING & TAX SERVICES**

433 N. CAMDEN DRIVE, SUITE 730  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.670.1689  
www.mihcpas.com

**GOVERNMENTAL AUDIT SERVICES**

5800 HANNUM AVENUE, SUITE E  
CULVER CITY, CA 90230  
TEL: 310.670.2745  
FAX: 310.670.1689  
www.mihcpas.com

Laura Gutierrez  
Finance Director  
City of Imperial  
420 South Imperial Avenue  
Imperial, CA

To whom it may concern:

We are pleased to respond to the Request for Proposal of the City of Imperial (City) for independent professional auditing services.

After 60 years in public accounting and 40 years of performing local governmental and non-profit audits, it is extremely gratifying to witness the continued growth of Moss, Levy & Hartzheim, LLP. The firm is a regional full service public accounting firm with offices in Culver City, Beverly Hills, and Santa Maria and clients throughout the State of California, as well as thirty-one other states. We and the entire staff are pleased with not only the continuing development of the firm but also the progress and economic health of our clients. We understand that governmental accounting is a specialized industry with its own accounting standards and requirements, and that is why we strive to constantly improve the quality of our professional services. This degree of dedication, coupled with our ability to inform our clients of any new accounting and auditing issues, is paramount to our success.

We feel that our size is such that we are large enough to provide a broad spectrum of services and experience backed by an in-house training program, professional development courses, and an extensive professional library, yet not so large as to become impersonal and rigid. Our informal style allows us to be flexible enough to complete our engagements in a timely manner that is the most convenient for each client. Also, this style allows us to be more accessible to our clients when our clients have questions or concerns.

It is our understanding that we will perform an audit of the City's basic financial statements and its component unit, in accordance with auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants, with the objective of expressing an opinion on the fair presentation of the basic financial statements, which will be in full compliance with the Government Finance Officers Association's (GFOA) Blue Book. We will express an "in-relation-to" opinion on the government-wide financial statements and the fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements. We will also perform, if applicable, a single audit on the expenditures of federal grants in accordance with U.S. Office of Management and Budget (OMB) Title 2 U.S. Code Federal Regulation Part 200, *Uniform Administrative Requirements, Audits of State, Local Governments, and Nonprofit Organizations*; and test compliance with the Single Audit Act as amended in 1996 and applicable laws and regulations, and provide an "in-relation-to" report on the schedule of federal financial assistance. We will also perform an audit of the City's TDA funds in accordance with compliance requirements.

In addition to the procedures deemed necessary to express our opinion on the basic financial statements, we understand that we will also be responsible for performing certain limited procedures involving the management's discussion and analysis (MD&A) and the required supplementary information (RSI), as mandated by auditing standards generally accepted in the United States of America.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States, including all applicable auditing standards issued by the American Institute of Certified Public Accountants; the provisions of the Single Audit Act Amendments of 1996; if applicable; the U.S. Office of Management and Budget (OMB) Title 2 U.S. Code Federal Regulation Part 200, *Uniform Administrative Requirements, Audits of State, Local Governments, and Nonprofit Organizations*; and all relevant Governmental Accounting Standards Board (GASB) Statements.

It is our understanding that we will be responsible for issuing the following reports: an independent auditor's report on the fair presentation of the City's basic financial statements, in conformity with accounting principles generally accepted in the United States of America; an independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City performed in accordance with *Government Auditing Standards*; an independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with the U.S. Office of Management and Budget (OMB) Title 2 U.S. Code Federal Regulation Part 200, *Uniform Administrative Requirements, Audits of State, Local Governments, and Nonprofit Organizations*; a single audit report which includes a schedule of expenditures of federal awards, footnotes, findings and questioned costs including significant deficiencies and material weaknesses, if applicable; an agreed-upon procedures report in compliance with Proposition 111 Article XIII.B of the California State Constitution, a TDA audit report, and Government Code 7900 on its appropriations limit (GANN limit calculation); and a Management Letter, including Statement on Auditing Standards No. 114 and No. 115 letters.

We understand that we will be responsible for preparing, reviewing, printing and binding the City's Comprehensive Annual Financial Report (CAFR) in full compliance with GASB including all disclosures for the City's role as the Successor to the Imperial Redevelopment Agency. We also understand that we may be requested to prepare and submit the City's "Financial Transaction Report" to the State Controller.

All noncompliance and significant deficiencies found during the audit will be communicated in writing. In the required reports on compliance and internal controls, we shall communicate any significant deficiencies and noncompliance issues found during the audit. Significant deficiencies that are also material weaknesses will be identified as such in the report. Non-reportable conditions discovered will be reported in a separate letter to management, which will be referred to in the reports on internal controls. All irregularities and illegal acts or indications of illegal acts of which we become aware of during the course of our audit will be immediately reported, in writing, to the City Manager, City Attorney, and Finance Director.

Moss, Levy & Hartzheim, LLP will perform the audit work within the specified time period, pending no unforeseen circumstances which the City imposes on our work.

The percentage of the audit work we expect to accomplish in each month is shown below:

<u>June</u>	<u>October</u>	<u>November</u>	<u>Total</u>
40%	50%	10%	100%

This proposal for auditing services is an irrevocable offer until July 30, 2018.

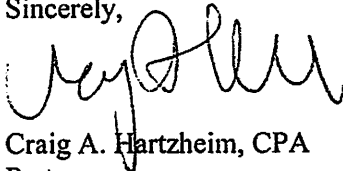
Thank you for your consideration and please do not hesitate to contact the authorized representatives listed below with any questions, problems, or concerns.

(1) Craig A. Hartzheim, CPA  
Partner  
5800 Hannum Avenue, Suite E  
Culver City, CA 90230  
(310) 670-2745  
chartzheim@mlhcpas.com

(2) Ron A. Levy, CPA  
Partner  
2400 Professional Parkway, Suite 205  
Santa Maria, CA 93455  
(805) 925-2579  
rlevy@mlhcpas.com

(3) Hadley Hui, CPA  
Partner  
5800 Hannum Avenue, Suite E  
Culver City, CA 90230  
(310) 670-2745  
hhui@mlhcpas.com

Sincerely,



Craig A. Hartzheim, CPA  
Partner

**LICENSE TO PRACTICE IN CALIFORNIA**

Moss, Levy & Hartzheim, LLP is a properly licensed certified public accounting firm in the State of California. All certified public accountants engaged in the audit of the City are licensed to practice in the State of California and have received at least the minimum number of governmental continuing professional education hours required by the State Board of Accountancy and *Government Auditing Standards* to perform governmental audits.

**INDEPENDENCE**

Moss, Levy & Hartzheim, LLP is independent of the City of Imperial and its component units as defined by auditing standards generally accepted in the United States of America, the U.S. General Accounting Office's *Government Auditing Standards*, the U.S. Securities and Exchange Commission, and all other authoritative bodies with standard or rule making authority over the auditing profession.

The firm uses checklists and questionnaires to determine that staff members are independent of the client being audited. We also have each staff member sign a personal independence declaration prior to commencing work on an audit client. The partner in charge of the audit reviews all independence work papers prior to staffing each audit.

