



FINANCE/PERSONNEL SUBCOMMITTEE AGENDA

SUBCOMMITTEE MEMBERS

LARRY McCALLON, MEMBER
JOHN TIMMER, MEMBER

March 10, 2022
3:00 p.m.
Upright Conference Room
Highland City Hall
27215 Base Line
Highland, California

Submission of Public Comments: For those wishing to make public comments by email, please submit your comments by email to be read aloud at the meeting. Email comments must be submitted by 2:00 p.m. on March 10, 2022, to publiccomment@cityofhighland.org.

If you are submitting a public comment pertaining to an item on the March 10, 2022 agenda, please identify the agenda item number in the subject line. Members of the public will be permitted to make public comments in person.

CITY OF HIGHLAND MISSION STATEMENT

Highland is dedicated to the betterment of the individual, the family, the neighborhood, and the community. The City Council and the staff of Highland are dedicated to providing the quality of public facilities and services that its citizens are willing to fund and will do so as efficiently as possible.

Visit the City's Website at: www.cityofhighland.org

City of Highland, 27215 Base Line, Highland, CA 92346 (909) 864-6861 FAX (909) 862-3180

THE CITY OF HIGHLAND COMPLIES WITH THE AMERICANS WITH DISABILITIES ACT OF 1990. IF YOU REQUIRE SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CALL THE CITY CLERK'S OFFICE AT (909) 864-8732, EXT. 226 AT LEAST 48 HOURS PRIOR TO THE MEETING.

Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the City of Highland to all or a majority of the Subcommittee less than 72 hours prior to that meeting are available for public inspection at Highland City Hall, 27215 Base Line, Highland, during normal business hours.

Larry McCallon, Member

John Timmer, Member

FINANCE/PERSONNEL SUBCOMMITTEE

March 10, 2022 – 3:00 p.m.

CALL TO ORDER

PUBLIC COMMENT

ITEMS

1. Review Minutes of December 6, 2021 Meeting

RECOMMENDATION: Approve the Minutes as submitted.

2. Request for Proposals (RFP) for Auditing Services

RECOMMENDATION: That the subcommittee conduct interviews of the following firms and select a firm for professional auditing services:

Gruber and Lopez, Inc.

Rogers, Anderson, Malody & Scott, LLP

Van Lant & Fankhanel, LLP

3. Request for Participation in Southern California Edison LS-1 Option E Program – LED Retrofit of Southern California Edison Owned Street Lights within the City of Highland

RECOMMENDATION: That the subcommittee review the Southern California Edison LS-1 Option E Program – LED Retrofit of Southern California Edison Owned Street Lights within the City of Highland and to approve participation in the program.

ADJOURN

I, Elena Rodrigues, Administrative Assistant III, of the City of Highland, California, certify that I caused to be posted this Agenda on the 3rd day of March 2022, by 5:30 p.m. on our website at www.cityofhighland.org and in the following designated areas:

City Hall
27215 Base Line

Highland Branch Library
7863 Central Avenue

Highland Fire Station No. 1
26974 Base Line



Elena Rodrigues, Administrative Assistant III

Agenda Item #1

MINUTES
FINANCE/PERSONNEL SUBCOMMITTEE
December 6, 2021

CALL TO ORDER

The regular meeting of the Finance/Personnel Subcommittee of the City of Highland was called to order at 10:30 a.m. in the Donahue Council Chambers, 27215 Base Line, Highland, California.

ROLL CALL

Present: McCallon, Timmer
Absent: None

PUBLIC COMMENT

Received no public comment.

ITEMS

1. Review Minutes of October 26, 2021 Meeting
Approved the Minutes as submitted.
2. Audit 2021/2022 – Annual Comprehensive Financial Report (ACFR), Single Audit Report, SAS 114 Letter, Management Letter, Independent Auditor’s Report on Internal Control, Appropriations Limit Report
Subcommittee reviewed and approved the item to be brought forward to the City Council for consideration.
3. Annual AB1600 Development Impact Fees Report 2021/2022
Subcommittee reviewed and approved the item to be brought forward to the City Council for consideration.
4. Annual Developer In-Lieu Fees Report 2021/2022
Subcommittee reviewed and approved the item to be brought forward to the City Council for consideration.

ADJOURN

There being no further business the meeting was adjourned at 10:55 a.m.

Submitted by:

Approved by:


Elena Rodriguez, Administrative Assistant III

Subcommittee Member

Agenda Item #2

***CITY OF HIGHLAND
PROPOSAL FOR
PROFESSIONAL AUDITING SERVICES***

February 4, 2022



Submitted By:
Ron Lopez, CPA, Partner
Gruber and Lopez, Inc, CPAs
438 Old Newport Blvd
Newport Beach, CA 92663
Ph (949) 346-2900
rlopez@gruber-inc.com



February 4, 2022

City of Highland
Attn: Betty Hughes, City Clerk
27215 Base Line
Highland, CA 92346

Re: Professional Auditing Services

Dear Mrs. Hughes:

Gruber and Lopez, Inc. (formerly David L. Gruber and Associates) is pleased to submit our proposal to provide local government independent audit services in response to your Request for Proposal (RFP). We understand the work that needs to be performed and are committed to complete the projects in the desired time frame indicated in the RFP. Gruber and Lopez, Inc. is a licensed Certified Public Accounting and Consulting firm with offices based in Newport Beach, California. For numerous years, the firm has specialized in providing accounting, auditing, tax and business consulting services to a wide variety of industries including local government, government grants, and non-profits. Gruber and Lopez, Inc. has the necessary experience to perform the local government auditing services described in your RFP. We have read the RFP and take no exception to it.

We are aware that the City of Highland (City) has solicited a number of proposals, however, Gruber and Lopez, Inc. would be your best selection for the following reasons which are set forth in greater detail in our proposal:

- Extensive knowledge of the project is due to the significant experience of the engagement team, who has performed hundreds of governmental financial statement audits that contain significantly large federal and state grants. Gruber and Lopez, Inc. has a proven track record in serving the State of California, California cities and counties, redevelopment agencies, special districts and authorities. Mr. Lopez was also one of the first auditors to implement GASB 34 (City of Indian Wells 1999). Further, Mr. Lopez and Mr. Lenton have been the lead auditors of the City of Lomita and are very familiar with the City and its operations.
- Mr. Lopez and Mr. Lenton have vast experience in OMB Circular A-133 single audits (including Covid-19 grants) and now under the new Uniform Grant Guidance. In 2005, they were both selected to serve as lead auditors in the 2005 National Single Audit Project of which the U.S. Department of Education, on behalf of all federal agencies, selected them and their firm to perform quality control reviews of other C.P.A. firm audits conducted under OMB Circular A-133.
- Mr. Lopez and Mr. Lenton have previously performed the annual audits of the following cities: Cities of Bell Gardens, Hawaiian Gardens, La Habra Heights, Villa Park, Lomita, Laguna Woods, Inglewood, Hermosa Beach, Burbank, Indio, Indian Wells, Los Alamitos, Rancho Santa Margarita, Carlsbad, Rancho Mirage, Carson, Santa Monica and more. A complete listing of experience with California local governments is identified within our resume section.
- Gruber and Lopez, Inc. has also performed 92 special district audits on behalf of the County of San Bernardino annually from 2012 - 2016.

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Attachment A: Engagement Team Resumes

Attachment B: Quality Control Peer Review Report

1. FIRM QUALIFICATIONS AND EXPERIENCE (Continued)

As a member of the AICPA our audit procedures and working papers are regularly examined by another CPA firm in the firm-on-firm peer review program. In addition, all aspects of the firm's quality control practices have been reviewed, including the firm's commitment to extensive training programs. In every member firm, each member of the professional staff must enroll in continuous professional education courses. Each is required to take at least 80 hours of classes over a two-year period (24 of which relate to Government Audit and Accounting). Courses cover a wide spectrum of professional and technical subjects, and include Fraud Auditing, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise. Included as Attachment to this proposal is a copy of GRUBER AND LOPEZ, INC.'s Quality Control Review which was recently completed in December 2020 for the year ended June 30, 2020 and we received a clean (unqualified) opinion under Government Auditing Standards and ERISA with only one minor deficiency which we resolved with the AICPA who cleared it. In all instances of Peer Review GRUBER AND LOPEZ, INC. has never had a record of substandard audit work.

GRUBER AND LOPEZ, INC. presently has 10 full time employees of which 9 are professionals who have multidisciplinary backgrounds to address the services outlined in this RFP as follows:

Labor Category	Number of Personnel	Years' Experience	Degrees and Certifications	Relevant Project Experience
Partners & Directors	4	15-20	BA, CPA	Government, Commercial, Single Audit, Non-profit Auditing & Consulting, Tax & Litigation Services
Managers	4	10-15	BA, BS, CPA	Government, Commercial, Single Audit, Non-profit Auditing & Consulting, Tax & Litigation Services
Seniors	2	5-9	BA, BS	Government, Commercial, Single Audit, Non-profit Auditing & Consulting

GRUBER AND LOPEZ, INC. has a long history of efficiently staffing its accounting and consulting projects and bringing the projects in on time and on budget. We employ a detailed project management approach whereby each project is carefully planned by program area. Budgets are prepared and monitored daily to compare budgeted time against actual; variances from budgets are analyzed and explained, and weekly status reports are prepared to ensure that the project is on schedule and within budget.

Gruber and Lopez, Inc. has assembled an engagement team that has the core competencies in all areas identified in City's RFP. Our team has been drawn from experienced professionals based in Gruber and Lopez, Inc.' southern California practice office.

The professionals who will service the City have the experience and ability to provide a level of service second to none. They are sensitive to the concerns and characteristics of operations such as yours. Our experience in government audits will allow us to "hit the ground running". We will perform our services in a smooth, efficient and effective manner, which will prove to be of minimal disruption to client operations. We understand the importance of continuity of key personnel throughout the engagement and have had a very low history of turnover.

2. PARTNER, SUPERVISORY, AND STAFF QUALIFICATION

The following summarizes our proposed project organization structure, which includes personnel from Gruber and Lopez, Inc..

Gruber and Lopez, Inc. has identified the Engagement Partner and Project Leads as “Key” personnel. We understand the importance of continuity of key personnel throughout the engagement.

Engagement Partner – (KEY) The Engagement Partners are responsible for the overall completion and quality of project objectives and deliverables. The Engagement Partner identifies and coordinates the engagement using our resources to meet project objectives and interfaces with the City and client personnel to ensure their satisfaction at all points throughout the engagement. The Engagement Partners are available to other team members throughout the life cycle of the engagement and typically is involved in status meetings and deliverable presentations.

Project Leads – (KEY) The Project Leads are our day-to-day project managers responsible for all tasks and deliverables in the execution of the project plan in their respective functional areas. They interface with the City and client’s staff and project personnel on a daily basis in executing and achieving project objectives. The Project Leads are responsible for the planning, execution, and completion of all tasks associated with the project. This will include performing individual tasks and activities as well as supervising those tasks of assigned professional staff.

Seniors – Seniors are assigned to the project tasks as needed to perform and execute individual audit and review tasks and supervise the work of the Staff. Gruber and Lopez, Inc. may assign one or more Seniors throughout the life cycle of the project to complete required project tasks. Seniors are assigned based upon the task/project needs and skill sets required. These individuals possess a bachelor or graduate degree and have or in the process of obtaining professional certifications (CPA).

Staff – Staff are assigned to the project, as needed to aid in performance and execution of defined tasks. They are responsible for task execution and are directed and supervised by the Management and Seniors. Staff are assigned based upon the task/project needs and skill sets required. These individuals possess a minimum bachelors’ degree in accounting, business or related field and are in the process of obtaining a professional designation.

Gruber and Lopez, Inc. has assembled an engagement team that has the core competencies in all areas identified in City’s RFP. Our team has been drawn from experienced professionals based in Gruber and Lopez, Inc.’ southern California practice office.

The professionals who will service the City have the experience and ability to provide a level of service second to none. They are sensitive to the concerns and characteristics of operations such as yours. Our experience in government audits will allow us to “hit the ground running”. We will perform our services in a smooth, efficient and effective manner, which will prove to be of minimal disruption to client operations. We understand the importance of continuity of key personnel throughout the engagement and have had a very low history of turnover. **These individuals will be dedicated and committed to the project for its duration:**

2. PARTNER, SUPERVISORY, AND STAFF QUALIFICATION (Continued)

Engagement Director/Manager and Project Lead – Matthew Lenton, CPA
(Continued)

Mr. Lenton will assist Mr. Lopez in planning and coordinating the engagement, prepare workpapers, and conduct reviews of all workpapers prepared by the professional staff assigned to this engagement. Local governments (and other relevant entities) audited by Mr. Lenton include the City's of Newport Beach; Bell Gardens, Villa Park, Highland, Rancho Santa Margarita; Indian Wells; Inglewood; Rancho Mirage; Compton; National City; Lomita; Beverly Hills; Villa Park; Housing Authority of the City of Los Angeles; Fresno Housing Authority; Lake Arrowhead Community Services District; County of San Bernardino Special Districts, South Montebello Irrigation District; and more.

Engagement Director/Manager – Michelle Danaher

Mrs. Michelle Danaher has over 25 years of accounting and audit experience (including numerous years with a national firm) as well as previously serving as Finance Director for the City of Villa Park. Mrs. Danaher has comprehensive knowledge in all accounting principles, concepts and standards including FASB, GASB, SAS, GAS, and GAAS. She will help Mr. Lenton plan and coordinate the engagement, prepare workpapers and conduct reviews of all workpapers prepared by the professional staff assigned to this engagement. Mrs. Danaher has significant experience in performing financial and compliance audits of local government and government contracts. Local governments audited by Mrs. Danaher include City of Costa Mesa, City of Carlsbad, City of Palm Springs, City of San Bernardino, Orange County Water District, Big Bear Area Waste Water Authority, and more.

Engagement Senior – Chris Haro, CPA

Mr. Chris Haro is a CPA and has over 19 years of audit experience (including numerous years with a national firm) in accounting and auditing with comprehensive knowledge in all accounting principles, concepts and standards including FASB, GASB, SAS, GAS, and GAAS. He will help Mr. Lenton plan and coordinate the engagement, prepare workpapers and conduct reviews of all workpapers prepared by the professional staff assigned to this engagement. Mr. Haro has significant experience in performing financial and compliance audits of local government and government contracts. Local governments audited by Mr. Haro include City of San Carlos, City of Solana Beach, City of Palm Springs, City of Indio, City of San Bernardino, City of Cathedral City, Big Bear Community Services District, Big Bear Area Waste Water Authority, Orange County Social Security Administration, San Diego Port Authority, and more.

Detailed resumes of the engagement team are included in Attachment to this proposal.

3. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES (Continued)

f. Similar Engagements and References

Recent relevant local government audit, accounting, and/ or federal grant experience and references **performed by Mr. Ron Lopez, Mr. Matthew Lenton** and other members of the engagement team are as follows:

<u>City in Accordance With GASB 34</u>	<u>GFOA/ CSMFO Award</u>	<u>TOT, Refuse, Cable Audits</u>	<u>OMB Uniform Single Audit</u>	<u>Preparation of SCR / Street Report</u>	<u>Govt. Auditing Standards</u>
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Contractual engagements performed under Gruber and Lopez, Inc.:

Lomita	x			x	x
Los Alamitos	x			x	x
La Habra Heights	x	x		x	x
Bell Gardens	x		x	x	x
Villa Park					x
Hawaiian Gardens	x		x	x	x
Hermosa Beach	x			x	x
County of San Bernardino-Special Districts*				x	x
County of Orange			x		x

Contractual engagements performed and lead by Gruber and Lopez, Inc. staff at previous firms:

Aliso Viejo	x			x	x
Carlsbad	x		x		x
Carson	x		x		x
Escondido	x		x		x
Fountain Valley	x		x		x
Goleta	x		x	x	x
Hemet	x	x	x		x
Highland	x		x		x
Indian Wells	x	x			x
Inglewood	x	x	x		x
Lomita	x		x	x	x
National City	x		x		x
Newport Beach	x		x		x
Rancho Mirage	x	x			x
Rancho Santa Margarita	x		x		x
Santa Monica	x		x		x
Solana Beach	x	x	x		x

*5 year contract entered into in 2012 with County of San Bernardino consists of 92 annual audits of special districts. These audits were performed from 2012-2016.

4. SPECIFIC AUDIT APPROACH

Gruber and Lopez, Inc. is very familiar with local government financial statement and government grant compliance audits and has specific relevant experience to similar challenges and undertakings. The firms' relevant experience is listed under Section 4 below. To maximize the benefit to the City as a result of this engagement, Gruber and Lopez, Inc. proposes to utilize our structured business process methodology, experience, and knowledge in executing this engagement. Our approach places great emphasis on using only proven and experienced auditors and consultants to perform the services required by the City. The following is a summary of the approach to the different types of tasks that may be assigned under this RFP and expected deliverables and work products.

On a date desired by management in May 2022, audit procedures that will be accomplished during the planning stage include the following:

- Entrance conference with the Director of Administrative Services and other key City personnel to: review project and task objectives; review scope of services and data collection methodology; discuss documentation needed; collect available data and published materials; establish meeting and presentation schedule; discuss dates for interim and final fieldwork and coordinate and establish communication channels in accordance with SAS 114.
- Prepare a list of items needed (our workpapers are in electronic form, so electronic files for schedules and documents requested will be preferred but not required). Our request of items to be provided will conform to what the City has previously provided to its existing Auditor. Should we need additional information, we will work with City staff to minimize any additional work load to the City. Each associate is assigned a lap top for fieldwork and we use primarily Microsoft Word and Excel for our audit engagements. We will also establish materiality levels for the government-wide and fund financial statements.
- Thoroughly review all relevant documents and agreements (debt issues, leases, significant contracts, joint power agreements etc.) and prepare an audit plan that will include an audit program, audit procedures, and timeline for all audits. Levels of materiality will also be developed.
- Planning will continue throughout the audit and be constantly updated as issues and scope may change as the audit proceeds.

On a date desired by management in May or June 2022, audit procedures that will be accomplished during our interim fieldwork include the following:

- We will provide instructions for mailing out letters to confirm bank balances for cash and investments, attorneys, debt, material receivables, OPEB, PERS and risk management insurance.
- We will review internal controls of the main cycles (cash receipts, cash disbursements/ procurement, payroll, capital assets, IT, and treasury management) and assess controls risk in accordance with the risk auditing standards (SAS 103 to 111) and fraud risk standards (SAS 99). We will identify areas of potential concern to City management.

4. SPECIFIC AUDIT APPROACH (Continued)

- Review of attorney letters for significant legal matters affecting the City's financial position.
- Perform other substantive procedures on other significant revenues and expenditures.
- Ensure operating leases are properly recorded and classified.
- Perform final analytical reviews on balance sheet and income statement and investigate significant variances.
- Test pension plan and other post employment benefits to determine accordance with GASB 68 and 45, respectively.
- Test interfund balances and transfers.
- Test of joint ventures and developer agreements, if any.
- Determination of major and non-major funds for financial reporting purposes.

In October 2022, procedures that will be accomplished during the report preparation/review stage include the following:

- Single Audit Report (if needed), GAS or SAS 115 Internal Controls letter, and SAS 114 Communications letter in draft form will be developed and presented to City management for review. A schedule of adjusting journal entries will also be provided, if any. We will review the City's draft of the CAFR and make and edits as agreed to be the Director of Admin Services.
- After City approval of all reports, we will print, bind and mail final copies of report to the City.

Should the City meet the Single Audit criteria for expenditures of federal funding during the fiscal year, we would perform the following procedures in performing the Single Audit during both the interim and final stages of the audit:

- The following relevant federal and AICPA publications will be addressed:
 - The *OMB Title II-Uniform Grant Guidance* for grants issued after 12/26/14.
 - GAO *Government Auditing Standards* (Yellow Book)- 2018 Revision
 - AICPA *Audit and Accounting Guide Audits of State and Local Government Units* (1994 revision) and *Statement of Position 98-3, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*

5. CLOSING STATEMENT

Evolution in the financial services industry has been ponderously slow relative to the rest of the business sector. Many firms operate in the year 2022 with the same fundamental organization structure and approach to client service that they employed during the 1970's. However, the world is now a vastly different place. In today's business environment of high-speed telecommunications and information processing, a large bureaucratic structure can often bring client service to a grinding halt.

In response to this problem, we have created an accounting firm specifically designed and organized to serve a wide variety of companies. We provide the quality and depth traditionally associated with "Big Four" firms, while at the same time providing the security of attention and stability that is the hallmark of the local firm.

Every aspect of our practice is organized to respond to a changing environment and to prevent the "chains of bureaucracy" from inhibiting individual excellence and client service. For instance, our partners spend substantially more time on each client than "Big Four" or national firm directors. You will see your engagement partners almost daily during audit fieldwork. The bottom line is that more partner involvement means better service to you. This is our firm-wide and personal commitment to you.

Our net value philosophy is simple. A CPA firm should, over time, increase a client's efficiency and improve internal controls through informed business advice. To avoid tunnel vision syndrome, we operate with the intent of providing a net value to our clients in the form of recommendations and advice that may result in strengthening net assets for our clients.

In conclusion, we offer virtually all the services associated with the larger national firms but we provide these services on a personalized one-on-one basis and without unnecessary red tape or overhead. We are here to serve your needs.

Attachment A: Engagement Team Resumes

Ron K. Lopez, C.P.A. (CA License No. 82537)

Executive Summary

Mr. Lopez is a partner and has over 25 years of prior experience including several with a national firm. He has performed numerous financial statement, compliance, operational and performance audits of municipalities (including tribal governments and special districts), transit agencies, government grants (including single audits), other contracts and cooperative agreements, not-for-profit organizations, private companies (including manufacturing, franchising, software, medical receivables and more), ERISA (401k), medical expense reimbursement plans, real estate advisors and personal financial statements.

Mr. Lopez has comprehensive knowledge in all accounting principles, concepts and standards including GASB, FASB, SAS, GAS, GAAS and more. He has reviewed and evaluated entity's accounting policies, regulatory laws, internal controls and financial management systems and suggested areas of improvements in formal letters to clients and grantors. Documented matters pertaining to each phase of the risk assessment process for all cycles (i.e. payroll, cash receipts, cash disbursements, cash and investment reconciliation including wire transfers, journal entry preparation, and IT) that clearly demonstrated procedures performed, results, evidence obtained and conclusions reached. Mr. Lopez also performed quality control reviews of other CPA firms on behalf of federal government. Lastly, Mr. Lopez was one of the first audit managers to audit a local government using the GASB 34 module (City of Indian Wells, 1999).

Education:

B.A.- Cal State University Fullerton, Business Administration with an emphasis in Accounting.

Professional Work History:

1994-2004: Conrad and Associates, CPAs
2004-2008: Mayer Hoffman McCann
2008-2009: Glenn Gelman and Associates, CPAs
2009-Present: Gruber and Associates Inc.

Recent Audits of Municipalities (including Successor Agencies, Transit Agencies, Special Districts and OMB Uniform Grant Single Audits):

- Bell Gardens, Hawaiian Gardens, Villa Park, La Habra Heights, Newport Beach; Aliso Viejo; Rancho Santa Margarita; Laguna Woods; Carlsbad; Indian Wells; Fountain Valley Rancho Mirage; Solana Beach; National City; Escondido; Goleta; Lomita; Santa Monica; San Marcos; Big Bear Area Regional Wastewater Authority; Lake Arrowhead CSD; Big Bear CSD; Salt and Sea Water Authority, County of San Bernardino Special Districts, South Montebello Irrigation District, and more.

Recent Audits of Quasi Governmental and Nonprofit Organizations:

- Mexican Hass Avocado Board, Newport Beach Conference & Visitor's Bureau, Whittier First Day Coalition, Assistance League of Whittier, National Childhood Cancer Foundation (Curesearch), South County Outreach, Miracles for Kids, Grades of Green, Intercommunity Counseling Center, Community Legal Aid SoCal, Hass Avocado Board, Mexican Hass Avocado Importer's Association, Avocados from Mexico, Peruvian Avocado Commission, Substance Abuse Foundation of Long Beach, Center for Community Research, and more.

Matthew J. Lenton, C.P.A. (CA License No. 97111)

Executive Summary

Mr. Lenton is the Director of Audit and Accounting and has over 20 years of prior experience including several with a national firm where he was a Shareholder. He has performed numerous financial statement, compliance, operational and performance audits of municipalities (including tribal governments and special districts), transit agencies, government grants (including single audits), other contracts and cooperative agreements, not-for-profit organizations, private companies (including manufacturing, franchising, software, franchises and more), and ERISA (401k & 403b) plans.

Mr. Lenton has comprehensive knowledge in all accounting principles, concepts and standards including GASB, FASB, SAS, GAS, GAAS and more. He has reviewed and evaluated entity's accounting policies, regulatory laws, internal controls and financial management systems and suggested areas of improvements in formal letters to clients and grantors. Documented matters pertaining to each phase of the risk assessment process for all cycles (i.e. payroll, cash receipts, cash disbursements, cash and investment reconciliation including wire transfers, journal entry preparation, and IT) that clearly demonstrated procedures performed, results, evidence obtained and conclusions reached.

Education:

B.S.- California State Polytechnic University - Pomona, Business Administration with an emphasis in Accounting.

Professional Work History:

2001-2004: Conrad and Associates, CPAs
2004-2012: Mayer Hoffman McCann, PC
2012-2014: Whittaker & Company, CPAs
2014-Present: Gruber and Associates Inc.

Recent Audits of Municipalities (including Redevelopment Agencies, Transit Agencies, Special Districts and OMB Uniform Grant Single Audits):

- Bell Gardens, Villa Park, La Habra Heights, Hawaiian Gardens, Newport Beach; Rancho Santa Margarita; Indian Wells; Inglewood; Rancho Mirage; Compton; National City; Lomita; Beverly Hills; Highland; Housing Authority of the City of Los Angeles; Fresno Housing Authority; Lake Arrowhead CSD; County of San Bernardino Special Districts, South Montebello Irrigation District; and more.

Recent Audits of Quasi Governmental and Nonprofit Organizations:

- Mexican Hass Avocado Board; Newport Beach Chamber of Commerce; Community Service Programs, Inc.; California Family Life Center; National Childhood Cancer Foundation (Curesearch); Community Legal Aid SoCal; Substance Abuse Foundation of Long Beach; American College of Trial Lawyers, Orange Coast Interfaith Shelter; New Directions for Women; Orange County Conservation Corps; Order of the Eastern Star; Beverly Hills Chamber of Commerce; Orange YMCA; Laguna Art Museum; and more.

Recent Compliance, Performance and Program Specific Audits:

- Orange County -Healthcare Agency and Social Services Agency

Recent Continuing Education:

- Fraud, Local Government; Ethics, Non-profit Updates, Risk Assessment (SAS Nos. 103 thru 114); GASB Audit and Accounting updates; Advanced Government Financial Reporting; FASB updates; Single Audit updates.

Memberships: AICPA; California Society of CPA's.

Michelle Danaher

Executive Summary

Mrs. Danaher is the Director of Audit and Accounting and has over 25 years of prior experience including several with a national firm, and most recently as the Finance Director of the City of Villa Park for over 10 years. She has performed numerous financial statement, compliance, operational and performance audits of municipalities (including special districts), government grants (including single audits), other contracts and cooperative agreements, not-for-profit organizations, along with overseeing all financial decisions over the City of Villa Park (including preparing the CAFR, annual state controller reports, State and County compliance reporting, and annual City Budget).

Mrs. Danaher has comprehensive knowledge in all accounting principles, concepts and standards including GASB, FASB, SAS, GAS, GAAS and more. She has reviewed, evaluated, and written accounting policies, regulatory laws, internal controls and financial management systems and suggested areas of improvements to provide efficiencies within entities. In her management role at the City, she was the key individual who documented and created segregation of duties over internal controls in payroll, cash receipts, cash disbursements, cash and investment reconciliation including wire transfers, journal entry preparation, and IT.

Education:

B.S.- Biola University, La Mirada, Business Administration with an emphasis in Accounting.

Professional Work History:

1994-1999: Conrad and Associates, CPAs
1999-2004: Santa Margarita Water District
2004-2007: Mayer Hoffman McCann, PC
2007-2018: City of Villa Park
2018-Present: Gruber and Associates Inc.

Audits of Municipalities (including Special Districts and OMB Uniform Grant Single Audits):

- Villa Park, Costa Mesa, Orange County Water District, Carlsbad, Big Bear Area Regional Wastewater Agency, Palm Springs, San Bernardino and more.

Audits of Nonprofit Organizations:

- Girl Scouts of Orange County Olive Crest, Legal Aid Society of Orange County; Orange YMCA, Mexican Hass Avocado Board, Whittier First Day Coalition, Assistance League of Whittier, South County Outreach, Miracles for Kids, Grades of Green, Intercommunity Counseling Center, Community Legal Aid SoCal, Hass Avocado Board, Mexican Hass Avocado Importer's Association, Avocados from Mexico, Substance Abuse Foundation of Long Beach, Center for Community Research, and more.

