

## MEMORANDUM

Date: February 10, 2015

To: Bryan H. Montgomery, City Manager

From: Paul Abelson, Finance Director

Subject: Receive the Recommendation of the Auditor Selection Sub-Committee on the Selection of the City's Independent Auditor and Adopt a Resolution Authorizing the City Manager to Execute a Contract with Maze & Associates for Professional Audit Services for Fiscal Years 2014-15 through 2016-17, with two additional one year extensions exercisable at the City's option.

Approved and Forwarded to the  
City Council

  
Bryan H. Montgomery, City Manager

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### Summary and Background Information

The City's current contract for professional audit services expired this year. In October, a Request for Proposal (RFP) was issued, and on December 15, the proposal period ended. Eight firms responded with proposals, and in accordance with the RFP, the proposals were reviewed by a selection committee comprised of Mayor Hardcastle, Vice-Mayor Romick, the City Manager, City Clerk and Finance Director. Three of the firms, Mann Urrutia Nelson CPAs & Associates, Badawi & Associates, and Maze and Associates, were invited for interviews and the interviews were held on January 28, 2015. From the reviews of the proposals and the results of the interviews, it is the unanimous recommendation of the selection committee that Maze & Associates be awarded the contract.

Maze is the City's most recent auditor, and because in recent years it has been difficult to deliver the audit reports in time to present to the City Council at its December meeting, the terms of this contract include a condition that the reports be prepared in time for presentation at the December City Council meeting. Maze has committed to work with City Staff to ensure this requirement is met.

Staff recommends the Council adopt the attached resolution authorizing the City Manager to execute a contract with Maze & Associates for professional audit services for fiscal years 2014-15 through 2016-17, with two additional one year extensions exercisable at the City's option.

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**Fiscal Impact**

Total audit fees are not expected to exceed \$39,255 for the audit of fiscal year 2014-15, and to increase to no more than \$42,052 in fiscal year 2016-17 (year 3 of the contract).

**Proposals Summary**

| Firm                    | Municipal Experience   | Main Office Location | Depth of Resources   | Proposed Annual Costs * |
|-------------------------|--|----------------------|----------------------|-------------------------|
| Maze & Associates       | Extensive; Cities are their primary specialty                              | Pleasant Hill        | Extensive            | \$39,255-\$42,052       |
| Vavrinek Trine Day & Co | Extensive; Cities are their primary specialty                              | Sacramento           | Extensive            | \$58,800-\$62,382       |
| Mann Urrutia Nelson     | Better; City audits are one of several specialties.                        | Sacramento           | Better than Average  | \$39,500                |
| Moss Levy & Hartzheim   | Better; City audits are one of several specialties.                        | Beverly Hills        | Better than Average  | \$39,447-40,905         |
| The Pun Group           | Better; City audits are one of several specialties.                        | Walnut Creek/Irvine  | Average              | \$35,000-\$36,414       |
| Badawi & Associates     | Better, a smaller firm that focuses on government audits                   | Oakland              | Smaller than Average | \$31,360-\$33,270       |
| RJ Ricciari, CPAs       | Average  | San Raphael          | Smaller than Average | \$39,800                |
| Joseph J. Arch, CPA     | Lesser; although the lead partner has substantial governmental experience. | Dublin               | Smaller than Average | \$42,203-\$43,489       |

\*Over the three year period these are the range in costs proposed.

**Recommendation**

Receive the Recommendation of the Auditor Selection Sub-Committee on the Selection of the City's Independent Auditor and Adopt a Resolution Authorizing the City Manager to Execute a Contract with Maze & Associates for Professional Audit

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Services for Fiscal Years 2014-15 through 2016-17, with two additional one year extensions exercisable at the City's option.

**Attachments**

1. Resolution
2. Contract

RESOLUTION NO. \_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLEY AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT WITH MAZE & ASSOCIATES FOR PROFESSIONAL AUDIT SERVICES FOR FISCAL YEARS 2014-15 THROUGH 2016-17, WITH TWO ADDITIONAL ONE YEAR EXTENSIONS EXERCISABLE AT THE CITY'S OPTION**

**WHEREAS**, the City desires and is required to undergo an annual audit of its financial statements; and

**WHEREAS**, the existing contract with the City's Auditors expired with the completion of the fiscal year 2013-14 annual audit; and

**WHEREAS**, on October 28, 2014, the City Council authorized staff to release a request for proposal for professional audit services, with responses due December 15, 2014; and

**WHEREAS**, a Selection Subcommittee evaluated the responses to proposals, and held interviews with the three firms it felt were best qualified to serve the City; and

**WHEREAS**, a summary of the proposals and process has been presented to the City Council along with the Subcommittee's unanimous recommendation that Maze and Associates be awarded the contract.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Oakley authorizes the City Manager to execute a contract with Maze & Associates for professional audit services for fiscal years 2014-15 through 2016-17, with two additional one year extensions exercisable at the City's option.

The foregoing resolution was introduced at a regular meeting of the City Council of the City of Oakley held on the 10th day of February 2015, and adopted by the following vote:

AYES:  
NOES:  
ABSTENTION:  
ABSENT:

APPROVED: \_\_\_\_\_  
Doug Hardcastle, MAYOR

ATTEST:

\_\_\_\_\_  
Libby Vreonis, CITY CLERK



**CONSULTING SERVICES AGREEMENT BETWEEN  
THE CITY OF OAKLEY AND MAZE & ASSOCIATES  
FOR AUDIT SERVICES**

THIS AGREEMENT for consulting services is entered into by and between the City of Oakley, a municipal corporation in the State of California (hereinafter referred to as "City") and Maze & Associates, a California Corporation (hereinafter referred to as "Consultant"), collectively sometimes referred to hereinafter as the "Parties", as of February 10, 2015 (the "Effective Date").

**Section 1. SERVICES.** Subject to the terms and conditions set forth in this Agreement, Consultant shall provide to City the services described in the Scope of Work or proposal letter attached hereto and incorporated herein as Exhibit A at the time and place and in the manner specified therein. In the event of a conflict in or inconsistency between the terms of this Agreement and Exhibit A, the Agreement shall prevail.

- 1.1 **Term of Services.** The term of this Agreement shall begin on the Effective Date and shall end on completion of the Audit of the City's fiscal year 2016-17 financial statements, expected to be completed by December 31, 2017, consistent with the scope of services described in Exhibit A; and Consultant shall complete the work described in Exhibit A prior to that date, unless the term of the Agreement is otherwise terminated or extended, as provided for in Section 8. The time provided to Consultant to complete the services required by this Agreement shall not affect the City's right to terminate the Agreement, as provided for in Section 8. Should this Agreement be amended to include additional tasks as contemplated in Section 1, the term of services shall be extended as mutually agreed upon by City and Consultant. Two (2) one-year extensions are provided for, at the City's option, in Section 8, allowing the scope to include the audits of the City's fiscal year 2017-18 and 2018-19 financial statements.
- 1.2 **Standard of Performance.** Consultant shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which Consultant is engaged in the geographical area in which Consultant practices its profession. Consultant shall prepare all work products required by this Agreement in a substantial, first-class manner and shall conform to the standards of quality normally observed by a person practicing in Consultant's profession.
- 1.3 **Assignment of Personnel.** Consultant shall assign only competent personnel to perform services pursuant to this Agreement. In the event that City, in its sole discretion, at any time during the term of this Agreement, desires the reassignment of any such persons, Consultant shall, immediately upon receiving notice from City of such desire of City, reassign such person or persons.

- 1.4** Time. Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary to meet the standard of performance provided in Section 1.1 above and to satisfy Consultant's obligations hereunder.