**FIRM QUALIFICATIONS AND EXPERIENCE**

Moss, Levy & Hartzheim, LLP is a regional firm that performs audits of governmental and non-profit entities throughout the State of California, from the Oregon border to the Mexico border. For most of our governmental clients, we also prepare their Comprehensive Annual Financial Report (CAFR). Our firm also performs review and compilation engagements as well as tax and consulting services to clients throughout the United States. The firm currently employs 28 professionals, all of whom are trained in governmental auditing, and has annual gross revenues in excess of \$4 million dollars. The firm has three offices in California: Culver City, Beverly Hills, and Santa Maria.

**The audit work will be completed by staff from our Culver City office, located at 5800 Hannum Avenue, Suite E, Culver City, California 90230.**

The Culver City office is currently staffed by six (6) certified public accountants (three partners, two managers, and one senior accountant). In addition, the Culver City office employs nine (9) professional staff, consisting of managers, senior accountants, and staff accountants. All certified public accountants, managers, and senior accountants are part of the governmental and non-profit audit practice.

The City will have one partner, one manager, and one supervising accountant assigned to the audits on a full-time basis. In addition, one accountant will be assigned to the audit on a full-time basis. These employees will not be changed except due to unforeseen circumstances.

Our firm currently provides the following services:

**Audits:**

- Governmental (cities, special districts, single audits, and school districts)
- Non-Profit
- Commercial
- Compliance
- Transient Occupancy Tax
- Employee Benefit Plans

**FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)**

Our firm currently provides the following services: (Continued)

**Accounting Services:**

Reviews  
Compilations  
Bookkeeping  
Payroll Taxes

**Management Advisory Services (Non-Audit Clients):**

Data Processing Services  
Business Consultation  
Pension and Profit Sharing Plan Assistance  
Acquisition and Mergers

**Income Tax Services:**

Preparation  
Planning  
Tax Audits and Negotiations with Internal Revenue Service and Other Taxing Authorities

Please see *Appendix B – Current and/or Recently Completed Governmental Audits* for a list of current governmental audits performed by the firm.

Please see *Appendix C – Peer Quality Review Report* for a copy of our firm’s July 22, 2015 quality review report, which includes a review of governmental and non-profit engagements

Moss, Levy & Hartzheim, LLP has an extensive background in auditing governmental and non-profit entities with over thirty-six years of experience in this specialized field. The firm currently performs over thirty (30) city audits, over seventy-five (75) special district audits, as well as the audit of the County Sanitation Districts of Los Angeles County (all 25 districts), and thirty-five (35) school district and related audits. We have also recently completed monitoring of one hundred contractors for the County of Los Angeles, for contract compliance and fiscal monitoring. Additionally, we are also on the master lists and have signed master contracts with the County of San Diego and the County of Los Angeles for Compliance and Financial Audits.

The firm’s recent local similar auditing experience includes the following:

**1. CSMFO and GFOA Award Programs**

The firm has or is currently auditing the following entities that have participated in and have received the CSMFO and/or GFOA Award Programs:

City of Bellflower	City of Paso Robles
City of Brawley	City of Santa Maria
City of Calabasas	City of Scotts Valley
City of Campbell	City of Susanville
City of Covina	City of Tracy
City of Culver City	City of Watsonville
City of El Centro	City of Westlake Village
City of Eureka	City of Winters
City of Fort Bragg	City of Yuba City
City of Indio	County Sanitation Districts of
City of Laguna Hills	Los Angeles County
City of Lathrop	Encina Wastewater Authority
City of Lompoc	Los Angeles County Flood Control District
City of Los Alamitos	Ross Valley Sanitary District
City of Pacifica	

**FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)**

The firm's recent local similar auditing experience includes the following: (Continued)

**2. Uniform Guidance**

We have performed compliance audits in accordance with Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principle and Audit Requirements for Federal Awards* (Uniform Guidance), for our Municipal clients who are required to have compliance audits (which is the majority of our municipal clients) and for all of our School District clients.

**3. Federal and State Grant Programs and the Single Audit**

Each of our municipal clients, the majority of our Special District clients, and all of our School District clients receive Federal and State Grants which require compliance audits, including American Recovery and Reinvestment Act Grants. Some of our most commonly audited programs are as follows:

**Municipal Major Programs:**

- Community Development Block Grant Funds (CDBG)
- Federal Emergency Management Act Funds (FEMA)
- Section 8 Housing Assistance Payments
- Transportation Enhancement Act (TEA)
- Airport Improvement Program (AIP)
- Economic Development Grants (EDG)
- Home Investment Partnerships Program (HOME)
- Capitalization Grants for State Revolving Funds
- Surveys, Studies, Investigations, and Special Purpose Grants

**Other Common Municipal Programs:**

- COPS Grants (including LLEBG)
- Asset Seizure Funds
- Retired Senior Volunteer Program

**Other Major Programs:**

- Senior Nutrition Programs
- Child Nutrition Programs
- Title I
- Title VI
- Migrant Education
- Vocational Education
- Special Education

**4. Non-profit Agencies**

We have audited numerous non-profit agencies and have also prepared their federal and state tax returns. Currently, our firm performs audit and/or tax preparation services for sixty non-profit agencies.



**FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)**

The firm's recent local similar auditing experience includes the following: (Continued)

**5. State Controller's Report and Street Reports**

We have prepared State Controller's Reports, Transit, and Street Reports for numerous Cities, Special Districts, and Redevelopment Agencies. We feel this experience allows us to assist our clients in their preparation of the State Controller's Reports or prepare the reports as a separate engagement for our clients.

**6. Investment Compliance**

In addition to financial statement audits, we also review our clients' compliance with their investment policies and examine investment types, including, but not limited to, an evaluation of maturity dates (short-term or long-term), types and category, and collateral to ensure proper disclosure of risk in the basic financial statements.

**7. Bond Reporting**

The firm has assisted several Cities in reviewing franchise financial statements as part of reviewing franchise requests for rate increases. In addition, the firm has performed transient occupancy audits for ten Municipalities and has performed various audits of operating lease charges (such as use of a sewage treatment plant based on percentage of use by our client and actual expense as recorded by the treatment plant operator).

**8. TOT, Refuse and Other Audits**

The firm has recently concluded auditing lease agreements between the County of Los Angeles and a lessee for a period of 15 years. The firm has assisted several cities in reviewing franchise financial statements as part of reviewing franchise requests for rate increases. In addition, the firm has performed transient occupancy audits for ten municipalities and has performed various audits of operating lease charges (such as use of a sewage treatment plant based on percentage of use by our client and actual expense as recorded by the treatment plant operator). The firm has also performed franchise audits of Comcast, AT&T, a local sports park, and others for Municipal clients who have requested them.

**9. School Districts**

Currently our firm audits thirty-five School Districts and related Schools throughout the State of California, including three Charter Schools. We have also performed audits of student bodies for nearly all of our School District clients.

**10. Special Districts**

Currently our firm audits in excess of one hundred and seventeen special districts including Sanitary Districts, an Open Space District, the County Sanitation Districts of Los Angeles County (all 25 Districts), Water Districts, Recreation Districts, Utility Districts, Cemetery Districts, Community Services Districts, Fire Districts, Ambulance Services Districts, Airport Districts, and Vector Control Districts.

**FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)**

The firm's recent local similar auditing experience includes the following: (Continued)

**11. Joint Powers Authorities**

We have audited the following Joint Powers Authorities (JPAs):

- North Coast Emergency Medical Services
- Public Agency Self Insurance System
- County of San Diego – Emergency Services Organization
- Encina Wastewater Authority
- Exclusive Risk Management Authority of California
- San Diego Geographic Information System
- Santa Barbara County Special Education Local Plan Area Joint Powers Agency
- Santa Barbara Water Purveyors Joint Powers Agency
- Tracy Area Public Facilities Financing Authority
- Transportation Authority of Marin
- West Contra Costa Integrated Waste Management Authority

In addition to the joint powers authorities listed above, the vast majority of our governmental clients are members of joint powers authorities. As such, our firm has experience in reviewing JPA statements and disclosing the appropriate JPA information in the financial statements for each governmental client.

Our firm has never been the object of any disciplinary action from any federal or state regulatory body or professional organization, nor is there any disciplinary action pending.

**PARTNER, SUPERVISORY AND STAFF QUALIFICATION AND EXPERIENCE**

It is the firm's policy to have our partners and managers involved in the managing function of our governmental audits. Having both the partner and audit manager involved in the engagement allows the City to receive immediate response to questions about accounting and audit topics, concerns, and findings.

It is expected that Mr. Ron A. Levy, CPA would be the technical (concurring) partner in charge of the audits of the City. He will be responsible for reviewing the City's basic financial statements and all other required statements and reports. He may also be responsible for addressing any City questions or concerns that arise during the year. He has assisted numerous municipal clients and has prepared award-winning CAFRs. Mr. Ron A. Levy has over 40 years of experience in the governmental auditing and accounting field and has been with the firm for over 40 years.

Mr. Craig Hartzheim, CPA will be the engagement partner assigned to the audit. As engagement partner, he will oversee the day-to-day operations of the audits, review all audit areas, and be on-site for a majority of the fieldwork. He has assisted many municipal clients and has also prepared numerous award-winning CAFRs. It is the firm's policy during the first year on the audit engagement to have a partner on-site for a majority of the fieldwork. This policy enables the partner to become acquainted with the City's daily operations and key personnel.

Mr. Bin Zeng will be the manager assigned to the audit. He will oversee the day-to-day operations of the audits and perform more difficult audit sections.

Mr. Ricky Tzu-Wei Kuo will be the senior auditor assigned to the audits. As senior auditor, it will be his responsibility to oversee the staff accountants, do preliminary reviews of audit sections, and perform more difficult audit sections.

**CITY OF IMPERIAL  
TECHNICAL PROPOSAL**

---

**PARTNER, SUPERVISORY AND STAFF QUALIFICATION AND EXPERIENCE (CONTINUED)**

Mr. David Ortiz will be the computer specialist assigned to the audits, when needed. Mr. Ortiz has extensive knowledge in auditing EDP functions. Mr. Ortiz may also perform the statistical sampling procedures for the audit and also document and test the internal control structure of the computer systems.

In addition to the supervisory staff listed above, one or two staff accountants will be assigned to the audits. All staff accountants have degrees from accredited colleges or universities, have received in-house governmental audit training, and at present, have at least one year of governmental auditing experience. All staff accountants will be directly supervised by the supervisory accountant and manager assigned to the audits at all times. All partners, managers, and staff members have worked on numerous governmental engagements together. Consistently working together will provide the City with a knowledgeable, proficient, and efficient audit team.

Please see *Appendix D – Resumes* for each individual’s qualifications and experience.

The firm conducts an annual firm-wide two-day training seminar to update all governmental auditors on new pronouncements and improved audit techniques. In addition to this firm sponsored seminar, each governmental auditor attends the annual governmental accounting conference and many other continuing education courses and is updated on current accounting/auditing issues through our journals and supplements, which we receive on a regular basis.

The firm will maintain staff continuity on the engagement throughout the term of the contract, barring any terminations, illnesses, or other unforeseen circumstances (departure from the firm, promotion, or assignment to another office). At the written request of the City, any Moss, Levy & Hartzheim, LLP employee assigned to the audits can be removed and replaced by another qualified employee. The City retains the right to approve or reject replacements.

**SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES**

**CITY OF EL CENTRO**

Audit of basic financial statements, former Redevelopment Agency, and Single Audit Report, GASB 34  
CAFR prepared in accordance with GAAP  
Received GFOA Certificate of Achievement in Financial Reporting  
2008 to Present  
Engagement Partner – Hadley Hui, CPA  
(600 Hours)  
Contact: Leticia Salcido (760) 337-4510  
1275 W Main Street, El Centro, Ca 92243

**CITY OF BRAWLEY**

Audit of basic financial statements, former Redevelopment Agency, GASB 34  
2005 to 2012  
(450 Hours)  
Engagement Partner – Craig A. Hartzheim, CPA  
Contact: Rosa Ramirez (760) 344-8941  
383 W. Main Street, Brawley, CA. 92227

**CITY OF HUGHSON**

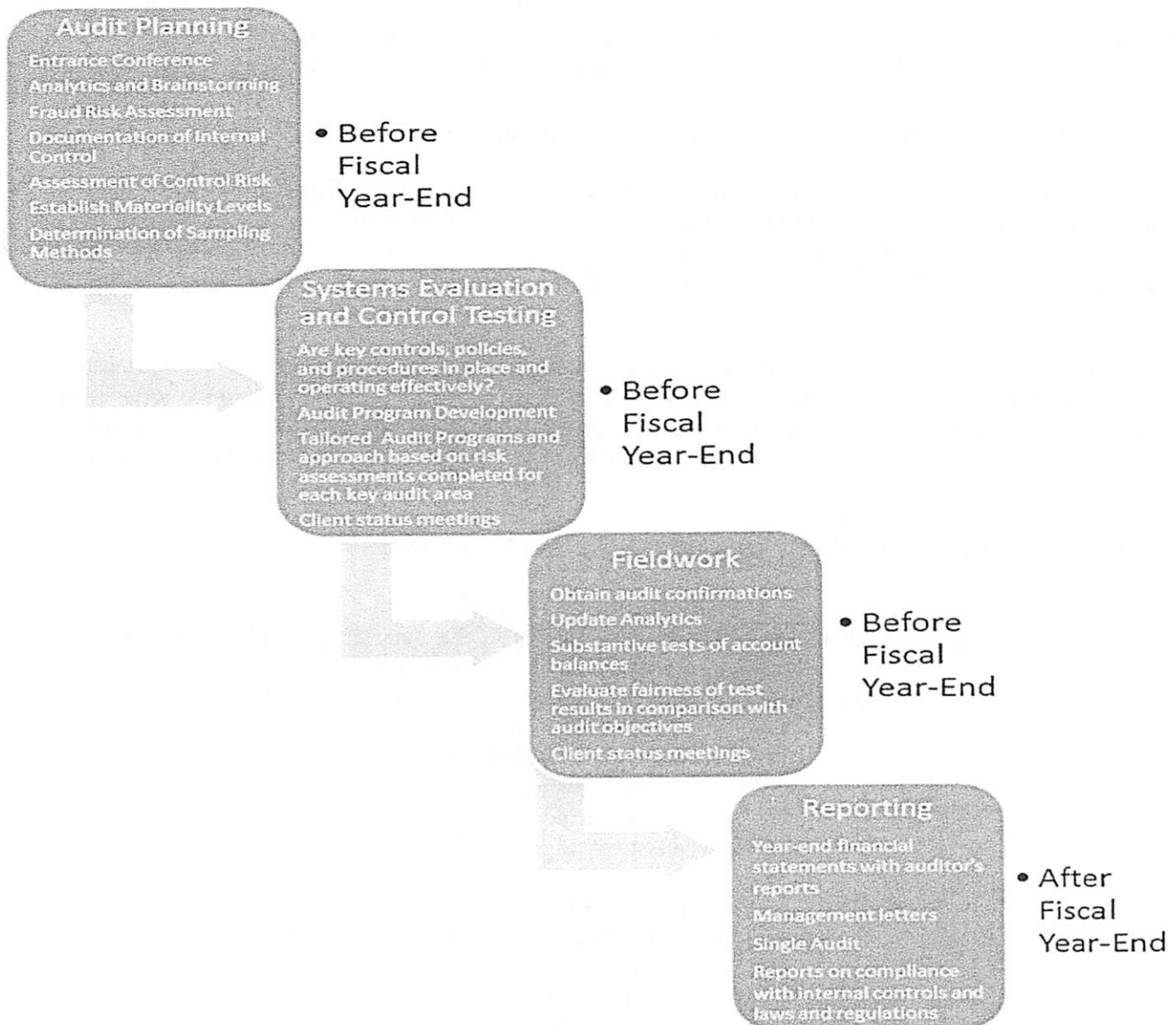
Audit of basic financial statements, GASB 34, CAFR prepared in accordance with GAAP  
Contact: Shannon Esenwein (209) 883-4054  
7018 Pine Street, Hughson, CA 95326

**SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES (CONTINUED)**

Please see *Appendix E – Segmentation and Budgeted Hours by Segment* for a schedule of the level of staff and number of hours to be assigned to each segment of the engagement.

**SPECIFIC AUDIT APPROACH**

**Overview of the MLH Audit Process**



During the first year of the engagement, we will utilize the prior year's financial statements, the current year's budget, and our knowledge of the City's systems to determine materiality for the different audit sections. Each year, we will select a sample of transactions to determine to what extent the systems are functioning as described to us. The extent of our sample size will depend upon our assessment of the internal control structure and the results of our assessment in accordance with *Government Auditing Standards*.

**SPECIFIC AUDIT APPROACH (CONTINUED)**

The selection of transactions for testing will be made using a combination of random, systematic, and haphazard sampling techniques. We will identify the strength of the systems upon which we can rely in planning our substantive tests. Our internal control review will meet all of the following requirements of AICPA: Statement on Auditing Standards (SAS) No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*, as amended by SAS No. 78; SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*; SAS No. 106, *Audit Evidence*; SAS No. 107, *Audit Risk and Materiality in Conducting an Audit*; SAS No. 108, *Planning and Supervision*; SAS No. 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*; and SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*.

It is estimated that the sampling size for transaction testing for compliance with systems as actually implemented would be as follows:

- I. Minimum of 60 disbursement items, including automatic and manual checks and bank debits
- II. Minimum of 20 – 40 payroll checks, including direct deposits for payroll testing, depending on the number of employees
- III. Minimum of 40 – 60 receipt items

We have extensive knowledge in auditing computer systems. We have assisted numerous clients with the implementation of accounting software and database business systems. This assistance has provided our firm with a thorough background in computer systems with respect to both the software applications aspect and also insight into auditing such systems. It is our policy to have a computer specialist as part of the audit team and to be used on an as-needed basis. This individual assists the audit team in documenting the computer system internal control structure and highlighting strengths and weaknesses relating to the computer structure of the City.

In addition, all of our staff is equipped with networked laptop computers. These computers are equipped with not only word processing and spreadsheet capabilities, but also various functional software, such as PPC Audit – e-Tools, Creative Solutions Accounting, Adobe Acrobat, random sampling software, Lacerte Tax Program, and Easy Accounting Software, which contain amortization programs and depreciation programs, and other applications as well (including the Governmental Accounting Research System which includes all GASB publications).

We will perform expectation analytics and preliminary analytical review procedures using the prior fiscal year's audited statements and the current fiscal year's budget. In the preliminary stage, we will adopt ratio analysis procedures to compare the relationships between account balances and classes of transactions between prior periods and against budgets and industry statistics. This may include budgets, trial balances, and/or draft financial statements to help us identify the source of individual fluctuations. We will then adopt trend analysis to compare current data with prior periods, which is particularly useful for analyzing revenue and expenditures. Any unexpected trends or deviations will be discussed with relevant City staff to obtain explanations.

**CITY OF IMPERIAL  
TECHNICAL PROPOSAL**

**SPECIFIC AUDIT APPROACH (CONTINUED)**

The chart below shows some of MLH's preliminary audit procedures:

None	Go over timing and planning with Management	Set meeting
Letter	Discuss any matters with predecessor	Standard required communications
Internal control memos	Set location site visits	Visit sites and go through internal controls, such as the legal court, parks and recreation, fire, police, transit, etc.
Obtain budget and budget amendments	Ensure budgetary compliance	Analyze budget-to-actual variances. Look at capital projects, status of property tax assessments as part of the focus
Obtain grant documents, any service concession agreements	Ensure grant compliance	Analyze grants
Obtain policies and procedures	Evaluate effectiveness of policies, updates and relate to key compliance matters	Analyze policies and procedures
Obtain client internal control memos of client if they exist	Evaluate internal controls Short interviews of accounting and selected operating personnel for documentation of process	Analyze internal controls, including computer controls
Obtain prior year financials	Determine which items are important for testing	Set preliminary "materiality" limits
Obtain appropriate schedules	Ensure effective procedures	Testing of cash receipts, cash disbursements, and payroll transactions
Obtain Council minutes	Ensure knowledge of key government communication, Look for major agreements and key decisions	Analyze important events highlighted in Council meetings, test and inquire as necessary
Draft confirmations – third party letters for independent verification of cash, property taxes, attorney, etc. for client to sign and auditor to mail	Independent verification of selected balances	Client to prepare letters and auditor to send letters
Develop document request list for client to review and agree upon	To clarify client – auditor requests	Meet with client and agree upon document request list for audit
Preliminary trial balance	Ensure preliminary results make sense	Perform selected testing on balances such as receipts, disbursements, and payroll
Obtain updates on retirement plans	Discuss GASB 68 and any changes	Audit selected components of any new reports and changes for compliance
Request screen view access only for computer analysis	Minimize client interruptions and view transactions	Scan ledgers and accounts for accounting propriety
Consider site visitations on areas where there are significant cash, card, deposits and billing controls, internet site controls	Focus on controls where the risk assessment of material misstatement of cash, card and internet transactions could occur	Site visitations
Legal bills, key litigation	Look for commitments, contingencies and disclosure	Discuss with client, prepare attorney letters for confirmation and response
Obtain long-term debt	Analyze for disclosure and compliance	Obtain and prepare long term debt schedules
Commitments and Contingencies	Ensure auditing standards are applied for proper accrual and disclosure	Send legal letters, talk with client, review disclosures

**SPECIFIC AUDIT APPROACH (CONTINUED)**

As part of our audit procedures we usually request a working trial balance in excel format (if possible) and access to view general ledger detail directly from the software system.

