

"Placerville, a unique historical past forging into a golden future."

City Manager's Report
 August 13, 2013 City Council Meeting
 Prepared by: Dave Warren, Director of Finance
 Item #: 8.4



Subject: Adopt a resolution that:

1. Approves an agreement with Pun & McGeady, LLP for professional auditing services; and
2. Authorizes the City Manager and the City Attorney to execute the same.

Background:

The City recently issued a Request for Proposal (RFP) for professional auditing services and received nine proposals in response to the RFP. After performing a comprehensive evaluation of all nine proposals, three of the nine firms were selected for an oral interview. Based on the results from the oral interviews, a final analysis was performed to determine the ranking of the three finalists. The firm Pun & McGeady was ranked No. 1 out of the three finalists. Tonight, staff is recommending the City Council to adopt a resolution approving an agreement with Pun & McGeady to perform financial auditing services.

Discussion:

Prior to Fiscal Year 2011/2012, the firm Caporicci & Larson, Certified Public Accountants (C&L) had performed both the City's year-end and single audits for several years. After successfully operating as a partnership specializing in governmental accounting, auditing, and advisory services for over two decades, C&L merged with and became a subsidiary of the regional Firm Stonefield Josephson, Inc. (SJ) in March 2010. Later in October 2010, SJ merged with the nationally sized firm Marcum, LLP, which is based in New York, and created a new company called Marcum Stonefield. C&L then became a subsidiary of MS. Unfortunately, Marcum's culture and cost structure did not coincide with C&L's operations, and in 2012 MS decided to discontinue the majority of the governmental practice within California, including the City of Placerville. Due to C&L discontinuing its governmental practice in California, the City had to engage with another firm to perform its year-end and single audits for Fiscal Year 2011/2012 in a short period of time.

In 2012, Ken Pun, CPA, GGMA, and previous Auditing Partner for C&L partnered up with Mark McGeady, in founding a new firm Pun & McGeady LLP (P&M) which specializes in governmental and not-for-profit accounting, auditing, and advisory services. The City Council approved an engagement letter with P&M to perform year-end and single audit services for the Fiscal Year ended June 30, 2012, at its regularly scheduled meeting held on October 9, 2012, with the understanding that staff would issue an RFP in 2013 and receive bids from other interested firms on a competitive basis. P&M successfully completed both the City's year-end and single audits on March 6, 2013, and the audit results were presented to the City Council at its March 12th meeting.

As mentioned above, the City issued a comprehensive RFP for professional auditing services on April 30, 2013, for Fiscal Years June 30, 2013, 2014, and 2015 with options to renew for the Fiscal

Years ending June 30, 2015 and 2016. The RFP was distributed directly to eight reputable firms that have recently performed financial audits for other local government agencies in the surrounding area. The RFP was also posted on both the City's website and the California Society of Municipal Finance Officers' (CSMFO) website. On May 30, 2013, the RFP closed, and the City is pleased to have received nine proposals.

Analysis:

As outlined in the RFP, staff initially evaluated the proposals received from each of the nine firms based on the following criteria:

1. Technical qualifications and experience of key members of the engagement team and firm
2. Experience with similarly sized governmental agencies in providing the types of services outlined in the Request for Proposal
3. Capability of handling all aspects of the engagement and providing ongoing support and technical assistance throughout the year
4. Local government client references
5. Ability to provide continuity of staff from year to year
6. Thoroughness of auditors proposed scope of work
7. Clearly defined schedule of work to be performed and ability to meet required completion dates for key parts of the audit
8. Reasonableness and competitiveness of cost proposal

The first-year cost proposals ranged from \$25,250 to \$42,067. The five-year cost proposals ranged between \$127,004 and \$232,448. The overall level of experience and expertise also varied greatly amongst the firms. Based on the outcome of the initial evaluation using the criteria mentioned above, the following firms were ranked in the top three out of the nine firms:

Firm	First-Year Cost Proposal	Five-Year Cost Proposal
JJA CPA, Inc.	\$25,250	\$127,004
Moss, Levy, & Hartzheim, LLP	\$29,889	\$152,431
Pun & McGeady, LLP	\$35,000	\$175,000

The top three firms were then invited to participate in oral interviews with the City Manager and the Director of Finance which were conducted on July 16, 2013. Staff then analyzed the responses from the oral interviews to ascertain the final ranking of the top three firms. The following analysis was used to determine the final ranking:

Pun & McGeady, LLP	Moss, Levy, & Hartzheim, LLP	JJA CPA, Inc.
<p>Strengths:</p> <ul style="list-style-type: none"> • Has a high concentration of governmental accounting services • Provides comprehensive annual training for firm employees • Uses analytical software to assess risk and determine statistical sampling • Has the ability to absorb staffing changes • Has the ability to change engagement partners and managers to periodically have a fresh set of eyes review the City's books • Provides ongoing communication during field work • Networks routinely with the AICPA and GASB • Provides annual client training, assistance, and templates in implementing upcoming GASB pronouncements • Uses data mining software to detect potential fraud in financial system 	<p>Strengths:</p> <ul style="list-style-type: none"> • Is a long standing firm • Has a high concentration of governmental accounting services • Uses analytical software to assess risk and determine statistical sampling • Has the ability to absorb staffing changes • Has the ability to change engagement partners and managers to periodically have a fresh set of eyes review the City's books • Provides newsletter about upcoming GASB pronouncements and training on an as needed basis • Uses data mining software to detect potential fraud in financial system • Has the second to the lowest cost proposal 	<p>Strengths:</p> <ul style="list-style-type: none"> • Is a long standing firm • Has a high concentration of governmental accounting services • Provides an evaluation of the financial software's overall performance and searches for any unwanted "backdoor" access points • Lowest cost proposal
<p>Weaknesses:</p> <ul style="list-style-type: none"> • Is a relatively new firm • Has the highest cost bid out of the top three firms 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Provides limited communication between the engagement team and management during field work • Provides limited continuing education training to firm staff • Engagement Manager is not a CPA 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Provides limited communication between the engagement team and management during field work • Risk assessment and statistical sample sizes are based on auditor judgment only • Unable to change engagement partners and managers to periodically have a fresh set of eyes review the City's books due to the firm's small sole proprietor organization • Has minimal ability to absorb staffing changes • Uses a more reactive approach to assisting the City with the implementation of new GASB pronouncements

Based on this analysis, the top three firms were ranked as follows:

1. Pun & McGeady, LLP
2. Moss, Levy, & Hartzheim, LLP
3. JJA CPA, Inc.

Although P&M had the highest cost bid out of the top three firms, it's staff's opinion that P&M will provide the City with the most comprehensive audit as compared to the other two firms. It's important to note that because tonight's action is awarding a contract for professional services, the City does not necessarily have to award the contract to the lowest cost bidder.

During the oral interviews, P&M stood out as a more progressive firm as compared to the other two firms because of its use of technology in assessing risk and pinpointing any non-compliance and/or potential fraud. P&M maintains a strong network with the AICPA and the GASB which is extremely helpful to the City in preparing for changes to its financial statements due to upcoming pronouncements and regulations. Because P&M provides comprehensive annual education training to its already seasoned engagement team, we believe the fieldwork performed at City offices will be more productive with less interruptions to City staff as compared to the services proposed by the other two firms.

Attached is a copy of P&M's proposal for your reference.

Cost:

P&M will perform a comprehensive audit of the City's financial statement for the Fiscal Year ended June 30, 2013, at a cost of \$30,000. P&M will also provide single audit (for expenditures of Federal funds of \$500,000 or more) services for an additional \$5,000 (if needed). These costs are the same as what P&M charged the City for the Fiscal Year 2011/2012 audits.


Budget:

The City Council adopted the Fiscal Year 2013/2014 Operating Budget which appropriated \$35,000 for year-end and single audit services. The proposed \$35,000 audit agreement with P&M is within the adopted budget appropriation.

Recommendation:

Adopt a resolution that:

1. Approves an agreement with Pun & McGeady, LLP for professional auditing services; and
2. Authorizes the City Manager and the City Attorney to execute the same.


M. Cleve Morris, City Manager


Dave Warren, Director of Finance

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PLACERVILLE
APPROVING AN AGREEMENT FOR PROFESSIONAL AUDITING SERVICES
WITH PUN & MCGEADY, LLP AND AUTHORIZING THE CITY MANAGER AND
CITY ATTORNEY TO EXECUTE THE SAME**

WHEREAS, the City is required to have an independent CPA audit its financial statements and Federally funded expenditures in the amount of \$500,000 or more each year; and

WHEREAS, the City issued a Request for Proposal for professional auditing services on April 30, 2013, and the City received nine proposals; and

WHEREAS, City staff performed an evaluation of the nine proposals and selected three firms for oral interviews which were conducted on July 16, 2013; and

WHEREAS, City staff performed an analysis based on the results from the oral interviews and ranked the firm Pun & McGeady #1 out the three firms interviewed.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Placerville:

1. Approves an agreement with Pun & McGeady, LLP for professional auditing services; and
2. Authorizes the City Manager and City Attorney to execute the same.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Placerville held on August 13, 2013, by Councilmember _____ who moved its adoption. The motion was seconded by Councilmember _____. The motion was passed by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mayor, Wendy Thomas

ATTEST:

City Clerk, Susan Zito

AGREEMENT FOR PROFESSIONAL SERVICES

This AGREEMENT FOR PROFESSIONAL SERVICES (“AGREEMENT”) is made and entered into effective as of the 13th day of August 2013, by and between the CITY OF PLACERVILLE, a general law city, located at 3101 Center Street, Placerville, CA 95667, (“CITY”) and PUN AND MCGEADY LLP, located at 9 Corporate Park, Suite 130, Irvine, CA 92606, (“AUDITOR”).

For and in consideration of the promises and of the mutual covenants and agreements herein contained, said parties hereby agree as follows:

1. RECITALS. This AGREEMENT is made and entered into with respect to the following facts:

- A. CITY requires professional auditing services (“SERVICES”) to conduct the audit for the fiscal years ending June 30, 2013, 2014 and 2015, with options to renew for fiscal years ending June 30, 2016 and 2017; and
- B. AUDITOR is qualified to provide these certain services to the CITY necessary for said SERVICES; and, therefore, the Placerville City Council has elected to engage the services of AUDITOR upon the terms and conditions hereinafter set forth.

2. SCOPE OF SERVICES.

- A. AUDITOR shall furnish to the City all labor, materials, tools, equipment, services, and incidental customary work necessary to fully and adequately perform those services described in Exhibit A (Request for Proposal), which is hereby incorporated by reference.
- B. Performance of the SERVICES specified herein is made an obligation of AUDITOR under this AGREEMENT, subject to any changes made subsequently upon the mutual written agreement of the parties.
- C. The scope of services to be performed by AUDITOR under this AGREEMENT shall include, but not be limited to, those services specified in Paragraph 2A hereof.

3. PERFORMANCE STANDARDS. While performing this AGREEMENT AUDITOR will use the appropriate generally accepted professional standards of practice existing at the time of performance utilized by persons engaged in providing similar services. AUDITOR shall cooperate with CITY if CITY opts to monitor AUDITOR’s services. CITY will notify AUDITOR of any deficiencies and AUDITOR will have fifteen (15) days after such notification to cure any shortcomings to CITY’s satisfaction. Costs associated with curing the deficiencies will be borne by AUDITOR.