**Section 2. COMPENSATION.** City hereby agrees to pay Consultant a sum not to exceed the amounts specified for each year in the proposal included in Exhibit A, notwithstanding any contrary indications that may be contained in Consultant's proposal, for services to be performed and reimbursable costs incurred under this Agreement. In the event of a conflict between this Agreement and Consultant's proposal, attached as Exhibit A, regarding the amount of compensation, the Agreement shall prevail. City shall pay Consultant for services rendered pursuant to this Agreement at the time and in the manner set forth herein. The payments specified below shall be the only payments from City to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all invoices to City in the manner specified herein. Except as specifically authorized by City, Consultant shall not bill City for duplicate services performed by more than one person.

Consultant and City acknowledge and agree that compensation paid by City to Consultant under this Agreement is based upon Consultant's estimated costs of providing the services required hereunder, including salaries and benefits of employees and subcontractors of Consultant. Consequently, the parties further agree that compensation hereunder is intended to include the costs of contributions to any pensions and/or annuities to which Consultant and its employees, agents, and subcontractors may be eligible. City therefore has no responsibility for such contributions beyond compensation required under this Agreement.

- 2.1** Invoices. Consultant shall submit invoices, not more often than once a month during the term of this Agreement, based on the cost for services performed and reimbursable costs incurred prior to the invoice date. Invoices shall contain the following information:
- Serial identifications of progress bills; i.e., Progress Bill No. 1 for the first invoice, etc.;
  - The beginning and ending dates of the billing period;
  - A Task Summary containing the original contract amount, the amount of prior billings, the total due this period, the balance available under the Agreement, and the percentage of completion;
  - At City's option, for each work item in each task, a copy of the applicable time entries or time sheets shall be submitted showing the name of the person doing the work, the hours spent by each person, a brief description of the work, and each reimbursable expense;

- 2.2 **Monthly Payment.** City shall make monthly payments, based on invoices received, for services satisfactorily performed, and for authorized reimbursable costs incurred. City shall have 30 days from the receipt of an invoice that complies with all of the requirements above to pay Consultant.
- 2.3 **Final Payment.** City shall pay the last 10% of the total sum due pursuant to this Agreement within 60 days after completion of the services and submittal to City of a final invoice, if all services required have been satisfactorily performed.
- 2.4 **Total Payment.** City shall pay for the services to be rendered by Consultant pursuant to this Agreement. City shall not pay any additional sum for any expense or cost whatsoever incurred by Consultant in rendering services pursuant to this Agreement. City shall make no payment for any extra, further, or additional service pursuant to this Agreement.

In no event shall Consultant submit any invoice for an amount in excess of the maximum amount of compensation provided above either for a task or for the entire Agreement, unless the Agreement is modified prior to the submission of such an invoice by a properly executed change order or amendment approved by the City Manager, which shall not exceed the maximum amount allowed by the Oakley Municipal Code.

- 2.5 **Hourly Fees.** Fees for work performed by Consultant shall not exceed the amounts shown on the Compensation Schedule attached hereto and incorporated herein as Exhibit A.
- 2.6 **Reimbursable Expenses.** Reimbursable expenses are specified in Exhibit A, and expenses not listed in Exhibit A are not chargeable to the City.
- 2.7 **Payment of Taxes.** Consultant is solely responsible for the payment of employment taxes incurred under this Agreement and any similar federal or state taxes.
- 2.8 **Payment upon Termination.** In the event that the City or Consultant terminates this Agreement pursuant to Section 8 of this Agreement, the City shall compensate the Consultant for all outstanding costs and reimbursable expenses incurred for work satisfactorily completed as of the date of written notice of termination. Consultant shall maintain adequate logs and timesheets in order to verify costs incurred to that date.
- 2.9 **Authorization to Perform Services.** The Consultant is not authorized to perform any services or incur any costs whatsoever under the terms of this Agreement until receipt of authorization from the Contract Administrator.

**Section 3. FACILITIES AND EQUIPMENT.** Except as set forth herein, Consultant shall, at its sole cost and expense, provide all facilities and equipment that may be necessary to perform the services required by this Agreement. City shall make available to Consultant only the facilities and equipment listed in this section, and only under the terms and conditions set forth herein.

City shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for Consultant's use while consulting with City employees and reviewing records and the information in possession of the City. The location, quantity, and time of furnishing those facilities shall be in the sole discretion of City. In no event shall City be obligated to furnish any facility that may involve incurring any direct expense, including but not limited to computer, long-distance telephone or other communication charges, vehicles, and reproduction facilities.

**Section 4. INSURANCE REQUIREMENTS.** Before beginning any work under this Agreement, Consultant, at its own cost and expense, shall procure the types and amounts of insurance listed below and in Exhibit B against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work hereunder by the Consultant and its agents, representatives, employees, and subcontractors. Consistent with the following provisions, Consultant shall provide proof satisfactory to City of such insurance that meets the requirements of this section and under forms of insurance satisfactory in all respects to the City, and that such insurance is in effect prior to commencing work under this Agreement. Consultant shall maintain the insurance policies required by this section throughout the term of this Agreement. The cost of such insurance shall be included in the Consultant's bid. Consultant shall not allow any subcontractor to commence work on any subcontract until Consultant has obtained all insurance required herein for the subcontractor(s) and provided evidence thereof to City. Verification of the required insurance shall be submitted and made part of this Agreement prior to execution. Verification of the required insurance is attached hereto and incorporated herein as Exhibit C.

**4.1 Variation.** The City may approve a variation in the insurance requirements, upon a determination that the coverage, scope, limit, and form of such insurance is either not commercially available, or that the City's interests are otherwise sufficiently protected.

**4.2 Notice of Reduction in Coverage.** In the event that any coverage required by this section is reduced, limited, or materially affected in any other manner, Consultant shall provide written notice to City at Consultant's earliest possible opportunity and in no case later than five days after Consultant is notified of the change in coverage.

**4.3 Remedies.** In addition to any other remedies City may have if Consultant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may, at its sole option, exercise any of the following remedies, which are alternatives to other remedies City may have and are not the exclusive remedy for Consultant's breach:

- Order Consultant to stop work under this Agreement or withhold any payment that becomes due to Consultant hereunder, or both stop work and withhold

any payment, until Consultant demonstrates compliance with the requirements hereof; and/or

- Terminate this Agreement.

**Section 5. INDEMNIFICATION AND CONSULTANT'S RESPONSIBILITIES.** Consultant shall to the fullest extent allowed by law, with respect to all Services performed in connection with this Agreement, defend with counsel acceptable to the City, and indemnify and hold the City and its officials, officers, employees, agents, and volunteers harmless from and against any and all losses that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant ("Claims"). Consultant will bear all losses, costs, damages, expense and liability of every kind, nature and description that arise out of, pertain to, or relate to such Claims, whether directly or indirectly ("Liability"). Such obligations to defend, hold harmless and indemnify the City shall not apply to the extent that such Liability is caused by the sole negligence, active negligence, or willful misconduct of the City or any third party.

With respect to third party claims against the Consultant, the Consultant waives any and all rights of any type of express or implied indemnity against the indemnitees.

However, notwithstanding the foregoing, in accordance with California Civil Code Section 1668, nothing in this Agreement shall be construed to exempt the City from its own fraud, willful injury to the person or property of another, or violation of law. In addition, and notwithstanding the foregoing, to the extent this Agreement is a "construction contract" as defined by California Civil Code section 2783, as may be amended from time to time, such duties of Consultant to indemnify shall not apply when to do so would be prohibited by California Civil Code Section 2782.

**Section 6. STATUS OF CONSULTANT.**

- 6.1 Independent Contractor.** At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of City. City shall have the right to control Consultant only insofar as the results of Consultant's services rendered pursuant to this Agreement and assignment of personnel pursuant to Subparagraph 1.3; however, otherwise City shall not have the right to control the means by which Consultant accomplishes services rendered pursuant to this Agreement. Notwithstanding any other City, state, or federal policy, rule, regulation, law, or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing services under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any and all claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in the California Public Employees Retirement System (PERS) as an employee of City and entitlement to any contribution to be paid by City for employer contributions and/or employee contributions for PERS benefits.

