



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

**Proposal to Provide  
Professional  
Auditing Services  
to the  
City of Manhattan Beach  
  
RFP #974-14**

Vavrinek, Trine, Day & Co., LLP  
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Rancho Cucamonga, CA 91730

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February 5, 2014



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February 5, 2014

City Clerk  
City Hall  
City of Manhattan Beach  
1400 Highland Avenue  
Manhattan Beach, CA 90266

Dear City Clerk:

We are pleased to respond to the Request for Proposal for Professional Auditing Services for the City of Manhattan Beach. We have addressed each of the specifications, as included in your Request for Proposal. Vavrinek, Trine, Day & Co., LLP (VTD) is a large regional firm in California. Our headquarters are in Rancho Cucamonga. Our mailing address, phone number, and fax number can be found on the cover to our response. VTD was founded in 1948. We feel that VTD is the best selection for the City of Manhattan Beach. This proposal demonstrates our capability and commitment to serve.

Vavrinek, Trine, Day & Co., LLP has provided governmental auditing services to over 300 governmental agencies on an annual basis for decades. We currently provide auditing services to numerous governments including counties, cities, and special districts throughout California. We understand the requirements, as described in the Request for Proposal and understand that the City desires a timely audit conducted in a professional manner. We are committed to perform our work within the City's strict timelines and to meet all of the requirements as specified in the request for proposal.

Vavrinek, Trine, Day & Co., LLP has devoted a substantial amount of time and resources developing our governmental practice. Our governmental clients are provided with efficient and timely audits. Our expertise in this industry has positioned us to be one of the leading firms in governmental auditing throughout California. This investment of time and resources includes:

- Providing up to of 80 hours per year of governmental continuing professional education (CPE) to our staff working on city audits.
- Attendance at national training sessions so that we can ask questions of leading OMB, GAO, and OIG's relating to all areas of governmental auditing.
- Investing a significant amount of time in developing our understanding of new audit requirements and new GASB pronouncements. We regularly present to industry groups on new reporting and compliance requirements.

- We retain key staff; as a result we are able to provide our clients with unmatched staffing consistency and well trained personnel.
- Researching new professional pronouncements so that we are at the leading edge in preparing our clients to respond to all new requirements.
- Devoting resources to a strict quality control program including the funding of a quality control department.

As a result of our efforts Vavrinek, Trine, Day & Co., LLP places within the top California based CPA firms. We employ over 200 professionals and our seven offices are located in California. Our offices are located in Rancho Cucamonga (company headquarters), Riverside, Sacramento, Pleasanton, Palo Alto, Fresno, and Laguna Hills. Our staff in the Rancho Cucamonga office will have the primary responsibility in servicing the City of Manhattan Beach.

Our staff who will be assigned to the City of Manhattan Beach's audit are experienced governmental professionals that have managed numerous audits. Each of our staff has extensive experience that allows for a new outlook to the audit with innovative suggestions to improve quality and efficiency. We believe that our references will show that we are the best selection for the City of Manhattan Beach.

We have an extremely low percentage of employee turnover and we are confident that we will provide the City of Manhattan Beach with consistent staff over the contract period. We are committed to the City of Manhattan Beach and believe that our audit team is the best selection for the City.

We hope that as you read through this proposal, you recognize the philosophy of our firm which is to provide each of our clients with exceptional service, experienced staff, and an audit approach that will fit your needs. Vavrinek, Trine, Day & Co, LLP is an Equal Opportunity Employer. Our dedication to quality, professional standards, and service are unmatched in the industry. Thank you for providing us the opportunity to present our proposal. Should you have any questions, please feel free to call Kevin Pulliam, Partner who is authorized to make representations on behalf of the firm at (909) 446-4431, email at [kpulliam@vtcdcpa.com](mailto:kpulliam@vtcdcpa.com), or the mailing address which is detailed on the cover page.

Very truly yours,

Vavrinek, Trine, Day & Co., LLP  
Kevin T. Pulliam  
Partner



## Section 1 - Company Profile

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### **1. VTD is properly licensed certified public accountant firm according to U.S. Government Accountability Office's (GAO) *Government Auditing Standards***

Vavrinek, Trine, Day & Co., LLP is licensed to practice public accounting in the State of California and has complied with all applicable California State Board of Accountancy requirements. In addition, all of the key professional staff that will be assigned to the audit are also licensed to practice in the State of California and have complied with all applicable State Board of Accountancy standards.

A copy of our most recent peer review has been included in the Appendix section. This quality control review included a review of specific government engagements.

### **2. VTD meets the independence standards of the GAO**

Vavrinek, Trine, Day & Co., LLP is independent of the City of Manhattan Beach and its component units as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Offices' *Governmental Auditing Standards*.

### **3. Overview of VTD**

#### ***Vavrinek, Trine, Day & Co. LLP – VTD***

VTD was established in 1948. Our firm offers a full range of services for several different lines of businesses throughout California. Proudly, our governmental practice is a key to our firm's success. VTD has experienced a solid 60+ years of growth and commitment to client service. Now with over 30 partners and over 200 professional staff VTD is one of California's top CPA firms.

VTD is a leader in providing audit and consulting and tax services to various industries including but not limited to large regional governments, banking institutions, manufacturing and retail enterprises, and not for profit corporations. VTD is a "top 100" firm with a significant percentage of our practice devoted to the governmental audit and consulting practice. As governmental auditing is our primary practice, we do not use governmental clients to fill our down time. Our governmental audit and governmental consulting practices provide a year-round client base for VTD.

VTD is organized into industry practice groups. In today's regulatory environment it is necessary to specialize in specific industry practice areas so that our clients are provided with the highest quality service. In order to accomplish this we have structured our firm with the following industry practice groups:



## Section 1 - Company Profile

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### 3. Overview of VTD, (Continued)

- Government
- Non-Profit
- SEC
- Tax
- Commercial
- Banking
- School Districts
- Community Colleges

#### *Our Professional Staff*

VTD has a low percentage turnover of professional staff. Thus, our staff has a unique blend of experience, technical knowledge, and management expertise which can only be found in a firm that has maintained consistency of staff. We continually strive to provide a work environment that encourages our staff to develop and grow their professional career at VTD. We feel this is an important aspect of our practice that enables us to provide our clients with the highest quality service available.