We will also review the following documents in order to determine compliance with applicable laws and regulations:

1. Minutes of the governing body with special attention to: indications of new revenue sources, including federal and state grants; expense authorizations and related appropriations, including any special or restrictive provisions; appropriation transfers; authorization for bank or other debt incurred; awards to successful bidders; authorization for new leases entered into; changes in licenses, fines, or fees; authorization for fund balance commitments or assignments; and authorization for significant new employees hired.
2. New agreements and amendments to agreements including, but not limited to: grant agreements; debt and lease agreements; labor agreements; joint venture agreements; disposition and development agreements; and other miscellaneous agreements.
3. Administrative Code
4. Investment Policy

The main extent of our work would be what is required to enable us to express an opinion on the basic financial statements in accordance with:

1. *AICPA Industry Audit Guide for State and Local Governmental Units*
2. *AICPA Audit Standards*
3. *National Committee on Governmental Accounting, Auditing and Financial Reporting (Amended) Publication*
4. Laws of the State of California
5. Requirements of Title 2 U.S Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principle and Audit Requirements for Federal Awards* (Uniform Guidance).
6. *GAO Standards for Audit of Governmental Organizations, Activities and Functions, the Guidelines for Financial and Compliance Audits of Federally Assisted Programs*
7. Our firm's own additional standards and procedures

The audit will be conducted in accordance with auditing standards generally accepted in the United States of America. The primary purpose of the audit is to express opinions on the basic financial statements, and such an audit is subject to the inherent risk that material errors or fraud may exist and not be detected by us. If conditions are discovered which lead to the belief that material errors, defalcations, or fraud may exist, or if any other circumstances are encountered that require extended services, we will promptly advise the City.

If convenient for the City's staff, the approximate target dates for the fiscal year 2018 audit would be as follows:

1. Written audit plan and list of schedules for fieldwork – No later than July 16<sup>th</sup>
2. Entrance conference and interim fieldwork – Week of July 16<sup>th</sup>
3. Progress conference with the City – July 20<sup>th</sup>
4. Entrance conference and year-end fieldwork – Week of September 24<sup>th</sup>
5. Exit conference – No later than September 28<sup>th</sup>
6. Draft audit reports – No later than November 16th, 2018
7. Final audit reports – No later than December 1st, 2018
8. Single Audit Report – No later than March 15<sup>th</sup> 2019
9. Presentation to the Board- Open

**SPECIFIC AUDIT APPROACH (CONTINUED)**

Our audit would begin when it is convenient for the City's staff. We estimate that in the first week of June we will perform interim work. Each year, the partner or manager of the firm will contact the Finance Director. The purpose of this contact will be to discuss the scope and timing of the annual audit, to review any accounting issues known at that time, and to address any of the City's personnel concerns about the impending audit.

We will schedule approximately one week of interim work each year. During the first year, we will prepare narrative flow charts and other documentation of the internal control structure and of the major systems, such as revenue and cash receipts, purchasing and cash disbursements, payroll and personnel, inventory, property and equipment, grant compliance, investment activities, and the budget process. We will gain this information through discussions with appropriate City staff and the review of available documented policies, organizational charts, manuals, programs, and procedures. Once we obtain this information, we will evaluate the systems of internal controls and revise our standard governmental audit programs. We will also meet with two members of the Finance Committee during our interim fieldwork, to discuss our audit procedures and to ascertain if there are any areas of concern of the Finance Committee members.

In July, we will contact the Finance Director to provide our detailed audit plan for the audit fieldwork. We will also discuss with the Finance Director any matters that may impact our audit procedures or your financial reporting. Before the year-end fieldwork, we will discuss with the City any assistance the City may need with the year-end closing.

Our year-end fieldwork would begin on September 24<sup>th</sup>. The year-end audit work would begin with an analytical review of all significant balance sheet and revenues and expenditures/expense accounts for each fund, which includes substantive tests on all balance sheet accounts. **Analytical procedures will be used to supplement the substantive tests, not supplant them.** We will perform analytical procedures during interim and year-end fieldwork on all balance sheet and revenue and expense/expenditure accounts.

The primary objective of the year-end audit work is to audit the final numbers that will appear in the City's basic financial statements. Our fieldwork would also consist of procedures required under SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*.

We will perform procedures such as:

- (a) Confirmations by positive and negative circularization including but not limited to all cash and investment accounts; selected receivable and revenue balances; all bonds, loans, notes payable, and capital leases; all notes receivable; all insurance carriers; all legal firms employed on the City's business; and other miscellaneous confirmations deemed necessary
- (b) Physical verifications and observations
- (c) Analysis and review of evidential material
- (d) Interviews and investigative efforts
- (e) Electronic data processing testing for computer and software reliability
- (f) Numerous other procedures

During the entire engagement, our audit team will be determining whether the audit is in compliance with *Uniform Guidance*, and if this is required through review of the City Council minutes, examination of the general ledger, and discussion with finance personnel. If a compliance audit is required, we would perform tests of: specific requirements; claims for advances and reimbursements; and amounts claimed or used for matching in compliance with the Single Audit Act. The compliance audit will be conducted in accordance with auditing standards generally accepted in the United States of America, the *GAO Standards for Audits of Governmental Organizations, Programs, Activities, and Functions*, and the *GAO Guidelines for Financial and Compliance Audits of Federally Assisted Programs*.

The year-end fieldwork should be completed no later than September 28<sup>th</sup>.



**CITY OF IMPERIAL  
TECHNICAL PROPOSAL**

**SPECIFIC AUDIT APPROACH (CONTINUED)**

The chart below shows some of MLH’s final audit procedures:

None	Set Timing	Entrance conference
Policies and procedures	Review and start risk assessment	Set visitation of locations such as Courts, Parks and Rec, Transit, etc. Cash and other controls testing
Obtain updated general ledger	Ensure proper closing of books	Analyze records and update analytical procedures
Obtain internal control memos, if there are any changes- all key locations	Re-evaluate internal controls. Assess risk and dollar significance, brainstorm, look at IT controls	Update understanding of internal controls and document key changes
Obtain prior GFOA CAFR comments	Ensure improvement in financial reporting	Implement significant changes in financial reporting methods
Obtain and further agree upon audit schedules as agreed upon in the contract and RFP	To commence audit properly on final numbers	Apply auditing procedures
Obtain/prior year GASB 34 conversion entries /prepare GASB 34 Entries	Ensure that all GASB 34 conversion entries are proper	Work on current year GASB 34 presentations
Analyze capital asset ledgers	Review or updates from preliminary and analyze for impairment	Obtain capital asset documents and update for impairments
Contracts and agreements	Analyze credit agreements	Test schedules of credit agreements
Journal entries and post-closing	Look for proper accruals and revenue payments	Look at selected billings and revenue agreements
Risk Management	Determine coverage	Confirm balances and analyze for proper accruals as necessary
Cost allocations	Internal service allocation propriety	Discuss and analyze internal service cost allocations
Allocation agreements	Ensure agreement compliance	Analyze allocations as necessary from client calculations and documents
Obtain OPEB and PERS documents	Review for any needed updates, GASB 68	Read documents and necessary update
Bond agreements	Bond compliance	Test bond compliance and obtain bond ratings
Contributions	Compliance	Analyze significant contributions for compliance
Third party letters	Independent verification of accounts	Match to year-end books and records and reconcile to accounts
None	Ensure proper audit process	Hold timely status meetings with the client
Adjusting entries, and any possible management points	Obtain client agreement	Post as necessary with client
None	Compliance with contract and governance	Attend finance and board meetings
MD&A, prepare financials, reports and supplementary information	Ensure documents match, are consistent and appropriately completed	Read MD&A, prepare financials, reports and read supplementary information

The *Governmental Accounting, Auditing and Financial Reporting (GAAFR)*, issued by the Government Finance Officers Association (the “Blue Book”) and other GFOA publications are often used as additional tools when preparing and reviewing the financial statements of our governmental clients. The firm has and uses its extensive library of current AICPA, GFOA, and GASB publications and pronouncements.

