



San Luis Obispo Local Agency Formation Commission

TO: MEMBERS OF THE COMMISSION

FROM: ROB FITZROY, EXECUTIVE OFFICER

DATE: OCTOBER 19, 2023

SUBJECT: PROPOSAL TO PREPARE FINANCIAL AUDIT FOR FISCAL YEAR 2022-2023

RECOMMENDATION

Action 1: Receive and file the attached proposal for preparing an annual audit for FY 2022-2023 (Attachment A) and direct the Executive Officer and Legal Counsel to sign a letter of engagement and / or contract with CJ Brown & Company CPAs.

DISCUSSION

Background

At the May 18, 2023, LAFCO meeting the Commission adopted the Fiscal Year 2023-2024 Budget and Work Plan. The Work Plan for FY 2023-2024 included a Financial Audit for FY 2022-2023 as part of the Commission Initiatives. The FY 2023-2024 budget allocated \$25,000 in the budget for completion of the audit.

Summary

Staff prepared a Request for Proposals (RFP) to audit LAFCO's Financial Statements for FY 2022-2023. Staff released the RFP on September 5, 2023. Staff received a response from CJ Brown & Company CPAs (Attachment A). The proposal meets the criteria specified in the RFP. Per the proposal, costs of the audit are not to exceed \$16,200.

Staff is seeking approval to allow the Executive Officer and Legal Counsel (if necessary) to sign a letter of engagement and / or a contract for the proposed auditing services as contained in Attachment A. If approved, the audit will likely commence in November 2023 and be completed by March 2024.

Attachment A: Proposal for Auditing Services

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Vice Chair

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David Watson
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STAFF

ROB FITZROY
Executive Officer

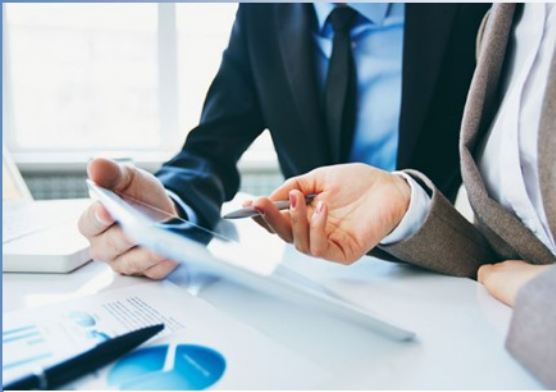
IMELDA MARQUEZ-VAWTER
Analyst

MORGAN BING
Clerk Analyst

BRIAN A. PIERIK
Legal Counsel

Attachment A

Proposal for Auditing Services



**Certified
Public
Accountants**



**Consultants
& Advisors**



San Luis Obispo Local Agency Formation Commission

Proposal to Provide Independent Professional Auditing Services

For the Year Ending June 30, 2023

**Christopher J. Brown CPA, CGMA
Jonathan P. Abadesco, CPA**

10805 Holder Street, Suite 150
Cypress, California 90630

5051 Canyon Crest Drive Suite 203
Riverside, California 92507

Phone: (657) 214-2307

Email: chris@cjbrowncpa.com
jonathan@cjbrowncpa.com

California BOA License Number: 6529



**C.J. Brown & Company, CPAs
An Accountancy Corporation**

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C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

September 27, 2023

Attention: Morgan Bing, Clerk Analyst
San Luis Obispo Local Agency Formation Commission
1042 Pacific Street Suite A
San Luis Obispo, CA 93401

Re: Request for Proposal for Independent Professional Auditing Services

Dear Ms. Bing:

We appreciate the opportunity to submit our proposal to provide independent professional auditing services for the San Luis Obispo Local Agency Formation Commission (Commission) for the fiscal year ending June 30, 2023.

In response to your inquiry of C.J. Brown & Company, CPAs – An Accountancy Corporation (Firm), we have prepared a proposal that reflects our understanding of the Commission audit service requirements and that demonstrates our capability and commitment to serve. Our goal is to build a strong a partnership with the Commission and demonstrate the highest levels of client service.

We understand that you expect a timely audit service conducted in a professional manner in accordance with audit service standards specific to governmental entities such as yours. We are committed to meet all the requirements you have indicated, and we will issue the reports and meet the timing requirements you have requested. We believe we are uniquely qualified to provide the quality and scope of service that the Commission desires.

Focused on the Special District Industry

Our client service team members are specialists in the governmental special district sector. This means they each focus a substantial portion of their time serving special district governmental clients. We know and understand your organization and the climate within which you work.

Our Firm audits over 50 governmental special districts in the State of California; as a result, this enables our Firm to continuously be immersed in the governmental, financial, and operational issues related to special districts.

Organized to Serve

Our service approach ensures that the Commission will receive the highest quality, personalized service when and where you need it. By tailoring our approach, we guarantee that the Commission will receive timely and attentive service that forms the hallmark of our approach to serving clients. **Our governmental audit and consulting practice accounts for a substantial portion of our Firm's annual services.** Therefore, we have made a substantial commitment and investment to serve our governmental clients.