#### *Professional Associations*

We are members of the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants and we have registered with the Public Companies Accounting Oversight Board. In addition, our firm is a member of the AICPA's Governmental Audit Quality Center.

We are active members in the Governmental Finance Officers Association (GFOA) and attend training seminars provided by GFOA. Several of our partners serve on the GFOA CAFR Special Review Committee.

#### *The Rancho Cucamonga Office*

Our Rancho Cucamonga Office will have the responsibility of serving the City of Manhattan Beach. This will enable us to meet all of the requirements within a timely and professional manner. All staff that will be assigned to serve the City of Manhattan Beach will be full time VTD employees. We will not use part-time employees or sub contractors for your audit. The proposal is neither a joint venture nor a consortium.

The Firm's practice group has 40 professional staff that is fully devoted to audits similar to the City of Manhattan Beach.



## Section 1 - Company Profile

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### 3. Overview of VTD, (Continued)

The ranges of activities performed by our firm and the Rancho Cucamonga office include:

- *Governmental auditing and consulting* – VTD currently provides services to more than 300 governmental agencies throughout California, including the City of Agoura Hills, the City of Whittier, the City of Palmdale, and the City of Paramount.
- *Banking* – VTD currently provides auditing services to several independent banks throughout California. Our banking clients have assets ranging from \$50 million to in excess of \$3 billion dollars.
- *Commercial* – VTD is a leader in all areas including that of providing auditing and consulting services to commercial companies. Companies chose VTD for professional services from inception to maturity.
- *Tax* – VTD has a commitment to serve all clients. Our commitment to our clients includes offering professional tax preparation and planning services. Each of our offices has tax partners with a complete tax practice to meet the needs of our clients.
- *Not for Profit* – VTD provides services to several large non for profit entities such as the Los Angeles County Fair Association.

#### *Company Officers*

The firm is structured as a partnership comprised of 32 partners and is directed by a managing partner and separate managing partners for each office.

Firm Managing Partner:

Mr. Kevin Pulliam, CPA (Rancho Cucamonga Office)

Office Managing Partners:

Rancho Cucamonga:	Mr. Kevin Pulliam, CPA
Riverside	Mr. Kevin Pulliam, CPA
Pleasanton:	Mrs. Terry Montgomery, CPA
Palo Alto:	Mr. Richard Blake, CPA
Fresno:	Mr. Bill Williams, CPA
Laguna Niguel:	Mr. Ken Johnson, CPA
Sacramento	Mr. Kevin Pulliam, CPA

### 4. VTD does not have a record of substandard audit work

Vavrinek, Trine, Day & Co., LLP does not have a record of substandard audit work.



## Section 1 - Company Profile

### 5. Descriptions of work performed for other agencies with similar services

VTD has provided similar services for several other jurisdictions with work that is similar to that which is requested by the City of Manhattan Beach. We have provided a listing of governmental entities served below. Specific contact information for certain entities are located in the References section.

#### **CITIES**

City of Rohnert Park  
City of Davis  
City of Pleasanton  
City of Suisun  
City of Foster City  
City of Los Altos  
City of Monte Sereno  
City of San Leandro  
Town of Hillsborough  
Town of Los Altos Hills  
Town of Ross  
City of Desert Hot Springs  
City of Glendale  
City of Gonzales  
City of Arroyo Grande  
City of La Palma  
City of Huntington Park  
City of Lake Forest  
City of Brentwood  
City of San Ramon  
City of South Gate  
City of Placentia  
City of Grand Terrace  
City of Paramount  
City of Manhattan Beach  
City of Folsom  
City of Santa Clara  
City of Rancho Mirage  
City of Agoura Hills  
City of Whittier  
City of Palmdale

#### **COUNTY**

County of San Bernardino  
County of Yolo  
County of Sacramento  
County of Orange  
County of Ventura  
County of Riverside  
County of Modoc

#### **SPECIAL UTILITIES DISTRICTS**

Montara Water and Sanitary District  
Suisun-Solano Water Authority  
Municipal Water District of Orange County  
Sacramento County Water Agency  
Santa Clara Water District  
Yucaipa Valley Water District  
Glendale Water and Power  
Central Marin Sanitation Agency  
Silicon Valley Power  
Marin Energy Authority  
Alameda Municipal Power  
Vallejo Sanitation and Flood Control District  
Alameda County Waste Management  
Bayshore Sanitary District  
Union Sanitary District  
Central Contra Costa Sanitary District  
Cupertino Sanitary District  
Fairfield-Suisun Sanitary District  
West Bay Sanitary District  
Orange County Waste & Recycling  
Riverside County Waste Management  
Sacramento County Water Agency  
Sacramento Regional County Sanitation District  
Sacramento Area Sewer District  
Monterey Regional Water Pollution Control  
Ross Valley Sanitation District  
West Valley Sanitation District  
East Bay Discharge Authority  
Oro Loma Sanitary District  
Delta Diablo Sanitation District

#### **HEALTHCARE**

Riverside County Regional Medical Center  
Tri-City Mental Health  
Arrowhead Regional Medical Center  
Ventura County Medical Center

#### **REDEVELOPMENT**

City of Santa Clara Redevelopment Agency  
City of Suisun Redevelopment Agency  
Ventura County Redevelopment Agency  
Orange County Redevelopment Agency  
City of Folsom Redevelopment Agency  
City of Palmdale Redevelopment Agency  
City of Glendale Redevelopment Agency  
City of Foster City Redevelopment Agency  
City of Rohnert Park Redevelopment Agency