- 6.2 **Consultant, Not Agent.** Except as City may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind City to any obligation whatsoever.

**Section 7. LEGAL REQUIREMENTS.**

- 7.1 **Governing Law.** The laws of the State of California shall govern this Agreement.
- 7.2 **Compliance with Applicable Laws.** Consultant and any subcontractors shall comply with all laws applicable to the performance of the work hereunder, including but not limited to, the California Building Code, the Americans with Disabilities Act, and any copyright, patent or trademark law. Consultant's failure to comply with any law(s) or regulation(s) applicable to the performance of the work hereunder shall constitute a breach of contract.
- 7.3 **Other Governmental Regulations.** To the extent that this Agreement may be funded by fiscal assistance from another governmental entity, Consultant and any subcontractors shall comply with all applicable rules and regulations to which City is bound by the terms of such fiscal assistance program.
- 7.4 **Licenses and Permits.** Consultant represents and warrants to City that Consultant and its employees, agents, and any subcontractors have all licenses, permits, qualifications, and approvals of whatsoever nature that are legally required to practice their respective professions. Consultant represents and warrants to City that Consultant and its employees, agents, any subcontractors shall, at their sole cost and expense, keep in effect at all times during the term of this Agreement any licenses, permits, and approvals that are legally required to practice their respective professions. In addition to the foregoing, Consultant and any subcontractors shall obtain and maintain during the term of this Agreement valid business licenses from City.
- 7.5 **Nondiscrimination and Equal Opportunity.** Consultant shall not discriminate, on the basis of a person's race, religion, color, national origin, age, physical or mental handicap or disability, medical condition, marital status, sex, or sexual orientation, against any employee, applicant for employment, subcontractor, bidder for a subcontract, or participant in, recipient of, or applicant for any services or programs provided by Consultant under this Agreement. Consultant shall comply with all applicable federal, state, and local laws, policies, rules, and requirements related to equal opportunity and nondiscrimination in employment, contracting, and the provision of any services that are the subject of this Agreement.

Consultant shall include the provisions of this Subsection in any subcontract approved by the Contract Administrator of this Agreement.

**Section 8. TERMINATION AND MODIFICATION.**

- 8.1 Termination.** City may cancel this Agreement at any time and without cause upon written notification to Consultant.

One of the conditions of this agreement is that the audit reports shall be delivered in time to present to the City Council at their December meeting each year. Absent extenuating circumstances beyond the Consultant's control, failure to do so is expected to result in Consultant replacement for the following year.

Consultant may cancel this Agreement upon 30 days written notice to City and shall include in such notice the reasons for cancellation.

In the event of termination, Consultant shall be entitled to compensation for services performed to the effective date of termination; City, however, may condition payment of such compensation upon Consultant delivering to City any or all documents, photographs, computer software, video and audio tapes, and other materials provided to Consultant or prepared by or for Consultant or the City in connection with this Agreement.

- 8.2 Extension.** City may, in its sole and exclusive discretion, extend the end date of this Agreement beyond that provided for in Subsection 1.1. This Agreement may be extended at the option of the City. Should City decide to exercise its option to extend this Agreement, City shall provide written notice to Consultant at least sixty (60) days prior to the end date of this Agreement. Any such extension shall require a written amendment to this Agreement, as provided for herein. Consultant understands and agrees that, if City grants such an extension, City shall have no obligation to provide Consultant with compensation beyond the maximum amount provided for in this Agreement, unless City agrees to do so by written amendment to this Agreement. Similarly, Consultant understands and agrees that, City shall have no obligation to reimburse Consultant for any otherwise reimbursable expenses incurred during the extension period, unless City agrees to do so by written amendment to this Agreement.

This Agreement includes two (2) one-year extensions, at the City's option, allowing for the possibility of the inclusion of the audits of fiscal years 2017-18 and 2018-19 in the scope of services.

- 8.3 Amendments.** The parties may amend this Agreement only by a writing signed by all the parties.

**8.4 Assignment and Subcontracting.** City and Consultant recognize and agree that this Agreement contemplates personal performance by Consultant and is based upon a determination of Consultant's unique personal competence, experience, and specialized personal knowledge. Moreover, a substantial inducement to City for entering into this Agreement was and is the professional reputation and competence of Consultant. Consultant may not assign this Agreement or any interest therein without the prior written approval of the Contract Administrator. Consultant shall not subcontract any portion of the performance contemplated and provided for herein, other than to the subcontractors noted in the proposal, without prior written approval of the Contract Administrator.

**8.5 Survival.** All obligations arising prior to the termination of this Agreement and all provisions of this Agreement allocating liability between City and Consultant shall survive the termination of this Agreement.

**8.6 Options upon Breach by Consultant.** If Consultant materially breaches any of the terms of this Agreement, City's remedies shall include, but not be limited to the following:

**8.6.1** Immediately terminate the Agreement;

**8.6.2** Retain the plans, specifications, drawings, reports, design documents, and any other work product prepared by Consultant pursuant to this Agreement;

**8.6.3** Retain a different consultant to complete the work described in Exhibit A not finished by Consultant; or

**8.6.4** Charge Consultant the difference between the cost to complete the work described in Exhibit A that is unfinished at the time of breach and the amount that City would have paid Consultant pursuant to Section 2 of this Agreement if Consultant had completed the work.

## **Section 9. KEEPING AND STATUS OF RECORDS.**

**9.1 Records Created as Part of Consultant's Performance.** All reports, data, maps, models, charts, studies, surveys, photographs, memoranda, plans, studies, specifications, records, files, or any other documents or materials, in electronic or any other form, that Consultant prepares or obtains pursuant to this Agreement and that relate to the matters covered hereunder shall be the property of the City. Consultant hereby agrees to deliver those documents to the City upon termination of the Agreement. It is understood and agreed that the documents and other materials, including but not limited to those described above, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily suitable for any future or other use. City and Consultant agree that, until final

approval by City, all data, plans, specifications, reports and other documents are confidential and will not be released to third parties without prior written consent of both parties.

- 9.2 Consultant's Books and Records.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to the Consultant to this Agreement.
- 9.3 Inspection and Audit of Records.** Any records or documents that Section 9.2 of this Agreement requires Consultant to maintain shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of the City. Under California Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds TEN THOUSAND DOLLARS (\$10,000.00), the Agreement shall be subject to the examination and audit of the State Auditor, at the request of City or as part of any audit of the City, for a period of three (3) years after final payment under the Agreement.

**Section 10 MISCELLANEOUS PROVISIONS.**

- 10.1 Attorneys' Fees.** If a party to this Agreement brings any action, including an action for declaratory relief, to enforce or interpret the provision of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees in addition to any other relief to which that party may be entitled. The court may set such fees in the same action or in a separate action brought for that purpose.
- 10.2 Venue.** In the event that either party brings any action against the other under this Agreement, the parties agree that trial of such action shall be vested exclusively in the state courts of California in the County of Contra Costa or in the United States District Court for the Northern District of California.
- 10.3 Severability.** If a court of competent jurisdiction finds or rules that any provision of this Agreement is invalid, void, or unenforceable, the provisions of this Agreement not so adjudged shall remain in full force and effect. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision of this Agreement.
- 10.4 No Implied Waiver of Breach.** The waiver of any breach of a specific provision of this Agreement does not constitute a waiver of any other breach of that term or any other term of this Agreement.

