PROPOSAL TO PROVIDE
PROFESSIONAL AUDITING SERVICES

City of Coalinga

Bryant L. Jolley, CPA

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March 10, 2020

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BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Jaribu Nelson C.P.A.
Lan T. Kimoto
Jeffrey M. Schill

March 12, 2020

Marissa Trejo, City Manager
City of Coalinga
155 W. Durian Ave
Coalinga, CA 93210

We are pleased to provide this response to the City of Coalinga's, request for proposal for an independent accounting firm to provide audit and related financial services for the fiscal years ending June 30, 2019, 2020 and 2021.

We understand the scope of work will include Audited Financial Statements for the City of Coalinga, a Single Audit if applicable, State Controller Reports and a Management Report. We also understand the audit and reports are to be conducted in accordance with generally accepted government auditing standards as set forth by the General Accounting Office's (GAO) Government Auditing Standards and U.S. Office of Management and Budget (OMB) Uniform Guidance, Audits of State, Local Governments, and Non-Profit Organizations. Finally, we understand the objective of the services to be performed and commit to performing those services within the time period specified by the City of Coalinga.

We have specialized in the auditing of cities and special districts over the past 40 years and have performed over 500 district and city audits. Our firm consists of five professional staff who have over ninety years combined governmental auditing experience making us premier auditors of local governments. We have provided quality audits and assistance to City staff over the years we have been engaged as the City auditor in the past.

We seek to conduct the City audit because we feel our experience and expertise with government audits makes us a perfect fit for the engagement. We can provide value to the City through the quality of our work, the timeliness of our performance, our knowledge of governments, team consistency, and, most important, a strong relationship among the people on our team and with City staff. In addition, we are a local firm that supports the local economy.

In the following proposal, you will see that our firm is capable of consistently delivering high levels of value to the City. You will work with an auditor that is stable and responsive. You will receive accurate, reliable, and timely service that is fairly priced. And you will have continual access to senior-level team members who are knowledgeable, qualified, and consistent.

Bryant L. Jolley, CPA will serve as the principle contact authorized to make representations on behalf of this bid. This proposal is firm and irrevocable offer for 30 days. He can be reached by phone at 559-659-3045 or by mail at 901 "N" Street, Suite 104, Firebaugh, CA 93622.

901 "N" STREET, SUITE 104 FIREBAUGH, CALIFORNIA 93622 PHONE 559.659.3045 FAX 559.659.0615

We are eager to perform the City's audit and demonstrate our commitment to providing a cost-effective, high-quality audit of the City. We look forward to your response and meeting with you to further discuss a possible relationship. Thank you for your consideration.

Sincerely,

Bryant L. Jolley, CPA

TECHNICAL PROPOSAL

Our firm is independent of the City of Coalinga as defined by the U.S. General Accounting Office's Government Auditing Standards. Our firm is licensed to operate as a certified public accounting firm by the State of California. All professional staff is properly licensed to practice in California. Our firm maintains professional liability, workers' compensation, and automobile insurance.

Our firm consists of four CPA's who have over ninety years combined governmental auditing experience making us premier auditors of local governments. Because of the size of our firm and the experience of the individuals, all four members of our audit staff will be involved in this engagement.

Our firm is in compliance with all GAO standards for continuing education and we recently completed a peer-review of our work, which included government engagements, by an independent CPA firm.

The people who serve you today will be the people who serve you tomorrow. **Our firm's turnover rate is low, which ensures continuity on your engagement. Our firm only consists of senior level members who have significant years of governmental experience.** Your engagement team will not contain staff accountants nor will you have to train new audit team members in succeeding years. We highly emphasize senior level involvement because these are the team members who know the most about you and your operations. Their involvement assures quick resolution of issues, better job management, closer supervision, and expeditious review of work papers. These are the people who will remain consistently committed to your engagement.

The following information outlines the qualifications and experience of the individuals who would be assigned to the engagement.