#### **TRANSPORTATION DISTRICTS**

Golden Gate Bridge District  
Santa Clara Valley Transportation Authority  
San Mateo County Transit District  
John Wayne Airport  
Sacramento International Airport  
Solano Transportation Authority  
Monterey Salinas Transportation Agency  
Peninsula Corridor Joint Powers Board  
Sacramento Area County of Governments  
Alameda County Transportation Improvement Authority

#### **OTHER SPECIAL DISTRICTS**

Yolo Emergency Communication Authority  
Ventura County Air Pollution Control District  
Inland Empire Public Facilities Corporation  
CI-IV JPA  
Sacramento County Public Financing Authority  
East Bay Regional Parks and Recreation  
Clarksburg Fire Protection District  
Springlake Fire Protection District  
Madison Fire Protection District  
Chino Valley Independent Fire District  
CONFIRE  
Los Gatos Saratoga Recreation Department  
Alameda County Waste Management Authority  
Yolo-Solano Air Quality Management District



## Section 1 - Company Profile

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### 6. Our Experience

As we have noted VTD has experience with city governments. The key components to our success include properly trained staff, assignment of staff with experience, timely communication in all aspects of the audit, planning, and understanding how to structure each audit to ensure efficiencies are achieved.

VTD's success in retaining our clients, including our city governments is due to our commitment to outstanding quality, timely completion of work and our ability to retain key staff. Each of these elements allows VTD to be a leader in providing services to our large regional governments.

**The City will not have to train our audit team.** Each of the auditors also has a detailed understanding of the interaction of different internal control systems and the strict timelines that are required to complete each aspect of the audit.

**VTD staff also attends national training sessions, such as the annual AICPA National Governmental Accounting and Auditing Update,** so that all of the key staff assigned to the City's audit understands both local as well as national trends and issues.

#### *Our commitment to client service*

**VTD will not add clients that cannot be properly served.** We have managed our growth to ensure that new clients receive experienced staff and quality audits and to ensure that existing clients do not experience a decline in service when new clients are added. To accomplish this VTD will only propose on clients when key staff have been trained, possess on the job experience to act as the in charge auditor, and when staffing levels allow for the addition of the new work. We are extremely confident that all of our references will note that their service level has not diminished over the life of the contract.

VTD has reviewed the requirements of the City of Manhattan Beach and determined that your City will be properly served with experienced and well trained staff. We have also determined that our staffing schedule allows for VTD to meet and/or exceed all timelines as established in the request for proposal. We are also confident that the City of Manhattan Beach will continue to be able to act as a reference for VTD stating that the auditors were experienced, all aspects of the audit were professionally handled, and that all timelines were met.



## Section 1 - Company Profile

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### 6. Our Experience, (Continued)

#### *Conducting single audits*

VTD performs more than 250 single audits annually within its governmental practice. Our experience with single audits for our clients is vast. Our single audits range from \$500,000 to over \$700 million in federal expenditures.

### 7. **Assisting local governmental units in obtaining the Government Finance Officer's Association (GFOA) "Certificate of Achievement for Excellence in Financial Reporting."**

Many our clients participate in the Government Finance Officer's Association (GFOA) "Certificate of Achievement for Excellence in Financial Reporting" program. VTD has proven that we can not only meet our client's expectations in regards to a quality product within GFOA requirement, but we have also proven that we can meet or exceed all timelines established by our clients.



## Section 2 - The Work Plan and Timetables

### 1. Complete Work Plan/Project Description

#### *Scheduling*

Dates for the interim audit: May-June  
 Dates for the final audit: to be agreed upon.

#### *Breakdown of audit hours by staff*

	Pre-Audit Planning	Interim Audit	Final Audit	Total
Partner	8	16	2	26
Manager			34	34
Supervisor	16	24	88	128
Senior	8	24	52	84
Staff		50	66	116
Clerical		15	1	16
Total	32	129	243	404

#### *Level of staff and number of hours assigned to each segment*

	Partner	Manager	Supervisor	Senior	Staff	Clerical	Total
City Audit and Related Reports	16	24	80	80	100	8	308
Preparation of Financial Statements	6	10	44	0	0	4	64
Single Audit and Related Reports (assumes one major program)	4	0	4	4	16	4	32
Totals	26	34	128	84	116	16	404



## Section 2 - The Work Plan and Timetables

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### 2. Our Proposed Audit Plan

Our audit plan for each of the fiscal years involves six (6) stages for each audit. These stages are:

- Stage 1, Planning
- Stage 2, Risk Assessment
- Stage 3, Preparation of the overall audit plan
- Stage 4, Conducting the Interim Audit
- Stage 5, Conducting the Final Audit
- Stage 6, Reporting

#### Stage 1, Planning

VTD will meet with key staff to plan the audit services for the year. These meetings will discuss all audit issues and the proposed interim work plan. During this phase, we will accomplish:

- Identifying the key personnel and contacts in the Finance Department and other departments.
- Identify the City's significant classes of transactions and business processes.
- Obtain an understanding of the risk areas.
- Developing an understanding of unusual transactions or events that have occurred during the fiscal year.
- Formalizing logistics.
- Finalizing the timeframes for interim fieldwork.

#### Stage 2, Risk Assessment

Based upon the information obtained in the planning meetings VTD will perform a risk assessment as required by Statements on Auditing Standards (SAS) to be used in the preparation of the overall audit plan. As part of this risk assessment we will perform the following:

1. Obtain an understanding of the entity and its environment and its risks.
2. Obtain an understanding of the entity's internal controls.
3. Preliminary analytical review, determination of preliminary materiality levels.
4. Analysis of known misstatements, if any.



## Section 2 - The Work Plan and Timetables

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### 2. Our Proposed Audit Plan, (Continued)

#### Stage 2, Risk Assessment, (Continued)

5. Consideration of risk of material misstatement at the individual account balance, class of transactions and disclosure level.
6. Assessing the risks of material misstatement at both the financial statement and relevant assertion levels.