- 10.5 **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of and shall apply to and bind the successors and assigns of the parties.
- 10.6 **Use of Recycled Products.** Consultant shall prepare and submit all reports, written studies and other printed material on recycled paper to the extent it is available at equal or less cost than virgin paper.
- 10.7 **Conflict of Interest.** Consultant may serve other clients, but none whose activities within the corporate limits of City or whose business, regardless of location, would place Consultant in a "conflict of interest," as that term is defined in the Political Reform Act, codified at California Government Code Section 81000 *et seq.*

Consultant shall not employ any City official in the work performed pursuant to this Agreement. No officer or employee of City shall have any financial interest in this Agreement that would violate California Government Code Sections 1090 *et seq.*

Consultant hereby warrants that it is not now, nor has it been in the previous twelve (12) months, an employee, agent, appointee, or official of the City. If Consultant was an employee, agent, appointee, or official of the City in the previous twelve months, Consultant warrants that it did not participate in any manner in the forming of this Agreement. Consultant understands that, if this Agreement is made in violation of Government Code §1090 *et seq.*, the entire Agreement is void and Consultant will not be entitled to any compensation for services performed pursuant to this Agreement, including reimbursement of expenses, and Consultant will be required to reimburse the City for any sums paid to the Consultant. Consultant understands that, in addition to the foregoing, it may be subject to criminal prosecution for a violation of Government Code § 1090 and, if applicable, will be disqualified from holding public office in the State of California.

- 10.8 **Solicitation.** Consultant agrees not to solicit business at any meeting, focus group, or interview related to this Agreement, either orally or through any written materials.
- 10.9 **Contract Administration.** This Agreement shall be administered by the City's Finance Director ("Contract Administrator"). All correspondence shall be directed to or through the Contract Administrator or his or her designee.

**10.10 Notices.**

Any written notice to Consultant shall be sent to:

Name: Maze & Associates  
Attn: Amy Meyer, Shareholder  
3478 Buskirk Avenue, Suite 215  
Pleasant Hill, California 94523

Any written notice to City shall be sent to:

City of Oakley  
City Manager and City Finance Director  
3231 Main Street  
Oakley, CA 94561

**10.11 Integration.** This Agreement, including the Scope of Work and Compensation Schedule, Insurance Requirements, and Verification of Required Insurance, attached hereto and incorporated herein as Exhibit A, B, and C respectively, represents the entire and integrated agreement between City and Consultant and supersedes all prior negotiations, representations, or agreements, either written or oral.

|                  |   |
|------------------|---|
| <u>Exhibit A</u> | Scope of Services and Compensation Schedule |
| <u>Exhibit B</u> | Insurance Requirements                      |
| <u>Exhibit C</u> | Verification of Required Insurance          |

**10.12 Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.

**10.13 Authorized Signature.** Each person and party signing this Agreement warrants that he/she has the authority to execute this Agreement on behalf of the principal and that the party will be bound by such signature.

The parties have executed this Agreement as of the Effective Date.

CITY

CONSULTANT

City of Oakley, a municipal corporation  
in the State of California

Maze & Associates, a California  
corporation

By: \_\_\_\_\_  
Bryan H. Montgomery, City Manager

By: \_\_\_\_\_  
Name and Title

Attest:

\_\_\_\_\_  
Libby Vreonis, City Clerk

Approved as to Form:

\_\_\_\_\_  
Derek P. Cole, City Attorney

**EXHIBIT A**

**SCOPE OF SERVICES AND COMPENSATION SCHEDULE**

**PROPOSAL  
To Continue to Provide  
Professional Auditing Services  
For The**

**CITY OF OAKLEY**

**Submitted By  
MAZE & ASSOCIATES ACCOUNTANCY CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS  
3478 Buskirk Avenue, Suite 215, Pleasant Hill, CA 94523  
(925) 930-0902 – Fax - (925)-930-0135**

**December 15, 2014**

| <b>Contact Persons</b>  |   |
|---|---|
| <b>Amy Meyer, CPA<br/>Vice President</b><br>☎ (925)-930-0902, Ext. 271<br>✉ amym@mazeassociates.com | <b>Vikki Rodriguez, CPA<br/>Vice President</b><br>☎ (925)-930-0902, Ext. 247<br>✉ vikr@mazcassociates.com |

**CITY OF OAKLEY  
AUDIT PROPOSAL**

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**CITY OF OAKLEY  
AUDIT PROPOSAL**

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December 15, 2014



Paul Abelson, Finance Director  
City of Oakley  
3231 Main Street  
Oakley, CA 94561

Dear Paul:

We appreciate this opportunity to submit our proposal to continue to provide external audit services for the City of Oakley. We agree to audit the basic financial statements of the City as well as assist with the preparation of the Comprehensive Annual Financial Report (CAFR) for the fiscal years ending June 30, 2015 through June 30, 2017, with the option of extending for each of the two subsequent years. We will also perform additional services as specified in the City's Request for Proposal, within the time periods established by the City.

We are quite certain we are the most qualified firm to be your independent accountants. Maze & Associates began operating a quarter of a century ago, and since that time, we have rigorously employed our philosophy that "We are in Business to Help our Clients Succeed"! Our clients know from experience we employ a variety of techniques, technologies and strategies to maximize effective and efficient audits without shifting our work onto our clients staff. We have summarized our reasons below and explained them in depth in our proposal.

- **We are the best-known regional municipal audit firm in Northern California.** Over our twenty-eight year history, we have achieved national recognition with the consistent high quality of our work and with our leadership on issues such as bankruptcy trends and implications, Redevelopment Agency dissolution, GASB Statement 45, GASB Statement 34, Y2K, and municipal investment losses.
- **Municipal auditing is our main business.** We believe we have the necessary qualifications and are your best choice.
  - We annually audit over 200 municipalities including special districts, joint powers authorities, successor agencies, housing authorities and financing authorities.
  - We currently have forty-four City clients ranging in size from small towns to large complex cities, **including seven with populations in excess of 100,000.**
  - **We have experience auditing several dozen large enterprise operations,** some operated as departments or funds of our City clients and others operated as stand-alone independent special districts and authorities.
  - **We conduct three dozen Single Audits annually.**
  - **Our firm does not make the newspapers very often, but when it does, it's for doing our job.** See Firm Qualifications and Experience – Reputation for details.
- We currently prepare the annual required filings for the State Controllers Office, including the **Annual Report of Financial Transactions and Street Report**, for many of our municipal clients.

Accountancy Corporation  
3478 Buskirk Avenue, Suite 215  
Pleasant Hill, CA 94523

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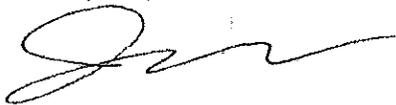
- **Our Partners are actively involved in planning, conducting and completing the audit in our client's offices** and our Partners are available when you need them. We resolve issues on the spot while the audit is being performed.
- When our Partners communicate with you, the Council and Committees, their knowledge is based on detailed specifics, not information which has been filtered through several layers of review.
- **We have a long term track record of client retention beyond our client's original contract terms because of the quality of our service. Please pay special attention to the client start dates on page 7.**
- **Our audit staff average more than 80 hours of training in municipal auditing and accounting and 1,500 hours of municipal audit experience each year.** This means you do not train our staff!
- **We are an Equal Opportunity Employer.**
- With our qualified information security staff we have developed and employ a number of technologies to streamline our audit process, ensure open channels of communication and data transfer while securing the confidentiality of client data. These technologies include LANs, a VPN, "Leapfile" data file transfers, "Mimecast" email protection software, paperless audit workpapers, and a major upgrade of our "direct downloads" technique eliminating manual financial statement inputs and maximizing easy to use financial rollup reports.
- **Up to half our total audit time is spent at interim each year,** ensuring a smooth year-end audit. Our interim audit includes much of the work other firms postpone to year-end; we even begin the preparation of the financial statements.
- We have never been sued over deficient work, although we are proud to say we were sued for doing our work too well! See Firm Qualifications and Experience - Litigation for details.
- Our references - indeed, any of our clients, will confirm we are your best choice.
- Our firm and all our partners and employees are independent of the City of Oakley and its component units as that term is defined by the General Accountability Office's Government Auditing Standards, the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants and the California State Board of Accountancy. We have no present or past professional relationships with the City or any of its Council members or employees that would compromise our independence.