QUALIFICATIONS OF YOUR AUDIT TEAM

BRYANT JOLLEY, CPA

AUDIT ROLE: CLIENT SERVICE PARTNER/ENGAGEMENT REVIEWER

Bryant Jolley will be the in-charge person for the City audit. He has been a licensed CPA since 1976 and has operated his own firm since 1980. He graduated from Brigham Young University in 1974 and did graduate accounting studies at the University of Southern California. His initial training as an auditor was with Deloitte Touche, an international CPA firm. The first governmental audit he performed was in 1979 and he has been extensively engaged in governmental accounting since that date. He is the in charge person on an average of thirty city or special district audits each year. This experience allows him to have a unique understanding of the accounting and fiscal problems facing governmental units and provide concrete recommendations to improve overall efficiencies. He has received over 80 hours of government-specific continuing professional education over the last two years and is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

RYAN JOLLEY, CPA

AUDIT ROLE: SENIOR ENGAGEMENT MANAGER

Ryan Jolley is a licensed certified public accountant who joined our firm in 2004. He graduated with an undergraduate degree in accounting in 2002 and entered the Masters program in accounting at San Diego State University the same year. During this period he started work as a staff auditor with Moss Adams LLP, a large national CPA firm. He interned with our firm for several summers during college and worked on numerous governmental audits. He was the primary senior non-profit/governmental auditor for the Moss Adams San Diego office. Since then he has worked extensively with several cities helping them with the GASB 34 conversion process. He has over 17 years of experience with auditing municipalities, special districts, and commercial entities as well as conducting Single Audits under OMB Circular A-133 standards.

LUIS PEREZ, CPA

AUDIT ROLE: ENGAGEMENT MANAGER

Luis Perez is a licensed certified public accountant who joined the firm in 2018. Since that time he has worked closely on all audit engagements. Additionally, he has helped many cities and districts with temporary accounting projects or other operational emergencies. This has provided him with extensive working knowledge of the commonly used governmental accounting software programs and allows him to be available for normal accounting questions or assistance throughout the year. He is a member of the American Institute of Certified Public Accountants.

LAN KIMOTO

AUDIT ROLE: ENGAGEMENT MANAGER

Lan Kimoto is a specialist in governmental auditing who joined the firm in 2015. Since that time she has worked closely on all audit engagements. Additionally, she has helped many cities and districts with temporary accounting projects or other operational emergencies. This has provided her with extensive working knowledge of the commonly used governmental accounting software programs and allows her to be available for normal accounting questions or assistance throughout the year.

OUR EXPERIENCE AUDITING GOVERNMENT ENTITIES

City of Kerman

Principal Contacts: Carolina Camacho, Finance Director (559-846-9382)
Engagement Dates: June 30, 2019
Approximate Staff Hours Expended: 300 hours
Scope of Work: Audited Financial Statements, Annual Financial Transaction Report

City of San Juan Bautista

Principal Contacts: Wendy Cumming, Finance Manager (831-227-3225)
Engagement Dates: June 30, 2019
Approximate Staff Hours Expended: 160 hours
Scope of Work: Audited Financial Statements, Annual Financial Transaction Report

City of Soledad

Principal Contacts: Michael McHatten, City Manager (831-223-5014)
Engagement Dates: June 30, 2019
Approximate Staff Hours Expended: 250 hours
Scope of Work: Audited Financial Statements

City of San Joaquin

Principal Contacts: Elizabeth Nunez, City Manager (559-693-4311)
Engagement Dates: June 30, 2019
Approximate Staff Hours Expended: 150 hours
Scope of Work: Audited Financial Statements, Annual Financial Transaction Report

City of Livingston

Principal Contacts: Happy Bains, Finance Manager (209-394-8041)
Engagement Dates: June 30, 2019
Approximate Staff Hours to be Expended: 300 hours
Scope of Work: Audited Financial Statements, Annual Financial Transaction Report

Note: Five additional Cities we audit separate from the above available upon request.