4. FAMILIARITY WITH WORK.

- A. By executing this AGREEMENT, AUDITOR agrees that, to the best of AUDITOR's knowledge and belief, AUDITOR has
- (i) Carefully investigated and considered the scope of services to be performed; and
 - (ii) Carefully considered how the services should be performed; and
 - (iii) Understands the facilities, difficulties, and restrictions attending performance of the services under this Agreement.
- B. If services involve work upon any site, AUDITOR agrees that AUDITOR has or will investigate the site and is or will be fully acquainted with the conditions there existing, before commencing the services hereunder. Should AUDITOR discover any latent or unknown conditions that may materially affect the performance of the services, AUDITOR will immediately inform CITY of such fact and will not proceed except at AUDITOR's own risk until written instructions are received from CITY.

5. FEE.

Compensation to AUDITOR for the total services to be rendered pursuant to this AGREEMENT shall be in an amount not to exceed \$35,000, \$35,000, \$35,000, \$35,000, and \$35,000 for the fiscal years ending June 30, 2013, 2014, 2015, 2016, and 2017, respectively.

- 6. EXTRA SERVICES.** Notwithstanding any other provision herein, no extra services shall be rendered by AUDITOR under this AGREEMENT unless such extra services first shall have been authorized in writing by the CITY. Any such services so authorized shall be paid by the CITY at rates approved of by the CITY. Extra services in excess of \$5,000 must be approved by the Placerville City Council before the services are rendered.
- 7. PAYMENT BY CITY.** AUDITOR shall send invoices to the City based upon the services already rendered at the time of the submission. City shall pay all proper costs within thirty (30) days of receipt of such invoice(s). No payment for any services rendered under this AGREEMENT shall be made without the prior approval of the Director of Finance or the Director's designee. Final payment of not less than 10% will be made upon AUDITOR submittal of all reports, including management letter, and presentation to the City Council.
- A. Prior to signing the Agreement, AUDITOR shall provide to CITY a completed and signed Form W-9, Request for Taxpayer Identification Number and Certification. All of CITY'S monetary obligations set forth in this Agreement are conditioned upon CITY'S receipt of an executed W-9 form from AUDITOR.

B. Notwithstanding AUDITOR'S delivery of invoices to CITY and/or other remedies available to the CITY, if AUDITOR has not delivered to the CITY the required certified insurance policies and endorsements within the time required by Section 19 of this Agreement, CITY has the sole discretion to withhold any and all payments to AUDITOR until AUDITOR delivers to the CITY the certified insurance policies and endorsements required by Section 19 of this Agreement.

8. **TERM.** Unless stated otherwise in Exhibit A, the term of this AGREEMENT shall be from after the date on which the CITY issues AUDITOR a Notice to Commence Work. AUDITOR shall complete all those services set forth in Exhibit A by that certain date set forth in said Notice to Commence Work or until such time as the services have been completed by the AUDITOR and accepted by the CITY, whichever occurs first. The CITY may extend said time of completion for delays caused by circumstances beyond the control of either party to this AGREEMENT. Should the consulting contract extend beyond the estimated time for completion of said services, CITY hereby reserves the right to continue AUDITOR's services hereunder with any and all fees for such additional services to be compensated by the CITY at rates approved by the CITY. Notwithstanding the foregoing, this AGREEMENT is for the performance of audit services for the fiscal years ending June 30, 2013, 2014, and 2015, with the City reserving the right to also include audit services for fiscal years ending June 30, 2016 and 2017 in the City's sole and absolute discretion exercised in writing for one or both of such years.

9. **DISPUTES AND REMEDIES.**

A. Claims, disputes, and other matters in question between the Parties arising out of or relating to this AGREEMENT or the breach thereof, must be resolved by the following procedure:

- (i) CITY and AUDITOR will exercise their best efforts to resolve disputes through the development of a consensus. A meeting may be requested by CITY or AUDITOR at any time for the purpose of resolving a dispute. A determination by CITY'S Director of Finance will be made within two (2) weeks after a meeting to resolve the dispute;
- (ii) If unresolved within thirty (30) days, then City Manager, or his designee, will make a final determination;
- (iii) Following the City Manager's final determination, the Parties may submit any unresolved matters to non-binding mediation. The parties may, but are not required to be, represented by counsel in mediation;

(iv) If the Parties do not agree to mediation, or if mediation does not resolve the Parties' dispute, the matter may be pursued in El Dorado County Superior Court.

B. The Parties' rights and remedies under this Agreement are in addition to any other rights and remedies provided by law.

10. **TERMINATION OF AGREEMENT.** Notwithstanding the provisions made in paragraph 8, the CITY has the right to terminate this AGREEMENT upon giving a ten (10) day advance written notice of such termination to AUDITOR. In that event, the City Manager, or his designee, based upon work accomplished by AUDITOR prior to notice of such termination, shall determine the amount of fees to be paid to AUDITOR for such services based upon accepted accounting practices. This finding by the City Manager, or his designee, shall be final and conclusive as to the amount of such fee.
11. **INDEPENDENT CONTRACTOR.** AUDITOR shall act as an independent contractor in the performance of the services provided for in this AGREEMENT and shall furnish such services in AUDITOR's own manner and method and in no respect shall AUDITOR be considered an agent or employee of the CITY.
12. **OWNERSHIP OF DOCUMENTS.** All financial documents, data, studies, and reports prepared by AUDITOR under this AGREEMENT are CITY's property. AUDITOR may retain copies of said documents and materials as desired, but will deliver all original materials to CITY upon CITY's written notice. Refer to Exhibit A for the workpapers. CITY agrees that use of AUDITOR's completed work product, for purposes other than identified in this AGREEMENT, or use of incomplete work product, is at CITY's own risk. CITY will indemnify and hold AUDITOR harmless for any use of the work product other than as contemplated by this AGREEMENT.
13. **PUBLICATION OF DOCUMENTS.** Except as necessary for performance of service under this AGREEMENT, no copies, sketches, or graphs of materials, including graphic art work, prepared pursuant to this Agreement, will be released by AUDITOR to any other person or City without CITY's prior written approval. All press releases, including graphic display information to be published in newspapers or magazines, will be approved and distributed solely by CITY, unless otherwise provided by written agreement between the parties.
14. **NONASSIGNMENT.** This AGREEMENT is not assignable either in whole or in part by AUDITOR without the written consent of CITY.
15. **TAXPAYER IDENTIFICATION NUMBER.** AUDITOR will provide CITY with a valid Taxpayer Identification Number.
16. **PERMITS AND LICENSES.** AUDITOR, at its sole expense, will obtain and maintain during the term of this AGREEMENT, all necessary permits, licenses, and certificates that may be required in connection with the performance of services under this Agreement.

17. INDEMNIFICATION.

- A. INDEMNIFICATION FOR PROFESSIONAL LIABILITY. Where the law establishes a professional standard of care for AUDITOR'S Services, to the fullest extent permitted by law, AUDITOR shall indemnify, protect, defend and hold harmless CITY 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 attorney's fees and costs to the extent same are caused in whole or in part by any negligent or wrongful act, error or omission of AUDITOR, its officers, agents, employees or sub-consultants (or any entity or individual that AUDITOR shall bear the legal liability thereof) in the performance of professional services under this Agreement.
- B. INDEMNIFICATION FOR OTHER THAN PROFESSIONAL LIABILITY. Other than in the performance of professional services and to the full extent permitted by law, AUDITOR shall indemnify, protect, defend and hold harmless CITY, and any and all of its employees, officials and agents from and against any liability (including liability for claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses or costs of any kind, whether actual, alleged or threatened, including attorney's fees and costs, court costs, interest, defense costs, and expert witness fees), where the same arise out of, are a consequence of, or are in any way attributable to, in whole or in part, the performance of this Agreement by AUDITOR or by any individual or entity for which AUDITOR is legally liable, including but not limited to officers, agents, employees or sub-contractors of AUDITOR.
- C. The provisions of this section do not apply to claims occurring as a result of CITY'S sole or active negligence. The provisions of this section shall not release CITY from liability arising from gross negligence or willful acts or omissions of CITY or any and all of its officials, employees and agents.

18. **INSURANCE.** Consultant shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain the insurance listed below. Any requirement for insurance to be maintained after completion of the work shall survive this agreement.

- A. **WORKER'S COMPENSATION AND EMPLOYER LIABILITY**
- Workers' Compensation insurance with statutory limits as required by the Labor Code of the State of California.
 - Employers Liability with limits of \$1,000,000 per Accident; \$1,000,000 Disease per employee; \$1,000,000 Disease per policy.
 - Thirty (30) days' prior written notice of cancellation or material change must be provided to CITY.

- Required Evidence of Coverage:
 1. Properly completed Certificate of Insurance.

B. GENERAL LIABILITY

- Commercial General Liability Insurance no less broad than ISO form CG 00 01.
- Coverage must be on a standard Occurrence form. Claims-Made forms are not acceptable without prior written consent. Modified, limited or restricted Occurrence forms are not acceptable without prior written consent.
- Minimum Limits: \$1,000,000 per Occurrence; \$2,000,000 General Aggregate; \$2,000,000 Products/Completed Operations Aggregate. The General Aggregate must apply separately to each project.
- Prior written consent is required if the insurance has a deductible or self-insured retention in excess of \$25,000.
- CITY must be endorsed as an additional insured for liability arising out of ongoing and completed operations by or on behalf of the Consultant.
- The policy definition of “insured contract” must include assumptions of liability arising out of both ongoing operations and the products-completed operations hazard (“f” definition of insured contract in ISO form CG 00 01, or equivalent).
- The insurance provided to CITY as an additional insured must be primary and non-contributory with respect to any insurance or self-insurance program maintained by CITY.
- Thirty (30) days' prior written notice of cancellation or material change must be provided to CITY.
- The policy must cover inter-insured suits and include a “separation of Insureds” or “severability” clause which treats each insured separately.
- Required Evidence of Coverage:
 1. Copy of the additional insured endorsement or policy language granting additional insured status;
 2. Copy of the endorsement or policy language indicating that coverage applicable to CITY is primary and non-contributory; and
 3. Properly completed Certificate of Insurance.

C. AUTOMOBILE LIABILITY

- Minimum Limit: \$300,000 Combined Single Limit per Accident; or Bodily Injury: \$100,000 per person/\$300,000 per accident and Property Damage: \$50,000 per accident.
- Required Evidence of Coverage:
 1. Copy of Auto Policy Declarations Page or properly completed

Certificate of Insurance.

D. PROFESSIONAL LIABILITY INSURANCE OR ERRORS AND OMISSIONS COVERAGE

- Minimum Limit: \$1,000,000.
- Prior written consent is required if the insurance has a deductible or self-insured retention in excess of \$25,000.
- If the insurance is on a Claims-Made basis, the retroactive date shall be no later than the commencement of the work. Coverage applicable to the work performed under this agreement shall be continued for two (2) years after completion of the work . Such continuation coverage may be provided by one of the following: (1) renewal of the existing policy; (2) an extended reporting period endorsement; or (3) replacement insurance with a retroactive date no later than the commencement of the work under this Agreement.
- Thirty (30) days' prior written notice of cancellation or material change must be provided to CITY.
- Required Evidence of Coverage:
 1. Properly completed Certificate of Insurance.