We will issue all of our draft audit reports by November 16<sup>th</sup>. All of our reports are prepared by in-house auditors (usually the partner or manager) who have worked on the City’s engagement, so they are familiar with the City and the way in which it operates. Our draft reports go through four reviews, including one by a senior auditor for calculations and footing, one by the technical partner, one by another senior or staff auditor for calculations and footing, and a final review by the engagement partner.

**SPECIFIC AUDIT APPROACH (CONTINUED)**

As part of our audit engagements we issue our clients management letters if we note certain observations or recommendations that we feel need to be disclosed. Our firm’s philosophy regarding the management letter is that the management letter is to help management improve its internal control and accounting procedures and not to criticize the management in charge. This is why we present our management letters to management in draft form for open discussion prior to issuance.

**AUDIT FEES**

<b>Reports to be issued:</b>	<b>2018</b>
Single Audit*	3,500
TDA	7,500
City including Successor Agency and related reports	51,055
Cities Annual Financial Transaction Report	4,000
<b>Subtotal</b>	<b>66,055</b>
<b>Discount (10%)</b>	<b>(6,606)</b>
<b>Grand Total</b>	<b>\$ 59,450</b>

\* - Single Audit may not occur each year of the contract term – subject to City’s expending of current federal awards granted and any new additional awards received and expended in the future years. Fee above includes one major program. Each additional major program will be billed at \$3,500 each.

Due to the current economic environment, Moss, Levy & Hartzheim, LLP has accepted the fact that in order for government entities to survive revenue cutbacks, contractors will need to reassess their hourly fees or total estimate of costs, therefore, we are reducing our total estimate fee by 10% to assist the City in these challenging economic times.

Progress payments will be made on the basis of hours of work completed during the course of the engagement. Interim billing shall cover a period of not less than a calendar month. No more than 90% of the total fee will be billed prior to delivery of final audit reports and financial statements. The costs must be detailed on the invoices for the City, Single Audit, and each other reports.

**Billable Hourly Rates by Classification (For Additional Work)**

<b>Classification</b>	<b>Hourly Rates</b>
	<b>FY 18</b>
Partner	\$ 175
Manager	\$ 125
Senior Level	\$ 100
Staff Level	\$ 75
Clerical	\$ 50

**CITY OF IMPERIAL  
TECHNICAL PROPOSAL**

---

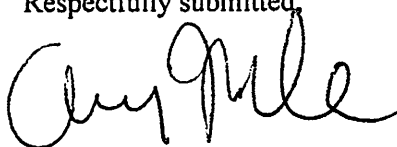
I, the undersigned, certify I am duly authorized to represent the above-named firm and am empowered to submit this bid. In addition, I certify I am authorized to contract with the City of Imperial on behalf of the above-named firm.

**IDENTIFICATION OF POTENTIAL AUDIT PROBLEMS**

We do not anticipate any problems with the audit except for items listed in past management letters. In the event of a problem, the City Manager, City Attorney, and Finance Director will be immediately notified in writing of any fraud, other illegal acts, or indications of illegal acts found during the course of our audit work. All other discrepancies or weaknesses in the internal control system that we become aware of will be communicated to management through discussion, the management recommendation letter, and/or if it is a significant deficiency, as part of the single audit report, if necessary.

Under penalties of perjury, I declare that I am an authorized signer and that there are no and have never been any financial interests between any officials or employees of the City of Imperial and Moss, Levy & Hartzheim, LLP.

Respectfully submitted,



Craig A. Hartzheim, CPA  
Partner

**Moss, Levy & Harzheim, LLP**

10/9/2017

California Board of Accountancy - License Lookup

CALIFORNIA BOARD OF ACCOUNTANCY

Licensee Name:		MOSS, LEVY, HARTZHEIM LLP
License Type:		CPA - Partnerships
License Number:	→	6998
License Status:		<b>CLEAR <u>Definition</u></b>
Expiration Date:	→	July 31, 2019
Issue Date:		July 28, 2005
Address:		5800 HANNUM AVE STE E
City:		CULVER CITY
State:		CA
Zip:		90230
County:		LOS ANGELES
Disciplinary Actions/License Restrictions:		No

No records returned

This information is updated Monday through Friday - Last updated: OCT-06-2017

***Disclaimer***

*All information provided by the Department of Consumer Affairs on this web page, and on its other web pages and internet sites, is made available to provide immediate access for the convenience of interested persons. While the Department believes the information to be reliable, human or mechanical error remains a possibility, as does delay in the posting or updating of information. Therefore, the Department makes no guarantee as to the accuracy, completeness, timeliness, currency, or correct sequencing of the information. Neither the Department, nor any of the sources of the information, shall be responsible for any errors or omissions, or for the use or results obtained from the use of this information. Other specific cautionary notices may be included on other web pages maintained by the Department. All access to and use of this web page and any other web page or internet site of the Department is governed by the Disclaimers and Conditions for Access and Use as set forth at [California Department of Consumer Affairs' Disclaimer Information and Use Information](#).*

## **CITY OF IMPERIAL**

### **APPENDIX B – CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS**

---

#### **SCHOOL DISTRICTS**

Acton-Agua Dulce Unified School District  
Ballard School District  
Bellflower Unified School District  
Beverly Hills Unified School District  
Blochman Union School District  
Bradley Elementary School District  
Buellton Union School District  
Calaveras County Schools  
Calexico Unified School District  
Calipatria Unified School District  
Carpinteria Unified School District  
Casmalia School District  
Castaic Union School District  
Cayucos Elementary School District  
Coast Unified School District  
Cold Springs School District  
College Elementary School District  
Eastside School District  
El Segundo Unified School District  
Carvey School District  
Goleta Union School District  
Graves School District  
Heber School District  
Hughes-Elizabeth Lakes Union School District  
Keppel Union School District  
Lancaster School District  
Magnolia Union School District  
Manhattan Beach Unified School District  
Mark Twain Union Elementary School District  
Meadows Union School District  
Mission School District  
Monrovia Unified School District  
Montecito Union School District  
Mulberry School District  
Novato Unified School District  
Orcutt Union School District  
Pacific Unified School District  
Palmdale School District  
Pleasant Valley Union School District  
San Ardo Elementary School District  
San Lucas School District  
San Miguel Joint Union School District  
Santa Maria Joint Union High School District  
Shandon Unified School District  
Solvang Elementary School District  
Temple City Unified School District  
Torrance Unified School District  
Vallecito Union School District  
Westmoreland Elementary School District  
Wilsona School District

#### **CITIES AND REDEVELOPMENT AGENCIES**

Adelanto, CA  
Arcadia, CA  
Arroyo Grande, CA  
Atascadero, CA  
Buellton, CA  
Calabasas, CA  
California City, CA  
Carmel-by-the-Sea, CA  
Covina, CA  
Culver City, CA  
Dinuba, CA  
El Centro, CA  
Eureka, CA  
Greenfield, CA  
Grover Beach, CA  
Holtville, CA  
Hughson, CA  
Indio, CA  
La Cañada Flintridge, CA  
La Habra Heights, CA  
La Mirada, CA  
Los Alamitos, CA  
Morgan Hill, CA  
Ojai, CA  
Paso Robles, CA  
Santa Maria, CA  
Signal Hill, CA  
Taft, CA  
Watsonville, CA  
Westlake Village, CA  
Windsor, CA  
Yorba Linda, CA  
Yuba City, CA

#### **PUBLIC FINANCING AUTHORITIES**

The majority of our Municipalities issue debt and do so through an established Public Financing Authority.