Compliance, Performance and Program Specific Audits:

- Orange County -Healthcare Agency and Social Services Agency

Continuing Education:

- Fraud, Local Government; Ethics, Non-profit Updates, Risk Assessment (SAS Nos. 103 thru 114); GASB Audit and Accounting updates; Advanced Government Financial Reporting; Single Audit updates.

Memberships: CSMFO

Christopher Vincent Haro, C.P.A. (License No. 82294)

Executive Summary

Mr. Haro is a manager and has over 20 years of prior experience including several with a national firm. He has performed numerous financial statement, compliance, operational and performance audits of municipalities (including tribal governments and special districts), transit agencies, government grants (including single audits), other contracts and cooperative agreements, not-for-profit organizations, ERISA (401k), and more.

Mr. Haro has comprehensive knowledge in all accounting principles, concepts and standards including GASB, FASB, SAS, GAS, GAAS and more. He has reviewed and evaluated entity's accounting policies, regulatory laws, internal controls and financial management systems and suggested areas of improvements in formal letters to clients and grantors. Documented matters pertaining to each phase of the risk assessment process for all cycles (i.e. payroll, cash receipts, cash disbursements, cash and investment reconciliation including wire transfers, journal entry preparation, and IT) that clearly demonstrated procedures performed, results, evidence obtained and conclusions reached.

Education:

B.S.- Cal Poly Pomona, Business Administration with an emphasis in Accounting.

Professional Work History:

2000-2004: Conrad and Associates, CPAs

2004-2009: Mayer Hoffman McCann

2009-Present: Gruber and Associates Inc.

Recent Audits of Municipalities (including Redevelopment Agencies, Transit Agencies, Special Districts and OMB Uniform Grant Single Audits):

- Lomita; La Habra Heights, Bell Gardens, Hawaiian Gardens, San Diego Port District; San Carlos; San Bernardino; Aliso Viejo; Laguna Woods; Indian Wells; Indio; Solana Beach; Big Bear Area Regional Wastewater Authority; Lake Arrowhead CSD; Big Bear CSD; Saltwater Authority, San Gabriel Valley Mosquito and County of San Bernardino Special Districts.

Recent Audits of Quasi Governmental and Nonprofit Organizations:

- Red Cross of Orange County; Orange County Performing Arts Center; Friend of the Cerritos Center, Chapter 13 Bankruptcy Trustee; Chapter 7 Bankruptcy Trustees; Boys and Girls Club of Anaheim; Boys and Girls Club of Huntington Valley; Southern California Alcohol and Drug Programs, and more.

Recent Compliance, Performance and Program Specific Audits:

- Orange County -Healthcare Agency and Social Services Agency

Recent Continuing Education:

- Fraud, Local Government; Ethics, Non-profit Updates, Risk Assessment (SAS Nos. 103 thru 114); GASB Audit and Accounting updates; Advanced Government Financial Reporting; FASB updates; Single Audit updates.

Membership: AICPA

Attachment B: Quality Control Peer Review Report



SPAFFORD AND LANDRY CPAs

HERE TO MAKE THE COMPLEX SIMPLE.

Patrick D. Spafford, CPA
Todd C. Landry, CPA

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

December 14, 2021

California Society of CPAs
Peer Review Program Committee
1710 Gilbreth Road
Burlingame, CA 94010

Re: David L. Gruber and Associates, Inc., Post Issuance Review (Review #578810)

Dear Committee Members:

This letter is written to assist David L. Gruber and Associates, Inc. (the Firm) in complying with certain actions the Firm voluntarily agreed to take in connection with the California Society of CPAs (CalCPA) Peer Review Committee's acceptance of its 2020 peer review report, and response thereto.

The CalCPA Peer Review Committee accepted the Firm's June 30, 2020 peer review documents with the understanding that the Firm agreed to permit an outside party, acceptable to the Committee chair, to ascertain whether the Firm has implemented corrective actions on those matters discussed in the peer review report as described in its letter of response and communicate to the Committee in writing on the results of that review by December 31, 2021.

I performed the following procedures –

- a. I reviewed a copy of the Firm's June 30, 2020 peer review report, Finding for Further Consideration (FFC) form, responses thereto, and the acceptance letter describing the required actions.
- b. I reviewed the report, financial statements, and working papers of an engagement subject to *Government Auditing Standards*, including a compliance audit under the single audit act issued subsequent to the 2020 peer review to determine whether the engagement was performed in accordance with professional standards in all material respects. I documented my review by using the peer review checklists as prescribed by the Peer Review Board of the American Institute of Certified Public Accountants.
- c. While performing the procedures, I did not note any issues that required additional communication.

Overall, the firm has met its objectives as outlined in its letter of response. I would suggest the California Society's Peer Review Committee accept the firm's June 30, 2020 peer review with no further monitoring.

California Society of CPAs
Peer Review Program Committee
David L. Gruber and Associates, Inc., Post Issuance Review
Page 2 of 2

This letter is intended solely for the information and use of the California Society of CPAs Peer Review Committee and David L. Gruber and Associates, Inc. and is not intended as a substitute or replacement for the peer review documents issued by the review team on the Firm's June 30, 2020, peer review.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Spafford", is written over a faint, rectangular background stamp.

Patrick Spafford, CPA
Spafford & Landry, Inc.



1710 Gilbreth Road
Burlingame, CA 94010
(650) 522-3094
Fax: (650) 522-3080
peerreview@calcpa.org

December 21, 2021

David Gruber
David L. Gruber and Associates, Inc.
2030 Lemnos Dr
COSTA MESA, CA 92626-3536

Dear David Gruber:

On December 15, 2021, the California Peer Review Committee determined that your most recent peer review is complete.

The due date for your next review is December 31, 2023. This is the date by which all review documents should be completed and submitted to the administering entity.

Sincerely,

Peer Review Committee

Peer Review Program
The Peer Review Program Team
peerreview@calcpa.org
650-522-3094

cc: Patrick Spafford, Ronald Lopez
Firm Number: 900004847590

Review Number: 578810



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

FEBRUARY 10, 2022

CITY OF HIGHLAND

TECHNICAL PROPOSAL

PROFESSIONAL AUDITING SERVICES

FOR THE FISCAL YEARS ENDING JUNE 30, 2022, 2023, 2024,
2025 AND 2026

CONTACT PERSONS:

SCOTT W. MANNO, CPA, CGMA
smanno@ramscpa.net

BRAD WELEBIR, CPA, CGMA, MBA
bwelebir@ramscpa.net

909.889.0871

PREPARED BY
ROGERS ANDERSON MALODY & SCOTT, LLP
735 E Carnegie Drive, Suite 100
San Bernardino, CA 92408

LICENSE #2596
FEIN 95-2662063

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

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Attachment A: Government clients served



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

February 10, 2022

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

City of Highland
27215 Base Line
Highland, CA 92346

PARTNERS

Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Brenda L. Odle, CPA, MST (Partner Emeritus)

MANAGERS / STAFF

Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Thao Le, CPA, MBA
Julia Rodriguez Fuentes, CPA, MSA

MEMBERS

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

Employee Benefit Plan
Audit Quality Center

California Society of
Certified Public Accountants



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AlliottGlobalAlliance™

Dear Evaluation Committee:

We are pleased to respond, on behalf of Rogers, Anderson, Malody & Scott, LLP, (RAMS) to your request for a proposal regarding professional auditing services. As a recognized industry leader and innovator, our goal for the past 74 years has been to provide honest, objective and high-quality results to all our clients, including governmental organizations such as yours. Our success in these efforts is witnessed by the continued organic growth of our firm and our list of long-term clients, some we have served for over 20 years.

At RAMS, we are committed to achieving the highest quality audit possible. We understand the complexity of performing governmental audits and that is why we have a *dedicated team of auditors* that possess the specialized knowledge and experience to help ensure our audits are planned and executed in a way that maximizes audit efficiency and effectiveness and provides you the highest quality services.

We are aware that the City of Highland (the City) will be reviewing other proposals during this process, but we believe that RAMS would be an exceptional choice for the audit for the following reasons. Our firm:

- Utilizes *Teammate Analytics*, a suite of more than 200 Computer Aided Audit Tools (CAATs). This software empowers our audit teams with the ability to perform powerful, meaningful data analysis which builds upon our other robust, substantive audit procedures. This value-added service also helps to identify specific transactions or amounts which may be indicative of fraud.
- Performs an intelligent, risk-based audit (using our CAAT) which enables us to focus on key audit areas allowing us to become more efficient resulting in a higher quality audit at a reasonable fee.
- Currently provides auditing services to over 70 governmental agencies and not-for-profit organizations, including over 30 cities, most of which have enterprise activities and over 35 special districts.
- Developed a comprehensive remote working environment for our audits. All our staff currently have the tools for working remotely in an effective and efficient manner allowing us to still provide a quality audit. Our ultimate goal is to continue to meet your needs, but in a safe environment.
- Has an established reputation in the governmental and not-for-profit accounting and auditing community for providing excellent, timely service with high quality reporting to our clients.
- Is committed to helping you meet all reporting/auditing deadlines, resolving any issues encountered during your audit (e.g., accounting or auditing, new pronouncements, etc.), and providing you with quality audit services.

- Understands the audit process can be a stressful experience for you and your staff; we understand that you will have other commitments and your regular workloads during the audit. We make every effort to ensure the audit process, from the interim fieldwork to the preparation of any required financial reports, will be as trouble-free as possible for you and your staff. We accomplish this by comprehensively planning the audit and utilizing our staff and audit technologies in the most efficient and effective manner while keeping disruptions and miscommunications to a minimum.
- Has audit team members that are personable and easy to work with, yet still focused on the audit. Through open and responsive communication with all parties involved in the audit process, we work to have the most efficient audit possible by minimizing operational distractions of your staff, while maximizing quality service.
- Has an extensive internal quality control review process to ensure your financial reports meet the highest standards. In addition to the preparation of financial reports by the engagement team and reviewed by the engagement manager, *each report is also examined by 2 partners and at least 1 professional proofreader.*
- Has assisted many of our clients with the preparation of their Annual Comprehensive Financial Reports, and all our clients that have submitted their reports for the Government Finance Officers Association (GFOA) or California Society of Municipal Finance Officers (CSMFO) awards have received the awards. Our participation as a GFOA reviewer also indirectly benefits our clients in the quality review process.
- Believes that our fee estimate provides a fair and reasonable investment, commensurate with level of service provided and the experience of the audit team members. While we may not be the lowest bidder, that is not our objective. We focus on delivering the best value and price our prospective engagements accordingly.
- Is a local Southern California firm. All our employees live, work, and shop in the region, allowing our local cities to benefit from our sales and property taxes.

As you will see from our proposal, it was prepared in a clear, concise and simple manner in accordance with the request for proposal. We feel our firm, staff and reputation as a leader in governmental auditing exceeds the need for the excess information you may see in other proposals.

Rogers, Anderson, Malody & Scott, LLP is properly licensed to practice in California, including all the assigned professional staff to the engagement. Mr. Welebir, Partner, and Mr. Manno, Partner, are authorized to represent the firm, are empowered to submit the bid and authorized to sign a contract with the City. We understand the work to be done as listed in the section of this proposal titled *Services to be provided*. In addition, we will be committed to meeting any agreed upon time frames.

We can be reached at: 735 E. Carnegie Drive, Suite 100, San Bernardino, CA 92408, (909) 889-0871, bwelebir@ramscpa.net or smanno@ramscpa.net.

Thank you for the opportunity to present our proposal to the City. We will be committed to exceeding your expectations of an auditor and believe this proposal provides you with information about our firm, the service team members and our customized audit approach. We look forward to having a long and mutually beneficial relationship with the City. Please feel free to contact us if you have any questions regarding this proposal.

Respectfully yours,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



Scott W. Manno, CPA, CGMA
Partner

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

License to practice in California

Rogers, Anderson, Malody & Scott, LLP is licensed to practice in the State of California. Our key professional staff, which includes the partners, managers, and supervisors, are all certified public accountants licensed to practice in the State of California and follow all applicable Board of Accountancy standards.

Independence

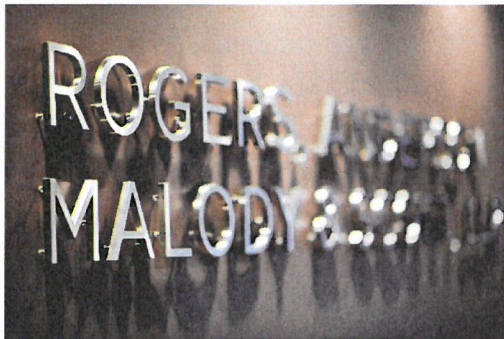
Rogers, Anderson, Malody & Scott, LLP is independent of the City and any component units, as defined by general standard number two of the generally accepted auditing standards, and by the second general standard for government auditing in the U.S. Government Accountability Office's *Government Auditing Standards*.

We have not had any professional relationships with the City within the past five (5) years.

Firm qualifications and experience

About our firm

We are a local firm founded in 1948 and located at 735 E. Carnegie Drive, Suite 100, San Bernardino, California. We provide a full range of services as expected of a full-service accounting firm. We are one of the



oldest, most trusted and respected CPA firms in Southern California, with over 73 years of public practice experience, specializing in governmental agency and not-for-profit organization auditing, accounting, and management advisory services. Over *sixteen thousand hours per year* are devoted to this area of our practice, which includes cities, redevelopment successor agencies, water districts, other special districts, not-for-profit corporations, and joint power authorities. We do not use our government accounting and auditing practice as "fill work" for the firm, it is one of our primary focuses thus allowing us to provide quality services to local governments.

We understand your desire engage auditors that have a thorough understanding of the ever-changing complex accounting and compliance issues confronting governments today. Our firm has an extensive history of governmental accounting and auditing. During that time, we have gained valuable experience, acquired an in-depth knowledge of, and obtained the technical expertise needed to perform high quality governmental audits. This expertise has enabled us to provide exceptional, high-quality service and to provide solutions at fees we feel represent our value to our clients. In addition, we use our participation in various industry associations to continuously update our knowledge with respect to issues relating to governmental accounting, auditing, and operations. Any insight we gain is immediately passed on to our clients if we feel they will benefit from it.

Our firm has a total staff of thirty-nine people, which includes fifteen certified public accountants. The staff consists of five partners, three managers, ten supervisors/senior accountants, sixteen staff accountants, and five support staff. The audit staff consists of twenty-one members who devote over 80% of their time to municipal engagements. The engagement team assigned to the City's engagement will consist of the following full-time staff: one audit partner, one audit manager, one audit supervisor/senior, and two to three staff auditors. All personnel are out of our San Bernardino office.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm qualifications and experience (continued)

Range of services

Our firm provides various other services in addition to auditing services to governmental entities, including:

- SB 341 compliance (Successor Agencies)
- Internal control agreed upon procedures
- Finance director and accounting support services
- Study and evaluation of financial condition and fiscal policies
- Transient Occupancy Tax agreed upon procedures
- Franchise (refuse, cable) agreed upon procedures
- Accounting policies and procedures
- Cash management studies
- Financing and public bond offering assistance
- Franchise agreement assistance (ambulance, cable, television, refuse, etc.)