HOW WE APPROACH YOUR AUDIT

Our effective and efficient government audit approach combines knowledge of governmental accounting and auditing with an understanding of the associated risks. We are value-driven and seek to maximize the return on your investment in the audit process through in-depth analysis of your financial statements and your internal controls. Throughout the engagement, our team will collaborate with your staff whenever possible to minimize costs and improve efficiencies. Of course, we will need assistance with preparing schedules, finding documents, explaining processes, and providing sample documentation, budget related materials, organizational charts, and manuals.

Audit Standards

The auditor's opinion will be directed toward the fairness of presentation of the financial statements in accordance with Generally Accepted Auditing Standards (GAAS). We will prepare the Annual Financial Report in conformity with Government Code Section 26909, Generally Accepted Accounting Principles (GAAP), and Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States General Accounting Office.

Pre-Audit

We are very familiar with the audit issues facing government entities. We have adjusted our audit services to incorporate these specialized areas and approach the audit from the following aspects:

- Where are the City's greatest exposures?
- How does the City safeguard against risks?

- How does the City internally evaluate its organization?
- What are the controls used by the City to measure accountability?

Our approach to the City's audit is truly a design that will be as unique as the City itself and is based on the areas we find to be the most vulnerable. Our focus includes evaluating internal controls that ensure adherence to applicable federal and state laws and regulations. We place a substantial amount of our time reviewing and assessing such high-risk areas during our evaluation. This risk-based approach focuses our efforts on what is important to you and your stakeholders and enables us to present you with meaningful suggestions.

We monitor our performance using a variety of qualitative and quantitative measures. First and foremost, we honor our agreement with you, completing the engagement on-time and on-budget. When you talk to our references, you will find that this sets us apart from most regional and national CPA firms. Typically in a first year audit engagement, we invest additional time in your audit, which is **not** billed to you as cost over-runs. Rather, we view it as an investment in our long-term professional relationship.

We measure our audit performance in the response we receive from the City and its staff. In addition, we report directly to management and the Board in face-to-face meetings, providing meaningful information and answering questions directly.

Segmentation of the Audit

Our audit involves a logical sequence of five steps that ensures compliance with the applicable professional standards and the expeditious completion of the audit. We will tailor our audit to the needs and complexity of the City.

1. **Planning** – First, we learn everything we can about the City and its related organizations - from organizational structure to policies and procedures. We read meeting minutes, review budgets, assess manuals and programs, hold discussions with key management staff, and evaluate management information systems. Based on what we learn, we develop our expectations regarding current year results, and then compare our expectations to actual results. This helps us develop risk assessments for each audit segment to determine what level of control testing and/or substantive testing is necessary to address the assessed risk. We then design our audit program accordingly.

2. **Control Testing** – Depending on our risk assessments, we determine specific audit cycles to test for internal controls and we evaluate the results. Based on the results against our expectations, we then determine if any modification is necessary to our planned substantive audit procedures on ending account balances and transactions. Based on the information we have obtained to date, we plan to test controls to obtain moderate to substantial reliance over cash and investments, revenues and related receivables, expenses and related payables, capital outlay, and long-term debt. This is subject to change once we gather more information as part of our audit planning procedures.

3. **Substantive Testing** – Our overall objective is to achieve a low level of risk of error in ending account balances. After we have performed our preliminary analytical and internal control tests and evaluated the results, we determine the nature, timing, and extent of detailed audit procedures on ending account balances and transactions necessary to achieve a low level of risk that errors could be present without detection.

4. **Compliance Testing** – The State requires testing organizational compliance with certain laws and regulations. In addition, we will test your compliance with federal laws. We have specially-designed audit programs that ensure we adequately address both areas.

5. **Report Writing and Review** – After all the fieldwork is complete, we draft our opinions and other reports. As part of our firm's quality control process, Bryant Jolley is required to review our audit files and report to improve the quality of our audits and to ensure optimum quality. We have a requirement that only personnel involved in our governmental service team can be involved in the review of our work. This ensures that our clients are served with professionals trained in governmental auditing and accounting standards.