#### **OTHER SCHOOL ENTITIES**

Academia Semillas del Pueblo Charter School  
Albert Einstein Academy  
Antelope Valley Schools Transportation District  
Bright Star Secondary Charter Academy  
East Bay Regional Occupational Program  
Garr Academy of Mathematics and Entrepreneurial Studies  
Pacoima Charter School  
Santa Ynez Valley Charter School  
Southern California Regional Occupational Center  
Stella Middle Charter Academy  
Synergy Charter Academy  
Tri-Valley Regional Occupational Program

**CITY OF IMPERIAL**

**APPENDIX B – CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS**

---

**COUNTIES**

Los Angeles County, CA (Master List)  
San Diego County, CA (Master List)

**SANITATION DISTRICTS**

Carpinteria Sanitation District, CA  
Cayucos Sanitation District, CA  
County Sanitation Districts of Los Angeles County, CA  
- All 25 Districts  
Encina Wastewater Authority, CA  
Montecito Sanitation District, CA  
Orange County Sanitation District, CA - Internal Audits  
Ross Valley Sanitary District, CA  
Triunfo Sanitation District, CA

**UTILITY DISTRICTS**

Georgetown Divide Public Utility District

**WATER/IRRIGATION DISTRICTS**

Aldercroft Heights County Water District, CA  
Foothill Municipal Water District, CA  
Main San Gabriel Basin Watermaster, CA  
Marina Water District, CA  
North Marin Water District, CA  
Sweetwater Springs Water District, CA  
Valley County Water District, CA  
Valley of the Moon Water District, CA

**AMBULANCE SERVICES DISTRICT**

Cambria Community Healthcare District  
North Coast Emergency Medical Services

**CEMETERY DISTRICTS**

Arroyo Grande Cemetery District, CA  
Atascadero Cemetery District, CA  
Gridley-Biggs Cemetery District, CA  
San Miguel Cemetery District, CA  
Santa Maria Cemetery District, CA

**COMMUNITY SERVICES DISTRICTS**

Cambria Community Services District, CA  
Cuyama Community Services District, CA  
Groveland Community Services District, CA  
Heritage Ranch Community Services District, CA  
Los Alamos Community Services District, CA  
Nice Community Services District, CA  
Rancho Murieta Community Services District, CA  
Santa Ynez Community Services District, CA  
Vandenberg Village Community Services District, CA

**RECREATION AND PARK DISTRICTS**

Conejo Recreation and Park District, CA  
Isla Vista Recreation and Park District, CA  
Mountains Recreation and Conservation Authority, CA  
Rancho Simi Recreation and Park District, CA  
Hayward Recreation and Park District, CA

**BUILDING AUTHORITY**

County of San Diego Regional Building Authority, CA

**FIRE PROTECTION DISTRICTS**

Cayucos Fire Protection District, CA  
Lakeport Fire Protection District, CA  
Orcutt Fire Protection District, CA

**OTHER DISTRICTS**

Beach Cities Health District  
County of San Diego Emergency Services Organization  
County of San Diego First 5 Commission  
County of San Diego In-Home Supportive Services  
Public Authority  
County of San Diego Health and Human Services Agency  
Child Development Program Grant  
County of San Diego MIOCR Grant  
County of San Diego RLETC Grant  
County of Los Angeles Delta Sigma Theta, Head Start  
Program, Inc.  
County of San Diego DA Office of Auto Ins. Fraud  
Grant, Urban Auto Fraud Grant, WC Ins Fraud Grant  
Los Angeles County Flood Control District  
Marin/Sonoma Mosquito and Vector Control District  
Peninsula Health Care District  
San Diego Geographic Information Source  
Tracy Area Public Facilities Financing Agency  
West Contra Costa Integrated Waste Management  
Authority

**TRANSPORTATION DEVELOPMENT ACT**

Arroyo Grande, CA  
Brawley, CA  
Calexico, CA  
El Centro, CA  
Grover Beach, CA  
Holtville, CA  
Paso Robles, CA  
San Luis Obispo County and Cities Area Planning  
Council:  
Local Transportation Fund  
State Transit Assistance Fund  
South County Area Transit, CA  
South County/San Luis Obispo Transit, CA  
Transportation Agency for Monterey County, CA  
Transportation Authority of Marin  
Association of Monterey Bay Area Governments  
Santa Cruz Regional Transportation Commission

**TRANSIENT OCCUPANCY TAX AUDITS**

Represented the following municipalities and/or counties  
in the audit of the hotel "bed tax" records:

Arroyo Grande, CA	Pismo Beach, CA
Bellflower, CA	Santa Maria, CA
Bishop, CA	South Lake Tahoe, CA
Calexico, CA	Whittier, CA
Carmel, CA	Ojai, CA

CITY OF IMPERIAL  
APPENDIX C – PEER QUALITY REVIEW REPORT

---



**POWELL & SPAFFORD, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA (Ret.)  
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy  
Member American Institute of Certified Public Accountants

System Review Report

To the Partners of  
Moss, Levy & Hartzheim, LLP  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Moss, Levy & Hartzheim, LLP (the firm) in effect for the year ended December 31, 2014. Our review was conducted in accordance with standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

We noted the following deficiencies during our review:

1. *Deficiency* – The firm does not have quality control policies and procedures to address the form and content of workpaper documentation or a related file review process by the engagement partner for its audit engagements, including audits of employee benefit plans and audits subject to *Government Auditing Standards*. As a result, we noted documentation deficiencies on the engagements reviewed in the following areas: 1) compliance payroll testing for an ERISA audit engagement; 2) proper testing of certain major program compliance requirements, low risk determination and fraud considerations; 3) the 80 hour requirement for engagements performed under *Government Auditing Standards* was not met for certain engagement team members; and 4) lock down of audit files. The firm also did not perform annual monitoring that properly covered all areas of quality control. There were documentation issues noted in the firm's previous peer review. The firm will perform the required procedures when subsequent engagements are performed, which is imminent.

*Recommendation* – We recommend that the firm modify its current policies and procedures to include a mechanism for assuring the firm's documentation is properly prepared, reviewed and included in the work files. The firm should also expand on its monitoring procedures to cover these areas.

In our opinion, except for the deficiency described above, the system of quality control for the accounting and auditing practice of Moss, Levy & Hartzheim, LLP in effect for the year ended December 31, 2014, 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*. Moss, Levy & Hartzheim, LLP has received a peer review rating of *pass with deficiencies*.