In addition, the firm provides accounting, auditing, attest, and consulting services to for profit and not-for-profit entities. We also provide tax preparation and tax consulting services to individuals, corporations, and partnerships. **We provide our municipal audit clients tax consultation at no extra charge.**

Governmental Audit Quality Center

As a member of the American Institute of CPAs *Governmental Audit Quality Center* (Center), we are committed to adhering to the highest quality standards by voluntarily agreeing to the Center membership requirements, which include designating a partner responsible for the quality of our governmental audit practice, establishing quality control programs, performing annual internal inspection procedures, and making our peer review report findings publicly available. At RAMS, our goal is to continue to enhance our quality initiatives within our governmental audit practice to deliver the highest quality audit services possible.

In addition, the *Governmental Audit Quality Center* provides access to comprehensive resources that will assist us in further enhancing the quality of your audit. The Center membership provides us with timely information on a variety of technical, legislative, and regulatory subjects that we can in turn apply to your audit to help ensure compliance with the appropriate standards and changes in regulations which we pass on to our clients.

Housing Authority and Successor Agency experience

Over the past five fiscal years, the firm has audited the Housing Authorities and Successor Agencies for the following entities:

City of South Pasadena
City of Thousand Oaks
City of San Marcos
City of Moorpark
City of Fillmore
City of Sierra Madre
City of El Cajon
Town of Yucca Valley
City of Poway

City of San Bernardino
City of La Verne
City of San Jacinto
City of Twentynine Palms
City of La Mesa
City of Rosemead
City of Hawthorne
City of West Covina
City of Claremont

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm qualifications and experience (continued)

Single audit experience

Most of our municipal clients, and some of our other governmental and not-for-profit clients, have been subject to an audit in accordance with *Uniform Guidance*. We recently performed single audits for the following entities:

Elsinore Valley Muni. Water District	City of San Bernardino
City of El Cajon	City of La Mesa
City of San Marcos	City of West Covina
City of Poway	City of Twentynine Palms
City of Fillmore	City of Woodlake
City of Exeter	City of Rosemead
City of La Verne	City of Hawthorne

Our specialized Single Audits Team is led by Managers and Supervisors with Intermediate and Advanced Single Audit Certifications issued by the AICPA guaranteeing a successful and thorough engagement.

ACFR preparation

We have extensive experience in the preparation of Annual Comprehensive Financial Reports (ACFR). For the fiscal years ended June 30, 2019 and 2020, our staff prepared over 20 ACFR's, with each entity receiving the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. For the fiscal year ended June 30, 2021, again, our staff prepared 29 ACFR's for our clients for submittal to the GFOA. In addition, we have helped many cities and special districts develop their first year's report for submittal. Two of our audit partners and four of our supervisory staff are technical reviewers for the GFOA award program. **In addition, we review all the ACFR's for compliance with the GFOA certificate program checklist, as well as addressing any prior year comments, if applicable, to insure they have been addressed.**

Engagement quality control

We have an extensive internal quality control review process to ensure your audit meets the highest standards. In addition to the preparation of financial reports by a senior member of the engagement team, each report is reviewed by the engagement manager/supervisor and then is examined by the engagement partner. Subsequently, a technical review is then performed by the engagement Quality Control partner along with being proofread by at least one professional staff. In addition, all audit workpapers are reviewed by the in-charge auditor and the partner in-charge of the engagement.

Equal Opportunity Employer

Our firm is an equal opportunity employer and is committed to providing employment opportunities to all qualified persons regardless of race, color, sex, religion, national origin or handicap. Our staff represents a wide range of cultures and ethnic backgrounds. We provide opportunities for advancement for all staff based on ability, skill and desire to advance.

Current municipal clients

Please see Appendix A.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Firm qualifications and experience (continued)

External quality control review

As a member of the AICPA Private Companies Practice Section, our firm has participated in the "Peer Review" program since 1993 and has been examined every three years since that date by an outside, independent firm of certified public accountants. Participation in this program ensures that our engagements, firm policies, and audit procedures meet the standards of the AICPA, the Yellow Book, and the California State Board of Accountancy. Throughout our participation in this program, *the firm has only received pass ratings from the peer reviewers.*

During each review, an independent firm reviews our policies and procedures and then inspects a representative sample of engagement workpapers and reports, including governmental entities and engagements subject to the *Uniform Guidance*. For the year ended November 30, 2020, our firm received a rating of *pass* which indicates our auditing practice is suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable standards. The results provide confirmation that the custom audit approach and procedures we use are technically sound and in compliance with applicable standards.

Disciplinary action

The firm **has never** had any disciplinary action taken or pending against it with state regulatory bodies or professional organizations, nor has it ever had any pending or settled litigation, civil or criminal investigations. In addition, we are not aware of any federal or state desk reviews or field reviews of its audits during the last three years.

Our firm does not have a record of substandard work.

In addition to the external quality control review, our firm performs in-house monitoring procedures, which mirror the outside peer review procedures, over our audit and attest engagements annually.

Grant Bennett Associates

A PROFESSIONAL CORPORATION

Report on the Firm's System of Quality Control

June 4, 2021

To the Partners of Rogers, Anderson, Malody & Scott, LLP, and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP (the firm) in effect for the year ended November 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

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

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP in effect for the year ended November 30, 2020, 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*. Rogers, Anderson, Malody & Scott, LLP has received a peer review rating of *pass*.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants



10850 Gold Center Drive, Suite 260
Rancho Cordova, CA 95670
916/922-5109 FAX 916/641-5200

Princeville, HI 96722
888/769-7323

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Partner, supervisory, and staff qualifications and experience

The quality of service you receive is dependent on the capabilities of the individuals assigned to the engagement, and the manner in which those personnel resources are organized to efficiently focus their abilities on providing you with the requested audit services. These professionals are highly trained and knowledgeable and have a thorough understanding of the environment in which governmental and not-for-profit entities operate. This experience is a critical component in providing the City with an effective and efficient audit.

Our engagement team will provide significant experience coupled with an extensive, practical understanding of governmental accounting and auditing along with a broad business perspective. Each member will have access to a wide range of technical resources and knowledge bases which will enable them to provide the City with practical observations and effective solutions.

Partner and supervisory staff involvement

All partners and supervisory staff are working professionals and are actively and continually involved in all aspects of their engagements. We believe that partner and supervisory staff involvement in all areas of the audit is a key aspect of the overall audit process. This involvement includes being on-site for interim and year-end fieldwork, thus facilitating a proper, efficient, and effective audit, with minimal disruption of your staff. In addition, the time spent on-site by the partners and supervisory staff ensures they gain an understanding of the entire City's accounting processes and procedures. This understanding will enable them to evaluate and develop opportunities for efficiency, as well as offer practical and functional advice for improving your accounting processes and procedures.

All professionals on this engagement have worked on audits similar in nature to the City's, therefore, the City will not have to train our engagement team.

Staff continuity

Continuity of audit staff is a principal concern with our firm. In order to retain our staff, we offer extremely competitive wages, opportunities for advancement, generous medical packages, a retirement plan, bonus opportunities, as well as educational benefits. Even with the benefits we provide, we realize we may lose staff at any given time. Knowing this, we plan to provide staff continuity from year to year, which is in the best interest of the City and our firm. Continuity ensures an orderly, efficient, and less disruptive audit experience. Since we cannot guarantee staff will remain with us, principal supervisory and management staff, including engagement partners, managers, other supervisory staff, and specialists, may be changed if those personnel leave the firm or are promoted. **However, the City reserves the right to accept or reject replacements.**

We believe that due to the significant involvement of the partners on all our engagements, any staff transition would have a minimal effect on the audit efficiency and effectiveness of subsequent years.

Continuing professional education

Our team of auditor specialists stays current in this highly technical practice area by adhering to, and typically exceeding, the continuing professional education requirements of *Government Auditing Standards* as well as the State Board of Accountancy guidelines. All professionals at our firm participate in continuing professional education (CPE) programs, which are sponsored by various organizations including the Government Finance Officers Association, the American Institute of Certified Public Accountants, the California State Society of Certified Public Accountants, the California Society of Municipal Finance Officers and the Association of Government Accountants. Participation in these programs helps us to ensure that our clients are serviced with the best trained and most proficient government auditors and accountants available. In addition, we periodically provide in-house training taught by our partners and senior level staff using published resources. All staff are required to attend fraud and ethics training. It is our goal to provide our professional staff continuing education which exceeds the minimum standard of 80 hours over two years.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Partner, supervisory, and staff qualifications and experience (continued)

In accordance with our firm's Quality Control document and *Government Auditing Standards (GAS)*, all staff members who work on audits subject to GAS are required to complete CPE in accordance with GAS standards which require 24 hours directly related to governmental accounting and auditing.

In addition to the required CPE, we also use the following to increase our technical knowledge: view the Governmental Audit Quality Center Annual Webcast Update and other relevant seminars and review monthly publications from the AICPA, the GFOA, and various other resources. We also attend conferences and seminars sponsored by the GFOA, California Society of Municipal Finance Officers, California State Society of Certified Public Accountants and the California Special Districts Association.

Assigned personnel

It is our goal to provide you with capable, competent, and personable individuals who offer an extensive background, not only in governmental accounting and auditing, but also in general business practices. By doing so, it allows us to offer practical solutions, as well as provide technical support. This enables you to stay at the forefront of governmental accounting and provides you with the support you need in dealing with the complex issues confronting entities such as yours.

In addition, our engagement team has the managerial and supervisory experience to provide the City with a comprehensive audit of the highest quality, while still focusing on personal service. The resumes of the key engagement personnel assigned to the audit are presented below. The following individuals will be assigned to the engagement for the entire contract period (see staff *Continuity* section of this proposal):

Scott W. Manno, CPA, CGMA - Partner, Engagement Partner

Scott is a municipal audit partner with the firm and will be the engagement partner. He is licensed to practice as a certified public accountant in the State of California. He has been in public accounting for over 25 years specializing in serving local governments such as yours. As the engagement partner, he will be responsible for overall engagement quality, as well as ensuring that the engagement is performed in the most effective and efficient manner. Scott will directly oversee all engagement staff while assisting in planning and performing the engagement, as well as reviewing all work-papers prepared during the engagement, in addition to all required reports. Scott is a working partner and will be actively and continually involved in all aspects of the engagement.

Brad A. Welebir, CPA, CGMA, MBA - Partner, Concurring Partner

Brad is also a municipal audit partner with the firm. He is licensed to practice as a certified public accountant in the State of California. Brad has over 18 years of public accounting experience and has provided accounting, auditing, and consulting services for municipalities, special districts, water agencies, and various not-for-profit organizations. As the concurring partner, Brad will work directly with Scott in planning and performing the engagement. In addition, he will provide technical consultation for the engagement team.

Gardenya Duran, CPA, CGMA - Engagement Manager

Gardenya is a manager with the firm and is licensed to practice as a certified public accountant in the State of California. Gardenya has over 11 years' experience in providing accounting and auditing services for municipalities, special districts and various nonprofit organizations. As the engagement manager, she will work directly with the audit in-charge and partner, while supervising the engagement team during all phases of the engagement. In conjunction with the audit in-charge, she will also oversee the preparation of any required reports.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Partner, supervisory, and staff qualifications and experience (continued)

Veronica Hernandez, CPA - Audit Supervisor

Veronica is a supervisor with the firm. She is licensed to practice as a certified public accountant in the State of California. Veronica has over 6 years' experience in providing accounting and auditing services for municipalities, special districts and various not-for-profit organizations. As an audit supervisor, Veronica will work closely with the engagement partner and manager and be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all work-papers prepared for the engagement. In addition, she will also be responsible for the preparation of any required reports.

Staff level accountants

All staff accountants employed by us and working on governmental audits are qualified to perform such audits. Prior to "audit season", our staff are subject to a rigorous training regimen in which we go over all aspects of our audit process and audit programs ensuring staff members have a solid foundation prior to starting fieldwork. Each staff member is encouraged to take on increased responsibility for engagements previously worked on. This enables our staff to grow on each engagement and allows them to continue to gain the skills and knowledge required to perform the audits.

In summary, we want to emphasize the credentials of the above professionals who will be directly responsible for the quality of service that you will receive. Additionally, our audit team has another attribute that is very important, even though it is intangible -- the professionals assigned to the audits have previously worked together as a multi-disciplined team, thus ensuring a smooth, efficient, and effective audit. We are committed to allocating the necessary resources to ensure that we provide continuity of personnel throughout the term of our relationship with the City.

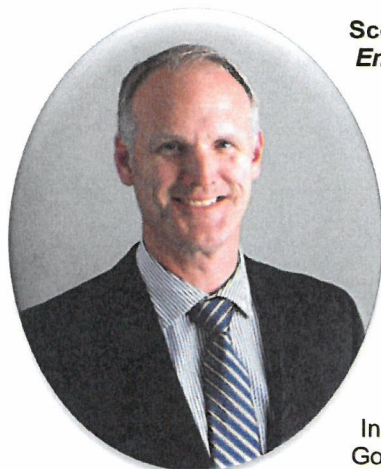
Full engagement team resumes are provided as follows.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Partner, supervisory, and staff qualifications and experience (continued)

Engagement team resumes



Scott W. Manno, CPA, CGMA
Engagement Partner

Professional experience

Mr. Manno began his career with Thomas, Bigbie and Smith in 1995 after serving in the United States Army. He spent six years with the firm primarily working on audits of municipalities, special districts and redevelopment agencies as well as various not-for-profit organizations. He joined Rogers, Anderson, Malody & Scott, LLP in July 2001. Currently, Mr. Manno serves as a technical reviewer for the GFOA ACFR Award program. Since 2010, Mr. Manno has been serving as a technical volunteer on the California Special Districts Association Audit Committee and is also on the Association's fiscal committee providing accounting and fiscal program guidance. Also, Mr. Manno has done presentations on fraud.

In addition, he is part of the California State Society of Certified Public Accountants Governmental Accounting and Auditing Committee which meets periodically to discuss current events, pronouncements, etc.