Organized to Serve, continued

While our governmental experience is substantial, it is not the only factor that sets us apart from other firms; moreover, it is the commitment to utilize our resources and experience for the benefit of our clients.

Our approach to the engagement will be to establish a delivery system for providing a truly exceptional level of service. Each element of that system including staffing, audit approach, communication, and coordination will be examined and refined to fit the needs of the Commission. The hardest to quantify may be the relationship aspect of working with one professional service firm versus another. Because of the service delivery approach, we are recommending and our history of working with many special district governmental units like the Commission, we are confident that our Firm knows how to address the unique needs of the Commission.

Our staff members assigned to the Commission are experienced governmental professionals that have managed numerous audits and attest engagements. We have assisted in the initial preparation and successful submission of many clients' Annual Comprehensive Financial Reports for the GFOA Award Program. Each of our staff has extensive experience that allows for a new outlook with innovative suggestions to improve quality and efficiency. We believe that our references will show that we are the best selection for the Commission. The choice of an audit firm should be based upon several factors including, but not limited to, staff retention, training programs, proactively addressing governmental industry changes, and adherence to a strict quality control program.

We are confident that we will provide the Commission with consistent staffing over the contract period as the continuity of staff is as important to us as it is to the Commission. We will be committed to the Commission and believe that our audit engagement team is the best selection for the Commission.

Our proposal and fee schedule shall be valid and binding for 90 days following the proposal due date and will become part of the contract that is negotiated with the Commission.

C.J. Brown & Company, CPAs – An Accountancy Corporation

Address:	10805 Holder Street Suite 150 Cypress, CA 90630	5051 Canyon Crest Drive Suite 203 Riverside, CA 92507
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Website (in the process of being updated to C.J. Brown & Company, CPAs):
www.fedakbrownllp.com

Phone Number: (657) 214-2307

Email: chris@cjbrowncpa.com

You may contact, Jonathan Abadesco or Christopher Brown if you have any questions or need additional information. Christopher Brown will be your primary contact during the proposal evaluation period. He may be reached at (657) 214-2307, or by e-mail at chris@cjbrowncpa.com.

We look forward to hearing from you soon.

Cordially,



C.J. Brown & Company, CPAs – An Accountancy Corporation

Statement of Understanding

Audit Engagements

Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. The audit engagements will be comprised of the elements enumerated in the Commission's Request for Proposal including:

- 1. Audit of the Basic Financial Statements of the Commission;**
- 2. Preparation of Management Reports (which includes the Communications to those Charged with Governance per Statement of Auditing Standards Statement No. 114) for the Commission;**
- 3. Attendance at Meetings and Presentation to the Board of Directors; and**
- 4. Provide guidance, training, and technical assistance to the Commission in implementing Governmental Accounting Standards issued, including Annual Accounting Update Session (as required)**

Timing of Our Procedures

We understand that the Commission is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience, and dedication that our Firm employs. We stress employs because all of the knowledge and expertise shown on paper will reap no benefit to you unless it is applied. This application equates to time well spent. We have developed an audit plan that we feel will accomplish the objectives of the Commission and will meet your special needs.


In order to accomplish our audit objectives and meet your deadlines for delivery, the sequence and timing of our procedures are critical. The Schedule below highlights our expected timeline which will be mutually agreed with the Commission.

Schedule of Deliverables

August	Engagement Planning
August – September	Interim Field Work (Test of Controls, Risk Assessment) and Initial Conference
August	Send Prepared by Client (PBC) listing
August – September	Year-End/Final Fieldwork
November	Provide Draft Financial Statements and Management Report.
November	Provide Final Reports and Present to the BOD

Firm Provided Affirmations

- A. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that the Firm and all key professional staff are properly registered and licensed or supervised by certified public accountants in good standing duly authorized to practice in the State of California.
- B. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that the Firm is independent of the Commission, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and compliance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.
- C. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that the Firm currently maintains errors and omissions insurance coverage in the aggregate amount of one million dollars and general liability coverage of two million dollars. The Firm will provide the required insurance coverage and Accord insurance form to the Commission upon acceptance of the audit engagement.
- D. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it has the necessary experience to conduct high-quality audits of local government and enterprise special districts and agencies in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and compliance audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States and the Single Audit Act. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.
- E. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it will meet your timing requirements to begin and complete the audit of the Commission.
- F. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that senior staff scheduled on the audit of the Commission are experienced personnel and that no person designated as “key” to the project shall be removed or replaced without the prior written consent of the Commission.
- G. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it has never been the subject of any lawsuits, claims of fraud, malpractice and/or disciplinary action by any State or Federal Agency in relation to the Firm’s governmental practice in its entire existence.
- H. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it has not been censured or disciplined from the State Board of Accountancy.
- I. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it will allow the Commission or their designee access to pertinent Commission audit work papers, financial reports, and management letters.
- J. C.J. Brown & Company, CPAs – An Accountancy Corporation affirms that it has never filed bankruptcy, there is no pending litigation against the Firm, there are no planned office closings, there are no impending mergers, and there are no potential labor disputes that may impede us the ability to complete the audit for the Commission.