#### Stage 3, Preparation of the overall audit plan

Once the planning and risk assessment process are complete an overall audit plan will be prepared. The plan will specify each audit task, staffing assignments, timelines, and due dates. The plan will also break down the work assignments between interim and final audit timelines. The audit plan will include the transaction cycles which have been selected for internal control testing and those for which only the detailed walk through will be performed.

Once the audit plan has been completed the prepared by client (PBC) requirements and the responsibilities of the auditor document will be prepared. The document listing will be detailed by specific task and will include the due dates and names of the persons responsible for each task.

We will also prepare:

The preliminary materiality guidelines, the audit programs, including consideration of:

- Identification of areas where special audit considerations are necessary.
- Design of further audit procedures to reduce risk if considered necessary.
- The development of expectations for analytical procedures, timelines, and assignment of all audit responsibilities.

Once these tasks have been completed we will meet with the City to ensure that all dates and requirements have been met and to schedule the interim and final work with the various departments and agencies of the City.



## Section 2 - The Work Plan and Timetables

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### 2. Our Proposed Audit Plan, (Continued)

#### *Stage 4, the Interim Audit*

Our interim fieldwork dates will occur during the timeframes from April-June. The specific weeks will be determined during the planning meeting and preparation of the audit plan process. Our interim work will include the following:

We will obtain an understanding of the City's internal control structure starting with:

1. Defining the City's objectives and strategies and related business risks.
2. Obtaining an understanding of the City's internal control environment (tone at the top):
  - Communication and enforcement of integrity and ethical values
  - Commitment to competence
  - Participation of those charged with governance
  - Management's philosophy and operation style
  - Organizational structure
  - Assignment of authority and responsibility
  - Human resource policies and practices
3. The City's risk assessment process.
4. Internal control communication process.
5. Internal control monitoring process.
6. Any industry, regulatory or other factors.

This understanding will be accomplished through the use of:

1. Inquiry of management and others within the City.
2. Observation and inspection.
3. Review of external information from rating agencies, and other external sources.



## Section 2 - The Work Plan and Timetables

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### 2. Our Proposed Audit Plan, (Continued)

#### *Stage 4, the Interim Audit, (Continued)*

We will also obtain an understanding of the design and implementation of the financial reporting system to understand the follow of information for:

1. Each class of transactions that is significant to the financial statements.
2. The procedures within both automated and manual systems, by which those transactions are initiated, authorized, recorded, processed, and reported in the financial statements.
3. The related accounting records, whether in electronic or manual supporting information, and specific accounts in the financial statements involved in initiating, authorizing, recording, processing and reporting transactions.
4. How the information systems captures events and conditions other than classes of transactions that are significant to the financial statements.
5. The financial reporting process used to prepare the City's financial statements, including significant accounting estimates and disclosures.

Our focus will also involve:

- Understanding and documenting the financial reporting process.
- Documenting information systems and related computerized data processing controls.
- Identifying the flow of information and internal control involved in various key processes including, investment management, procurement, disbursements, payroll, treasury operations, debt/capital management, and cash receipts. To accomplish these tasks we will use client accounting manuals, inquiry, observation, checklists, and internal control questionnaires. During the interim timeframe each of the significant internal control systems will be evaluated to obtain sufficient knowledge of the design and implementation of key controls and to determine if a test of controls will result in audit efficiencies.



## Section 2 - The Work Plan and Timetables

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### 2. Our Proposed Audit Plan, (Continued)

#### *Stage 4, the Interim Audit, (Continued)*

- Planning of the Single Audit including the distribution of questionnaires, conducting inquiries, reviewing documentation and determining major programs. In addition, in order to assist the City in achieving its Single Audit reporting timeline, we will begin conducting fieldwork for those federal programs identified as major as a result of our preliminary risk assessment.
- Identifying laws and regulations that are applicable to the City of Manhattan Beach and its component units. To accomplish these tasks we will use client documents, inquiry, observation, checklists, and internal control questionnaires.
- Providing the parameters required to commence analyzing financial fluctuations in the operating results of the City of Manhattan Beach.
- Formulating audit procedures and related audit programs that will be used during the final segment of the audit process.

Testing the effectiveness of internal controls will be accomplished for the significant internal controls systems for which we plan to place reliance. To gain efficiencies our control testing will be structured so that it can be used for each of the audits we will perform.

Other areas to be completed at the interim audit include SAS No. 99 interviews and documentation.

Discuss workable solutions for potential findings that have been identified and communicated to the City during the audit process

#### *Stage 5, the Final Audit*

We will commence our final fieldwork as soon as City of Manhattan Beach has sufficiently closed their accounting records.

During this phase, we will perform substantive audit procedures on the year-end statement of net assets and fund balances, revenue and expenditure/expense accounts. We will use a variety of audit procedures which may include outside confirmations, statistical sampling, and detailed testing of schedules, analytical review, inquiry, and observation.



## Section 2 - The Work Plan and Timetables

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### 2. Our Proposed Audit Plan, (Continued)

#### *Stage 6, the Reporting Phase*

At the end of the audit process we will meet with key staff to cover the following:

- Discuss improvements for subsequent years audit plan,
- Meet with the Audit Committee to present the results of the audit,
- Communicate with those charged with Governance.

We do not believe in surprises. Although the reporting phase involves a recap of the process we will be in constant communication regarding the each aspect of the audit throughout the entire process. You will not have any surprises at the end of the audit.

Individual or unique aspects that apply to each of the required audits and/or services will be described within the next section.

We have also prepared a time schedule for each of the components of the audit that is structured to meet and/or exceed all time requirements of the City of Manhattan Beach.

### 3. Plan for the audit of the City's basic financial statements

#### *The City of Manhattan Beach*

As noted above, the six phase audit process will be used for conducting the audit of the City's basic financial statements.