E. STANDARDS FOR INSURANCE COMPANIES

- Insurance policies must be issued by an insurer with an A.M. Best's rating of at least A:VII.

F. DOCUMENTATION

- The Certificate of Insurance must include the following reference: Auditing Services.
- The name and address for Additional Insured endorsements, Certificates of Insurance and Notice of Cancellation is: City of Placerville, 3101 Center Street, Placerville, CA 95667.
- Current Evidence of Coverage must be provided for the entire required period of insurance.
- Upon written request, certified copies of required insurance policies must be provided within thirty (30) days.

19. **NON-DISCRIMINATION.** AUDITOR shall not discriminate in its recruiting, hiring, promotion, demotion or termination practices on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, or sexual orientation in the performance of this AGREEMENT and shall comply with the provisions of the California Fair Employment and Housing Act as set forth in Part 2.8 of Division 3, Title 2 of the California Government Code; the Federal Civil Rights Act of 1964, as set forth in Public Law 88-352, and all amendments thereto; Executive Order 11246; and all

administrative rules and regulations issued pursuant to such acts and order.

20. **UNAUTHORIZED ALIENS.** AUDITOR hereby promises and agrees to comply with all of the provisions of the Federal Immigration and Nationality Act (8 USCA 1101, *et seq.*), as amended; and, in connection therewith, shall not employ unauthorized aliens as defined therein. Should AUDITOR so employ such unauthorized aliens for the performance of work and/or services covered by this AGREEMENT, and should the Federal Government impose sanctions against the CITY for such use of unauthorized aliens, AUDITOR hereby agrees to, and shall, reimburse CITY for the cost of all such sanctions imposed, together with any and all costs, including attorney's fees, incurred by the CITY in connection therewith.
21. **CONFLICT OF INTEREST.** AUDITOR will comply with all conflict of interest laws and regulations including, without limitation, CITY's conflict of interest regulations.
22. **LEGAL RESPONSIBILITIES.** The AUDITOR 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 AUDITOR shall at all times observe and comply with all such laws and regulations. The CITY, and its officers and employees, shall not be liable at law or in equity occasioned by failure of the AUDITOR to comply with this Section.
23. **UNDUE INFLUENCE.** AUDITOR declares and warrants that no undue influence or pressure is used against or in concert with any officer or employee of the City of Placerville 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 City of Placerville will receive compensation, directly or indirectly, from AUDITOR, or from any officer, employee or agent of AUDITOR, 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 CITY to any and all remedies at law or in equity.
24. **NO BENEFIT TO ARISE TO LOCAL EMPLOYEES.** No member, officer, or employee of CITY, 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 this Agreement.
25. **WAIVER.** Waiver by any party hereto of any term, condition, or covenant of this AGREEMENT shall not constitute the waiver of any other term, condition or covenant hereof.
26. **ATTORNEY'S FEES.** If litigation is reasonably required to enforce or interpret the provisions of this AGREEMENT, the prevailing party in such litigation shall be entitled to an award of reasonable attorney's fees, in addition to any other relief to which it may be entitled.

27. **BINDING EFFECT.** This AGREEMENT shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.
28. **PROVISIONS, CUMULATIVE.** The provisions of this AGREEMENT are cumulative and in addition to and not in limitation of any rights or remedies available to CITY.
29. **NO PRESUMPTION RE: DRAFTER.** The parties acknowledge and agree that the terms and provisions of this AGREEMENT have been negotiated and discussed between the parties and their attorneys, and this AGREEMENT reflects their mutual AGREEMENT regarding the same. Because of the nature of such negotiations and discussions it would be inappropriate to deem any party to be the drafter of this AGREEMENT; and, therefore, no presumption for or against validity or as to any interpretation hereof, based upon the identity of the drafter, shall be applicable in interpreting or enforcing this AGREEMENT.
30. **ASSISTANCE OF COUNSEL.** Each party to this AGREEMENT warrants to each other party as follows:
- A. That each party either had the assistance of counsel or had counsel available to it, in the negotiation for, and execution of, this AGREEMENT, and all related documents; and
 - B. That each party has lawfully authorized the execution of this AGREEMENT.
31. **MODIFICATION.** This AGREEMENT shall not be modified except by written agreement of the parties.
32. **GOVERNING LAW.** This AGREEMENT shall be interpreted and construed according to the laws of the State of California.
33. **NOTICE.** Whenever it shall be necessary for either party to serve notice on the other regarding this AGREEMENT, such notice may be furnished in writing by either party to the other and shall be served by personal service as required in judicial proceedings or by certified mail, postage prepaid, return receipt requested, addressed to the parties as follows:

CITY:

City of Placerville
Attn: Director of Finance
3101 Center Street
Placerville, CA 95667

AUDITOR:

Pun & McGeady LLP
Attn: Kenneth H. Pun, CPA, CGMA, Managing Partner
9 Corporate Park, Suite 130
Irvine, CA 92606

34. **FORCE MAJEURE.** Neither party shall be responsible for delays or failures in performance resulting from acts beyond the control of the offending party. Such acts shall include, but not be limited to, acts of God, fire, flood, earthquake, or other natural disaster, nuclear accident, strike, lockout, riot, freight embargo, public regulated utility, or government statutes or regulations superimposed after the fact.
35. **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, 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.
36. **SEVERABILITY.** The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of the other provisions of this Agreement.
37. **CONTENTS OF REQUEST FOR PROPOSAL AND PROPOSAL.** AUDITOR is bound by the contents of CITY'S Request for Proposal, Exhibit "A" hereto and incorporated herein by this reference, and the contents of the proposal submitted by the AUDITOR, Exhibit "B" hereto. In the event of conflict, the requirements of CITY'S Request for Proposals and this Agreement shall take precedence over those contained in the AUDITOR'S proposals.
38. **AUTHORITY TO EXECUTE THIS AGREEMENT.** The person or persons executing this Agreement on behalf of AUDITOR warrants and represents that he/she has the authority to execute this Agreement on behalf of the AUDITOR and has the authority to bind AUDITOR to the performance of its obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this AGREEMENT to be executed on its effective date by their respective officers duly authorized on their behalf.

“CITY”

CITY OF PLACERVILLE, a general law city

ATTEST:

M. Cleve Morris, City Manager

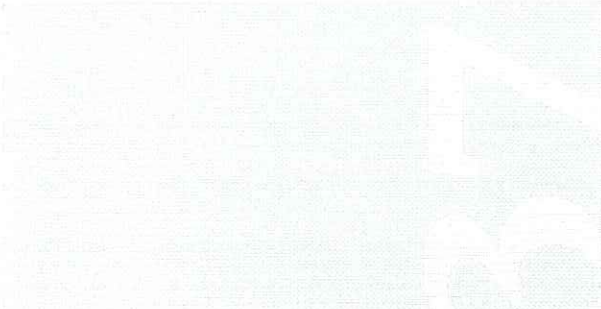
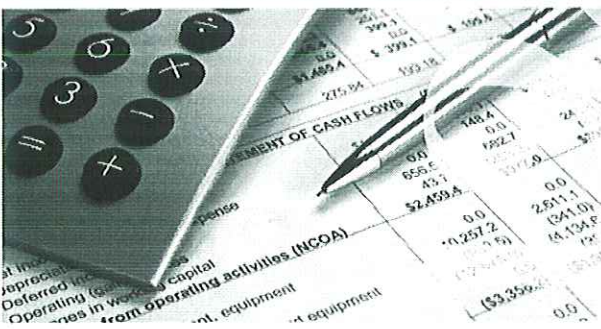
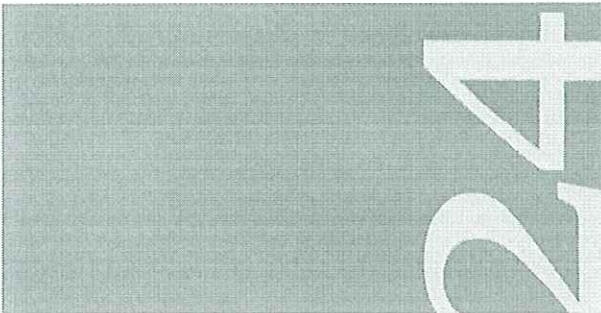
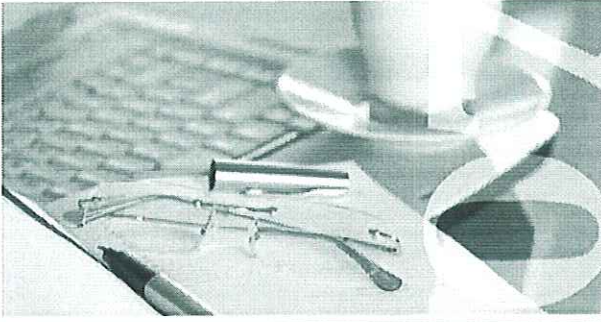
APPROVED AS TO FORM:

John W. Driscoll, City Attorney

“AUDITOR”

Pun & McGeady, LLP
TAXPAYER ID # 45-4126435

Kenneth H. Pun, Managing Partner



City of Placerville

Placerville, California

**Proposal to Perform
Professional Audit Services**

**For the Years Ending
June 30, 2013 through 2015
With the option to extend
For two (2) subsequent years**

May 30, 2013

**TECHNICAL
AND
COST PROPOSAL**

Kenneth H. Pun, CPA, CGMA
Managing Partner
9 Corporate Park, Suite 130
Irvine, California 92606
Phone: (949) 777-8801
Email: kpun@pm-llp.com


PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

City of Placerville

Proposal to Perform Professional Audit Services

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9 Corporate Park
Suite 130
Irvine, California 92606

Phone: (949) 777-8800
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www.pm-llp.com

May 30, 2013

Ms. Susan Zito
City Clerk/Human Resource Officer
City of Placerville
3101 Center Street
Placerville, California, 95667

Dear Ms. Zito:

We are delighted to present our qualifications and service plan to the City of Placerville (the "City") pursuant to your Request for the Professional Auditing Services for the fiscal years ending June 30, 2013 through, 2015, with the option to renew for two (2) subsequent fiscal years. As you will see throughout the proposal, Pun & McGeady LLP (the "Firm") is uniquely suited to continue serving as the next public accounting firm for the City.

This letter hereby acknowledges the Firm's understanding of the work to be performed. **We hereby offer our commitment to perform all of the required work, to complete the audit and to issue the necessary auditor's report within the time periods outlined by the City.** This belief is based on the following key differentiators:

1. Our exceptional auditing services to the City of Placerville;
2. Our long-standing legacy of serving clients throughout California;
3. Our tremendous experience serving governmental entities; and
4. Our risk based audit approach, which focuses on the key areas of risk so that efficiencies are created, resulting in lower overall cost to the City.

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

Mr. Kenneth H. Pun, CPA, CGMA
Managing Partner
9 Corporate Park, Suite 130
Irvine, California 92606
Telephone: (949) 777-8801
E-mail: kpun@pm-llp.com

In addition, the following individual is authorized to make representations on the part of the Firm:

Mr. Gary M. Caporicci, CPA, CGFM, CFF
Partner
9 Corporate Park, Suite 130
Irvine, California 92606
Telephone: (949) 777-8802
E-mail: gcaporicci@pm-llp.com

Ms. Susan Zito
City Clerk/Human Resource Officer
City of Placerville
Page 2

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

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in governmental auditing and accounting requirements. We have performed auditing and consulting engagements for numerous cities and special districts throughout California. And specifically, we will commit to meeting the City's schedule for completing the audit, are in agreement with the standard City contract language, and can meet the minimum insurance requirements.