As with all our audits, we are committed to continuing to provide timely, quality audit services to the City of Oakley. We have no doubt that we are the firm best qualified to perform the services described in the request for proposal. After you have analyzed our proposal and - most important - talked with our references, we are quite confident you will agree. The proposal is a firm and irrevocable offer for a period of sixty days from the date of this proposal.

Amy Meyer, Vice President, and Vikki Rodriguez, Vice President, are authorized to represent, sign for and contractually obligate Maze & Associates, a Professional Corporation, located at 3478 Buskirk Avenue, Suite 215, Pleasant Hill, CA, 94523, (925) 930-0902.

We look forward to the opportunity to continue to work with the City!

Yours very truly,



John Rodriguez

JR:smg

## LICENSE TO PRACTICE IN CALIFORNIA

Maze & Associates is a properly licensed California Certified Public Accounting firm. We are members of the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO) as well as the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

All assigned key professional staff are properly licensed to practice in California. Those staff that are certified public accountants have current California CPA licenses in the attest function, and have **received more than twice the required level of continuing education**, including the credits specifically required in the area of governmental audits. See Partner, Supervisory and Staff Qualifications and Experience – Audit Team for the resumes of the Proposed audit team.

Neither our firm nor any of our employees have a record of substandard or unsatisfactory performance, nor have any claims ever been filed with any State Board of Accountancy against our firm or any of our employees.

## INDEPENDENCE

As independent auditors, **our most valuable asset is our independence**. Unlike many firms, we have never allowed our independent audit function to be used to promote consulting or other work. In fact, consulting and related work have never amounted to more than a few percent of our total revenues, while our independent audit work has amounted to over eighty percent of our revenues.

Our firm and all our partners and employees are independent of the City of Oakley and its component units as that term is defined by the General Accountability Office's Government Auditing Standards, the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants and the California State Board of Accountancy. We have no present or past professional relationships with the City or any of its Council members or employees that would compromise our independence.

**We will discuss in advance with the City any professional relationships being contemplated during the period of engagement that may present a potential conflict of interest. If the City and we believe any such relationship presents a conflict of interest, we will not enter into it.**

## FIRM QUALIFICATIONS AND EXPERIENCE

### *Overview*

We are a professional services corporation located in Pleasant Hill, California. We presently have a total of forty-seven people, including eight shareholders, two Directors, four Managers, seven Supervisors, ten Senior Associates, ten Associates and six Office Staff. Fifteen of our professional staff are California Certified Public Accountants and two additional staff are in the process of completing their applications for licensure. All of our professional staff comprise our governmental audit staff, as our firm's emphasis is on governmental auditing and accounting. Several of our professional staff have national accounting firm experience, which we have blended with the more personal approach of a smaller firm.

**Most of our clients** are cities or other municipal entities and we do this work twelve months of the year. We limit our practice in other areas and focus on being the best municipal audit firm in Northern California. Our clients include several cities similar to the City of Oakley in size. Our audit strategy is tailored to municipalities and is quite different from the traditional approach adapted from commercial clients by general practice accounting firms.

**We have focused on municipalities since our inception in 1986.** We are active in GFOA, CSMFO and CMTA, and our Partners have been speakers at many GFOA, CSMFO and CMTA functions.

## FIRM QUALIFICATIONS AND EXPERIENCE (Continued)

We are in business to help our clients succeed. We help you use the ever-growing tangle of accounting rules properly, but to your best advantage, by helping you keep out of trouble and helping you do the right thing. We stay in touch throughout the year to keep you abreast of municipal accounting developments and to help you avoid problems, instead of coming in afterwards to assess the damage. We rotate our audit emphasis based on our planning meetings with you so areas that concern you can be addressed as a normal part of the audit at no extra cost.

### *National Recognition*

We first achieved national recognition among accountants when we identified problems with municipal investments in April of 1994, months before the same problem drove Orange County into bankruptcy. While others dithered, we prepared our clients for the inevitable questions by alerting them immediately to the problem, working with GASB to address the accounting issues involved, and increasing our clients' financial statement disclosures so that the questions which came later were already answered in the financial statements. We were pleasantly surprised to see that a key disclosure element of GASB 40 is investment maturity data. Some of our client's have included maturity data in their CAFRs since 1994, when we recommended it as a way of reporting liquidity to financial statement users.

In early 1999, when most accounting firms were saying that Y2K uncertainties would affect their audit opinions, we took a different stance. We said full disclosure of the steps taken to prepare for Y2K was sufficient for us to issue an unqualified opinion. By this time our national reputation was such that GASB used our refusal to follow the majority as leverage in negotiating a compromise on the Y2K issue with the American Institute of CPAs.

In the years before the issuance of GASB 34, we developed a full-blown alternative to GASB's heavily criticized Dual Perspective proposal. Our alternative received favorable written comments from over one hundred and twenty-five cities and prompted many of the major changes made by GASB before they issued GASB 34. We received national recognition for this effort and one of our Partners was named to the GASB 34 Implementation Guide Task Force.

We have stayed active throughout the years in alerting our clients to potential issues by recognizing important trends and advising our clients of their impacts well before they become effective. We noted years before GASB 45 became effective that advance funding other post employment benefits had significant long term savings potentials and since 2007, we have emphasized to our clients the need to pay careful attention to the shift in the municipal debt markets from one based on insurance to one based on credit worthiness.

Our work quality and financial statement clarity have earned us a solid national reputation with underwriters, bond counsel, financial advisors and others involved with debt issuances. Our clients have been involved with a broad variety of debt issues and refundings over the years, and the quality of our work has never been an issue. Underwriters have praised our financial statements for being very clear and easy to understand.

## FIRM QUALIFICATIONS AND EXPERIENCE (Continued)

### *Reputation*

We believe quality and an emphasis on doing our job right is far more important than being cheaper than our competitors. Despite the economic pressures faced by municipalities and the need to save money, there are other, more serious concerns to be weighed. Those being perceived or actual audit failures in the municipal audit sector. The City of Bell news, especially the State Controller's Office Report on that City's audit firm, is raising serious questions about municipal audit quality. Whether this is justified or not isn't really the issue. What is at issue is the perception of poor quality in municipal audits. We have received a number of inquiries and requests for proposal from that firm's clients who desire a change in auditors. A former client of ours, which rotated to them several years ago, called us and asked if we would propose on the City's work. That Council simply did not want to expend the energy to defend whether that firm is providing quality work.

We received calls from other municipalities with a different audit firm that released their fiscal 2009-10 audit reports late. The reason - the audit firm merged and re-merged in fiscal 2009-10 and the new firm placed a "quality control review" on municipal audits. The end result was that CAFR extensions were needed for 2009-10.

These trends indicate that it would be unwise to reduce audit effort for any municipal audit. Our commitment to quality and preserving our firm's reputation remains our top priority and serves our clients best.

Clients tend to remain with us through their difficulties. Consider for a moment high risk audit environments, which are those entities undergoing financial stress, bankruptcy or fraud. For example, these clients are still clients today:

- ✦ Richmond - Financial Stress (FYs 2002-05)
- ✦ Millbrae - Financial Stress (FYs 2002-05)
- ✦ Vallejo - Bankruptcy/Financial Stress (FYs 2010-14)

We think there are two other clients worthy of comment.