Meetings will be scheduled with the key contacts in each department, to allow for questions from the departments, provide for a summary of the overall audit process, and cover key dates to ensure all City timelines are met. The meetings will also provide each department with a listing of interviews that will be necessary so that each can be scheduled. Discussions will also include key audit areas, risks and any other known issues relating to the audit. We anticipate conducting these meetings with the:

- City Manager's Office
- Information technology
- Procurement
- Human Resource/Payroll
- Risk Management



## Section 2 - The Work Plan and Timetables

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### 3. Plan for the audit of the City's basic financial statements, (Continued)

As noted in the audit plan we will obtain documentation of the understanding of the City and its environment, including the internal controls. Testing will be accomplished for the internal controls systems for which we plan to place reliance. These internal control systems and key processes include, but are not limited to:

- The Revenue collection cycle
- Investment management
- Debt management
- Financial reporting
  - Year end closing
- Budgeting
- Risk management
- Human Resource, payment of employees
- IT Controls, relating to all aspects of the audit
  - User access
  - Security
  - Backup and recovery
  - System interfaces
- Fraud Prevention
- Others that will be identified during our audits

Other items that will be considered include:

- Testing of the City's key internal control system
- Interaction and coordination between key City Departments.
- Analysis of the City's fraud prevention program.
- And proactive discussions regarding upcoming professional pronouncements and standards.

We will meet with the City as a final wrap up to cover any outstanding items and prepare the appropriate presentations.



## Section 2 - The Work Plan and Timetables

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### 4. Award Winning CAFR

VTD will review the City's CAFR in accordance with the GFOA Special Review Committee Checklist. In addition the CAFR will be subject to detailed levels of review including:

- The engagement partner review
- The second partner review
- And a final Quality Control check

Each of the reviewers has extensive experience with the requirements of the GFOA award program, and each review will be performed by a VTD staff member who participates on the GFOA Special Review Committee.

### 5. The Single Audit

We will use the audit plan methodology as previously noted.

We will obtain an understanding of the City's procedures for compiling and testing the Schedule of Expenditures of Federal Awards (SEFA). VTD will use the prior single audits to assist in the determination of the June 30, 2014 major programs.

A risk assessment will be performed in accordance with OMB Circular A-133.

Each applicable compliance requirements of the major programs will be tested as required by OMB Circular A-133. These include testing of the required internal control systems and compliance testing of the applicable 14 compliance requirements as summarized in the single audit compliance supplements.

The final phase of the single audit involves the audit of the Schedule of Federal Financial Assistance (SEFA) and the preparation of the Data Collection Form.

VTD will conduct meetings with each applicable department when their segment of the audit testing has been completed. All proposed findings will be reviewed with the appropriate departments.



## Section 2 - The Work Plan and Timetables

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### 6. Sample sizes and use of statistical sampling techniques

Sample sizes will differ depending upon the area under audit. Generally a sample size of 40-60 will be used for areas where we plan on placing reliance on the internal control structure.

### 7. Extent of use of EDP in engagement

EDP software will be used in the analysis of the City's transaction activity, including, but not limited to disbursements, payroll, utility billings, inventory, capital asset depreciation, etc. In addition, audit software will be utilized for work paper storage.

### 8. Type and extent of analytical procedures to be used in engagement

Analytical procedures are an important part of the audit process. Analytical procedures will be used in several areas including but not limited to audit planning, testing of year end balances such as depreciation expense, revenue analysis, expense/expenditure analysis, internal service fund charges, etc.

### 9. Approach to be taken in determining laws and regulations that will be subject to test work

We will review the laws and regulations covering the City's grants and major programs as part of the Single Audit testing. Based upon our inquiry with City staff, review of the City's municipal code, review of administrative policies, etc. we will determine the relevant laws and regulations that will be subject to additional test work.

### 10. Approach to be taken to gain and document an understanding of the City's internal control

Our approach to gain an understanding of the City's internal control structure will be obtained by reviewing the City's policy and procedures handbooks, review of the City's municipal code, review of administrative policies and procedures, and based upon our inquiry with City staff. In addition we will use governmental internal control questionnaires to assist in our documentation of the internal control structure. Further we will conduct a walk-through and observe the work flow as it relates to key business processes including but not limited to: payroll, budgeting, financial management and investments, revenue management and cash receipts, procurement and disbursements, information technology, risk management and capital asset management.



## Section 2 - The Work Plan and Timetables

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### 11. Approach to be taken in drawing audit samples for purposes of tests of compliance

Auditor judgment will be used in selecting our audit samples for test of compliance work. The majority of the testing of compliance will be centered around the single audit testing of the direct and material elements for the major programs.

### 12. Meetings

VTD shall conduct regular progress report meetings with the Finance Director or his designee on the conduct of the work required under this contract as deemed appropriate. Either the Finance Director or VTD may request a meeting at any time during the term of this contract.



## Section 3 - Experience

### STAFFING PLAN –

#### A. Organization Resumes:

***Engagement Partner: Mr. Kevin T. Pulliam, CPA***  
**Audit Partner**

*Education:*

Bachelor of Science in Economics, Accounting Concentration  
California State Polytechnic University, San Luis Obispo, California

*Clients Served*

**Counties**

- County of Modoc
- County of Orange
- County of Riverside
- County of San Bernardino
- County of Sacramento
- County of Ventura
- County of Yolo

**Cities**

- City of Arroyo Grande
- City of Brentwood
- City of Del Mar
- City of Desert Hot Springs
- City of Dublin
- City of Glendale
- City of Greenfield
- City of Manhattan Beach
- City of Huntington Park
- City of La Palma
- City of Lake Forest
- City of Lawndale
- City of Madera
- City of Malibu

- City of Manhattan Beach
- City of Moorpark
- City of Oxnard
- City of Pacific Grove
- City of Palmdale
- City of Paramount
- City of Piedmont
- City of Placentia
- City of Manhattan Beach
- City of San Jacinto
- City of San Ramon
- City of South El Monte
- City of South Gate
- City of Taft
- City of Yucaipa

**Special Districts and Other Governmental Agencies**

- Arrowhead Regional Medical Center
- Riverside County Regional Medical Center
- Glendale Water & Power