The Firm agrees to perform all of the work outlined in the City's Request for Proposal within the time periods established by the City. This proposal fully complies with the requirements as defined in the Request for Proposal, and this letter and accompanying proposal represents a firm and irrevocable offer for 60 days from the date of this proposal to the City. Should you have any questions regarding this proposal or our qualifications, please do not hesitate to contact us.

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

Sincerely,

A handwritten signature in black ink that reads "Pun & McGeady LLP". The signature is written in a cursive, flowing style.

Pun & McGeady LLP
Certified Public Accountants and Business Advisors

City of Placerville

Proposal to Perform Professional Audit Services

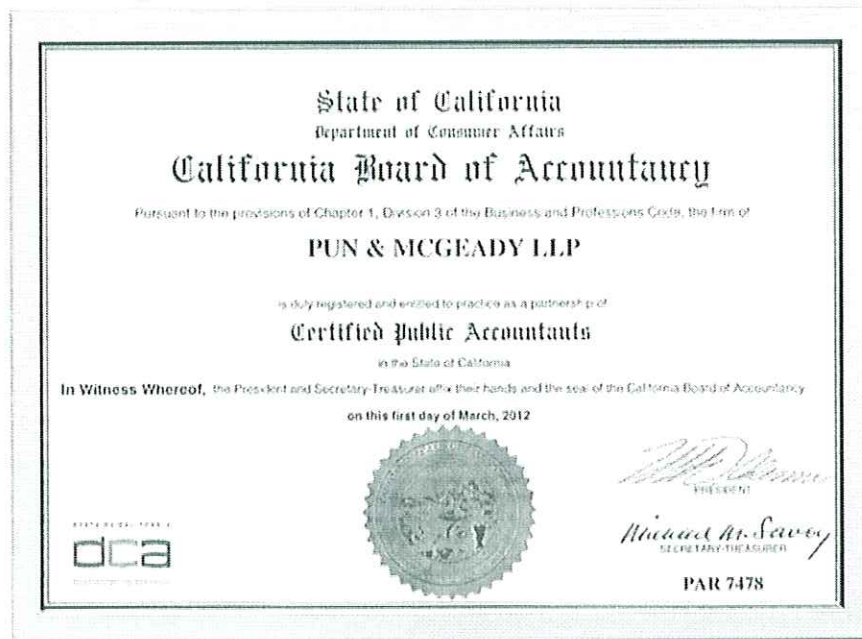
SECTION I – INDEPENDENCE

We would like to inform you of Pun & McGeady LLP's independence with respect to the financial statements of City of Placerville (the "City") and all of the components units of the City of Placerville. In that regards, we confirm that the Firm meets the independence requirements as defined by the U.S. Government Accountability Office's Government Auditing Standards (December 2011 Revision), and the American Institute of Certified Public Accountants and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards for the City.

During the past five years, our partners and our professional staff had provided auditing services to the City. However, this professional relationship with the City does not constitute a conflict of interest relative to performing the proposed audit since no member of the engagement team or partner of the Firm has any personal impairment to independence, including (for him/herself and close family members) any employment, consulting or other financial relationship, or any involvement in the City.

SECTION II – LICENSE TO PRACTICE IN THE STATE OF CALIFORNIA

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



City of Placerville

Proposal to Perform Professional Audit Services

SECTION III – FIRM QUALIFICATIONS AND EXPERIENCE

The accounting firm of Pun & McGeady LLP, Certified Public Accountants (“Firm”), a limited liability partnership, was founded in 2012. The Firm is a full service accounting firm with 25 professionals providing auditing, accounting, and advisory services to governmental entities with offices located in Irvine and San Diego, California.

Although Pun & McGeady LLP is newly formed, the predecessor firm of Caporicci & Larson served government agencies since 1989. Further, *key management listed in this proposal came from Caporicci & Larson CPA* firm where these individuals provided outstanding services to agencies throughout California.

Our professionals combine practical knowledge with years of experience to provide a level of understanding and service that is unique among professional service firms. The Firm takes a team approach to every engagement, ensuring the highest degree of technical knowledge, experience and understanding of current issues and regulatory matters. Hard work and integrity have enabled our clients to succeed and prosper.

Our Governmental Partners Group, has been providing auditing, accounting and advisory services to numerous governmental entities throughout United States. With over 60 years of combined experience in the governmental industry, we have been a trusted business partner to our clients and have earned our reputation as one of the most respected and socially responsible accounting firms. Our professionals deliver high-value accounting and consulting services and are committed to you and the City. The breadth and depth of our expertise enables us to provide our clients with business solutions focused on their continued success at fees that represent our outstanding value. Our engagement team members have developed tremendous technical and industry expertise through years of serving governmental clients. In addition to performing the annual financial audits for various governmental entities, we have performed special studies in financial management, accounting, cost accounting systems analyses, internal audit services and internal controls documentation and testing. Through our participation in industry associations and activities, we continually learn about significant industry developments and the associated impacts on your management and operations. It is part of our duty to inform you, as well as our colleagues within the Firm, about these developments.

Our *Irvine* office, located at 9 Corporate Park, Suite 130, Irvine, California 92606, will perform the requested services for the City. However, additional staff from our San Diego office may also be assigned (at no additional cost to the City) to the engagement.

Almost any accounting firm can perform the audit; *however*, a great relationship is one that is personal, adds value to the process, and one where the client feels better about our firm each day. Significant partner involvement and low personnel turnover are keys to our success.

Federal or State Desk Review

There are no federal or state desk reviews or field review of any audits performed by Pun & McGeady or any of its partners, managers or professionals in the past three (3) years.

Disciplinary Actions

Neither the Firm nor any of its partners, managers or professionals have been the subject of any disciplinary action taken or pending by State regulatory bodies or professional organizations in the past three (3) years.

City of Placerville

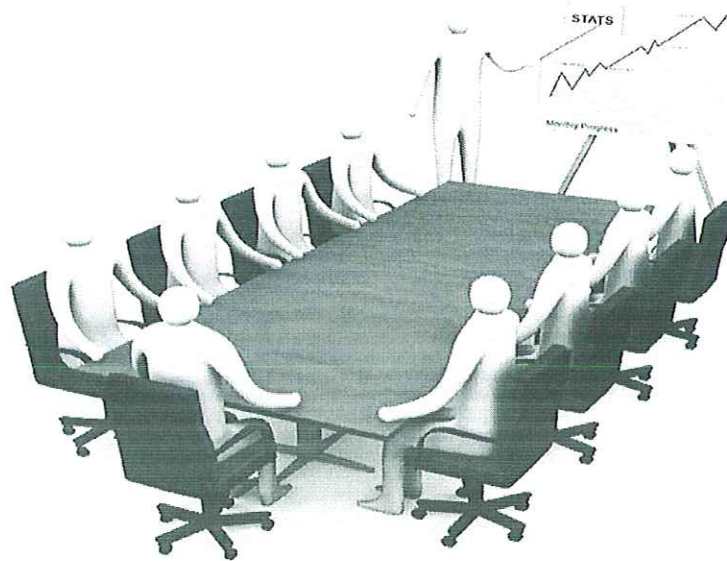
Proposal to Perform Professional Audit Services

Client Training Seminar

The Firm hosts an annual update on recent technical accounting and finance issues affecting the governmental arena. This all day session qualifies for 8 hours of CPE under the rules of the State Board of Accountancy and is held in four locations (Clovis, San Diego, Cerritos, and Oakland) throughout California. For the 2013 Client Training Seminar, participants will receive a high-level briefing on various technical matters, including the following:

- The latest from the auditing standards, including the new clarity standards; updates to important AICPA publications; and the 2011 revisions to Government Auditing Standards;
- What you need to know as an Auditee for your 2013 Single Audits, including the OMB Circular A-133 Compliance Supplement;
- New and Anticipated Pronouncements issued by Government Accounting Standards Board (GASB) Statements and discuss future issues under consideration by GASB;
- Implementation of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position;
- Discussion of GASB Statements No. 67 and 68, *Accounting and Financial Reporting for Pension Plans*;
- Overview of the Survey of Cities and Counties;

Importantly, all of our clients are invited to attend FREE OF CHARGE.



City of Placerville

Proposal to Perform Professional Audit Services

Most Recent External Quality Control Review

Since the Firm is newly established, we have yet to have our first peer review. However, the Firm's managing partner, Kenneth H. Pun, was a Partner of Caporicci & Larson. Mr. Pun supervised its Southern California practice and heavily participated in the quality control process of C&L. In 2011, a quality review of the policies, practices, and procedures was conducted for C&L. The reviewer made an independent assessment of C&L's quality control policies and procedures inspected the working papers and reports on a representative sample of accounting and auditing engagements including governmental clients. C&L's administrative files and records were also reviewed and our professional personnel interviewed.

The result of the review was that C&L received a report with a "pass" rating after a thorough study and evaluation of C&L's procedures and work practices. A pass rating indicates that the auditing practice of C&L was suitably designed and complied with to provide reasonable assurance that an effective quality control system exists, and that our accounting and auditing work conforms to professional standards.

We have scheduled our first peer review for May 2013 after our first anniversary and will review of the Firm's policies, practices, and procedures. The reviewer will make an independent assessment of the Firm's quality control policies and procedures and will inspect the working papers and reports on a representative sample of accounting and auditing engagements. The Firm's administrative files and records will be reviewed and our professional personnel interviewed.

Upon completion of our first peer review, we will furnish to you the independent peer reviewers' report and the recommendations, if any.



John Lewis, CPA
Suzanne C. Walters, CPA
James D. Brown, CPA

System Review Report

CAPORICCI & LARSON, INC.
Irvine, California,
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Caporicci & Larson, Inc. (the firm) in effect for the year ended April 30, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. 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/peerreview.

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

In our opinion, the system of quality control for the accounting and auditing practice of Caporicci & Larson, Inc. in effect for the year ended April 30, 2011, 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*. Caporicci & Larson, Inc. has received a peer review rating of *pass*.