Signature of Authorized Official: 

Name: Christopher J. Brown, CPA CGMA

Title: Managing Partner

Firm: C.J. Brown & Company, CPAs – An Accountancy Corporation

Date: September 27, 2023

Firm Qualifications, Experience and References

C.J. Brown & Company, CPAs – An Accountancy Corporation, is a full-service firm licensed to practice in the State of California providing accounting, audit, and consulting services for governmental and commercial enterprises, throughout the State of California. Our Governmental Services personnel are currently comprised of six senior professionals with extensive experience in governmental accounting, auditing, and additional reserve staff available on an as needed basis. The Firm maintains an office in Cypress, and Riverside, California.

Your main contacts will be Mr. Christopher Brown and Jonathan Abadesco. Our contact information can be located on our letterhead. All of the work for the Commission will be staffed directly out of our Riverside office and will not be subcontracted to any other firm.

Our Firm is fully automated in-house and utilizes current technology and software on all audit engagements. We utilize CCH ProSystems *fx* Engagement ® and Knowledge Coach Audit Software.

C.J. Brown & Company, CPAs – An Accountancy Corporation is an equal opportunity employer and certifies that our Firm is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all other applicable federal and state laws and regulations relating to equal opportunity employment, including Executive Order No. 11246 of September 24, 1965. Our Firm is committed to affirmative action in hiring practices.

Professional Education

It is a requirement of the State Board of Accountancy for all public accounting firms who are involved in governmental auditing to allocate a specific portion of continuing education in governmental accounting and auditing every two years. The Firm has met this requirement for all staff involved with governmental accounting and auditing. Our Firm's strict adherence to these continuing professional education standards ensures the highest quality of staff assigned to the Commission audits over the term of our agreement. Our Firm also requires that all personnel at all organizational levels adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, California State Society of CPAs, State Board of Accountancy, State Statute, and in some cases, the Securities and Exchange Commission and other regulatory agencies. Our Firm strictly follow the requirements of Government Code Section 12410.6(b) regarding auditor rotation requirements of public accounting firms providing audit services to local agencies. The Firm is not the object of any disciplinary action in its entire existence.

Quality Control

The Board of Directors of the Commission can measure the quality of the opinions expressed by the Firm by evaluating the level of professional standards maintained by our Firm as discussed in this proposal. The Board of Directors can also measure the performance and quality control of our Firm by evaluating our participation in the profession's peer review process as well as evaluating our Firm's professional standards and quality of work ethic in discussions with our Firm's current client base in the special district industry.

Using guidelines established by the AICPA, the Firm has designed and implemented an effective quality control system to ensure that our accounting and auditing work conforms to professional standards. **C.J. Brown & Company, CPAs – An Accountancy Corporation is in the process of transitioning the operations of Fedak & Brown LLP into the Firm and is currently working with the Peer Review personnel to establish our peer review program and expects to undergo the initial Review in June 2023.** We have included the last peer review report from Fedak & Brown LLP which provides a *Pass with deficiency* opinion on the next page.

Firm Qualifications, Experience and References, continued



Report on the Firm's System of Quality Control

June 8, 2022

To the Owners of
Fedak & Brown LLP and the Peer Review Committee of the CA Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Fedak & Brown LLP (the firm) in effect for the year ended September 30, 2021. 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.

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.

Deficiencies Identified in the Firm's System of Quality Control

We noted the following deficiencies during our review:

1. The firm's policies and procedures require that all work be performed and documented in accordance with professional standards and that a proper review by the engagement partner take place before the reports are released. Due to time constraints caused by the Pandemic and numerous personnel changes, including at the Partner level, engagements were not given the proper focus and attention needed. As a result, we noted the following: a) On an Audit of a Not-for-Profit organization, we noted that the functional expenses were presented as Supplemental Information instead of on the Statement of Activities or in the notes to the financial statements as required and we noted that accounts receivable confirmations were not requested, and the auditor did not document how the presumption for these requests was overcome; b) On the compliance audit under the Single Audit Act, we noted that the firm selected different requirements as being direct and material than those listed in the applicable Compliance Supplement; and c) On an Audit and a Review, we noted the failure to consider the new Revenue Recognition standard. In our opinion, these contributed to a compliance audit under the Single Audit Act, an audit of a Not-for-profit organization, and a Review engagement that did not conform to professional standards in all material respects. Of lesser significance, yet a result of the same systemic cause, we noted that while the firm performed a fair amount of work for obtaining an understanding of internal control on the audits, we found they inappropriately relied on inquiries of personnel for some procedures.