- Inland Empire Public Facilities Corporation
- San Bernardino County Public Financing Authority
- Tri-City Mental Health
- Palmdale Civic Authority
- Palmdale Housing Authority
- San Bernardino Associated Governments
- Water Facilities Authority
- Ventura County Air Pollution Control District
- OMNITRANS
- Chino Valley Independent Fire District
- South Bay Regional Communication Authority
- Riverside County Waste Management



## Section 3 - Experience

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### A. Organization Resumes, (Continued):

***Engagement Partner: Mr. Kevin T. Pulliam, CPA  
Audit Partner, (Continued)***

*Training:*

- AICPA National Update, Governmental Accounting and Auditing Conference
- AICPA National Update, Healthcare Conference
- SAS 99, Fraud Training
- Yellow Book Standards
- Auditing Debt
- Single Audits
- Internal control documentation and testing
- Accounting and Auditing Updates
- Audits of HUD assisted projects
- New Auditing Standards 103, and 112, and the suite of 104-111 (Risk Assessment Standards)
- Attendance at the State Controllers Annual Conference with County Auditors on an annual basis
- Attendance and Presenter at the State Association of County Auditors annual conferences

Mr. Pulliam presents regularly to industry groups on audit standards, single audits and other governmental topics. Mr. Pulliam is also a presenter for the annual training sessions provided to our large regional governments.

*Experience in governmental accounting/auditing*

Mr. Pulliam has over 25 years of experience with governmental accounting and auditing. Mr. Pulliam is the lead partner for the State and Local Government Practice Group within VTD. He is also the engagement and client service partner for numerous governmental agencies.

*Experience in conducting single audits, audits of the general purpose financial statements for state or large local governments*

As noted above Mr. Pulliam is the engagement partner for several large regional governments, city governments, and special districts. Many of these governments' single audits with federal expenditures ranging from \$500,000 to approximately \$700 million.

*Memberships on the GFOA Certificate Program Special Review Committee*

Mr. Pulliam is the key second review partner for all GFOA participants. Mr. Pulliam is a member of GFOA Certificate Program Special Review Committee.



## Section 3 - Experience

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### A. Organization Resumes, (Continued):

***Engagement Partner: Mr. Kevin T. Pulliam, CPA  
Audit Partner, (Continued)***

*Experience in performing audits of enterprise funds or component units controlled by state or large local governmental units*

Mr. Pulliam's client base includes several enterprise fund and component unit audits that are controlled by large governmental units. These range from large redevelopment agencies, governmental pensions, regional hospitals, financing authorities, and public utilities.



## Section 3 - Experience

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### A. Organization Resumes, (Continued):

**Partner: Mr. Roger Alfaro, CPA**  
**Audit Partner**

#### Education

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

#### Clients Served

##### **Counties**

- County of Riverside
- County of San Bernardino
- County of Sacramento
- County of Ventura
- County of Orange
- County of Shasta
- County of Modoc

##### **Cities**

- City of Laguna Niguel
- City of Camarillo
- City of Agoura Hills
- City of Glendale
- City of Gonzales
- City of Huntington Park
- City of Paramount
- City of Burbank
- City of Modesto
- City of Whittier
- City of Temecula
- City of Rancho Palos Verdes

##### **Special Districts and Other Governmental Agencies**

- Chino Valley Independent Fire District
- Arrowhead Regional Medical Center
- Riverside County Regional Medical Center
- San Bernardino Associated Governments
- First 5 – Orange County
- First 5 – Riverside
- First 5 – Los Angeles
- Ventura County Transportation Commission
- San Mateo County Transit District
- Santa Clara Valley Transportation Authority

- Alameda County Transportation Commission
- Alameda County Transportation Improvement Authority
- Ventura County Air Pollution Control District
- Ventura County Redevelopment Agency
- Yucaipa Valley Water District
- Glendale Water and Power
- John Wayne Airport
- Sacramento International Airport
- Riverside County Waste Management
- Tri-City Mental Health



## Section 3 – Experience

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### A. Organization Resumes, (Continued):

**Partner: Mr. Roger Alfaro, CPA  
Audit Partner, (Continued)**

Training:

- AICPA National Update, Governmental Accounting and Auditing Conference
- AICPA National Update, Healthcare Conference
- SAS 99, Fraud Training
- Yellow Book Standards
- Auditing Debt
- Single Audits
- Internal control documentation and testing
- Accounting and Auditing Updates
- Audits of HUD assisted projects
- New Auditing Standards 103, and 112, and the suite of 104-111 (Risk Assessment Standards)
- Attendance at the State Controllers Annual Conference with County Auditors on an annual basis
- Attendance at the State Association of County Auditors annual conferences
- Is involved with developing in-house and external training materials.

Experience in governmental accounting/auditing:

Mr. Alfaro has been conducting audits of governmental entities for over fifteen years. His experience includes counties, cities, redevelopment agencies, financing authorities, public utilities, transit authorities, airports, and the single audits.

Prior to VTD, Mr. Alfaro worked for a "Big 4 Accounting Firm" specializing in governmental audits and attestation projects. In addition, he provided audit and attest services to government, not-for-profit entities, and manufacturing industries.



## Section 3 – Experience

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### A. Organization Resumes, (Continued):

#### **Partner: Mr. Roger Alfaro, CPA Audit Partner, (Continued)**

##### Experience in conducting single audits, audits of the general purpose financial statements for state or large local governments

Mr. Alfaro has conducted single audits and the audits of basic financial statements for several local governments whose assets exceed \$1 billion. Mr. Alfaro has served as a partner on large regional governmental audits including but not limited to; the County of Orange, John Wayne Airport, Sacramento International Airport, County of Sacramento, County of Ventura and County of Riverside.

##### Experience in assisting state or large local governmental units in obtaining the GFOA "Certificate of Achievement for Excellence in Financial Reporting"

Mr. Alfaro has advised and assisted many clients with disclosure and financial reporting requirements pursuant to the GFOA certificate program. Many of Mr. Alfaro's clients have reports prepared in compliance with the requirements of this program, including the County of Riverside, County of San Bernardino, San Mateo County Transit District, and Ventura Valley Transportation Authority.