In early 2009, the City of Los Banos discovered fraud originally estimated at \$400,000. This was the second case of cash receipts fraud at that City within five years. The Los Banos Council instructed staff to replace the then audit firm with a "credible auditor" - they hired us. After that City's forensic auditor completed their investigation, the actual fraud was revised to \$1.7 million. Our audits revealed numerous material weaknesses in cash receipts and billing controls. It is clear to us that the weaknesses had been present for many years and that the weaknesses were obvious. That City no longer believes a cheap audit has value.

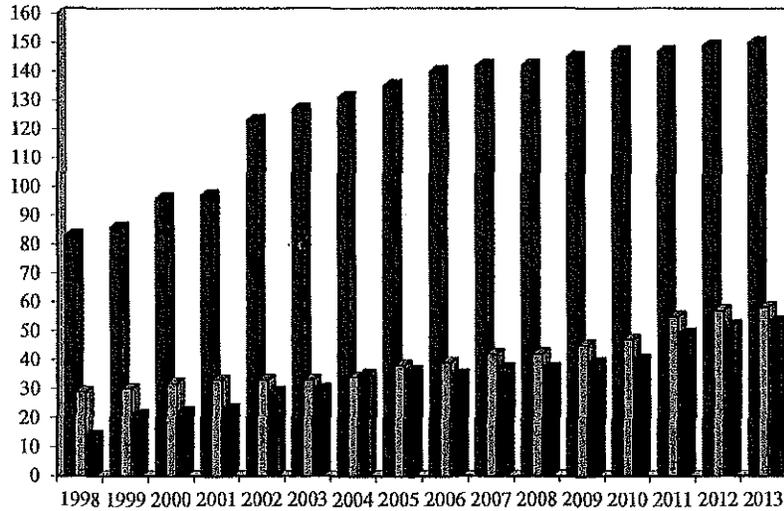
Lastly, we used to audit the City of Pacific Grove. In our first audit in fiscal 2003-04, we determined that their General Fund cash balances were not sufficient and included our comments in the year end management letter. Our firm made the local paper. The article was titled: "Auditor Warns P. G. Council!" **We are rarely in the news, but when we are, it is for doing our job.**

### *Our Municipal Focus*

**We have focused on municipalities since our inception in 1986.** We are active in and our Partners have been speakers at GFOA, CSMFO, CMTA, and the CalCPA Education Foundation.

**FIRM QUALIFICATIONS AND EXPERIENCE (Continued)**

Our practice includes forty-two city clients and forty-one city and special district CAFR award winners—more municipal clients and more award winners than any other Northern California accounting firm or international firm branch office. Included in those totals are six award-winning Special District CAFRs. Eighty percent of our practice is municipal auditing, accounting and consulting, continuing throughout the entire year. Our growth can be seen in the graph below, which shows the growth in the number of our total municipal entity clients in blue, City audit clients in green and CAFR award winners in red.



Every one of the above CAFRs, won awards from GFOA and/or CSMFO.

**FIRM QUALIFICATIONS AND EXPERIENCE (Continued)**

*City Clients*

The table below summarizes our most recent experience with audits of cities. We are responsible for all phases of the work on these clients. **All of this work represents recurring annual audit and related work; all this work and that presented in the table was completed on or before the deadline from the first year listed for each client.**

| City                           | Client Since | CAFR | RDA | Single Audit | TDA | Transportation Measure | Retirement Plans | Financing Corp. |
|--------------------------------|--------------|------|-----|--------------|-----|------------------------|------------------|-----------------|
| <i>Population &gt; 100,000</i> |              |      |     |              |     |                        |                  |                 |
| Daly City                      | 1992         | ✓    | ✓   | ✓            | ✓   | ✓                      | ✓                |                 |
| Hayward                        | 2011         | ✓    | ✓   | ✓            | ✓   | ✓                      |                  | ✓               |
| Richmond                       | 2005         | ✓    | ✓   | ✓            |     | ✓                      | ✓                | ✓               |
| Roseville                      | 1998         | ✓    | ✓   | ✓            |     |                        | ✓                | ✓               |
| Santa Clara                    | 2012         | ✓    | ✓   | ✓            | ✓   |                        |                  |                 |
| Sunnyvale                      | 2008         | ✓    | ✓   | ✓            | ✓   |                        |                  | ✓               |
| Vallejo                        | 2004         | ✓    | ✓   | ✓            | ✓   | ✓                      |                  |                 |
| <i>Population &lt; 100,000</i> |              |      |     |              |     |                        |                  |                 |
| Alameda                        | 1990         | ✓    | ✓   | ✓            | ✓   | ✓                      | ✓                |                 |
| Atherton                       | 2009         |      |     | ✓            |     | ✓                      |                  |                 |
| Belmont                        | 1998         | ✓    | ✓   | ✓            |     | ✓                      |                  |                 |
| Benicia                        | 2011         | ✓    |     | ✓            | ✓   |                        |                  |                 |
| Brentwood                      | 2007         | ✓    | ✓   | ✓            | ✓   | ✓                      |                  |                 |
| Brisbane                       | 2011         | ✓    | ✓   | ✓            |     |                        |                  |                 |
| Cupertino                      | 2010         | ✓    | ✓   | ✓            | ✓   |                        |                  |                 |
| Dublin                         | 2012         | ✓    |     | ✓            |     | ✓                      |                  |                 |
| El Cerrito                     | 2005         | ✓    | ✓   | ✓            | ✓   |                        | ✓                | ✓               |
| Fairfax                        | 2009         |      |     |              |     |                        |                  |                 |
| Galt                           | 2009         | ✓    | ✓   | ✓            |     |                        |                  |                 |
| Half Moon Bay                  | 2014         | ✓    |     | ✓            | ✓   |                        |                  |                 |
| Larkspur                       | 1991         |      |     | ✓            | ✓   |                        |                  |                 |
| Lathrop                        | 2011         | ✓    |     | ✓            |     |                        |                  |                 |
| Livermore                      | 1988         | ✓    | ✓   | ✓            | ✓   | ✓                      |                  | ✓               |
| Los Altos                      | 2014         | ✓    |     | ✓            |     | ✓                      |                  |                 |
| Manteca                        | 1986         | ✓    | ✓   | ✓            |     |                        |                  | ✓               |
| Martinez                       | 2001         | ✓    |     | ✓            | ✓   |                        |                  |                 |
| Millbrae                       | 1998         | ✓    | ✓   | ✓            | ✓   | ✓                      |                  |                 |
| Milpitas                       | 1995         | ✓    | ✓   | ✓            | ✓   |                        |                  | ✓               |
| Moraga                         | 2012         |      |     | ✓            | ✓   |                        |                  |                 |
| Mountain View                  | 2001         | ✓    | ✓   | ✓            | ✓   |                        |                  |                 |
| Oakley                         | 2000         | ✓    | ✓   | ✓            | ✓   |                        |                  |                 |
| Petaluma                       | 2011         | ✓    |     | ✓            | ✓   |                        |                  |                 |
| Piedmont                       | 2007         | ✓    |     |              |     | ✓                      | ✓                |                 |
| Pittsburg                      | 2011         | ✓    | ✓   | ✓            | ✓   |                        | ✓                |                 |
| Portola Valley                 | 2005         |      |     |              |     | ✓                      |                  |                 |
| Rancho Cordova                 | 2009         | ✓    | ✓   | ✓            |     |                        |                  | ✓               |
| San Leandro                    | 2011         | ✓    | ✓   | ✓            | ✓   | ✓                      |                  |                 |
| San Pablo                      | 1995         | ✓    | ✓   | ✓            | ✓   | ✓                      | ✓                |                 |
| San Rafael                     | 2007         | ✓    | ✓   | ✓            | ✓   |                        |                  |                 |
| San Ramon                      | 2014         | ✓    |     | ✓            | ✓   |                        |                  |                 |
| Sausalito                      | 2006         | ✓    |     |              |     |                        |                  |                 |
| South San Francisco            | 2004         | ✓    | ✓   | ✓            | ✓   | ✓                      |                  |                 |
| Turlock                        | 2013         | ✓    | ✓   | ✓            | ✓   |                        |                  | ✓               |

**FIRM QUALIFICATIONS AND EXPERIENCE (Continued)**

As you can see from the client list on page 7, we have a winning combination that has resulted in **strong client loyalty and retention**. Several clients who left have returned after seeing the difference between our firm and our competitors. **Others have remained our clients after completing a full-blown proposal process**, most recently Brentwood, Manteca and Belmont.