2. Statements on Quality Control Standards require that firms monitor their quality control system to provide assurance that the policies and procedures established by the firm are suitably designed and effectively applied. During our review, we noted that although the firm's policies and procedures require monitoring procedures, they were not performed as required. As a result, the firm was not in compliance with the monitoring element of the Quality Control Standards.

Opinion

In our opinion, except for the deficiencies previously described the system of quality control for the accounting and auditing practice of Fedak & Brown LLP in effect for the year ended September 30, 2021, 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*. Fedak & Brown LLP has received a peer review rating of *pass with deficiencies*.

Heidenreich & Heidenreich, CPAs, PLLC

Experience and Technical Competence

We have prepared a listing of some of our governmental audit clients on the next page. We believe this listing exemplifies that we have significant experience in conducting high-quality audits of local governments and enterprise special Districts. Our governmental audit team has significant experience in auditing special district governmental agencies and our team members may have conducted some of these audits over the past year (see next page).

Firm Qualifications, Experience and References, continued

The following is a listing of some of our Governmental Special District Clients that our Audit Teams have served by County!

Los Angeles County

*49-99 Cooperative Library System
Antelope Valley Watermaster
Gateway Water Management Authority
Greater Los Angeles County Vector Control District
Green Valley County Water District
Inland Library System
Los Angeles County West Vector Control District
La Puente County Vallley Water District
Los Cerritos Wetlands Authority
Palos Verdes Library District
Peninsula Friends of the Library
Pomona Walnut Rowland Joint Water Line Commission
Puente Basin Water Agency
Quartz Hill Water District
San Gabriel Valley Municipal Water District
Santiago Library System
Serra Cooperative Library System
Spadra Basin Groundwater Sustainability Agency
Southern California Library Cooperative
Walnut Valley Water District
Valley County Water District*

Riverside County

*Cabazon Water District
Coachella Valley Desert and Mountains RC Authority
Coachella Valley Mosquito and Vector Control
Desert Recreation District
Edgemont Community Services District
Fern Valley Water District
High Valleys Water District
Lake Hemet Municipal Water District
Lake Elsinore and San Jacinto Watersheds Authority
Idyllwild Fire Protection District
Lake Hemet Municipal Water District
Northwest Mosquito and Vector Control
Palo Verde Valley Library District
Santa Ana Watershed Project Authority
Santa Ana River Water Company*

Santa Barbara County

Santa Maria Public Airport Authority

San Diego County

Vista Fire Protection District

San Bernardino County

*Bighorn Desert View Water Agency
Cabazon Water District
Chino Basin Water Conservation District
Chino Basin Watermaster
Helendale Community Services District
Joshua Basin Water District
Mojave Desert Air Quality Management District
Monte Vista Water District
Phelan Pinon Hills Community Services District*

Kern County

*Bear Valley Community Services District
Indian Wells Valley Water District
Rand Community Services District*

Ventura County

Piru Cemetery District

Northern California/ Bay Area

*Aromas Water District
Avila Beach Community Services District
Butte County Mosquito and Vector Control District
Central Water District
Coastside County Water District
Fresno Irrigation District
Granada Community Services District
June Lake Public Utilities District
North Marin Water District
McKinleyville Community Services District
Mid-Peninsula Water District
North Kings Groundwater Sustainability Agency
Oakdale Irrigation District
Pajaro Valley Water Management Agency
San Lorenzo Valley Water District
Shasta Mosquito and Vector Control District
Solano Irrigation District
Solano Water Authority
South Feather Water and Power Agency
Trout Gulch Mutual Water Company
Tri-Dam Power Authority
Tri-Dam Project
Westborough Water District*

Firm Qualifications, Experience and References, continued

References

Presented below are five significant engagements performed in the last three years similar to the engagement described in this Request for Proposal. Please do not hesitate to contact these references regarding our Firm and the high level of service we provide. We will be happy to provide additional references for your review.

<p>1. Ms. Sharon Cisneros, CFO Oakdale Irrigation District Tri-Dam Power Authority Tri-Dam Project 1205 East F Street Oakdale, CA 95361</p>	<p>Irrigation District/ Two Joint Powers Authority Annual Audit – Financial Statement 209.840.5501</p>
<p>2. Mr. Brad Hagemann, General Manager Avila Beach Community Services District 100 San Luis Street Avila Beach, CA 93424</p>	<p>Water District Annual Audit – Financial Statement 805.835.3163</p>
<p>3. Ms. Cammie Morin, Finance Director Solano Irrigation District Solano Water Authority 810 Vaca Valley Parkway, Suite 201 Vacaville, CA 95688</p>	<p>Irrigation District Joint Powers Authority Annual Audit – Financial Statement 707.455.4008</p>
<p>4. Ms. DeAnn Hailey, Controller/CFO Fresno Irrigation District North Kings Groundwater Sustainability Agency 2907 South Maple Avenue Fresno, CA 93725</p>	<p>Irrigation District Joint Powers Authority Annual Audit – Financial Statement 559.233.7161</p>
<p>5. Ms. Adriana Figueroa, Chair Gateway Water Management Authority 16401 Paramount Boulevard Paramount, CA 90723</p>	<p>Joint Powers Authority Annual Audit – Financial Statement 562.663.6850</p>