Education/licenses

Bachelor of Science, Business Administration – California State University, San Bernardino

Certified Public Accountant – State of California

Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of relevant governmental agencies served (*includes enterprise fund accounting):

City of El Cajon*	Town of Yucca Valley	City of La Mesa*	City of La Verne
City of Sierra Madre*	City of Fillmore*	City of Chino*	City of 29 Palms
City of Moreno Valley*	City of Beaumont*	City of San Marcos*	City of Loma Linda*
City of Claremont	City of Perris*	City of Exeter*	City of Woodlake*
City of San Jacinto*	City of Menifee	City of Rolling Hills Est.	City of Poway*

Mr. Manno has completed over 170 hours of continuing professional education courses over the past three years of which the following select courses are relevant to this engagement:

- ♦ Audits of State and Local Governments
- ♦ Government Accounting and Auditing Update
- ♦ OMB Supplement Addendum and Latest Covid-19

Professional affiliations

Mr. Manno is a member of the following organizations:

- ♦ American Institute of Certified Public Accountants (AICPA)
- ♦ California Society of Certified Public Accountants (CalCPA)
- ♦ Association of Government Accountants (AGA)
- ♦ Association of Certified Fraud Examiners (ACFE)
- ♦ Government Finance Officers Association (GFOA)
- ♦ California Special Districts Association (CSDA)
- ♦ California Society of Municipal Finance Officers (CSMFO)

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Partner, supervisory, and staff qualifications and experience (continued)



Brad A. Welebir, CPA, CGMA, MBA
Quality Control Partner

Professional experience

Mr. Welebir joined Rogers, Anderson, Malody & Scott, LLP in 2004. He primarily provides audits and advisory services to governmental agencies, small to mid-sized businesses, and not-for-profit organizations. Mr. Welebir serves as a technical reviewer for the GFOA ACFR Award program. He also serves as the CalCPA Inland Empire chapter chair of the governmental accounting and auditing committee and as the representative for the chapter at the state committee.

Education/licenses

Master of Business Administration, Accounting Emphasis – California State University, Fullerton
Bachelor of Arts in Business Administration – La Sierra University
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of relevant governmental agencies served (*includes enterprise fund accounting):

City of Twentynine Palms	City of Loma Linda*	City of San Bernardino	City of La Verne
City of Sierra Madre*	City of Fillmore*	City of Poway*	City of Poway
City of Moorpark*	City of Rosemead	City of Redondo Beach*	City of San Marcos*
City of Claremont	Town of Yucca Valley	City of Aliso Viejo	City of San Jacinto*

Continuing professional education

Mr. Welebir has completed over 120 hours of continuing professional education courses in the past three years of which the following select courses are relevant to this engagement:

- ◆ Governmental Accounting and Auditing Update
- ◆ Single Audit Update
- ◆ Auditing Fraud Risk in the Current Environment
- ◆ Annual Conference Sessions
- ◆ GAAP Update

Professional affiliations

Mr. Welebir is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ Government Finance Officers Association (GFOA)
- ◆ California Society of Municipal Finance Officers (CSMFO)
- ◆ California Special Districts Association (CSDA)

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Partner, supervisory, and staff qualifications and experience (continued)

Gardenya Duran, CPA, CGMA
Audit Manager



Professional experience

Mrs. Duran joined Rogers, Anderson, Malody & Scott, LLP in June 2010. She works primarily on audits of governmental agencies, small to mid-sized businesses, and nonprofit organizations. Currently, Mrs. Duran serves as a technical reviewer for the GFOA ACFR Award program. Prior to joining our firm, she was an Information Systems Technician in the U.S. Navy for nine years.

Education/licenses

Bachelor of Science – California State University, San Bernardino
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of relevant governmental agencies served (*includes enterprise fund accounting):

City of Hawthorne*	City of El Cajon*	City of Aliso Viejo	City of Capitola
City of Poway*	City of San Jacinto*	City of San Bernardino	City of S. Pasadena
City of Canyon Lake	City of San Marcos*	City of Redondo Beach*	City of West Covina*
City of La Mesa	City of Thousand Oaks*	City of Claremont*	

Continuing professional education

Mrs. Duran has completed 120 hours of continuing professional education courses in the past three years of which the following select courses are relevant to this engagement:

- ♦ Audits of State and Local Governments
- ♦ Foundations in Governmental Accounting
- ♦ Governmental Accounting and Auditing Update
- ♦ Applying A-133 to Nonprofit and Governmental Organizations

Professional affiliations

Mrs. Duran is a member of the following professional organizations:

- ♦ American Institute of Certified Public Accountants (AICPA)
- ♦ California Society of Certified Public Accountants (CalCPA)
- ♦ Government Finance Officers Association (GFOA)
- ♦ California Society of Municipal Finance Officers (CSMFO)

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Partner, supervisory, and staff qualifications and experience (continued)



Veronica Hernandez, CPA
Audit Supervisor

Professional Experience

Ms. Hernandez is an Audit Supervisor with the firm. She has over 5 years' experience in providing accounting and auditing services for municipalities, special districts and various nonprofit organizations.

Education

Bachelor of Science – California State University, San Bernardino
Certified Public Accountant – State of California

Related professional experience

Partial listing of relevant governmental agencies served (*includes enterprise fund accounting):

City of El Cajon*
City of Aliso Viejo
City of Hawthorne
City of San Marcos*

Town of Yucca Valley
City of Moorpark*
City of Claremont
City of Moreno Valley*

City of La Verne*
City of San Jacinto*
City of Beaumont*
City of Redondo Beach*

City of West Covina*
City of La Mesa*
City of Poway*
City of Fillmore*

Continuing Professional Education

Ms. Hernandez has completed over 100 hours of continuing professional education courses over the past two years of which the following select courses are relevant to this engagement:

- ◆ Fiduciary Activities
- ◆ For the love of Leases
- ◆ GASB Updates
- ◆ Lease Trilogy
- ◆ Pandemic-Related Single Audit Issues and Other Single Audit Updates

Professional affiliations

Ms. Hernandez is a member of the following professional organizations:

- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)
- ◆ California Society of Municipal Finance Officers (CSMFO)

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Similar engagements with other governmental entities

Most significant engagements

Entity:	City of San Bernardino
Scope of work:	Financial Audit/ACFR/Single Audit
Date:	Year ending June 30, 2020
Engagement partner:	Mr. Terry Shea
Total hours:	Approximately 550 hours each year
Contact person:	Ms. Barbara Whitehorn, Finance Director, (909) 384-5242 Whitehorn_Ba@sbcity.org
Address:	290 North D Street, San Bernardino, CA 92401
Entity:	City of Thousand Oaks
Scope of work:	Financial Audit/ACFR*/Successor Agency/Single Audit
Date:	Years ending June 30, 2018 - present
Engagement partner:	Mr. Terry Shea
Total hours:	Approximately 420 hours each year
Contact person:	Ms. Elisa Magana, Accounting Manager, (805) 449-2216
Address:	2100 Thousand Oaks Blvd., Thousand Oaks, CA 91362
Entity:	City of El Cajon
Scope of work:	City ACFR*/Successor Agency/Public Financing Authority/Single Audit/GANN limit/Measure O
Date:	Years ending June 30, 2008 - present
Engagement partner:	Mr. Scott Manno
Total hours:	Approximately 400 hours each year
Contact person:	Ms. Victoria Danganan, Finance Manager, (619) 441-1763
Address:	200 Civic Center Way, El Cajon, Ca 92020
Entity:	City of Beaumont
Scope of work:	Financial Audit/Single Audit
Date:	Year ending June 30, 2020
Engagement partner:	Mr. Scott Manno
Total hours:	Approximately 400 hours each year
Contact person:	Mr. Jennifer Ustation, Finance Director, (951) 572-3236
Address:	550 E. 6th Street, Beaumont, CA 92223
Entity:	City of Menifee
Scope of work:	Financial Audit/ACFR*
Date:	Years ending June 30, 2014 - present
Engagement partner:	Mr. Scott Manno/Mr. Terry Shea
Total hours:	Approximately 350 hours each year
Contact person:	Ms. Wendy Preece, Deputy Finance Director, (951) 672-6777
Address:	29844 Haun Road, Menifee, CA 92586

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Similar engagements with other governmental entities

Client references

Entity:	City of El Cajon
Scope of work:	City ACFR*/Successor Agency/Public Financing Authority/Single Audit/GANN limit/Measure O
Date:	Years ending June 30, 2008 - present
Engagement partner:	Mr. Scott Manno
Total hours:	Approximately 400 hours each year
Contact person:	Ms. Victoria Danganan, Finance Manager, (619) 441-1763
Address:	200 Civic Center Way, El Cajon, Ca 92020
Entity:	City of Rolling Hills Estates
Scope of work:	Financial Audit/ACFR*
Date:	Years ending June 30, 2019 - present
Engagement partner:	Mr. Scott Manno
Total hours:	Approximately 250 hours each year
Contact person:	Mr. Mike Whitehead, Admin. Services Director, (310) 377-1577, ext.112
Address:	4045 Palos Verdes Drive North, Rolling Hills Estates, CA 90274
Entity:	Town of Yucca Valley
Scope of work:	Financial Audit/ACFR*/Successor Agency
Date:	Years ending June 30, 2008 - present
Engagement partner:	Mr. Scott Manno/Mr. Brad Welebir
Total hours:	Approximately 350 hours each year
Contact person:	Mr. Curtis Yakimow, Town Manager (760) 369-7207
Address:	57090 Twentynine Palms Highway, Yucca Valley, CA 92284
Entity:	City of Exeter
Scope of Work:	Financial Audit/Transportation Fund Audit
Date:	Years ending June 30, 2018 - present
Engagement partner:	Mr. Scott Manno
Total hours:	Approximately 200 hours each year
Contact Person:	Mr. Steve Pressley, CPA, Consultant, (805) 481-7474
Address:	100 North C Street, Exeter, CA 93221
Entity:	City of San Jacinto
Scope of work:	Financial Audit/ Single Audit/Successor Agency
Date:	Years ending June 30, 2011 - present
Engagement partner:	Mr. Scott Manno/Mr. Terry Shea
Total hours:	Approximately 300 hours each year
Contact Person:	Mr. Tom Prill, Deputy City Manager, (951) 487-7330
Address:	595 S. San Jacinto Avenue, San Jacinto, CA 92583

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Similar engagements with other governmental entities

Clients no longer served

Entity:	City of West Covina
Scope of work:	ACFR*/Successor Agency/Single Audit/GANN limit
Date:	Years ending June 30, 2016 - 2020
Engagement partner:	Mr. Scott Manno
Total hours:	Approximately 400 hours each year
Reason no longer served:	Normal bidding process
Contact person:	Ms. Robbyn Bird, Finance Director (626) 939-8400

Entity:	City of Poway
Scope of work:	Financial Audit/ACFR*/Successor Agency
Date:	Years ending June 30, 2014 - 2018
Engagement partner:	Various
Total hours:	Approximately 350 hours each year
Reason no longer served:	Normal bidding process
Contact person:	Mr. Aaron Beanan, Director of Finance, (858) 668-4411

Since we have served these clients over the past several years, there is no guarantee the contact person listed is the same individual our firm dealt with during our audits. In addition, we have only listed two since we have not lost any government clients for any reason over the past two-three years, except those listed above.

* = received GFOA award.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Specific audit approach

Services to be provided

The City desires the auditor to express an opinion(s) on the fair presentation of the financial statements for the following: the City of Highland in accordance with generally accepted accounting principles.

In addition, we shall:

- Prepare the financial statements (ACFR).
- Apply certain limited procedures related to Management's Discussion and Analysis and Required Supplementary Information and provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules, if applicable.
- Provide opinions as to the compliance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (OMB Uniform Guidance). RAMS is to provide an "in-relation-to" report on the Schedule of Expenditures of Federal Awards based on the auditing procedures applied during the audit of the financial statements.
- Test compliance with Article XIII B pertaining to the City's appropriation limit and prepare an Agreed-Upon Procedures report to the City Council regarding compliance.

Our audit(s) will be in accordance with:

- Generally Accepted Auditing Standards as promulgated by the American Institute of Certified Public Accountants, including requirements found in the most recent AICPA audit guide *Audits of State and Local Governments*.
- *Government Auditing Standards* issued by the Comptroller of the United States of America.
- Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (OMB Uniform Guidance).
- Any other applicable standards for other items outlined in the Scope of Work to be performed and/or reports to be issued.

Reports to be issued:

- A report on the fair presentation of the financial statements in conformity with GAAP.
- A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* (material weaknesses or significant deficiencies).
- A report in compliance with requirements applicable to each major federal program and internal control over compliance in accordance with the *Uniform Guidance*.
- Prepare Management Letter that includes significant and less significant (i.e., reportable and non-reportable) recommendations for improvements to internal control.
- We will issue reports to those charged with governance (SAS 114 letters) as required by auditing standards.

RAMS will also perform the following:

- Make an immediate, written notification of all irregularities and illegal acts or indication of illegal acts of which we become aware to the following: City Council, City Manager, City Attorney, and the Director of Administrative Services.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Specific audit approach (continued)

Engagement approach

Our engagement approach for your audit will be developed, in part, by using established goals which will enable measurement of the audits progress by the engagement partner and lead auditor. This involves frequent communication between the partner and the engagement team to ensure that all audit objectives are achieved in accordance with our goals and that any issues which may arise are communicated and dealt with on a timely basis. In addition, our in-depth knowledge and expertise in governmental accounting and auditing has allowed us to identify key audit and accounting risks in the government environment. More importantly, the approach provides for a complete reassessment of the control environment in each year's audit and thus enables us to respond to any needed risk assessment changes.

Our engagement approach has been developed and refined over many years. The foundation of our approach revolves around the following:

- **Knowledge and experience.** We have been auditing governmental entities like the City, both large and small, for over 74 years. This experience has allowed us to gain in-depth knowledge of the governmental environment which in turn allows us to perform a more efficient and effective audit. It also enables us to perform detailed risk assessment procedures allowing us to identify significant audit risk areas within the City and its control environment.
- **Intelligent design:** As discussed later in our proposal, all our audits are designed to be intelligent using our powerful audit software/data analytic tools (Engagement and *Teammate Analytics*). This allows us to analyze large amounts of data in seconds increasing both the efficiency and, more importantly, the effectiveness of all our audit engagements.
- **Oversight.** Professional judgment is not developed overnight. Our partners, managers and supervisors have been deeply involved in governmental audits on a continuous basis for most of their professional careers. By having direct partner and manager oversight, we can design audit strategies that result in effective and efficient audits.
- **Timeliness.** Deadlines are not just "dates" to us, they are professional commitments. All required deadlines will be met.
- **Open communication.** Open lines of communication with all parties (the engagement team members and City Management and staff) throughout the audit process helps to eliminate "surprises." Proper planning and proper use of experienced engagement personnel tend to provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.
- **Availability.** All engagement team members are available throughout the year for any questions or additional consultation. City staff will have direct access to the partner, manager, and other supervisory staff at all times during the engagement, as well as after.
- **Cost effectiveness.** Our customized audit approach and procedures and our experienced auditors help to reduce your overall audit costs while still providing an effective audit and high-quality reports.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Specific audit approach (continued)

As indicated in the previous section of the proposal, the overall objective of the engagement with the City is to conduct an audit of the financial statements in accordance with required auditing standards and the expression of an opinion(s) on those financial statements. Beyond that initial objective, we believe that our engagement approach provides certain other value-added characteristics, at no additional cost, that will benefit the City over the long-term:

- All our audits are designed to be performed in an efficient and effective way to minimize disruption to the office operations.
- We offer practical observations and recommendations relating to internal control issues, implementation of accounting standards and the policies and procedures regarding both.
- We identify opportunities for operating efficiencies which can be used to decrease operating costs of the City.