##### Memberships on the GFOA Certificate Program Special Review Committee

Mr. Alfaro is a member of the GFOA Certificate Program Special Review Committee.

##### Experience in performing consent reviews for state or large local governmental units

VTD has experience in performing consent reviews.

##### Experience in performing audits of enterprise funds or component units controller by state or large local governmental units

Mr. Alfaro has conducted several audits for enterprise funds and/or component units controlled by large local governmental units. Such audits have included; governmental pension plans, financing authorities, public utilities, county hospitals, first 5 commissions, and redevelopment agencies.

##### Affiliations

Member of the American Institute of Certified Public Accountants



## Section 3 – Experience

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### A. Organization Resumes, (Continued):

**Phillip White, CPA**  
**Audit Manager**

Education

Bachelor of Science in Finance  
San Francisco State University

Clients Served

**Counties**

- County of Riverside
- County of San Bernardino
- County of Sacramento
- County of Ventura
- County of Orange

**Cities**

- City of Palmdale
- City of Agoura Hills
- City of Glendale
- City of Gonzales
- City of Huntington Park
- City of Paramount
- City of Manhattan Beach
- City of Folsom

- City of Piedmont
- City of Desert Hot Springs

**Special Districts and Other Governmental Agencies**

- Chino Valley Independent Fire District
- Arrowhead Regional Medical Center
- Riverside County Regional Medical Center
- San Bernardino Associated Governments
- First 5 – Los Angeles
- First 5 – Riverside

- San Mateo County Transit District
- Santa Clara Valley Transportation Authority
- Yucaipa Valley Water District
- Glendale Water and Power
- John Wayne Airport
- Tri-City Mental Health
- South Bay Regional Communications Authority

Training:

- SAS 99, Fraud Training
- Yellow Book Standards
- Single Audits
- Internal control documentation and testing
- Accounting and Auditing Updates



## Section 3 – Experience

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### A. Organization Resumes, (Continued):

#### **Phillip White, CPA Audit Manager, (Continued)**

##### *Experience in governmental accounting/auditing*

Mr. White has six years of experience working with governmental clients. His experience includes acting as the audit lead for a variety of governments ranging from large counties to various sized cities to smaller entities comprised of single enterprise funds.

##### *Experience in conducting single audits and audits of the general purpose financial statements for state or large local governments*

Responsibilities include working as the audit lead for the County of Orange and the County of Orange Single Audit. Mr. White has participated in various aspects of both the single audit and general purpose financial statements for several other counties including Ventura, Sacramento, San Bernardino, and Riverside. Mr. White has also acted as the audit lead on general purpose financial statements and single audit engagements for various cities and special districts.



## Section 3 – Experience

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### A. Organization Resumes, (Continued):

**Ms. Stephanie Sarian**  
**Audit Supervisor**

Education

Bachelor of Science in Accounting  
University of Redlands

Clients Served

**Counties**

- County of Ventura
- County of San Bernardino
- County of Orange
- County of Sacramento

**Cities**

- City of Agoura Hills
- City of Paramount
- City of Palmdale
- City of Rancho Palos Verdes
- City of Laguna Niguel

**Special Districts and Other Governmental Agencies**

- Children and Families Commission of Orange County
- Children and Families Commission of Los Angeles
- Jurupa Community Services District
- Eastern Municipal Water District
- Sacramento County Area

- Flood Control Agency
- San Bernardino Associated Governments
- Ventura County Air Pollution Control District
- Western Riverside County Regional Conservation Authority
- Orange County Transportation Authority

Training:

- SAS 99, Fraud Training
- Yellow Book Standards
- Single Audits
- Internal control documentation and testing
- Accounting and Auditing Updates



## Section 3 – Experience

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### A. Organization Resumes, (Continued):

#### **Ms. Stephanie Sarian Audit Supervisor, (Continued)**

##### *Experience in governmental accounting/auditing*

Ms. Sarian has been with Vavrinek, Trine, Day & Co., LLP since July 2010. Her experience in audits includes serving governmental agencies including but not limited to cities, counties and special districts.

##### *Experience in conducting single audits and audits of the general purpose financial statements for state or large local governments*

Ms. Sarian has conducted single audits and audits of basic financial statements for local governments. Responsibilities include documenting and testing internal controls and compliance.

##### *Experience in performing audits of enterprise funds or component units controlled by state or large local governmental units*

In addition, her experience includes serving on the audits of Jurupa Community Services District, Western Riverside County Regional Conservation Authority, Orange County Transportation Authority, Sacramento County Area Flood Control Agency, Children and Families Commission of Orange County and Children and Families Commission of Los Angeles.



## Section 4 – References

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### **City of Palmdale**

***Ms. Karen Johnston***

Director of Finance  
City of Palmdale  
38300 Sierra Highway  
Palmdale, CA 93550  
(661) 267-5417

Hours: Approximately 1,000  
Most recent audit: June 30, 2013

### **City of Paramount**

***Ms. Karina Lam***

Finance Director  
City of Paramount  
16400 Colorado Ave  
Paramount, CA 90723  
(562) 220-2210

Hours: Approximately 400  
Most recent audit: June 30, 2013

### **City of Whittier**

***Mr. Rod Hill***

Director of Finance  
City of Whittier  
13230 Penn Street  
Whittier, CA 90602  
(562) 567-9810

Hours: Approximately 600  
Most recent audit: June 30, 2013



## Section 4 – References

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### **City of Agoura Hills**

***Ms. Christy Pinuelas***

Director of Finance  
City of Agoura Hills  
30001 Ladyface Court  
Agoura Hills, CA 91301  
(818) 597-7319

Hours:	Approximately 300
Most recent audit:	June 30, 2013

### **City of Laguna Beach**

***Ms. Nancy Pauley***

Finance Officer  
City of Laguna Beach  
505 Forest Avenue  
Laguna Beach, CA 92651  
(949) 497-0319

Hours:	Approximately 600
Most recent audit:	June 30, 2013



## Appendix A

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### Peer Review Report

**Offeror shall provide a copy of their most recent peer review report conducted.**

### YANARI WATSON MCGAUGHEY P.C.

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DALE M. YANARI (1947-2004) ♦ RANDY S. WATSON ♦ G. LANCE MCGAUGHEY  
FINANCIAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

May 25, 2012

To the Partners of  
Vavrinek, Trine, Day & Co., LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP (the firm) applicable to non-SEC issuers in effect for the year ended December 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP applicable to non-SEC issuers in effect for the year ended December 31, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Vavrinek, Trine, Day & Co., LLP has received a peer review rating of *pass*.