Proposed Staffing and Project Organization

Summary Qualification of Key Personnel

Our Firm's philosophy is to take a team approach with our clients in conducting our audit engagements. A properly developed, mutually agreeable timeline results in the most efficient engagement. We want you to not only think of us as your auditor, but as a resource to be used whenever the need occurs. Also, it is our Firm's philosophy to have our partners, audit managers and audit supervisors involved in the day-to-day audit details of our clients.

You will have an Engagement Partner as well as a Technical Review Partner, a field audit Partner/Manager assigned to the Commission audits; in addition, one or more staff accountants will be assigned to the audit. All team members work in the field while the audit fieldwork is in process. Each team member has the following responsibilities:

The engagement partner is responsible for all services provided to the Commission. The engagement partner's responsibilities consist of the overall planning, supervision and review of the audit test work, and preparation of the audit report.

The field audit partner/manager is responsible for coordinating the audit test work, which includes the on-site supervision of staff, and preparation of the audit report.

Once audit test work is completed, the field audit partner/manager will work with the audit team to complete the reports for the Commission for all recipients. The engagement partner will be your contact throughout the engagement year.

Prior to discussions with your staff, the field audit partner/manager, in collaboration with audit staff, will make sure that all facts have been evaluated to minimize utilizing your staff's time for audit assistance purposes.

Knowledge and Understanding of Local Environment

The engagement team members strive to be experts within the governmental sphere. We keep ourselves apprised of current issues affecting the Commission operating environment.

Partner Participation

The partner in charge of the audit will be available to attend meetings of the Commission's Finance Committee and the Board of Directors to discuss and report on the audit process and the deliverables associated with the audit. We will provide the Commission with accounting advice regarding subjects that could affect the report, particularly those that will directly impact its recipients.

Proposed Staffing and Project Organization, continued

CHRISTOPHER J. BROWN, CPA, CGMA ENGAGEMENT PARTNER TECHNICAL REVIEW

Education:	Bachelor of Arts - Business Administration: Finance – California State University, San Bernardino 1995 Accountancy – California State University, San Bernardino 1999
License:	Certified Public Accountant – 2002
Continuing Education	Total hours were over 90 hours in the last two years of which 32 were in governmental accounting and auditing subjects. Mr. Brown has the Governmental Auditing Standards requirement for governmental CPE.
Memberships	California Society of Certified Public Accountants American Institute of Certified Public Accountants Government Finance Officers Association California Society of Municipal Finance Officers Association
Experience	<p>Christopher J. Brown is a CPA in the State of California and has over eighteen years of experience in public accounting and auditing governmental entities having worked at a national firm. Mr. Brown holds a Bachelor’s Degree from California State University, San Bernardino. He has extensive experience in the areas of governmental financial and compliance reporting.</p> <p>Member of Board of Directors – Treasurer, Riverside County Philharmonic</p> <p>Mr. Brown’s public accounting experience includes tenure with CPA firm RSM. He is also involved in auditing governmental and non-profit entities as well as medium to large manufacturing, construction and service oriented corporations. Has thorough knowledge in Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act of 1984 and the Uniform Guidance.</p> <p>Mr. Brown has provided significant audit and accounting services to various governmental entities. In these accounting engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures. He has also been involved in the implementation of performance management budgeting and planning processes.</p> <p>He is currently involved on the following major governmental engagements:</p> <ul style="list-style-type: none">➤ North Marin Water District➤ Victor Valley Wastewater Reclamation Authority➤ Solano Irrigation District➤ Oakdale Irrigation District➤ Tri-Dam Project & Tri-Dam Authority➤ Hi-Desert Water District➤ Indian Wells Valley Water District➤ Joshua Basin Water District➤ Santa Maria Public Airport District➤ Phelan Pinon Hills Community Services District➤ Helendale Community Services District➤ Bear Valley Community Services District