Audit approach and proposed audit segmentation

The following is a summary of the audit team's audit approach for the engagement. The audit will be divided into the following segments:

Segment 1 - Interim testing - planning, pre-audit administration, and internal control testing

During this phase of the audit, our principal objectives will be to gather information about the City and its environment, including its internal control over financial reporting.

In order to achieve the desired objectives of this phase of the audit, we will:

- Meet with the City's staff in order to determine convenient dates in which we can begin our audit and to discuss the assistance to be provided by the City's staff.
- Hold brainstorming sessions with engagement team members to discuss the susceptibility of the City's financial statements to material misstatement and fraud.
- Review and evaluate the City's accounting and reporting processes by reviewing the prior year's audit workpapers, any City-prepared documents such as budgets, in-house financial reports, policies and procedures manuals, minutes of governance meetings, etc., and by using various analytical procedures. Analytical procedures will enhance our understanding of the City and will help us identify areas that may need further assessment and additional testing.
- Review and retain copies of any pertinent local, state and federal statutes, regulations, or charters that apply to the City.
- Evaluate the design of controls that are relevant to the audit by obtaining a thorough understanding of the City's internal controls over financial reporting and compliance by documenting key internal control components, utilizing questionnaires, walkthroughs, inquiring of the City's personnel, and observing and reviewing key supporting documentation (a more thorough explanation of this process is discussed later in the technical proposal).
- Test controls, if control risk is to be assessed below maximum, by selecting a sample of transactions within the audit area being tested and reviewing supporting documentation to determine whether the relevant controls are in place and functioning properly.
- Document and review with management, any findings noted during the testing of internal controls and provide a preliminary management letter that will include our recommendations for improving any weaknesses in operations. The letter will also include suggestions for improving the efficiency of the City's operations.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Specific audit approach (continued)

- Utilize our powerful audit data analytic software allowing us to analyze large amounts of data in seconds and focusing on areas/transactions that are red flagged.

In addition, we will perform the following procedures related to IT General Controls that “touch” financial data:

- *Security access (including physical) controls:* evaluate the general system security settings and password parameters; evaluate the process for adding, deleting, and changing security access; evaluate the access capabilities of various types of users; evaluate access controls to networks and financial applications; evaluate access controls related to data files; and evaluate physical access to networks, servers, etc.
- *Computer operations:* Evaluate backup and recovery processes and review processes of identifying and handling operational problems.
- *System development and system changes:* Evaluate processes related to system development and system changes (if applicable).
- *Application testing:* We will determine if the testing of application controls is deemed necessary based on our professional judgment in the planning stages of the engagement.

This phase of the engagement for the audit will be performed by the audit supervisor two/three staff accountants with direct supervision by the audit manager and partner.

Segment 2 - Year-end testing - substantive testing

During this phase of the audit, our principal objectives will be to assess the risk of material misstatement at the financial statement level and specific assertions, design overall responses to assessed risks and further audit procedures, perform substantive tests, and complete the audit and evaluate audit findings, if applicable.

In order to achieve the desired objectives of this phase of the audit, we will:

- Identify significant risks and develop a detailed audit plan using the results in Segment 1.
- Design substantive tests of account balances designed and modified specifically for the City's operations and assessed level of risk. Substantive procedures will consist of testing material balance sheet accounts, material revenue and expenditure/expense accounts along with various analytical procedures as deemed necessary. In addition, various accounts may be confirmed with outside parties (cash, investments, etc.).
- Determine whether our testing supports the assessed level of risk initially assigned at the financial statement level and at the assertion level.

This phase of the engagement for the audit will be performed by the audit supervisor and two/three staff accountants with direct supervision by the audit manager and partner.

If any proposed audit adjustments are noted during this phase, we will discuss and explain them, in detail, with the appropriate level of management prior to posting.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Specific audit approach (continued)

Segment 3 - Reporting - report preparation/audit conclusion (workpaper review)

During this phase of the audit, our principal objectives will be to evaluate whether the financial statements, taken as a whole, are free from material misstatement and form an opinion(s) and issue our report.

In order to achieve the desired objectives of this phase of the audit, we will:

- Determine whether, based on our substantive testing and other procedures, the financial statements, taken as a whole, are free of material misstatement. This will provide the basis for our opinion(s).
- Review all audit workpapers to ensure that the audit was performed in accordance with the required standards (GAAS, GAGAS, etc.) and prepare drafts of all required reports by the agreed-upon dates.
- Conduct an independent review of the financial statement draft by the engagement's quality control partner and issue all reports by the agreed-upon dates.

This phase of the engagement will be performed by the audit supervisor one staff accountant with direct supervision by the audit manager and partner. In addition, the engagement's quality control partner will perform a detailed quality control review of the financial statements.

The above procedures are a general list of procedures to be performed. After our initial review of the City and our detailed risk assessment, we will customize the engagement and gear it towards the needs of the City and the audit itself. In doing so, we will determine which procedures to perform relative to our risk assessment. All our audits are customized to each entity, helping to ensure a complete, effective, and efficient audit. The foundation of the above approach is based on open communication coupled with a strong knowledge of the City's operations and detailed planning at the initial stages of the audit.

Our firm is dedicated to performing a timely audit engagement. Prior to the start of the audit, we will meet with City staff and decide on adequate timeframes, agreed upon by both the City and us, for the performance of the audit and the release of the financial statements. *We will dedicate the necessary resources to meet any agreed upon time frames.*

Level of staff and approximate number of hours assigned to each segment

Segment	Partner	Manager	Senior	Staff	Total
Segment 1	4	4	17	36	61
Segment 2	7	6	28	48	89
Segment 3	9	5	25	11	50
Totals*	20	15	70	95	200

*= excludes Single Audit and GANN hours

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Specific audit approach (continued)

Intelligent audit technology

Our audits are designed to be intelligent using our powerful audit software tools (Engagement and Teammate Analytics). In addition, all audit team members are linked to each other using wireless connections which enables them to share information at an almost real-time speed. Below are some of the benefits of our audit technologies:

- ***We utilize Teammate Analytics, a suite of more than 200 dynamic Computer Aided Audit Tools (CAATs). This allows us to analyze large amounts of data in seconds. Using data received directly from the City, we can perform the following: search for duplicate checks, detect transactions occurring on holidays/weekends or during unusual hours, perform Benford's Law analysis, and identify instances when a vendor has issued multiple invoices with sequential references along with many other tests. The software empowers our audit teams with the ability to perform powerful, meaningful data analysis which will build upon our other value-added services.***
- We can create our own analytical schedules allowing for easy analysis of current balances to prior year balance, current vs budget balance, thus reducing significant City staff time.
- Once your trial balances and financial statements are entered into our software, we can observe your financial statements in the field allowing us to notice any variances and address them immediately.
- We link the financial statement schedules directly to our audit software trial balances, and as a result, we can provide the City with fund financial statements almost immediately after importing the trial balances.
- We can provide the City with our audited trial balances which show the coding of the financial statement schedules for ease of review for City staff. These reports show each account coded to a specific financial statement line item/function as well as journal entries posted during the audit.
- We have the capability to perform effective and efficient audits remotely as well.

Analytical procedures

In order to properly utilize analytical procedures, industry background and knowledge are needed. With our firm's long history and qualified staff, we believe we have the necessary knowledge and experience to effectively apply analytical procedures. We will utilize analytical review procedures throughout our audit of the City.

- During the interim phase of our audit, we will compare current and prior year unadjusted balances to determine which areas may need additional analysis; we will also compare current year actual amounts to the City's annual budget (both original and adopted).
- During the final phase of our audit, we will perform procedures like those mentioned above, as well as compare certain financial ratios for current and prior years. We will also conduct certain "reasonableness" tests. Any significant variances are investigated further through inquiry and other substantive testing as deemed necessary until resolved to our satisfaction.
- Finally, after we have completed our fieldwork, we will compare current and prior year audited balances, keeping in mind expected relationships obtained from our knowledge of the City, similar entities and the general economic environment. In addition, we may choose to use various other analytical techniques such as trend analysis, etc.

Unlike other audit firms, we use analytical procedures to supplement our substantive testing, not supplant them.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Specific audit approach (continued)

Understanding of internal control over financial reporting

Our approach to obtaining an understanding of the City's internal control over financial reporting will be performed in accordance with professional standards as promulgated by the American Institute of Certified Public Accountants -- our understanding will include the *Control Environment*, *Risk Assessment*, *Control Activities*, *Information and Communication*, and *Monitoring*. We will use customized procedures which we have developed internally to evaluate your internal control systems. By combining our customized procedures and our detailed knowledge of the City and its environment, we will be able to provide constructive feedback in areas we feel need improvement. In addition to our customized procedures, we will also perform the following:

Control Environment. Through inquiry of the City's personnel, prompted by questionnaires, personal knowledge, and review of the minutes of the governing body meetings, we will obtain an understanding of management's and the governing body's attitudes, awareness, and actions concerning the control environment, focusing on the substance of the controls rather than their form.

Risk Assessment. Through inquiry of the City's personnel and the use of questionnaires, we will obtain sufficient knowledge of the City's risk assessment process to understand how management considers risks relevant to financial reporting objectives and decides upon actions to address those risks. This will include understanding how management identifies risks, estimates the significance of these risks, assesses the likelihood of their occurrence, and relates them to financial reporting.

Control Activities. Certain control procedures will be documented during our analysis of the control environment and the accounting system. However, many specific control procedures will still need to be documented that will focus primarily on the City's major transaction cycles. As mentioned above, we will test the City's control procedures on which we intend to rely on for safeguarding assets from unauthorized use or disposition and detecting/preventing unauthorized transactions. Any flow charts, organizational charts and any other manuals, programs, and financial and management information systems will be analyzed during this process.

Information and Communication. Through inquiry of the City's personnel, we will identify the major types of transactions engaged in by the City. We will become familiar with the treatment of those transactions, including how the transactions are initiated, the related accounting records, and the manner of processing the transactions. Finally, we will obtain an understanding of the City's financial reporting process used to prepare financial reports, including the approaches used in making accounting estimates and disclosures.

Monitoring. Through inquiry of the City's personnel and the use of questionnaires, we will obtain sufficient knowledge of the major types of activities the City uses to monitor internal control over financial reporting. We will also determine how those activities are used to initiate corrective actions.

Sample sizes

Our sample sizes will be determined in accordance with the AICPA's *Audit and Accounting Guide*, *Audit Sampling*, and will be selected using professional judgment or our TeamMate Analytics software, depending upon circumstance, as permitted by Statement on Auditing Standards. Our methods are designed to provide the most audit coverage without expending excess time. Our sample sizes will depend upon our preliminary assessment of control risk, our planned substantive testing and analytical procedures as well as our professional judgement.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Specific audit approach (continued)

Approach in determining applicable laws and regulations

We understand the importance of laws and regulations in planning an audit of a local governmental entity and design all our audits to ensure we test transactions for compliance. As part of our audit process, our audit team will obtain an understanding of the laws and regulations that will have a direct and material effect on the City's financial statements. In determining which laws and regulations are applicable to the City's financial statement audit, we will consult the following sources:

- AICPA Audit and Accounting Guide, *Audits of State and Local Governments*
- California Government Code (investments, GANN limit requirements, etc.)
- Applicable State of California laws
- U.S. Government Accountability Office's *Government Auditing Standards* (The Yellow Book), latest revision
- Applicable contracts/grants of the City
- *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (OMB Uniform Guidance)

After consulting the applicable sources, we will design our audit to provide reasonable assurance of detecting material instances of noncompliance while continuing to refer to the applicable compliance guideline to ensure changes in compliance are not missed.

Effect of COVID-19 on our audits

The COVID-19 pandemic led to most of our audits being performed remotely in 2021. We were highly flexible with our clients and were able to perform almost all our audits remotely unless the clients requested a limited staff presence on-site. No matter how the pandemic continues to develop in California, we are prepared and able to continue serving our clients remotely, and even on-site with the appropriate precautions.

Auditing in a remote environment

The availability and use of technology has had a significant impact on the accounting and auditing profession, allowing us to provide professional services across longer distances and timelier than ever before. We have continued to evolve our ability to serve our clients remotely throughout the COVID-19 pandemic and have experienced new efficiencies for both auditor and auditee. We anticipate continuing to perform substantially all our audit work remotely and will work with the City to maximize the remote efficiencies using technology. If the City would like members of the audit team on-site, we will work with City management on determining an acceptable staffing level.

We maintain regular and routine contact with our clients throughout the audit planning, fieldwork, and conclusion phases of the audit with the use of email, phone calls, secure portals, video conferencing, project tracking schedules, and any other means necessary to ensure the timely completion of the audit by any agreed-upon deadlines. Our audit team is very responsive to our clients and we encourage our clients to connect with us throughout the year for any matters that may affect the audit or of a general accounting nature. We have found this to be mutually beneficial for both our clients and the annual audit work.