GYL DeCaupper LLP
Rancho Cucamonga, California
September 14, 2011

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fax 909.948.9633

gy@gyld.com
www.gyld.com

*your
Success
is our
DESTINATION*

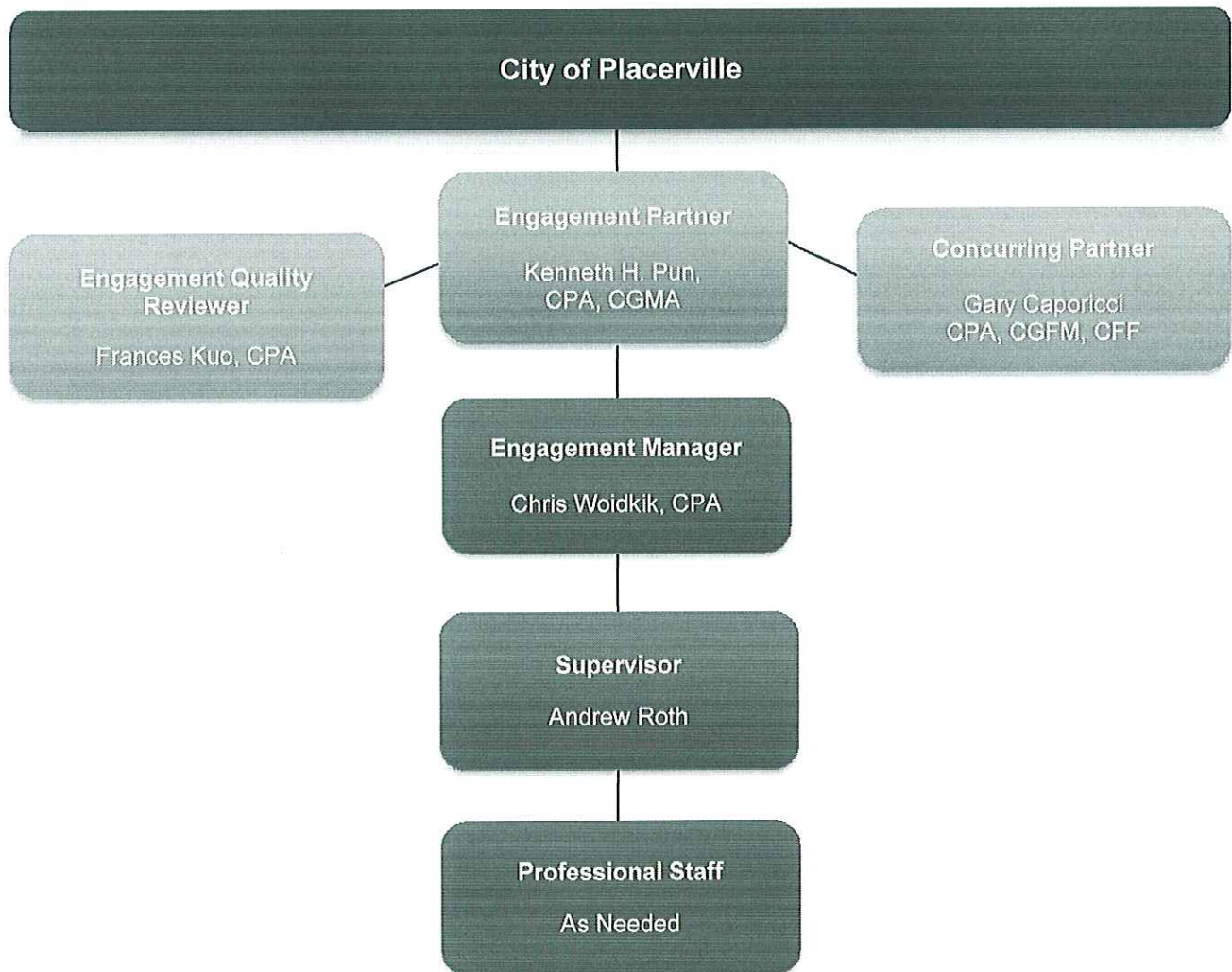


City of Placerville

Proposal to Perform Professional Audit Services

SECTION IV – PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

The Engagement Team will normally consist of individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities, which will provide the City with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations to offer effective solutions to issues, and the personal involvement of the Engagement and Concurring Partners of the Firm.



The experience of the personnel assigned to the engagement is critical to providing you with an effective and efficient audit. Their prior experience will be invaluable to the engagement. These are the professionals who will be on the job on a day-to-day basis; they need to be experienced in auditing governmental entities. These professionals are familiar with the complexities of governmental accounting, auditing and financial reporting, including but not limited to all GASB pronouncements, the Single Audit Act, OMB Circular A-133, and fund operations.

If there are changes to key personnel for reasons other than those specified in the request for proposal, prior written notification will be provided to the City.

City of Placerville

Proposal to Perform Professional Audit Services

Kenneth H. Pun, CPA, CGMA

Engagement Partner

Ken will be responsible for the delivery of all services to the City and will also directly oversee the audit team. He will manage the engagement planning and fieldwork, as well as review and approve the workpapers and reports. An assurance partner in our Irvine office with over 15 years of experience, Ken has provided financial and compliance audit and consultation services to governmental clients including cities, counties, school districts, and various not-for-profit entities.

Gary M. Caporicci, CPA, CGFM, CFF

Concurring Partner

Gary will be responsible for the final quality control review of the engagement. An assurance partner in our Irvine office, Gary has more than 30 years of public accounting experience specializing in audit and management consulting for government organizations. As an audit and accounting specialist he provides advice and consultation regarding complex accounting matters, assists engagement teams in audit matters and is responsible for ensuring that reports issued by the Firm comply with professional standards.

Frances Kuo, CPA

Engagement Quality Reviewer

Frances will be responsible for the final quality control review of the engagement.. An assurance partner in our Firm with over 8 years of experience, Frances has provided financial and compliance audit services to governmental clients including cities, counties, school districts, and various not-for-profit entities. As an audit and accounting specialist she provides advice and consultation regarding complex accounting matters, assists engagement teams in audit matters and is responsible for ensuring that reports issued by the Firm comply with professional standards.

Chris Woidzik, CPA

Engagement Manager

Chris will work closely with Ken and Gary, directing the audit team in its daily activities. He is an assurance services/audit senior manager in the Firm's Irvine office and has extensive experience in the audit of local government entities, including cities, counties, transportation agencies, and other not-for-profit entities.

Andrew Roth, CPA

Supervisor

Working with Chris Woidzik, Andrew will direct the audit staff, coordinate with City personnel and implement the audit approach.

Senior and Staff Accountants

Since all Pun & McGeedy LLP governmental audit staff are qualified to perform financial audits of municipalities and other governmental agencies, the Firm can assure the quality of staff over the engagement term. The Firm strives to balance skill-set requirements with continuity on engagements. As staff develop, we encourage them to take increased responsibility on engagements that they have been previously assigned.

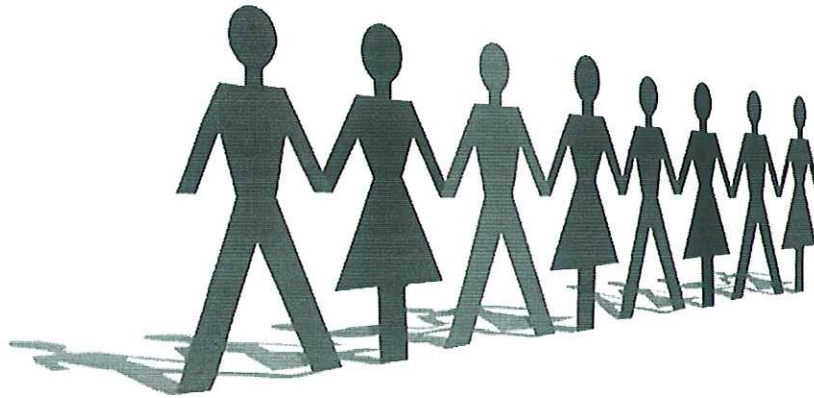
City of Placerville

Proposal to Perform Professional Audit Services

Staff Continuity

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

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



City of Placerville

Proposal to Perform Professional Audit Services

Quality Control System

The quality of the Firm's professional practice is of utmost importance to the Firm, to clients and to users of our reports. We provide services that conform to professional standards and consider the integrity of individuals in determining our professional relationships.

To ensure that the Firm's performance is in conformity with our stated standards and those issued by the American Institute of Certified Public Accountants (AICPA), our quality control system encompasses the following:



Professional Development

Each member of the Engagement Team participates in continuing education programs offered by the AICPA and California State Society of Certified Public Accountants, and each has met the continuing education requirements.

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

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

- Review of principles of accounting and financial reporting for state and local governments
- Review of governmental fund types and account groups
- Review of newly issued generally accepted auditing standards and government auditing standards
- Review of internal control evaluation approaches including COSO principles
- Updates on recent governmental accounting and reporting guidelines
- Review of Single Audit requirements and approaches
- Review of financial audit approaches
- Overview of audit and internal control workpaper techniques
- Review of GASB 34 reporting requirements
- Review of current issues facing the governmental community

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

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

The result of the Firm's training programs is the development of a highly educated and competent municipal audit group capable of performing an efficient and effective audit for the City. The Team members will continue their professional development efforts.

Engagement Team Resumes

Pun & McGeady LLP is committed to providing the seasoned professionals and personalized services the City of Placerville deserves. All work will be performed by P&M personnel; no subcontractors will be used. Full engagement team resumes are as follows:

City of Placerville

Proposal to Perform Professional Audit Services



Kenneth H. Pun, CPA*, CGMA

Engagement Partner

Kenneth H. Pun is the Partner-In-Charge of the Assurance Division and the Founder of Pun & McGeady LLP. Prior to founding his own practice, Mr. Pun spent over 12 years with Caporicci & Larson, Inc. (a subsidiary of Marcum LLP), a specialty CPA firm recognized as one of California's foremost experts in governmental and not-for-profit accounting, auditing, and advisory services.

Mr. Pun has more than fifteen (15) years of public accounting experience with a high level of expertise successfully working with the governmental, private, and not-for-profit sectors. Mr. Pun is often engaged by clients as a result of the premier level of service he provides, his commitment, and his innovative methods of increasing operational efficiencies and reducing costs. Mr. Pun is a trusted advisor and a leader of accounting services to governmental and non-profit organizations.

In addition to working with clients, Mr. Pun provides the audit teams with direction and technical guidance to ensure adherence to the Firm's quality controls and assists with the development of the Assurance Services practice. Mr. Pun also speaks on topics related to audits and quality control and shares his expertise with clients through annual educational seminars.

EDUCATION

BS Degree in Business Administration, emphasis in Accounting from the University of California, Riverside

PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, CalCPA Government Accounting and Auditing Committee
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance
Litigation Support

PARTIAL LISTING OF CLIENTS

- City of Arcadia
- City of Bradbury
- City of Calexico
- City of Cerritos
- City of Chula Vista
- City of Clovis
- City of Fairfield
- City of Hermosa Beach
- City of Gardena
- City of La Mesa
- City of Poway
- City of Ridgecrest
- Marina Coast Water District
- Olivenhain Municipal Water District
- City of Shafter
- South Orange County Wastewater Authority
- Southern California Alliance of Publicly Owned Treatment Works
- San Diego Metropolitan Transit District



CONTINUING PROFESSIONAL EDUCATION

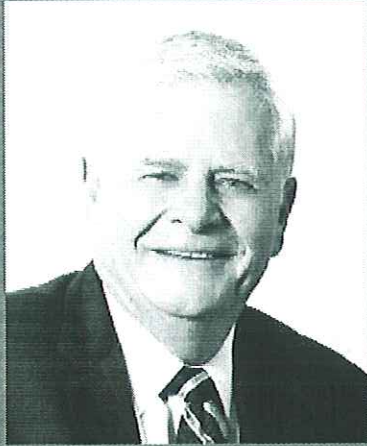
- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Municipal Accounting
 - Single Audit
- Has met the current CPE educational requirements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

kpun@pm-llp.com

**Licensed by the State of California*

City of Placerville

Proposal to Perform Professional Audit Services



Gary M. Caporicci, CPA*, CGMF, CFF Concurring Partner

Gary M. Caporicci has more than 30 years of diversified business experience, including a specialization in audit and management consulting for government organizations. Mr. Caporicci's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies and special districts. Known for his expertise in the areas of construction and government, Mr. Caporicci wrote the AICPA audit guides on these topics, and authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars and conferences including industry associations, other accounting firms and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.