Proposed Staffing and Project Organization, continued

**JONATHAN P. ABADESCO, CPA
ENGAGEMENT PARTNER**

Education:	Bachelor of Science in Accountancy – Miriam College Foundation, Inc., Philippines 1999
License:	Certified Public Accountant – 2012
Continuing Education	Total hours were 82 hours in last two years of which 32 were in governmental accounting and auditing subjects. Mr. Abadesco has the Governmental Auditing Standards requirement for governmental CPE.
Memberships	California Society of Certified Public Accountants American Institute of Certified Public Accountants Government Finance Officers Association California Society of Municipal Finance Officers Association
Experience	<p>Jonathan P. Abadesco is a CPA in the State of California and has over twenty years of experience in public accounting and auditing governmental entities having worked at a national firm. He has served as the Assistant General Manager – Administration/CFO for a governmental special district (Hi-Desert Water District) and as a CFO/Controller for a not-for-profit (Inland Counties Legal Services).</p> <p>Mr. Abadesco’s public accounting experience includes tenure with CPA Firm, Ernst & Young and PricewaterhouseCoopers. He is involved in performing financial, compliance and performance audits of governmental and non-profit entities, as well as medium to large global organizations. Has thorough knowledge in Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act of 1984 and the Uniform Guidance.</p> <p>While working with his previous CPA firm, Mr. Abadesco was instrumental in preparing the agreed upon procedures that was utilized by the U.S. Department of Energy. Also, Mr. Abadesco has provided significant audit, accounting and consulting services to various governmental entities engaged in transportation including Los Angeles County Metropolitan Transportation Authority, Metro Gold Line Foothill Extension Construction Authority, Los Angeles Department of Transportation and Metropolitan Atlanta Rapid Transportation Authority.</p> <p>He has been involved on the following governmental special districts engagements:</p> <ul style="list-style-type: none">➤ Monte Vista Water District➤ Joshua Basin Water District➤ Oakdale Irrigation District➤ Santa Clarita Valley Water Agency➤ Soquel Creek Water District➤ Lake Hemet Municipal Water District➤ San Lorenzo Valley Water District➤ Scotts Valley Water District➤ Coachella Valley Mosquito and Vector Control District➤ Chino Basin Watermaster➤ Vista Fire Protection District➤ Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority

Proposed Staffing and Project Organization, continued

**JEFF PALMER
AUDIT SUPERVISOR**

Education: Bachelor of Science – Business Administration: Accountancy & Finance – California State University, Long Beach 2005

License: In Process

Continuing Education: Total hours were 80 hours in last three years of which 32 were in governmental accounting and auditing subjects. Mr. Palmer meets the Governmental Auditing Standards requirement for governmental CPE.

Memberships: California Society of Certified Public Accountants

Experience: Over fourteen years of experience in public accounting and auditing of governmental, private, and non-profit entities. Relevant governmental experience includes cities, special districts, airports, transportation agencies, and public financing authorities. He has extensive experience in conducting financial audits under GAO Yellow Book standards and compliance single audits in accordance with the Single Audit Act of 1984 and the Uniform Guidance. He has assisted clients in implementation and publishing their Comprehensive Annual Financial Reports in compliance with GFOA requirements.

Mr. Palmer has provided significant audit, accounting, and consulting services to various governmental entities. In these accounting and auditing engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures, performance management budgeting and planning processes, financial reviews, and cash management practices. In these consulting engagements, he has provided services including franchise tax compliance reviews, excise tax compliance and reporting reviews, and enterprise utility tax-exempt purchasing reviews.

He has been involved on the following governmental special districts engagements:

- North Marin Water District
- Walnut Valley Water District
- La Puente Valley County Water District
- Monte Vista Water District
- Crescenta Valley Water District
- Orange County Water District
- Indian Wells Valley Water District
- Westborough Water District
- Coastside County Water District
- Mojave Water Agency
- Bighorn Desert View Water Agency
- Santa Maria Public Airport District
- Phelan Pinon Hills Community Services District
- Helendale Community Services District
- Bear Valley Community Services District

Proposed Approach and Work Plan

Specific Audit Approach

Our Firm's audit approach is tailored to each client in the following manner:

- We understand the significant work requirements of our clients. We work with our clients' schedules when scheduling segments of the audit or requesting documentation to minimize disruption during the audit process.
- We strive to utilize support already prepared by our clients to avoid duplication or unnecessary requests for audit supporting schedules.
- We have implemented a paperless audit process that utilizes CCH ProSystems fx Engagement ® and Practitioners Publishing Company software packages. These platforms provide for greater efficiency within the audit process. In addition, we fully embrace the utilization of data extraction capabilities within a client's reporting system to further increase efficiency and reduce demands on client staff time.
- Our staff is trained and familiar with government accounting and audit concepts, so you will see the difference in working with our professional staff.
- We audit various large and small governmental organizations, allowing us to consult with our clients on implementing various best-practices in their organizations.
- We believe that regular communication is the most important part of the audit process; as a result, we ask that if you ever have any questions about any financial, accounting, or audit issues, please contact us anytime throughout the year.

Interim Audit Planning and Testwork

Planning is necessary to ensure a quality audit, efficient use of professional staff and timely delivery of reports. Adequate planning of the audit is essential to minimize disruption of the ongoing daily operations of the District and their recipients. We have developed a comprehensive, efficient planning process. We will begin the planning of the audit upon notification of award of the contract.