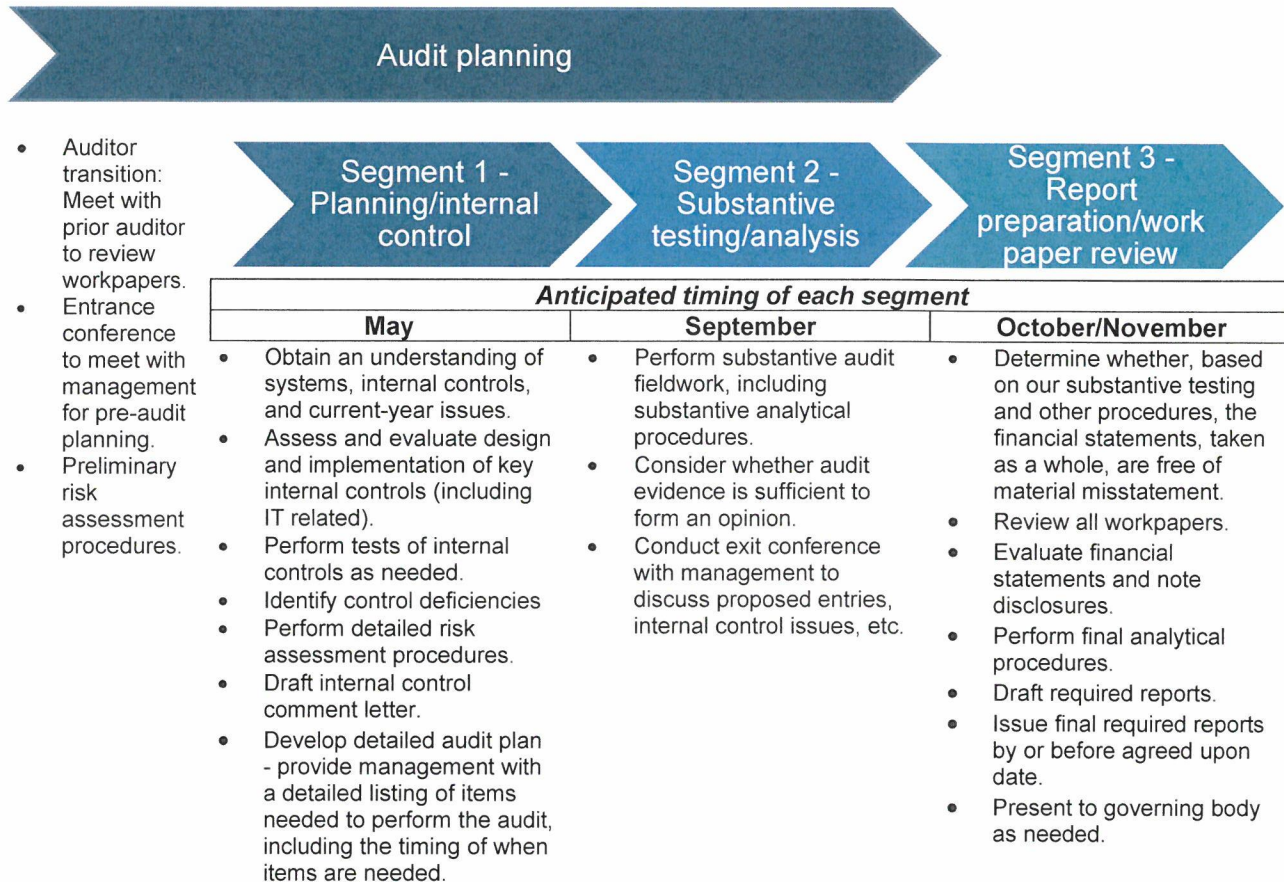
Remote auditing has many benefits some tangible, as listed above, others intangible. In performing remote audits, we are bettering our employee's quality of life by reducing unnecessary travel time, reducing traffic congestion on our local freeways while also helping to improve Southern California's air quality.

CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Specific audit approach (continued)

Proposed audit timing



CITY OF HIGHLAND

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Identification of anticipated potential audit problems

Governmental Accounting Standards Board Statements (GASBS) implementation

One potential problem could be the implementation of any future GASBS. With our deep understanding of governmental accounting and auditing, constant training, and broad resources, we do not anticipate any issues during a GASB implementation. Our approach to any GASB statement implementation would be as follows: gain a thorough understanding of the pronouncement; determine applicability to the City; if applicable, discuss the statement and how it will affect the City with City staff; and provide guidance to City staff on the accounting and financial reporting implications.

Covid-19 considerations

In addition, we will consider the following items related to the pandemic:

- Any changes in internal control procedures due to District staff working remotely, staff reductions, including related IT changes.
- Pandemic related grant funding (FEMA grants and CARES act funding received directly from the Federal government and amounts passed through from the State and/or counties).

Condition of records

Our proposed fee assumes the following: the City will be adequately prepared for the audit and the City's financial operations and working trial balance will be consistent from year to year. If, after we receive the working trial balances, we notice there are excessive new accounts over the prior year; or if there are excessive subsequent journal entries; prepared by client workpapers do not agree to the working trial balances, there are new funds/functions within the City, etc., or other changes that necessitate a significant amount of time to address, we will need to come to an agreed upon change order to address any possible additional costs incurred by the firm. If the need for additional work comes to our attention, we will immediately notify City staff. If you choose to have us perform the additional work, then such work will be performed at the same hourly rates applicable to the audit and set forth in an addendum to the contract between the City and our firm.

Management is also responsible for the implementation of new standards issued by the Governmental Accounting Standards Board. We will provide reasonable assistance in the preparation of the items, but any significant time needed to complete the financial statements will be billed separately.

Our proposed fee is also dependent on all items requested being completed in the format requested or in a mutually agreed upon format and uploaded to the Engagement Organizer hosted by our firm in a timely manner in accordance with the agree-upon audit timeline.

GOVERNMENT CLIENTS SERVED

<u>Government Client</u>	<u>Years Served</u>	<u>CSMFO/ GFOA Awards</u>	<u>Successor Agency</u>	<u>Housing Authority</u>
City of El Cajon	06/30/07 to 06/30/21	Yes	Yes	Yes
City of Exeter	06/30/17 to 06/30/21			
City of Woodlake	06/30/17 to 06/30/21			
Town of Yucca Valley	06/30/08 to 06/30/21	Yes	Yes	Yes
City of La Verne	06/30/11 to 06/30/21	Yes	Yes	Yes
City of San Jacinto	06/30/11 to 06/30/21		Yes	Yes
City of Twentynine Palms	06/30/11 to 06/30/21	Yes	Yes	Yes
City of La Mesa	06/30/11 to 06/30/21		Yes	Yes
City of Menifee	06/30/14 to 06/30/21	Yes		
City of San Marcos	06/30/14 to 06/30/21	Yes	Yes	Yes
City of Loma Linda	06/30/13 to 06/30/21	Yes	Yes	Yes
City of Sierra Madre	06/30/12 to 06/30/21	Yes	Yes	Yes
City of Hawthorne	06/30/16 to 06/30/21	Yes	Yes	Yes
City of Aliso Viejo	06/30/16 to 06/30/21	Yes	No	No
City of Claremont	06/30/16 to 06/30/21	Yes	Yes	Yes
City of Thousand Oaks	06/30/18 to 06/30/21	Yes	Yes	Yes
City of South Pasadena	06/30/18 to 06/30/20		Yes	Yes
City of Rolling Hills Estates	06/30/19 to 06/30/21	Yes		
City of Calabasas	06/30/20 to 06/30/21	Yes		
City of San Bernardino	06/30/20 to 06/30/21	Yes		
City of Ojai	06/30/20 to 06/30/21			
City of Beaumont	06/30/20 to 06/30/21	Yes		
City of Moreno Valley	06/30/20 to 06/30/21	Yes		
City of Lawndale	06/30/20 to 06/30/21			
Town of Windsor	06/30/19 to 06/30/20			
City of San Dimas	06/30/21			
City of Imperial Beach	06/30/21			
City of Coachella	Agreed upon procedures			
City of Canyon Lake	Accounting support			
City of Rolling Hills	Accounting support			
City of Yucaipa	Accounting support			
City of Angels Camp	Accounting support			
City of Grand Terrace	Accounting support			
Crestline Village Water District	04/30/96 to 04/30/21			
Crestline-Lake Arrowhead Water	06/30/98 to 06/30/21			
San Bernardino Valley Muni Water District	06/30/04 to 06/30/21			
Elsinore Valley Municipal Water District	06/30/15 to 06/30/21	Yes		
Pine Cove Water District	06/30/10 to 06/30/21			
Idyllwild Water District	06/30/11 to 06/30/21			
Big Bear Area Regional Wastewater	06/30/12 to 06/30/21	Yes		
Mojave Water Agency	06/30/19 to 06/30/21	Yes		
Beaumont Cherry Valley Water District	12/31/17 to 12/31/20	Yes		
Rosamond Community Services District	06/30/15 to 06/30/21			
Rossmoor Community Services District	06/30/05 to 06/30/21			
Rim of the World Park & Rec. District	06/30/06 to 06/30/21			
Heartlands Communications Fac Auth	06/30/07 to 06/30/21			
Heartlands Fire Training Authority	06/30/07 to 06/30/21			

GOVERNMENT CLIENTS SERVED (continued)

<u>Government Client</u>	<u>Years Served</u>	<u>CSMFO/ GFOA Awards</u>	<u>Successor Agency</u>	<u>Housing Authority</u>
Consolidated Fire Agencies	06/30/14 to 06/30/21			
Successor Agency to the County of SB	06/30/14 to 06/30/21			
Riverside County Habitat Con. Agency	06/30/15 to 06/30/21			
Santa Ana Watershed Association	12/31/09 to 12/31/20			
Capistrano Bay Community Services District	06/30/13 to 06/30/21			
Ventura County Public Fin Authority	06/30/12 to 06/30/21			
Nipomo Community Services District	06/30/16 to 06/30/21	Yes		
SBIAA	06/30/17 to 06/30/21			
WRCOG	06/30/17 to 06/30/21	Yes		
San Diego Workforce Partnership	06/30/16 to 06/30/21			
Rubidoux Community Services District	06/30/16 to 06/30/21			
Conejo Recreation and Park District	06/30/19 to 06/30/21			
Upper San Gabriel Valley MWD	06/30/19 to 06/30/21	Yes		
March Joint Powers Authority	06/30/19 to 06/30/21			
Chino Basin Desalter Authority	06/30/19 to 06/30/21	Yes		
Mountains Recreation and Conservation	06/30/19 to 06/30/21			
Palos Verdes Peninsula Transit Authority	06/30/19 to 06/30/21			
Yucca Valley Airport District	06/30/20 to 06/30/21			
West Basin Municipal Water District	06/30/20 to 06/30/21	Yes		
Crestline Sanitation District	Accounting support			
Running Springs Water District	Accounting support			
Phelan Pinon Hills Community Services District	Accounting support			

Proposal to Perform Audit Services for the:



Submitted by:



California License No. PAR 7535

Contact Information:

Greg Fankhanel, CPA, CFE
Brett Van Lant, CPA
29970 Technology Drive, Suite 105 A
Murrieta, CA 92563

Telephone: (909) 856-6879

E-mail: gfankhanel@vlfcpa.com
bvanlant@vlfcpa.com

February 10, 2022

CITY OF HIGHLAND
PROPOSAL TO PERFORM ANNUAL AUDIT SERVICES
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Appendix A – Peer Review Report	

What sets us apart from other audit firms? You are not just a number to us – every audit client is unique and important to us. As a smaller firm, we believe the **personal service and attention** we will provide cannot be duplicated at larger firms. While many firms have knowledgeable and experienced individuals on staff, the quality of each audit ultimately depends on the audit personnel involved in the daily audit process, including fieldwork and report preparation. With VLF, you will be dealing with Partner level personnel throughout the audit process, including fieldwork.

We are passionate about providing the highest level of service. We believe one the best services we can provide is to be available throughout the year to assist our clients with questions and keep them apprised of new accounting and financial reporting requirements. We encourage our clients to communicate questions or concerns, not only during the audit process, but as they arise at any time during the year. You will have access to the audit partners on a daily basis, throughout each audit and each fiscal year.

We certify that VLF and the audit partners are properly licensed to practice in California. Greg Fankhanel is authorized to represent VLF, empowered to submit this proposal, and authorized to sign a contract with the City. Should you have any questions regarding our proposal or desire additional information, please call Greg Fankhanel, CPA, at (909) 856-6879, or email to gfankhanel@vlfcpa.com.

Respectfully submitted,

A handwritten signature in cursive script, reading "Greg Fankhanel".

Greg Fankhanel, CPA, CFE
Managing Partner

Our Firm focuses on providing audit and assurance services to local governments in California. The Partners have also provided TOT and Franchise Fee audit services.

The engagement team members proposed to serve the City are highly-trained government auditors. One of our goals is to avoid putting our clients in a position of having to “train” the auditors. We avoid this by ensuring that all fieldwork is properly staffed and supervised by Partner level personnel. We are required to complete at least 80 hours of continuing education every 2 years, with a majority of these hours relating specifically to government accounting and auditing subjects. Continuing education requirements are met through classes developed by professional organizations, such as the CSCP, GFOA, and the AICPA. Both Mr. Fankhanel and Mr. Van Lant have been instructors for an in-house continuing education program for several years.

Current Municipal Audit Clients

Below is a list of current municipal audit clients for which we currently provide audit services.

Current Municipal Clients	
City of Lemon Grove	Town of Windsor
City of Highland*	City of Winters*
City of La Puente*	City of Yucaipa*
City of Montclair	City of Santa Paula
City of San Fernando*	City of Susanville
City of Delano*	Apple Valley Fire Protection District
City of Tehachapi*	Lake Arrowhead Community Services District*
City of Ukiah*	Running Springs Water District
City of Upland*	Tehachapi Cummings County Water District*
City of Hidden Hills	Riverside County Flood Control District

* = CAFR submitted to the GFOA award program

Participation in External Quality Control Review Program

As required by Government Auditing Standards, our firm must have a peer review once every three years. We received a “clean” opinion with no deficiencies in our most recent peer review report, which included a review of specific government engagements. A copy of the report is included at **Appendix A**.

In addition, we have established a quality control program to adhere to the stringent quality control standards established by the AICPA. We have also developed policies and procedures to ensure our engagements are properly supervised and staff receives necessary training to handle the responsibilities afforded them.

Disciplinary Action

There have been no disciplinary or regulatory actions taken against our CPA firm, or the partners. The firm has had no negative federal or state reviews.

*Brett Van Lant, CPA
Engagement Partner*

Mr. Van Lant is an Audit Partner for VLF and has over 14 years of experience auditing local governments and non-profits, including cities and special districts throughout the State of California. His duties will include supervising the engagement team during fieldwork, reviewing all reports, and performing the review and approval of the audit engagement. In addition, he will be the point of contact for the City throughout the engagement.

*Greg W. Fankhanel, CPA, CFE
Quality Control Reviewer*

Mr. Fankhanel is the managing Partner of VLF and has over 30 years of experience auditing local governments and non-profits, including cities and special districts throughout the State of California. Mr. Fankhanel will be extensively involved throughout the audit process. He has served as a special reviewer for the GFOA certificate of achievement program for many years. His duties will include performing quality control reviews of the engagement and serve as the concurring partner for the audit, in addition to assisting with audit fieldwork, as necessary.

*Enrico Tobing, CPA
Supervisor*

Mr. Tobing is a Supervisor with VLF with over 6 years of experience. He will work closely with Mr. Van Lant during the audit fieldwork and report preparation for the City. Mr. Tobing has extensive experience auditing local governments, including cities and special districts throughout the State of California.