EDUCATION

BS Degree in Accounting and Finance from the Armstrong University

Prior to working with the Firm, Mr. Caporicci founded his own accounting practice. He also spent 11 years with a "Big Eight" professional services firm where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds and insurance. Mr. Caporicci's earlier experience includes a consultant position with a "Big Four" practice and Vice President of a national insurance and financial services company.

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance
Litigation Support

PROFESSIONAL & CIVIC AFFILIATIONS

- Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
- Past Chair, CalCPA Government Accounting and Auditing Committee
- Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- Member, CalCPA Council
- Chair, California Committee on Municipal Accounting (CCMA)
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Governmental Accounting Standards Board (GASB),
- Deposits and Investment Risks Disclosure Task Force (GASB No. 40)
- National Reviewer & Speaker, Government Finance Officers Association
- Adjunct Professor, National University
- Past Member, Texas Governmental Accounting and Auditing Committee



CONTINUING PROFESSIONAL EDUCATION

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

gcaporicci@pm-llp.com

**Licensed by the State of California*

City of Placerville

Proposal to Perform Professional Audit Services



Frances Kuo, CPA*

Engagement Quality Reviewer

Frances Kuo is a Manager within Pun & McGeady LLP's Assurance division. Ms. Kuo has over eight (8) years of accounting and auditing experience working with governmental agencies, not-for-profit entities and employee benefit plan providers. Ms. Kuo also has a particular expertise in conducting audits for GAO Yellow Book and compliance (OMB Circular A-133).

Ms. Kuo has performed audit and other attest services for several municipalities throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts, and assisted in their efforts to publish their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Kuo shares her expertise internally to other Firm professionals. She develops training materials for governmental auditing and single audits and is a frequent speaker at in-house seminars on topics related to government auditing standards and single audit.

EDUCATION

BS Degree Business Administration, Emphasis in Accounting, from University of California, Riverside

BA Degree in Economics from University of California, Riverside

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance
Litigation Support



fkuo@pm-llp.com

*Licensed by the State of California

PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)

PARTIAL LISTING OF CLIENTS

- County of Madera
- County of Glenn
- County of Humboldt
- San Diego Metropolitan Transit System
- City of Arcadia
- City of Brea
- City of Buena Park
- City of Downey
- City of Fullerton
- City of Hermosa Beach
- City of Indian Wells
- City of Monterey Park
- City of Petaluma
- City of Palm Desert
- City of Ridgecrest

CONTINUING PROFESSIONAL EDUCATION

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

City of Placerville

Proposal to Perform Professional Audit Services



Chris Woidzik, CPA*
Engagement Manager

Chris Woidzik is a manager in the Assurance Services practice of the Firm. He has more than fifteen (15) years of governmental audit experience. Over his auditing career, he has provided audit and assurance services to a variety of industries including government, real estate, banking, insurance, healthcare and not-for-profits, while working for the firms of Caporicci & Larson and Ernst & Young LLP.

Mr. Woidzik returned full-time to the Firm in 2010 after serving as a consultant to Caporicci & Larson for the past ten years. His specialized knowledge of governmental accounting enabled him to provide technical review services of financial statements as well as performing internal audit inspections for the Firm. Mr. Woidzik has also worked in the private sector serving in various accounting and finance positions.

Mr. Woidzik has experience in planning and executing audits as well as performing agreed-upon procedures engagements. His engagements involve all functions associated with the conduct of an audit as well as evaluating internal control procedures and developing specialized audit approaches for significant and sensitive areas.

EDUCATION

BA Degree in Accounting,
from the California State
University of Long Beach

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance
Litigation Support



cwoidzik@pm-llp.com

**Licensed by the State of California*

PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)

PARTIAL LISTING OF CLIENTS

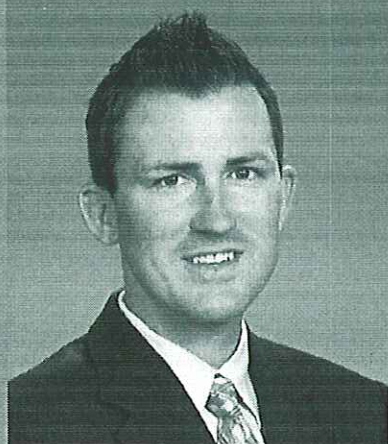
- County of Humboldt
- County of Del Norte
- County of Trinity
- City of Hermosa Beach
- City of Santa Clarita
- City of Arcadia
- City of Placerville
- City of Stockton
- City of Victorville
- Orange County Hazardous Materials Emergency Response Authority
- Orange County Metro Cities Fire Authority

CONTINUING PROFESSIONAL EDUCATION

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

City of Placerville

Proposal to Perform Professional Audit Services



Andrew Roth, CPA *

Supervisor

EDUCATION

BS Degree in Accounting from
the San Diego State
University

Andrew Roth is a Supervisor of Pun & McGeady LLP. He has more than seven (7) years of governmental experience that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting, Data Analysis and Taxation.

Prior to joining Caporicci & Larson, our predecessor firm, in 2010, Andrew spent 4 years in another regional size accounting firm where he was a senior associate and gained experience in high profile governmental entities including the city of San Diego and the county of San Diego.

In various engagements, Andrew has been involved in providing significant services to various governmental entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit Concept and preparation of the Comprehensive Annual Financial Reports.

AREAS OF EXPERTISE

Audits
Reviews
Federal Compliance
Litigation Support

PROFESSIONAL & CIVIC AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)

PARTIAL LISTING OF CLIENTS

- City of Calexico
- City of Chula Vista
- City of Clovis
- City of Fairfield
- City of La Mesa
- City of Poway
- City of Ridgecrest
- City of San Diego
- City of Shafter
- County of San Diego
- Fallbrook Healthcare District
- Family Health Centers of San Diego
- North County Transit District
- San Diego Community College District
- San Diego Metropolitan Transit District
- Southwestern Community College District
- United Health Centers of San Joaquin Valley



CONTINUING PROFESSIONAL EDUCATION

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

aroeth@pm-llp.com

**Licensed by the State of California*

City of Placerville

Proposal to Perform Professional Audit Services

SECTION V – SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES

Of the many governmental audits with requirements similar to the City that our current partners and professional staff conducted through Caporicci & Larson, *and are now conducting through Pun & McGeady LLP*, we have selected the following governmental agencies, for you to contact:

- Engagement Partner: Kenneth H. Pun, CPA, CGMA
- Concurring Partner: Gary M. Caporicci, CPA, CGFM, CFF
- Scope of Work: Annual financing and compliance audits, *including GFOA Certificate of Achievement for Excellence in Financial Reporting.*

COMPLETION DATE	PROJECT NAME AND LOCATION	PROPOSED COST / HOURS	MAIN CONTACT	TELEPHONE	EMAIL
2009 – Present	City of Chula Vista Chula Vista, CA	\$110,000/year (Average) 1000 Hours	Ms. Evelyn Ong – <i>Fiscal Operational Manager</i>	(619) 409-3818	eong@ci.chula-vista.ca.us
2007 – Present	City of Gardena Gardena, CA	\$70,000/year (Average) 700 Hours	Ms. Mary Barnhart – <i>Accounting / Finance Manager</i>	(310) 217-9502	mbarnhart@ci.gardena.ca.us
2009 – Present	City of Monterey Park Monterey Park, CA	\$60,000/year (Average) 500 Hours	Ms. Annie Young – <i>Financial Office Manager</i>	(626) 307-1349	ayaung@MontereyPark.ca.gov
2008 – Present	City of Poway Poway, CA	\$47,000/year (Average) 450 Hours	Mr. Andrew White – <i>Finance Manager</i>	(858) 668-4426	awhite@poway.org
2008 – Present	City of Clovis Clovis, CA	\$45,000/year (Average) 450 Hours	Ms. Jamie Hughson – <i>Director of Finance</i>	(559) 324-2106	jamieh@ci.clovis.ca.us

Other Pun & McGeady LLP governmental / not-for-profit clients:

- City of Arcadia
- City of Brea
- City of Clearlake
- City of Fairfield
- City of Madera
- City of Placerville
- City of Shafter
- City of Vallejo
- Marina Coast Water District
- Newport Coast Elementary School
- Ritter Center
- San Diego Community College District
- City of Artesia
- City of Calexico
- City of Cloverdale
- City of Hermosa Beach
- City of Petaluma
- City of Poway
- City of Solana Beach
- Family Health Centers of San Diego
- Fullerton Arboretum Authority
- Orange County Business Council
- Redwood Coast Medical Services
- Sonoma County Community Development Agency
- City of Bradbury
- City of Cerritos
- City of Cotati
- City of La Mesa
- City of Placentia
- City of Ridgecrest
- City of Stockton
- Fallbrook Healthcare District
- Metro Cities Fire Authority
- South Orange County Wastewater Authority
- Tulare Community Health Clinic
- United Health Centers of San Joaquin Valley

City of Placerville

Proposal to Perform Professional Audit Services

SECTION VI – SPECIFIC AUDIT APPROACH

General and Internal Control:

The City desires an audit and expression of an opinion in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America, on the fairness of presentation of financial statements for the City of Placerville.

The Firm will also:

- ✓ Ensure the Basic Financial Statements prepared by the City will be in full compliance with GASB pronouncements and meet the requirements of the Government Finance Officers Association Certificate of Conformance Program for Small Government Annual Finance Reports. The firm will be responsible for report editing, audit letters, printing and binding, and completeness of the report.
- ✓ Prepare a Single Audit Report, to include the following:
 - Report on compliance and on internal control over financial reporting based on audit of financial statements performed in accordance with government auditing standards.
 - Report on compliance with requirements applicable to each major program, internal control over compliance and on the schedule of expenditures of federal awards in accordance with OMB Circular A-133.
 - Schedule of Expenditures of Federal Awards.
 - Notes to Schedule of Expenditures of Federal Awards.
 - Schedule of Findings and Questioned Costs.
 - Any other required schedules or reports.The Firm will be responsible for report preparation, printing and binding, and preparation of the data collection form.
- ✓ Issue the "agreed upon procedures" report on the City's Article XIII B ("Gann Appropriations Limit") calculations.
- ✓ Provide a reasonable amount of technical assistance upon the City's request throughout the year, including but not limited to the implementation of new GASB Pronouncements, not to exceed 40 hours per year, at no additional cost.
- ✓ Prepare a management letter to the City Manager containing comments and recommendations regarding the auditor's evaluation of the City's system of internal controls and non-reportable conditions..
- ✓ Make an immediate report to the City's management of all indications of irregularities or illegal acts of which they become aware, if any.

An entrance conference will be held between key audit team and Finance Department personnel. The purpose of this meeting will be to discuss the scheduling of fieldwork, new accounting or audit procedures that may impact the City, and to provide for the overall planning of the audit engagement.

An exit conference will be held between key audit team and Finance Department personnel. The purpose of this meeting will be to discuss the results of the fieldwork and to review significant findings.

The Firm will be available throughout the year to provide general consultation regarding matters of accounting and to provide assistance in special projects (at stated hourly rates).