Tasks to be accomplished during the planning phase include:

- Conducting an Audit Entrance Conference with the Commission Board of Directors and management to discuss the scope and timing of the audit test work, the availability of the Commission accounting staff, prior audit problems encountered, the extent of interim audit test work to be performed, the establishment of a liaison for the audit, and the arrangements for workspace and other needs to conduct the audit test work.
- Reviewing the Board minutes, agreements/contracts, and applicable strategy for the audit period.
- Interviewing finance staff regarding internal controls.
- Discussing the status of prior year's audit findings, if any.
- Review of the Commission internal control structure and communication of recommendations to the Commission management team concerning Commission policies and procedures.
- Tests of controls of audit areas to determine the effectiveness of the Commission internal control structure. (Minimum of 25 selections per area – revenue, expenses, payroll, bank reconciliations)
- Evaluation of any unusual items noted from our analytical procedures.
- Reviewing of important contracts, debt issues, leases and joint power agreements.

Proposed Approach and Work Plan, continued

Interim Audit Planning and Testwork, continued

- Providing the Commission with suggestions regarding the closing of the Commission books after year end. Our assistance and communication in the closing of the Commission books is expected to minimize the number of audit adjustments required after the close of Commission books.

After we obtain an understanding of the Commission internal controls, evaluate their design and implementation and perform our interim test work we will determine the nature, scope, and timing for our final audit test work.

Final Audit Test Work

After the final closing of the Commission books and preparation of final trial balances and audit supporting schedule by Commission personnel, we will commence performing our *final audit testwork*.

Our final examination will include analysis of critical audit areas which we deem necessary, including:

- Analysis of cash and investment balances to online bank and brokerage websites.
- Analysis of bank reconciliations.
- Analysis of accounts receivable, delinquent balances and relative ratios.
- Analysis of unbilled receivables.
- Analysis of allocations of interest income.
- Analysis and testing of capital assets: construction-in-progress, significant additions/disposals, and related depreciation.
- Analysis of deferred outflows of resources balances and related amortization.
- Analysis of accounts payable.
- Performance of a search for unrecorded liabilities.
- Analysis and testing of valuation of the liabilities for compensated absences.
- Analysis of long term debt balances.
- Analysis of the annual roll-forward of net pension liability balances.
- Analysis of net other post-employment benefit liability (as required)
- Analysis of unearned revenue.
- Analysis of deferred inflows of resources balances and related amortization.
- Analysis of the proper establishment of reserves and designations.
- Analysis of significant grant agreements, awards and contracts.
- Analysis of significant events after year end (through the completion of our audit).
- Analysis of attorney letters for significant legal matters affecting the Commission financial position.

The abovementioned analysis and inquiries are only a sample of the tests performed during the examination and is not meant to be all inclusive.

Audit Completion

At the completion of the audit each year, we will meet with the Commission management team to review our audit findings. We will communicate all deficiencies in controls which may assist the Commission in strengthening the internal control structure. Comments and recommendations relating to the accounting system will also be discussed. Finally, we will discuss all findings noted during the engagement. After discussion, the final report will be submitted to the Commission.

Proposed Approach and Work Plan, continued

Identification and Communication of Internal Control Matters

The objective of our audit is to form an opinion on the Commission. Our objective is not to identify deficiencies in internal controls; however, when control deficiencies are identified during our audit and if they constitute significant deficiencies or material weaknesses, we will communicate in writing those deficiencies to those charged with governance and the Commission management.

Audit Documentation

We will document matters pertaining to our audit planning and audit test work. The audit documentation will clearly demonstrate procedures performed, evidence obtained, and conclusions reached.

Communication with Management and the Board of Directors

In addition to our written reports, we believe an oral presentation to the Commission management, Finance Committee, and the Board of Directors, to be a minimum service provided by our Firm and would be pleased to schedule a mutually convenient time for such a presentation at the conclusion of the engagement or any time during the progression of the audit.

Other Assistance

Providing management assistance requires more than having talented people on staff; it requires a proactive approach. First, we assign experienced senior level professionals to our engagements. Our client base of governmental entities and commercial companies demands broad business and industry experience, as well as technical expertise. Those talented professionals have to be exposed to clients and develop an in-depth understanding of particular situations.

Second, we actively look for opportunities to provide assistance. We try to initiate rather than respond. For instance, if we believe a situation is developing, we will approach the client, offer to investigate and provide recommendations. If a formal project to address the problem is required, we will define the approach, execute the assignment and follow through with implementation assistance.

Proposed Hours and Segmentation of the Audit

See our Cost Proposal for further information of the segmentation of the proposed audit process by hours and staffing.