6. Statistical Sampling - Sampling to be used during our audit will include random sampling methods for tests of controls and for substantive tests of details. Sampling will be used throughout the engagement to test most financial statement balances.

We will select the most appropriate sampling technique for a given compliance test, tailored to the type and nature of the test.

7. **Analytical Procedures -** Analytical procedures are generally performed throughout the audit engagement, and result in substantial discussion with management. Initially, at the planning phase of the audit, comparisons are made between current and prior year results, actual and budgetary information, and to industry benchmarks. We use common size financial statements and trend and ratio analyses to aid us in developing our audit plan and programs. Non-financial data and external information are incorporated in our procedures to enhance their validity, and information is disaggregated as much as possible to improve precision.

During our substantive testing of balances, we typically analyze the detail of changes to certain accounts. For example, this approach is often used with sampling in our testing of capital asset, long-term debt and investment accounts.

At the conclusion of the audit, we again employ analytical procedures similar to those used at the planning phase. The audit team takes a holistic view of the financial statements in light of the results of all other auditing procedures performed. We discuss our observations with management and provide information to the Board as part of our audit result presentation. Our clients find this to be the most important value of their annual audit process. It produces beneficial information far beyond the audit of the financial statements they initially expect.

AUDIT: Documenting internal control structure

- Obtain copies of all available system and policy/procedure documentation from City finance, treasury, human resources, information technology, grant management, budget department, and personnel. This will include organization charts, narratives and flowcharts. Copies will be retained in our permanent working paper file. This documentation will be updated annually for any changes.
- Review the above-described documentation and meet with City personnel to make inquiries about, and discuss questions that arise from, our review.
- Document and assess the adequacy of internal controls over the various City systems, and develop preliminary risk assessments for each of them. As mentioned earlier in our discussion of audit approach, the framework of this system incorporates the requirements of auditing standards related to internal control and fraud detection.

At the planning phase of our audit and in accordance with Statement on Auditing Standards (SAS) 99, *Consideration of Fraud in a Financial Statement Audit*, we will hold a brainstorming meeting to discuss fraud risks related to the City and design the audit to take those risks into account. Provisions of this new and important auditing standard will be incorporated throughout our audit.

COST PROPOSAL

Submitted By:

Firm Name: Bryant L. Jolley, CPA

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected authorized to sign a contract with the City, for the services identified in the Request For Proposals.

Signature:

Printed Name: Bryant L. Jolley Date: March 12, 2020

Our services will include the City audit, preparation of the audited financial statements, and a Management Report. The all-inclusive fee for this work is as follows:

Service	2018/19	2019/20	2020/21
City Audit and Related Reports	$41,000	$41,500	$42,000
Total for Fiscal Year (not-to exceed)	**$41,000**	**$41,500**	**$42,000**
Single Audit, if required	$3,500	$3,500	$3,500
State Controller's Reports	$3,500	$3,500	$3,500
GANN Limit Review	$0	$0	$0
Total including additional services for Fiscal Year (not-to exceed)	**$48,000**	**$48,500**	**$49,000**

This proposal is made with the assumption that the City's books and records will be in a reasonably balanced condition and reconciled at the start of the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. We agree the City may broaden the scope of our engagement and we agree to hold ourselves available to perform such additional work as the City may desire. A final billing will be submitted upon delivery of all required reports. No billings will be made for out-of-pocket expenses or any other expenses such as typing, clerical, printing and travel costs.

Below is our Hourly Rate Schedule for hourly charges for professional services rendered in relation to any additional services that may be requested by the City. Most often, larger additional projects have negotiated maximums. Should you require such services, we would be pleased to discuss them with you.

	Hourly Rates	Hours Required	Audit Fee
Partner	$200	16	$3,200
Managers	$175	72	$12,600
Staff	$140	180	$25,200
Total		268	$41,000