*Antonio Moran, CPA
Senior Accountant*

Mr. Moran is a Senior Auditor with VLF with over 4 years of experience. He will work closely with Mr. Van Lant and Mr. Tobing throughout the audit fieldwork. Mr. Moran has four years of experience auditing local governments.

Resumes of the proposed engagement team are provided below:

GREG W. FANKHANEL, CPA, CFE

Engagement QC Reviewer

Greg W. Fankhanel is the Managing Partner of Van Lant & Fankhanel, LLP. Prior to co-founding our firm, Mr. Fankhanel spent 24 years with another CPA firm, where he served as an Audit Partner for over 12 years.

Mr. Fankhanel has extensive experience in leading and performing financial statement audit engagements for government agencies. In addition, as a Certified Fraud Examiner (CFE), he takes a proactive approach in providing information and assistance in fraud prevention and detection, which provides an excellent resource for audit clients.

PROFESSIONAL MEMBERSHIPS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Government Finance Officers Association (GFOA)
- Member, Association of Certified Fraud Examiners (ACFE)
- GFOA Certificate reviewer

PROFESSIONAL EXPERIENCE (PARTIAL LIST)

- Town of Apple Valley
- City of Corona
- City of Hidden Hills
- City of Highland
- City of La Puente
- City of Montclair
- City of Murrieta
- City of San Fernando
- City of San Clemente
- City of St. Helena
- City of Tehachapi
- City of Ukiah
- City of Upland
- City of Yucaipa
- City of Winters
- East Valley Water District
- Running Springs Water District
- Lake Arrowhead Community Services District
- Temescal Valley Water District
- Tehachapi-Cummings County Water District
- Valley Sanitary District

CONTINUING PROFESSIONAL EDUCATION

Over 120 hours of continuing education over the past three years with a focus on governmental accounting and auditing topics, along with fraud prevention and detection.

EDUCATION

University of Hawaii

BS Degree in Business Administration, Emphasis in Accounting

ANTONIO MORAN, CPA

Senior Auditor

Antonio Moran is a Senior Accountant at Van Lant & Fankhanel, LLP. Antonio joined VLF upon graduating from California State University, San Bernardino.

Mr. Moran has over 4 years' experience performing financial statement audit engagements for government agencies. He has been involved in numerous audit engagements throughout the years participating in the planning process, performing audit procedures, performing single audit compliance testing, and the preparation of financial and other required reports. He earned his CPA license in California in 2020.

PROFESSIONAL MEMBERSHIPS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Municipal Finance Officers (CSMFO)

PROFESSIONAL EXPERIENCE

- Town of Apple Valley
- City of Delano
- City of Hidden Hills
- City of Highland
- City of La Puente
- City of Lemon Grove
- City of Maywood
- City of Montclair
- City of San Fernando
- City of Santa Paula
- City of Susanville
- City of Tehachapi
- City of Ukiah
- City of Upland
- City of Yucaipa
- Town of Windsor
- City of Winters
- Running Springs Water District
- Lake Arrowhead Community Services District
- Riverside County Flood Control and Water Conservation District
- Temescal Valley Water District
- Tehachapi-Cummings County Water District

CONTINUING PROFESSIONAL EDUCATION

Over 120 hours of continuing education over the past three years with a focus on governmental accounting and auditing topics, along with topics related to audits performed under the Uniform Guidance.

EDUCATION

California State University, San Bernardino

BS Degree in Business Administration, Emphasis in Accounting

The City of Winters was incorporated in 1898 as a General Law City and provides the following services: public safety, streets, planning, water, wastewater, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2014 through 2021 (including single audit) and provided assistance with the implementation of GASB 68 and other accounting pronouncements. We also provided assistance in submitting for and obtaining the GFOA financial statement award.

4) City of La Puente

Client Contact: Troy Grunklee,
Administrative Services Director
City of La Puente
15900 Main St.
La Puente, CA 91744
(626) 855-1509

Engagement Partner: Brett Van Lant
Total Hours: 235

The City of La Puente is a General Law City that provides the following services: public safety, streets, planning, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2015 through June 30, 2021 (including single audit) and provided assistance with the implementation of new GASB Pronouncements. We also provided assistance in submitting for and obtaining the GFOA financial statement award.

5) City of Upland

Client Contact: Londa Helms, Admin. Svcs. Dir.
City of Upland
460 N. Euclid Ave.
Upland, CA 91786
(909) 931-4100

Engagement Partner: Greg Fankhanel
Total Hours: 325

The City of Upland is a General Law City that provides the following services: public safety, streets, planning, water utility, sewer utility, solid waste, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2018 through June 30, 2021 and provided assistance with the implementation of new GASB Pronouncements. We also provided assistance in submitting for and obtaining the GFOA financial statement award.

Planning Phase

Shortly after our appointment as auditors, we will schedule a pre-audit planning meeting during which we will discuss any special concerns, needs and the timing of the audit with appropriate members of the City's staff. We will provide a customized request list or "PBC list" to City staff in advance of our arrival for interim fieldwork.

All members of the proposed engagement team are highly trained municipal auditors with extensive experience auditing similar Cities in California. Therefore, we tailor our approach with the focus of being the least disruptive as possible to the City's staff. To achieve this, as part of the planning phase, the engagement team will review City budgets, organizational charts, year-to-date accounting records, applicable accounting policies and procedures, prior year financial statements, the City's website, and minutes of Council meetings to gain a thorough understanding of the City's operations and activities.

Interim Fieldwork

We take a customized approach to each and every audit. We will apply the "Risk Assessment" audit standards to your audits. An overriding objective throughout the planning process is the identification of risks that should be assessed as to whether they could result in material misstatement of the financial statements whether due to error or fraud. Due to the complex nature of the risk assessment process, it is performed at the Partner level for all of our audit engagements.

The main focus of the interim audit fieldwork is to obtain an understanding and evaluate the City's specific internal accounting control systems. Our review and evaluation of your internal control systems will be completed by reviewing supporting documentation for transactions, walk-throughs, and interviews of City staff. Each of these approaches requires inquiry and observation of City personnel and operations. We will also utilize the City's budget, organizational charts, financial reports, policies and procedures, and other applicable documents.

Interim financial reports will be reviewed and limited analytical procedures will be applied to significant account balances in order to identify potential misstatements early on in the audit process.

As required by our audit standards, we will also perform procedures to identify the risk of fraud within the organization. In addition to reviewing pertinent accounting records and policies and procedures, we will conduct "fraud inquiries" with various selected City staff. Given the sensitive nature of these procedures, these inquiries will be conducted by the Audit Partners.

We will conclude the interim audit period with an exit conference with the appropriate City staff to discuss any findings or control risks we encountered during this interim phase, along with practical recommendations to mitigate these risks. Our recommendations will be directed at safeguarding City assets, improving the effectiveness of City procedures, and improving the reporting of financial information, as applicable.

Year-end Fieldwork

This phase of the audit will focus on verifying account balances in the City's general ledger. Balance sheet accounts, along with certain revenue and expenditure/expense will be reviewed for

Approach to Understanding the City's Internal Controls

We will obtain an understanding of the design and implementation of the City's internal controls by performing the procedures as required by SAS 109. This involves documenting our understanding of the internal controls over the areas of cash, investments, revenues and receivables, utility revenues and receivables, expenditures and accounts payable, capital assets, debt, payroll and related liabilities, self-insurance and claims liabilities and grant compliance. We will then evaluate the design of controls and determine whether they have been properly implemented. Evaluating the design of controls involves considering whether the control, individually or in combination with other controls, is capable of effectively preventing or detecting and correcting material misstatements.

In addition, as part of the audit, we will issue an internal control report as required by *Government Auditing Standards* that will identify significant deficiencies and material weaknesses, if any.

Approach to Understanding Laws and Regulations Subject to Audit Test Work

Our audit approach recognizes the importance of laws and regulations in planning the audit of a local governmental entity. As part of the audit, we obtain an understanding of those laws and regulations that have a direct and material effect on the determination of financial statement amounts. We then design the audit to provide reasonable assurance of detecting material instances of noncompliance. We obtain our understanding of applicable laws and regulations by becoming familiar with the following:

- 1) The terms and provisions of grant agreements and contracts.
- 2) State and federal restrictions affecting funding received by the City;
- 3) The Municipal Code of the City.
- 4) State laws regarding authorized investments, spending limits, debt limits, etc.
- 5) City policies regarding investments, purchasing, budgets, and the establishment of funds.
- 6) Bond covenants of outstanding issues.
- 7) Personnel Policies adopted by the City.
- 8) Other Federal and State laws and regulations, as appropriate.

Approach to Drawing Samples for Purposes of Tests of Compliance

The objective of tests of compliance is to determine whether an organization has complied with laws and regulations that may have a material effect on each major program. Therefore, we select samples that will provide sufficient evidence for that purpose. After defining the population, we determine sample sizes and select samples from each major program. Factors that may affect the sample sizes include the following:

- a) The amount of expenditures for the program and the individual awards;
- b) The newness of the program or changes in its conditions;
- c) Prior experience with the program, particularly as revealed in audits and other evaluations;
- d) The extent to which the program is carried out through subrecipients;
- e) The level to which the program is already subject to program reviews or other forms of independent oversight;

APPENDIX A

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Van Lant & Fankhanel, LLP in effect for the year ended February 29, 2020, 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*. Van Lant & Fankhanel, LLP has received a peer review rating of *pass*.

Safford & Hendry, Inc.

July 14, 2020

Agenda Item #3

LS-1 Option E – Primer

Background

- LS-1 Option E is the tariff which allows local governments and street lighting customers to authorize and request SCE to replace older, less efficient technology with new LED fixtures.
- There is no up-front cost to the customer and SCE manages the project from start to finish with a current wait time of approximately five months prior to commencing installation.
- Fixture replacements are conducted quickly and safely, with minimal disruption to area residents. There are no required outages and crews can work curbside safely. In fact, most people don't even know SCE has replaced fixtures on their block until they notice the new street lighting. There are currently 265,000 streetlights under this program throughout our service territory.
- The lights utilize significantly less energy and contribute to the reduction of your jurisdiction's carbon footprint in addition to lowering cost and energy consumption.

Technology

- SCE utilizes GE Evolve Roadway Fixtures as the LED replacement technology. It is reliable, dark sky compliant, and robust in a variety of conditions. These lights provide significant improved "visual acuity", leading to increased nighttime visibility and a safer environment for motorists, cyclists, and pedestrians during the evening hours.
- The process of implementation is initiated once streetlights have been confirmed within a jurisdiction. Each jurisdiction confirms streetlight preferences (i.e. Warmer 3,000k or a mix of 3000k temperature in residential areas and 4,000k temperatures on main streets and arterials). Once preferences have been confirmed, SCE will order material and begin installation within about five months (slightly longer if changes are made to standard wattage levels).
- Life expectancy for the new technology is expected from between 12-20 years. The streetlights are replaced as needed by SCE as part of its routine streetlight maintenance program.

Cost Recovery

- LS-1 Option E includes a recovery mechanism which is embedded within the tariff, and which recovers the cost of the initial installation and materials over 20 years. Because of this mechanism, it is possible to see an immediate reduction in street lighting costs (an immediate savings to the community). SCE is happy to provide a savings outlook specific to your community.
- Savings are applied as soon as replacement efforts are completed. SCE credits an account from the date of completion, so that regardless of any billing implementation delays, the jurisdiction will still benefit.

For additional information or to set up a presentation, please contact SCE's Streetlight Projects Manager, John King at john.king@sce.com.

**CONFIDENTIAL AND/OR PROPRIETARY INFORMATION OF SOUTHERN CALIFORNIA
EDISON AND/OR ITS CUSTOMERS OR VENDORS. PUBLIC DISCLOSURE IS RESTRICTED.**

CUSTOMER NAME HIGHLAND, CITY OF
Customer Number: 1002437581

Lamp Wattage	Lamp Count	Estimated High Pressure Sodium Vapor (HPSV) Annual Costs	Estimated Light Emitting Diode (LED) Annual Costs	Estimated Annual Savings
50	0	\$0	\$0	\$0
70	235	\$38,690	\$34,432	\$4,258
100	392	\$73,712	\$59,412	\$14,300
150	15	\$3,677	\$2,750	\$927
200	27	\$7,711	\$5,336	\$2,375
250	0	\$0	\$0	\$0
310	0	\$0	\$0	\$0
400	0	\$0	\$0	\$0
Total	669	123,791	101,930	21,860

This analysis is only a 12 month estimate and the results presented are based on HPSV Lamp Wattage and counts above as of October 2021, LED wattage conversion lamps available at this time, and October 1, 2021 rates. This analysis excludes the following when applicable: Tap Device Charge, State Tax, Utility Users Tax, and Generation Municipal Surcharge. The analysis does not include costs associated with Incandescent, Mercury Vapor, Low Pressure Sodium Vapor, Metal Halide, or already existing LED Lamps. Actual costs may vary due to factors including but not limited to, rate changes, factor changes, wattage conversion changes, excluded cost components.

This analysis is provided to help you evaluate your current Southern California Edison (SCE) bill and/or compare your projected bills to other SCE rate options. These results are based on your past usage and/or assumptions about your energy usage and cannot be guaranteed by SCE. This rate analysis may not reflect all of the rate options that are available to you as an SCE customer. Your actual bills will vary from this analysis due to changes to your actual usage and assumptions such as operating hours, the equipment you use, kVAR charges, weather patterns, service voltage, firm service levels, taxes, and added facilities charges. Moreover, the rate options used in this analysis are subject to change by the California Public Utilities Commission (CPUC), which would also alter the outcome of this analysis.

If your current rate schedule becomes unavailable — either by action of the CPUC or because you are no longer eligible to be placed on the rate — you will be notified of your rate options. If you do not select a different applicable rate option at that time, you will be placed on a default rate schedule.

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CUSTOMER NAME HIGHLAND, CITY OF
Service Account #: 1002437581

Lamp Wattage	Lamp Count	EEP Per Month*	Estimated Monthly Savings
50 Watt	0	\$1.42	\$0
70 Watt	235	\$1.48	\$348
100 Watt	392	\$1.55	\$608
150 Watt	15	\$1.67	\$25
200 Watt	27	\$1.93	\$52
250 Watt	0	\$2.26	\$0
400 Watt	0	\$2.88	\$0
Total	669		\$1,033

Estimated Additional Monthly Savings After 20 Years: \$1,033

Estimated Additional Annual Savings After 20 Years: \$12,391

Estimated Annual Savings During 20 Year Repayment: \$21,860

Estimated Annual Savings Post 20 Repayment: \$34,251

*EEP (Energy Efficiency Premium) is based on rate factors effective 10/1/2021

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