**Certified
Public
Accountants**



**Consultants
& Advisors**



San Luis Obispo Local Agency Formation Commission

Cost Proposal to Provide Independent Professional Auditing Services

For the Year Ending June 30, 2023

**Christopher J. Brown CPA, CGMA
Jonathan P. Abadesco, CPA**

10805 Holder Street, Suite 150
Cypress, California 90630

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Riverside, California 92507

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**C.J. Brown & Company, CPAs
An Accountancy Corporation**



C.J. Brown & Company CPAs
An Accountancy Corporation

Christopher J. Brown, CPA, CGMA
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Cypress, California 90630
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Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

September 27, 2023

Attention: Morgan Bing, Clerk Analyst
San Luis Obispo Local Agency Formation Commission
1042 Pacific Street Suite A
San Luis Obispo, CA 93401

Re: Request for Proposal for Independent Professional Auditing Services

Dear Ms. Bing:

Based on our understanding of the San Luis Obispo Local Agency Formation Commission (Commission) requirements, our total all-inclusive maximum fee for all services requested at our discounted rates for the fiscal year ending June 30, 2023, will be **\$16,200**. This fee is based on our understanding of the Commission's audit requirements.

Our estimate for out-of-pocket expenses may not be utilized in total to the amount estimated. Again, these fees are based on the estimated costs to complete the audit. The components of this audit services fee proposal and out-of-pocket costs for the fiscal year ending June 30, 2023, are itemized in the attached Exhibits.

Our maximum not-to-exceed fee proposal is contingent upon our understanding of your requirements and the assistance we require as noted in our original audit technical proposal.

Additional services not included in this proposal will be based on our discounted billing rates based on the level of experience required. We would execute a separate contract for these services if they are requested by the Commission.

I am authorized to make representations for C.J. Brown & Company CPAs and am duly authorized to sign a contract with the Commission.

Christopher J. Brown, CPA CGMA

September 27, 2023

Date

Exhibit I – Proposed Hours and Our Fees

Proposed Hours and Our Fees

We anticipate that, for fiscal year ending June 30, 2023, the audit of the Commission will approximate 140 hours by major area, are summarized as follows:

Break out of Audit Hours				
Audit Steps	Partners	Mgr/Sup	Staff	Total
Planning	5	5	15	25
Controls Testwork	5	15	25	45
Substantive Testwork	5	15	30	50
Reporting	5	5	10	20
	<u>20</u>	<u>40</u>	<u>80</u>	<u>140</u>

As shown above, we expect approximately 43% of engagement hours to come from Partners, Managers, and Supervisors assigned to the engagement in fiscal year 2023.

Working on the premise that we will be provided with a year-end trial balance, along with an audit package of reconciled balances and supporting schedules of all balance sheet accounts, we expect to perform the audit of the Commission at fees as stated in the attached Exhibit II -Schedule of Professional Fees on Page 3 for the fiscal year ending June 30, 2023.

Our fees are based on the product of the time spent on the engagement and the billing rates of the individuals assigned, plus out-of-pocket costs (such as, report reproductions, typing, postage, travel, copies, telephone, etc.). We will obtain the assistance of the Commission's personnel to the extent possible and otherwise endeavor to keep these charges to a minimum. We will submit progress billings monthly to your office as our work progresses, which will be due and payable thirty days from the date of the invoice. Based upon the present size and scope of the activities of the Commission, we expect to perform the services enumerated above at our hourly rates. Our hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the audits. We have provided a breakdown of our current hourly rates, which would apply to this engagement on the attached Exhibit III - Schedule of Fees By Hours on Page 4 of this cost proposal.

In accordance with Firm policies and the Office of Management and Budget Circular A-128 and Firm Policies, we will maintain our work papers for at least seven years and make them available to the Commission, state agencies, the General Accounting Office, and other parties upon the direction of the Commission.

We want the Board to understand that we will provide any assistance and answer any questions that the Commission's staff or members of the Board may have when they arise for the entire duration of our contract. We find it important to stay abreast of the Commission's activities and accounting issues during the entire engagement.

We would like to thank you and the Board for the opportunity to submit a proposal for the auditing services of the Commission. Because of our experience in special districts and our interest in the Commission, we will provide you with assistance in your operations as well as meet the audit needs of the organization. We will also continually make recommendations on these and other matters that come to our attention. We are proud of the professional services we provide and encourage you to make inquiries to any of our clients about their satisfaction with our services and the quality of our staff.

Exhibit II – Schedule of Professional Fees

Fees By Fiscal Year	Audit Fees		
	Audit Service Fees	Out-of-Pocket Expenses	Total All-Inclusive Maximum Price
Fiscal Year 2023	\$ 15,200	1,000	16,200

Please note that any additional services requested by the Commission during the audit period shall be negotiated at the stated hourly rates per year as noted in the following schedules.

Exhibit III – Schedule of Fees By Hours

**San Luis Obispo Local Agency Formation Commission
Fiscal Year 2023**

Breakdown of Fees by Hours

Fiscal Year 2023 Audit of:	Hours	Hourly Rates	Total
Commission's Basic Financial Statements			
Partner - Engagement & Technical	20	\$ 160	\$ 3,200
Manager/Supervisor	40	140	5,600
Staff	80	80	6,400
Total Financial Statement Audit for 2023	140		15,200
Out-of-Pocket Expenses (Travel, Mileage, Printing, etc.)			1,000
Total Maximum for 2023			\$ 16,200