*Yanari Watson McGaughey P.C.*  
Yanari Watson McGaughey P.C.

9250 EAST COSTILLA AVENUE, SUITE 450  
GREENWOOD VILLAGE, COLORADO 80112-3647  
(303) 792-3020  
FAX (303) 792-5153  
web site: [www.ywmcpa.com](http://www.ywmcpa.com)



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

# **Schedule of Professional Fees and Expenses for the City of Manhattan Beach**

## **RFP #974-14**

Vavrinek, Trine, Day & Co., LLP  
8270 Aspen Street  
Rancho Cucamonga, CA 91730

Partner Contact – Kevin Pulliam and Roger Alfaro  
(909) 466-4410 Fax (909) 466-4431  
Email: [kpulliam@vtdcpa.com](mailto:kpulliam@vtdcpa.com) and [ralfaro@vtdcpa.com](mailto:ralfaro@vtdcpa.com)

February 5, 2014



## Cost Proposal

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We are firmly committed to providing the City with the superior level of professional services that the City has come to expect from its auditors. We strive to provide exceptional staff, quality, and value at the lowest possible fees consistent with the expectations of the City. Our rates are competitive, even with our depth of experience and commitment to quality.

However, we do not want fees alone to be an obstacle in the City's selection of Vavrinek, Trine, Day & Co., LLP. We would be happy to discuss and negotiate such fee issues and City responsibilities with you.

<b>Service</b>	<b>Estimated Hours</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
City Audit and Related Reports	308	\$ 39,660	\$ 40,453	\$ 41,262
Preparation of Financial Statements	64	\$ 9,840	\$ 10,037	\$ 10,238
Single Audit and Related Reports (assumes one major program)	32	\$ 3,760	\$ 3,835	\$ 3,912
Total for Fiscal Year (not-to-exceed)	404	\$ 53,260	\$ 54,325	\$ 55,412



## Cost Proposal, (Continued)

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### Attachment A Audit Work Cost Proposal Form

<u>Service</u>	<u>FY 2013-2014</u>	<u>FY 2014-2015</u>	<u>FY 2015-2016</u>
Audit and Related Reports	\$ 39,660	\$ 40,453	\$ 41,262
Preparation of Financial Statements	9,840	10,037	10,238
Single Audit and Related Reports	3,760	3,835	3,912
Total for Fiscal Year (not to exceed)	53,260	54,325	55,412

Name of Firm	Vavrinek, Trine, Day & Co., LLP
Authorized Signature	
Name of Authorized Person	Kevin T. Pulliam
Title	Partner
Address	8270 Aspen Street
City/State/Zip	Rancho Cucamonga, CA 91730
Telephone	(909) 466-4410
Email	kpulliam@vtcdcpa.com



## Cost Proposal, (Continued)

### Attachment B Estimate Cost

#### Hourly Billing Rates for Engagement

<u>Position</u>	<u>FY 2013-2014</u>	<u>FY 2014-2015</u>	<u>FY 2015-2016</u>
Partner	\$ 225	\$ 225	\$ 225
Manager	185	185	185
Senior Accountant	165	165	165
Staff Accountant	90	90	90
Clerical	65	65	65
Other (Specify: Senior )	120	120	120

Name of Firm	Vavrinek, Trine, Day & Co., LLP
Authorized Signature	
Name of Authorized Person	Kevin T. Pulliam
Title	Partner
Address	8270 Aspen Street
City/State/Zip	Rancho Cucamonga, CA 91730
Telephone	(909) 466-4410
Email	kpulliam@vtdcpa.com



## Cost Proposal, (Continued)

### *City Audit and Related Reports*

<u>Staff Classification</u>	<u>Rate per Hour</u>	<u>Total Estimated Hours</u>	<u>Total Fee</u>
Partner	\$ 225	16	\$ 3,600
Manager	185	24	4,440
Supervisor	145	80	11,600
Senior	125	80	10,000
Staff	95	100	9,500
Clerical	65	8	520
<b>Out of pocket expenses</b>			
<b>Total Hours and Fee</b>		<u>308</u>	<u>\$ 39,660</u>

### *Preparation of Financial Statements*

<u>Staff Classification</u>	<u>Rate per Hour</u>	<u>Total Estimated Hours</u>	<u>Total Fee</u>
Partner	\$ 225	6	\$ 1,350
Manager	185	10	1,850
Supervisor	145	44	6,380
Senior	125		0
Staff	95		0
Clerical	65	4	260
<b>Out of pocket expenses</b>			
<b>Total Hours and Fee</b>		<u>64</u>	<u>\$ 9,840</u>



## Cost Proposal, (Continued)

*Single Audit and Related Reports (assumes one major program)*

<u>Staff Classification</u>	<u>Rate per Hour</u>	<u>Total Estimated Hours</u>	<u>Total Fee</u>
Partner	\$ 225	4	\$ 900
Manager	185		0
Supervisor	145	4	580
Senior	125	4	500
Staff	95	16	1,520
Clerical	65	4	260
<b>Out of pocket expenses</b>			
<b>Total Hours and Fee</b>		<u>32</u>	<u>\$ 3,760</u>