July 22, 2015

---

1417 Missouri Court • Redlands, CA 92373 • P.O. Box 8847 • Redlands, CA 92375  
Telephone 909-792-1852 • Fax 909-792-2015

**Ron A. Levy, C.P.A. – Partner**

- California licensed C.P.A. with 40 years of audit experience with governmental and non-profit entities
- Technical (Concurring)/Engagement Partner in charge of all governmental and non-profit audits, currently including 35 school district audits, 4 charter schools, 32 municipal audits, and over 75 special district audits
- Has assisted governmental clients with year-end closing, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports
- Has met or exceeded all continuing education requirements, including recent courses in the following:
  - 2017, 2016, and 2015 School District Conference*
  - 2017, 2016, and 2015 Governmental Accounting Conference*
  - GASB 34 Training Seminars*
  - Planning a Governmental Audit Engagement*
  - Auditor's Reports on Audits of Local Governments*
  - Governmental Accounting Update*
  - Audits of State and Local Governments*
  - Compliance Auditing, Auditing Sampling, and Concluding the Audit*
  - The Single Audit Act*
- Member of the following:
  - American Institute of Certified Public Accountants
  - California Society of Municipal Finance Officers
  - California Society of Certified Public Accountants
  - California Association of School Business Officials
  - Kiwanis Club
- Bachelor of Science degree from Oregon State University, was conferred in 1977
- Taught accounting courses at a branch of La Verne College and Chapman College
- Knowledgeable in all areas of tax law including non-profit tax issues
- **Mr. Levy's ancestry is of Hispanic descent**



**Craig A. Hartzheim, C.P.A. – Partner**

- California licensed C.P.A. with 34 years of audit experience with governmental, non-profit, and commercial entities
- Engagement/Technical (Concurring) Partner for governmental and non-profit audits (Culver City office), currently including 12 school district audits, 17 municipal audits, and 40 special district audits (including Los Angeles County Flood Control District and the County Sanitation Districts of Los Angeles County)
- Has assisted governmental clients with year-end closings, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports
- Has met or exceeded all continuing education requirements including recent courses in the following:

*2017, 2016, and 2015 School District Conference*  
*2017, 2016, and 2015 Governmental Accounting Conference*  
*Audits of States and Local Governments*  
*Preparing Governmental Financial Statements*  
*Yellow Book, Government Auditing Standards*  
*GAAS Guide*  
*Other Comprehensive Basis of Accounting (OCBOA) Statements*  
*Audit Standards update*  
*Implementing SAS 112*  
*Implementing SAS 114*  
*Auditing update*  
*Grants Management*

- Bachelor of Science degree in Accounting from Marquette University, was conferred in 1982
- Member of the following:
  - American Institute of Certified Public Accountants
  - California Society of Certified Public Accountants
- Knowledgeable in all areas of tax law including non-profit and payroll tax issues

**Hadley Hui, C.P.A. – Partner**

- California licensed C.P.A. with 20 years of audit experience with governmental, non-profit, and commercial entities
- Manager in charge of 18 municipal audits, 7 school districts and related audits, 8 special audits for the County of San Diego, and 26 special district audits.
- Supervisor for the CSS and DPSS Monitoring Projects for Los Angeles County
- Has met or exceeded all continuing education requirements including recent courses in the following:
  - 2017, 2016, and 2015 School District Conference*
  - 2017, 2016, and 2015 Governmental Accounting Conference*
  - Single Audit Compliance*
  - GASB 34 Training Seminars*
  - Risk-Based Auditing Part 1, Part 2*
  - Accounting and Auditing Update*
  - Guide to Auditing Control Course 1, Course 2*
- Extensive knowledge of database systems, networking, and various accounting software.
- Bachelor of Arts degree in Economics with a minor in Accounting from University of California – Los Angeles, was conferred in 1997
- Member of the following:
  - American Institute of Certified Public Accountants
  - California Society of Certified Public Accountants
- Knowledgeable in all areas of tax law including non-profit and payroll tax issues

**Bin Zeng – Manager**

- Auditor with 11 years of audit experience with governmental and commercial entities
- Auditor for 16 municipal audits, and 12 special district audits
- Bachelor of Arts degree in Business Economics from the University of California – Los Angeles, was conferred in 2007
- Has met or exceeded all continuing education requirements including recent courses in the following:

*2017, 2016, and 2015 Governmental Accounting Conference*  
*2017, 2016, and 2015 School District Conference*  
*2017 Accounting and Auditing Standards Update: Risk Assessment Standards*  
*2017 Advanced Audit Standards Workshop: Understanding Risk Assessment*  
*2017 GAAS Update*  
*Auditors' Responsibilities for Detection of Fraud*  
*Internal Control and Fraud in Governmental Engagements*  
*Government Auditing Standards – Yellow Book*  
*Implementing SAS 112 & 114*  
*Advanced Fraud Techniques*  
*Grants Management*

**Ricky Tzu-Wei Kuo – Senior Accountant**

- Auditor with 10 years of audit experience with governmental and commercial entities
- Auditor for 9 municipal audits, 12 special district audits, and 1 school district audits
- Staff accountant for the Los Angeles County DMH Monitoring Projects
- Has met or exceeded all continuing education requirements including recent courses in the following:

*2017, 2016, and 2015 Governmental Accounting Conference*  
*2017, 2016, and 2015 School District Conference*  
*Accounting and Auditing Standards Update: Risk Assessment Standards*  
*Advanced Audit Standards Workshop: Understanding Risk Assessment*  
*GAAS Update*  
*Auditors' Responsibilities for Detection of Fraud*  
*Internal Control and Fraud in Governmental Engagements*  
*Government Auditing Standards – Yellow Book*  
*Implementing SAS 112 & 114*  
*Advanced Fraud Techniques*  
*Grants Management*

- Bachelor of Science in Business Administration with an emphasis in Accounting from California State University – Los Angeles, was conferred in 2005

**Israel Morel – Staff Accountant**

- Auditor with 4 years of audit experience with governmental and commercial entities
- Auditor for 9 municipal audits and 3 school district audits
- Has met or exceeded all continuing education requirements including recent courses in the following:

*2017, 2016, and 2015 Governmental Accounting Conference*  
*2017, 2016, and 2015 School District Conference*

- Bachelor of Science in Business Administration with emphasis in Accounting from California State University – Dominguez Hills, was conferred in 2013

**Cody Hartzheim – Staff Accountant**

- Auditor with 4 years of audit experience with governmental, school districts and commercial entities
- Auditor for 9 municipal audits, 10 school district audits
- Has met or exceeded all continuing education requirements including recent courses in the following:
  - 2017, 2016, and 2015 Governmental Accounting Conference*
  - 2017, 2016, and 2015 School District Conference*
  - Government Auditing Standards – Yellow Book*
- Bachelor of Science in Accounting from Marquette University, was conferred in 2014

**David Ortiz – Computer Specialist**

- Auditor with 22 years of audit experience with governmental and commercial entities
- Computer specialist – with emphasis in fund accounting software
- Extensive knowledge of database systems, networking, and accounting software
- Bachelor of Science degree in Business Administration with an emphasis in Accounting from California Polytechnic State University San Luis Obispo, was conferred in 1995