Supplemental reports and other audits or agreed-upon procedures may be agreed to in writing. Prior to commencing work, the scope of the study and associated costs shall be discussed and approved by the Firm and the City.

City of Placerville

Proposal to Perform Professional Audit Services

Working Paper Retention and Access to Working Papers:

All working papers and reports must be retained, at the auditor's expense, for a minimum of seven (7) years unless the firm is notified in writing by the City of Placerville of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the City of Placerville or any other government agencies included in the audit of federal grants.

In addition, the Firm will respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

Objectives of Our Services

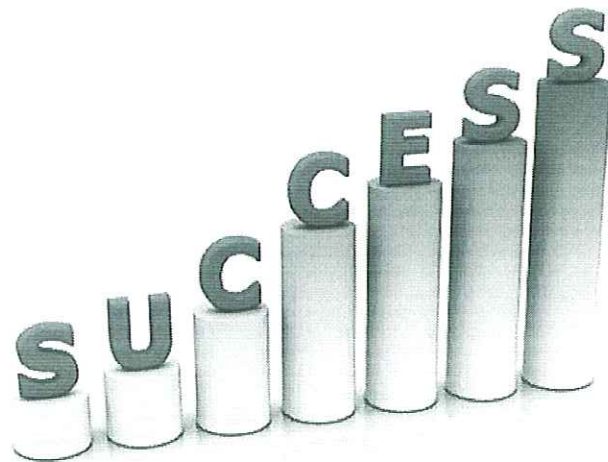
The basic objective of our audit of the City is to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to express our opinion on the fairness of presentation of such financial statements in conformity with generally accepted accounting principles. Additionally, we believe that another real value of our audit lies in meeting other objectives at no additional cost. The following are other objectives of our services that have important benefits to the City:

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

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

The approach to the audit has been designed to meet the audit requirements of the various entities with the least disruption to the City's operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of City operations and detailed planning at the initial stages of the audit.

Open communication lines with all parties of the Engagement Team and City Management and staff throughout the engagement eliminate "surprises." Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.



City of Placerville

Proposal to Perform Professional Audit Services

Segmentation of the Engagement

The audit approach will consist of four phases:



Initial Planning Meeting:

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

Interim:

The Engagement Team members including the Engagement Partner will perform the internal control reviews, test transactions, evaluate compliance with Single Audit Act requirements (if any), identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and City Management of the year-end audit responsibilities and assignments. An exit conference will be held at the end of our visit.

Year end:

The Engagement Team members including the Engagement Partner will conduct validation procedures on general ledger account balances, complete confirmation procedures, perform analytical procedures on revenue and expenditures, perform search for unrecorded liabilities, complete compliance work on Federal Assistance, and wrap up audit field work. An exit conference will be held at the end of our visit.

Reporting:

Auditor's reports for all City reporting entities and compliance requirements will be finalized along Management Letter board comments. The Partners and Manager will be available to make presentations to the City's governing board.

Assuming there are no internal City circumstances that could delay the audit, the audit process will be completed and all reports issued within the time frames established by the City. Additionally, we will automatically review the financial reports for compliance with GFOA reporting guidelines at no additional cost to the City.

Sample Size and the Extent to which Statistical Sampling is to be used in the Engagement

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

Type and Extent of Analytical Procedures

We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the City to benefit from these procedures. We begin to apply our preliminary analytical procedures at interim, when we analyze year-to-date results and balances and compare them with budget and prior year actuals. We forecast many year-end amounts at interim, so that we can limit the amount of work required at year-end and concentrate instead on areas of concern. In addition, trend and ratio analysis will be utilized to identify any uncertain or unusual events that may have occurred.

City of Placerville

Proposal to Perform Professional Audit Services

Approach to be Taken to Gain and Document an Understanding of the City's Internal Control Structure

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

We perform walkthrough of all major accounting systems including financial reporting, revenues recognition and cash receipts process, purchasing/contracts management and cash disbursement process, payroll and related liabilities, etc. and document our understanding using narrative or flowchart.

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

Our audits are designed to ensure that we test transactions for compliance with the Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, California Constitution GANN Limit requirements, requirements of local measures, Transportation Development Act requirements, etc. We identify applicable laws and regulations as part of our audit planning each year and continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force.

The Single Audit Act, for example, requires a calculation to determine which grants will be included in our audit scope, and the selection of transactions from those grants for detail test. These tests are in addition to the transactions tests we have already performed as part of our interim procedures testing, and cannot be performed until after year-end, when the determination can be made as to which grants must be tested.

The California Government Code has many provisions and underlying regulations relating to investments and investment policy, all of which are tested as part of our audit of cash and investments. That Code and the underlying regulations also form the basis of our compliance audit tests of debt covenants compliance and other areas.

Approach to be Taken in Drawing Audit Samples for Purposes of Test of Compliance

We follow the "Audit Sampling Considerations of Circular A-133 Compliance Audits" for the purpose of testing Compliance. We will evaluate the control deviations and compliance exceptions and document direct and material elements relating to the compliance requirements. Sample size will base on professional judgment and the knowledge of the particular situation.

Extent of use of EDP Software in the Engagement

We use EDP Software in our engagement to increase our efficiency and quality of our work and meet the new professional requirements regarding fraud and internal control. Our engagement team will import data from the City's financial software and extract useful data for the purpose of testing and analytical procedures particular in the following areas:

- Successful Fraud Test
- Questionable Invoices
- Phantom Vendor Schemes
- Kickback or Conflict-of-Interest Schemes
- Dormant Account Schemes
- Money Laundering Schemes

City of Placerville

Proposal to Perform Professional Audit Services

SECTION VII – IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

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

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

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

- GASB 57 – OPEB Measurements By Agent Employers and Agent Multi-Employer Plans
- GASB 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies
- GASB 59 – Financial Instruments Omnibus
- GASB 60 – Accounting and Financial Reporting for Service Concession Arrangements
- GASB 61 – The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34
- GASB 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements
- GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- GASB 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53
- GASB 65 – Items Previously Reported as Assets and Liabilities
- GASB 66 – Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62
- GASB 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25
- GASB 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27
- GASB 69 – Government Combinations and Disposals of Government Operations

City of Placerville

Proposal to Perform Professional Audit Services

SECTION VIII– SCHEDULE FOR THE 2013 FISCAL YEAR AUDIT

2013 Period	Audit Tasks	Staffing
June	Award of Contract	
June / July	Interim Audit Procedures:	
	- <i>Planning and Administration</i>	Partners Managers Supervisors
	<ul style="list-style-type: none"> Review of key work papers of prior year audit. Entrance conference with City Management to discuss audit approach, timing, assistance, and issues. Review and evaluate City's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements. Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, list of schedules to be prepared by City staff, and list of schedules to be prepared by City staff, and provide it to City Management. 	
	- <i>Internal Control Evaluation</i>	Partners Managers Supervisors Staff
	<ul style="list-style-type: none"> Meeting with key Finance Division personnel. Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation: <ul style="list-style-type: none"> ✓ General ledger system. ✓ Budgeting system. ✓ Revenue, accounts receivable, and cash collections. ✓ Purchasing, expenditures, accounts payable, and cash disbursements. ✓ Payroll. ✓ Federal Financial Assistance. ✓ Other systems. Identify control risks. Evaluate IT control environment. Perform statistical testing of the internal control system and evaluate the effectiveness of the City's systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with City's policies. Conduct fraud assessment procedures. Assess degree of risk for material misstatement. Provide to City's management a memo concerning potential management letter points and identify issues, if any. Hold exit conference with management and discuss observations. 	

City of Placerville

Proposal to Perform Professional Audit Services

2013 Period	Audit Tasks	Staffing
	<ul style="list-style-type: none"> - <i>Single Audit Compliance and Other Compliance</i> 	Partners Managers Supervisors Staff
	<ul style="list-style-type: none"> • Entrance conference with City's Management. • Obtain Federal Financial Assistance Schedule. • Determine grants to be considered as major programs including clusters. • Perform audit tests of major grant programs and compliance with Federal Law and Regulations. • Identify whether sub-recipients exist and develop appropriate audit procedures consistent with OMB A-133 requirements. • Review grant documents, select sufficient number of transactions to test for compliance of Federal Requirements. • Coordinate Single Audit efforts with the Financial Audit efforts. • Communicate findings to City Management, if any. 	
	<ul style="list-style-type: none"> - <i>Other Audit Tasks</i> 	Partners Managers Supervisors Staff
	<ul style="list-style-type: none"> • Review minutes of Council meetings and other key committees. • Coordinate with City staff and prepare of all appropriate confirmation requests including: <ul style="list-style-type: none"> ✓ Bank accounts. ✓ Investment pool accounts. ✓ Accounts receivable. ✓ Federal grants. ✓ Revenue from governmental agencies. ✓ Bond and other debts. ✓ Pension plan. ✓ Attorney letters. ✓ Others, as required. • Provide City with audit plan and list of year end audit schedules. • Hold exit conference with City Management and discuss observations. 	
November	Year-End Audit Procedures:	Partners Managers Supervisors Staff
	<ul style="list-style-type: none"> • Entrance conference with the City Management. • Follow-up on all outstanding confirmations. • Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, board resolutions, minutes, and other documents, as required. • Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual. • Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing City staff. • Perform review of subsequent events by discussions with City Management and review of all minutes of the Board and key committees. • Hold exit conference with City Management. 	

City of Placerville

Proposal to Perform Professional Audit Services

2013 Period	Audit Tasks	Staffing
November	Audit Reports:	Partners Managers Supervisors Staff
	<ul style="list-style-type: none"> Review drafts of City financial statements. 	
	<ul style="list-style-type: none"> Create and review draft of Single Audit Reports concerning internal control structure, compliance with laws and regulations, and administering of federal financial assistance programs. 	
	<ul style="list-style-type: none"> Produce and review other reports as required. 	
	<ul style="list-style-type: none"> Provide drafts of reports to City Management for review. 	
Within 5 working days after approval	Final Audit Reports, Financial Statements, Management Letter, and Single Audit Reports delivered.	

Summary of Professional Audit Hours:

The summary of Professional Audit Hours for **Audit Schedule** for the year ending June 30, 2013 is as follows:

Personnel	Hours
Partners	40
Manager	60
Supervisor	90
Professional Staff	100
Clerical Staff	10
Total Hours	300

General and Internal Control:

The services requested by the City of Placerville will be completed and submitted each year according to the following schedule:

Service / Deliverable Product	Draft Due Date	Final Due Date	Responsible Party	No. of Copies
Basic Financial Statement	November 29	December 13	*City Staff	20
Single Audit	December 13	December 27	Auditor	10
Management Letter	December 13	December 27	Auditor	1

Both hard and electronics copies will be provided to the City by the dates listed above.

City of Placerville

Proposal to Perform Professional Audit Services

Rates by Partner, Manager and Staff Level Times Hours Anticipated for Each

Detailed Schedule of Professional Fees and Expenses For Fiscal Year 2012-13 Only

Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	36	\$ 4,500
Manager	\$ 125.00	52	\$ 6,500
Supervisory Staff	\$ 125.00	66	\$ 8,250
Professional Staff	\$ 125.00	100	\$ 12,500
Clerical Staff	\$ 125.00	6	\$ -
Other (Specify)	\$ -		\$ -
Subtotal			\$ 31,750
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing (if requested by City)	\$ -		\$ -
Professional Discount:	\$ -		\$ (1,250)
Total			\$ 30,500

Single Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	4	\$ 500
Manager	\$ 125.00	8	\$ 1,000
Supervisory Staff	\$ 125.00	24	\$ 3,000
Professional Staff	\$ 125.00	0	\$ -
Clerical Staff	\$ 125.00	4	\$ -
Other (Specify)			\$ -
Subtotal			\$ 4,500
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing	\$ -		\$ -
Professional Discount:	\$ -		\$ -
Total			\$ 4,500

City of Placerville

Proposal to Perform Professional Audit Services

Rates by Partner, Manager and Staff Level Times Hours Anticipated for Each

Detailed Schedule of Professional Fees and Expenses For Fiscal Year 2013-14 Only

Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	36	\$ 4,500
Manager	\$ 125.00	52	\$ 6,500
Supervisory Staff	\$ 125.00	66	\$ 8,250
Professional Staff	\$ 125.00	100	\$ 12,500
Clerical Staff	\$ 125.00	6	\$ -
Other (Specify)	\$ -		\$ -
		Subtotal	\$ 31,750
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing (if requested by City)	\$ -		\$ -
Professional Discount:	\$ -		\$ (1,250)
		Total	\$ 30,500

Single Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	4	\$ 500
Manager	\$ 125.00	8	\$ 1,000
Supervisory Staff	\$ 125.00	24	\$ 3,000
Professional Staff	\$ 125.00	0	\$ -
Clerical Staff	\$ 125.00	4	\$ -
Other (Specify)			\$ -
		Subtotal	\$ 4,500
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing	\$ -		\$ -
Professional Discount:	\$ -		\$ -
		Total	\$ 4,500

City of Placerville

Proposal to Perform Professional Audit Services

Rates by Partner, Manager and Staff Level Times Hours Anticipated for Each

Detailed Schedule of Professional Fees and Expenses For Fiscal Year 2014-15 Only

Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	36	\$ 4,500
Manager	\$ 125.00	52	\$ 6,500
Supervisory Staff	\$ 125.00	66	\$ 8,250
Professional Staff	\$ 125.00	100	\$ 12,500
Clerical Staff	\$ 125.00	6	\$ -
Other (Specify)	\$ -		\$ -
		Subtotal	\$ 31,750
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing (if requested by City)	\$ -		\$ -
Professional Discount:	\$ -		\$ (1,250)
		Total	\$ 30,500

Single Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	4	\$ 500
Manager	\$ 125.00	8	\$ 1,000
Supervisory Staff	\$ 125.00	24	\$ 3,000
Professional Staff	\$ 125.00	0	\$ -
Clerical Staff	\$ 125.00	4	\$ -
Other (Specify)			\$ -
		Subtotal	\$ 4,500
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing	\$ -		\$ -
Professional Discount:	\$ -		\$ -
		Total	\$ 4,500

City of Placerville

Proposal to Perform Professional Audit Services

Rates by Partner, Manager and Staff Level Times Hours Anticipated for Each

Detailed Schedule of Professional Fees and Expenses For Fiscal Year 2015-16 Only

Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	36	\$ 4,500
Manager	\$ 125.00	52	\$ 6,500
Supervisory Staff	\$ 125.00	66	\$ 8,250
Professional Staff	\$ 125.00	100	\$ 12,500
Clerical Staff	\$ 125.00	6	\$ -
Other (Specify)	\$ -		\$ -
Subtotal			\$ 31,750
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing (if requested by City)	\$ -		\$ -
Professional Discount:	\$ -		\$ (1,250)
Total			\$ 30,500

Single Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	4	\$ 500
Manager	\$ 125.00	8	\$ 1,000
Supervisory Staff	\$ 125.00	24	\$ 3,000
Professional Staff	\$ 125.00	0	\$ -
Clerical Staff	\$ 125.00	4	\$ -
Other (Specify)			\$ -
Subtotal			\$ 4,500
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing	\$ -		\$ -
Professional Discount:	\$ -		\$ -
Total			\$ 4,500

City of Placerville

Proposal to Perform Professional Audit Services

Rates by Partner, Manager and Staff Level Times Hours Anticipated for Each

Detailed Schedule of Professional Fees and Expenses For Fiscal Year 2016-17 Only

Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	36	\$ 4,500
Manager	\$ 125.00	52	\$ 6,500
Supervisory Staff	\$ 125.00	66	\$ 8,250
Professional Staff	\$ 125.00	100	\$ 12,500
Clerical Staff	\$ 125.00	6	\$ -
Other (Specify)	\$ -		\$ -
Subtotal			\$ 31,750
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing (if requested by City)	\$ -		\$ -
Professional Discount:	\$ -		\$ (1,250)
Total			\$ 30,500

Single Audit:	Hourly Rate	Total Hours	Total
Partner	\$ 125.00	4	\$ 500
Manager	\$ 125.00	8	\$ 1,000
Supervisory Staff	\$ 125.00	24	\$ 3,000
Professional Staff	\$ 125.00	0	\$ -
Clerical Staff	\$ 125.00	4	\$ -
Other (Specify)			\$ -
Subtotal			\$ 4,500
Meals and Lodging	\$ -		\$ -
Transportation	\$ -		\$ -
Report Preparation, Word Processing and Printing	\$ -		\$ -
Professional Discount:	\$ -		\$ -
Total			\$ 4,500

City of Placerville

Proposal to Perform Professional Audit Services

Out-of-Pocket Expenses Included in the Total All-Inclusive Maximum Price

These costs will be absorbed by the Firm.

Rates for Additional Professional Services

We are hesitant to simply state hourly rates, as often times the needs of the client and the specific tasks directly impact the billing rates for our services. We maintain a policy of flexible billing rates and try to work within client cost-control parameters. However, to provide the City with additional information, the following are our current published billing rates:

Position	Rates
Partner	\$ 200
Manager	\$ 175
Senior Accountant	\$ 150
Professional Staff	\$ 125

Manner of Payment

Each Engagement Team member maintains detailed time sheets describing work performed, date of work, and amount of time spent on each task for the Engagement. The Firm will summarize the amount of time spent during the month and bill the City based on the hourly rates published in the proposal up to a maximum of 90%. The remaining 10% of the proposal amount will not be due until all final reports are delivered and accepted by the City. Based on our previous experience, the City can anticipate three billings as follows:

Work Performed	% of Proposal Amount
For interim work	45%
For year end work	45%
At presentation and acceptance of final reports	10%
Total	100%

Payment by the City is due upon receipt of each billing.

City of Placerville

Proposal to Perform Professional Audit Services

Benefits of Choosing Pun & McGeady LLP

At Pun & McGeady LLP, we combine our professional trust and integrity with a proven industry approach to address the impact of unique client issues. Our professional teams are organized by industry lines to facilitate customized service delivery and are led by seasoned partner who share a common philosophy for personalized client service. The quality of service that Pun & McGeady LLP delivers is the direct result of a higher level of partner attention and manager involvement in the work.

We are committed to exceeding your expectations and we trust that this proposal has provided you with the necessary information about our firm, core engagement service team members, audit approach and fees to assist you with your selections. Our engagement team members have the experience and qualification to continue to serve you in the most cost effective way possible.

In summary, Pun & McGeady LLP has the resources and relevant in-depth industry knowledge to provide the City with the highest level of quality service that you expect and deserve as a valued client.

Thank You

Thank you for the opportunity to submit our proposal to provide you with professional services. For any additional information, please contact:

Mr. Kenneth H. Pun, CPA, CGMA
Managing Partner
9 Corporate Park, Suite 130
Irvine, California 92606
Email: kpun@pm-llp.com
Phone: (949) 777-8801

Sincerely,

A handwritten signature in black ink that reads "Pun & McGeady LLP". The signature is written in a cursive, flowing style.

Pun & McGeady LLP
Certified Public Accountants and Business Advisors

APPENDIX

✓ Proof of Insurance

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City of Placerville

Proposal to Perform Professional Audit Services



CERTIFICATE OF LIABILITY INSURANCE

PUN&M-1 OP ID: RRO

DATE (MM/DD/YYYY)
03/25/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Leavitt Ins Agency San Diego CA License #0B72766 3636 Nobel Drive, Suite 100 San Diego, CA 92122	Phone: 858-259-5800 Fax: 858-259-6069	CONTACT NAME: PHONE (A/C, No, Ext): E-MAIL ADDRESS: Renata-Rosander@Leavitt.com FAX (A/C, No):														
INSURED Pun & McGeady, LLP 9 Corporate Park #130 Irvine, CA 92606		<table border="1"> <thead> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A: Travelers Casualty Ins Co Amer</td> <td>31194</td> </tr> <tr> <td>INSURER B: Travelers Casualty Ins Co Amer</td> <td>31194</td> </tr> <tr> <td>INSURER C: Navigator's Insurance Co</td> <td>42307</td> </tr> <tr> <td>INSURER D:</td> <td></td> </tr> <tr> <td>INSURER E:</td> <td></td> </tr> <tr> <td>INSURER F:</td> <td></td> </tr> </tbody> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: Travelers Casualty Ins Co Amer	31194	INSURER B: Travelers Casualty Ins Co Amer	31194	INSURER C: Navigator's Insurance Co	42307	INSURER D:		INSURER E:		INSURER F:	
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INSURER D:																
INSURER E:																
INSURER F:																

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

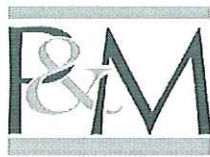
INSR LTR	TYPE OF INSURANCE	ADDITIONAL INSURER	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY		X	I6802B546975	03/01/2013	03/01/2014	EACH OCCURRENCE \$ 2,000,000	
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000	
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						MED EXP (Any one person) \$ 5,000	
	GEN'L AGGREGATE LIMIT APPLIES PER:							PERSONAL & ADV INJURY \$ 2,000,000
	<input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						GENERAL AGGREGATE \$ 4,000,000	
								PRODUCTS - COMP/OP AGG \$ 4,000,000
A	AUTOMOBILE LIABILITY			I6802B546975	03/01/2013	03/01/2014	COMBINED SINGLE LIMIT (Ea accident) \$ 2,000,000	
	<input type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$	
	<input type="checkbox"/> ALL OWNED AUTOS		<input type="checkbox"/> SCHEDULED AUTOS				BODILY INJURY (Per accident) \$	
	<input checked="" type="checkbox"/> HIRED AUTOS		<input checked="" type="checkbox"/> NON-OWNED AUTOS				PROPERTY DAMAGE (Per accident) \$	
								\$
	UMBRELLA LIAB		<input type="checkbox"/> OCCUR				EACH OCCURRENCE \$	
	EXCESS LIAB		<input type="checkbox"/> CLAIMS-MADE				AGGREGATE \$	
	DED		RETENTION \$				\$	
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY			IJOB2B650371	03/01/2013	03/01/2014	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	Y/N	N/A				E.L. EACH ACCIDENT \$ 1,000,000	
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE \$ 1,000,000	
A	Property Section			I6802B546975	03/01/2013	03/01/2014	Property 124,800	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 Certificate holder is named as additional insured per company endorsement

CERTIFICATE HOLDER City of Placerville Dave Warren-Finance Director 3101 Center Street Placerville, CA 95667	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE
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PUN & McGEADY LLP
Certified Public Accountants and Business Advisors