**Grant and Compliance Audit Experience**

Our pertinent Non-Transportation Single Audit Act experience is graphed below:

| Client            | Housing and Urban Development | Justice | Homeland Security | Agriculture | Defense | Commerce | Interior | National Endowment for the Arts & the Humanities | Energy/Education/Labor | Health & Human Services | Environmental Protection Agency |
|-------------------|-------------------------------|---------|-------------------|-------------|---------|----------|----------|--|------------------------|-------------------------|---------------------------------|
| Alameda           | ■                             | ■       | ■                 |             |         | ■        |          |  |                        |                         |                                 |
| American Canyon   |                               |         |                   |             |         |          |          |  |                        |                         | ■                               |
| ABAG              |                               |         |                   | ■           |         | ■        | ■        |  |                        |                         | ■                               |
| Belmont           | ■                             | ■       |                   |             |         |          |          |  |                        |                         |                                 |
| Concord           | ■                             | ■       |                   |             | ■       |          |          |  |                        |                         |                                 |
| Daly City         | ■                             | ■       | ■                 | ■           |         |          |          | ■  |                        | ■                       | ■                               |
| Davis             | ■                             |         | ■                 |             |         |          |          |  |                        |                         | ■                               |
| EBMUD             |                               |         | ■                 |             |         |          | ■        |  |                        |                         | ■                               |
| East Palo Alto    | ■                             | ■       |                   |             |         | ■        |          |  | ■                      | ■                       | ■                               |
| El Cerrito        |                               | ■       | ■                 |             |         |          |          |  |                        |                         | ■                               |
| EID               |                               |         |                   |             |         |          |          |  |                        |                         | ■                               |
| Food Bank         | ■                             |         | ■                 | ■           |         |          |          |  |                        |                         |                                 |
| Galt              |                               |         | ■                 |             |         |          |          |  |                        |                         |                                 |
| Livermore         | ■                             | ■       |                   |             |         |          |          | ■  |                        | ■                       | ■                               |
| Manteca           | ■                             | ■       | ■                 |             |         |          |          |  |                        |                         |                                 |
| Martinez          | ■                             | ■       | ■                 |             |         |          |          |  |                        |                         |                                 |
| Milpitas          | ■                             | ■       | ■                 | ■           |         |          |          |  |                        |                         |                                 |
| Mountain View     | ■                             | ■       | ■                 |             |         |          |          |  | ■                      |                         |                                 |
| Napa              | ■                             | ■       | ■                 |             |         |          |          |  |                        |                         |                                 |
| Palo Alto         | ■                             |         | ■                 |             |         |          |          |  | ■                      |                         | ■                               |
| Rancho Cordova    | ■                             | ■       | ■                 |             |         |          |          |  |                        |                         |                                 |
| Richmond          | ■                             | ■       | ■                 |             |         | ■        |          |  | ■                      | ■                       |                                 |
| Roseville         | ■                             | ■       | ■                 |             | ■       |          |          |  |                        |                         | ■                               |
| WETA              |                               |         | ■                 |             |         |          |          |  |                        |                         |                                 |
| San Pablo         | ■                             |         |                   |             |         |          |          |  |                        |                         |                                 |
| San Rafael        | ■                             |         | ■                 |             |         |          |          |  |                        |                         |                                 |
| SRVFPD            |                               |         | ■                 |             |         |          |          |  |                        |                         |                                 |
| So. Lake Tahoe    | ■                             | ■       |                   | ■           |         |          | ■        |  |                        |                         |                                 |
| So. San Francisco | ■                             |         | ■                 | ■           |         |          |          |  | ■                      | ■                       | ■                               |
| Suisun City       | ■                             | ■       |                   |             |         |          |          |  |                        |                         |                                 |
| Sunnyvale         | ■                             | ■       | ■                 |             | ■       |          |          | ■  | ■                      |                         |                                 |
| Vallejo           | ■                             | ■       | ■                 |             | ■       | ■        |          |  |                        |                         | ■                               |
| Waterford         | ■                             |         |                   |             |         |          |          |  |                        |                         |                                 |
| West Sacramento   | ■                             | ■       | ■                 | ■           |         |          |          |  |                        |                         | ■                               |

**FIRM QUALIFICATIONS AND EXPERIENCE (Continued)**

Our pertinent Single Audit Act and Transportation grant experience is graphed below:

| Client  | US Department of Transportation |                                 |                 | Local | State | Transportation Development Act |               |                      |                          |
|---|---------------------------------|---------------------------------|-----------------|-------|-------|--------------------------------|---------------|----------------------|--------------------------|
|   | Airport Improvement Program     | Highway Planning & Construction | Transit & Other |       |       | Measures A, B & C              | SEPP/SLTP/TSM | Transit/Para-Transit | Bicycle Pedestrian Trail |
| AC Transit                                      |                                 |                                 |                 |       |       |                                |               |                      | ♦                        |
| ACTIA   |                                 | ♦                               | ♦               | ♦     |       |                                |               |                      |                          |
| ACTA  |                                 | ♦                               | ♦               | ♦     |       |                                |               |                      |                          |
| Alameda   |                                 | ♦                               | ♦               | ♦     | ♦     | ♦                              | ♦             | ♦                    |                          |
| American Canyon                                 |                                 | ♦                               | ♦               |       |       |                                |               | ♦                    |                          |
| ABAG  |                                 | ♦                               |                 |       | ♦     |                                |               |                      |                          |
| Atherton  |                                 |                                 |                 | ♦     |       |                                |               |                      |                          |
| Belmont   |                                 | ♦                               | ♦               | ♦     |       |                                |               | ♦                    |                          |
| Brentwood                                       |                                 | ♦                               |                 |       |       |                                |               | ♦                    |                          |
| CCTA  |                                 | ♦                               |                 | ♦     |       |                                |               |                      |                          |
| Concord   |                                 | ♦                               | ♦               | ♦     | ♦     |                                |               | ♦                    |                          |
| Daly City                                       | ♦                               | ♦                               | ♦               | ♦     | ♦     |                                |               | ♦                    |                          |
| Davis   |                                 | ♦                               | ♦               |       | ♦     |                                |               |                      |                          |
| East Palo Alto                                  |                                 |                                 |                 | ♦     |       |                                |               |                      |                          |
| El Cerrito                                      |                                 | ♦                               |                 |       |       |                                |               | ♦                    |                          |
| Galt  |                                 | ♦                               |                 |       |       |                                |               |                      |                          |
| Larkspur  |                                 |                                 |                 |       |       |                                |               | ♦                    |                          |
| Livermore                                       | ♦                               | ♦                               | ♦               | ♦     | ♦     | ♦                              |               | ♦                    |                          |
| LAVTA   |                                 |                                 | ♦               | ♦     |       | ♦                              |               |                      |                          |
| Los Banos                                       |                                 |                                 |                 | ♦     |       |                                |               | ♦                    |                          |
| Manteca   |                                 | ♦                               | ♦               | ♦     |       |                                |               |                      |                          |
| Martinez  |                                 | ♦                               | ♦               | ♦     |       |                                |               | ♦                    |                          |
| Millbrae  |                                 | ♦                               |                 | ♦     |       |                                |               |                      |                          |
| Milpitas  |                                 | ♦                               | ♦               |       | ♦     |                                |               | ♦                    |                          |
| Modesto   | ♦                               | ♦                               | ♦               |       |       | ♦                              |               | ♦                    |                          |
| Mountain View                                   |                                 | ♦                               |                 |       |       |                                |               | ♦                    |                          |
| Napa  |                                 | ♦                               | ♦               |       |       |                                |               | ♦                    |                          |
| Oakley  |                                 |                                 |                 |       |       |                                |               | ♦                    |                          |
| Peninsula Corridor Joint Powers Board           |                                 |                                 | ♦               | ♦     | ♦     | ♦                              |               |                      |                          |
| Palo Alto                                       |                                 |                                 | ♦               |       |       |                                |               | ♦                    |                          |
| Portola Valley                                  |                                 |                                 |                 | ♦     |       |                                |               |                      |                          |
| Rancho Cordova                                  |                                 | ♦                               | ♦               |       |       |                                |               |                      |                          |
| Richmond  |                                 | ♦                               | ♦               | ♦     |       |                                |               |                      |                          |
| Roseville                                       |                                 | ♦                               | ♦               |       | ♦     |                                |               |                      |                          |
| San Carlos                                      |                                 | ♦                               |                 |       | ♦     |                                |               | ♦                    |                          |
| San Mateo Transit District                      |                                 | ♦                               | ♦               |       |       | ♦                              |               |                      | ♦                        |
| San Mateo County Transportation Authority       |                                 | ♦                               | ♦               |       |       |                                |               |                      |                          |
| San Pablo                                       |                                 | ♦                               |                 | ♦     |       |                                |               | ♦                    |                          |
| San Rafael                                      |                                 | ♦                               | ♦               |       |       |                                |               | ♦                    |                          |
| Solano Trans Authority                          |                                 | ♦                               |                 |       |       |                                |               | ♦                    |                          |
| South Lake Tahoe                                | ♦                               |                                 |                 |       |       | ♦                              |               | ♦                    |                          |
| South San Francisco                             |                                 | ♦                               |                 |       | ♦     |                                |               | ♦                    |                          |
| Suisun City                                     |                                 | ♦                               |                 |       |       |                                |               | ♦                    |                          |
| Sunnyvale                                       |                                 | ♦                               | ♦               |       |       |                                |               |                      |                          |
| Vallejo   |                                 | ♦                               | ♦               | ♦     |       | ♦                              |               |                      |                          |
| Water Emergency Transportation Authority (WETA) |                                 |                                 | ♦               |       |       |                                |               |                      | ♦                        |
| Waterford                                       |                                 | ♦                               |                 |       |       | ♦                              |               | ♦                    |                          |
| West Sacramento                                 |                                 | ♦                               | ♦               |       |       | ♦                              |               | ♦                    |                          |
| Woodside  |                                 |                                 |                 | ♦     |       |                                |               | ♦                    |                          |

## **FIRM QUALIFICATIONS AND EXPERIENCE (Continued)**

### ***Long Term Debt Experience***

Because of our depth of experience with municipalities we have experience with virtually every debt type and structure. We have experience auditing revenue bonds, certificates of participation, special assessment bonds, Marks-Roos bond pools, capital appreciation bonds, variable rate demand bonds, auction rate bonds, bond anticipation notes and bonds/swap agreements with synthetic fixed interest rates. Our experience with swaps by client including the total notional amount follows:

- Contra Costa Transportation Authority - \$300 million (Forward Swap commitment)
- City of Richmond - \$199 million, including a counter swap
- City of Pittsburg - \$156 million
- City of Roseville - \$115 million
- South Placer Wastewater Authority- \$94 million
- City of Modesto - \$62 million
- City of San Pablo - \$36 million
- East Bay Municipal Utility District - \$90 million

### ***Public Financing Authorities and Mello-Roos Experience***

We have performed audits of Public Facilities Financing Authorities and Mello-Roos districts and designed financial statements that went beyond required disclosures to include Inception-to-Date information about capital projects. These disclosures can allow the reader to see and understand the entire scope and cost of capital projects, even though they may not remain on the Authority's books after completion.

We are familiar with public financing authorities and the accounting and auditing problems that can arise with their use. We have many clients that use financing authorities in issuing debt. We have considerable experience with the "blending" of financing authority funds with other City funds.

### ***Assistive Resources***

Our client support is unmatched by any other firm. As a San Francisco Bay Area municipal audit niche firm with five audit partners, we are positioned perfectly to provide staff and Council with a wide variety of resources. Support ranges from turn key financial statement drafts with linked footnotes and direct download-based financial statements to professional continuing education sessions. We are active in professional organizations affecting local government and have a strong presence in neighboring local governments which keeps our knowledge current that we readily share with our clients. And we do not charge extra for the five minute phone calls throughout the year.

### ***Client Training and Professional Development***

We can provide you with varying levels of training and professional development resources. We provide our semi-annual continuing education to our staff and have on occasion opened it up to our clients who wish to keep their licensees current. We have also developed and conducted training specifically for our clients. Training can be general theory in nature, semi-customized or fully customized training that fits your operations. Theory intensity can be at the beginning, intermediate and advanced levels. On occasion, we have provided our clients with shorter presentations of new pronouncements and other requirements. At the City of Richmond, for example, we developed and taught monthly training sessions on virtually every major finance area to its staff over a twelve month period. Much of their staff assumed new functions in the aftermath of serious staffing cuts several years ago and their Finance Director was seeking an economical method of enhancing their knowledge base and skill sets. At the City of Livermore, we provided customized training on capital assets to their finance staff and grants management training to several departments as a means of solving coordination weaknesses.

## FIRM QUALIFICATIONS AND EXPERIENCE (Continued)

### *Books, Periodicals, News Letters, and Professional Standards*

We provide our staff and our clients, if they wish, all of the resources they need to complete their work efficiently and effectively. Our resources include all AICPA Professional Standards, AICPA Audit and Accounting Guides, GASB statements, interpretations, implementation guides and concept statements, FASBs, ARBs, APBs, Generally Accepted Government Audit Standards (The "Yellow Book"), Single Audit Regulations and website links to OMB Circulars, the SF-Sac Data Collection Form and instructions, website links for CFDA numbers, the Code of Federal Regulations and publications of the Government Accountability Office. We also have GFOA documents such as CAFR Checklists, the Governmental Accounting, Auditing and Financial Reporting Guide (the "Blue Book"), the GAAFR Review, and ACWA newsletters. We maintain an up-to-date library of guidelines and other documents we use such as cash and investment guidelines, and Transportation Development Act regulations and guidelines, Transportation Measures A, B and J guidelines and regulations. And, we attend conferences by CSMFO, ACWA, AIPCA and the CalCPA Education Foundation to keep ourselves current.

### *Capabilities in General Consulting and Compliance Auditing*

We also provide a variety of other services which you may need, including:

- ❖ **Temporary Accounting Assistance** - When we are not limited by independence regulations, we have provided additional accounting help in areas such as:
  - Construction in Progress Accounting
  - Owner Participation Agreement/Disposition and Development Agreement Accounting
  - Forecasts and Projections
  - Grant Management
  - Capital Assets
  - General Ledger Journal Entries
  - Debt recording
  - Account analysis and clean up
- ❖ **Preparation of Controller's Reports and annual filings** - We can prepare any of the following whether you are an audit client or not:
  - State Controller's Reports for:
    - Cities
    - Special Districts, or
    - Transportation Planning Agencies
  - Annual Street Reports
  - Information Returns
- ❖ **Training and Continuing Education** - Generic or customized to fit your needs!
  - Governmental Accounting - Beginning, Intermediate and Advanced Levels
  - Grant Accounting and Management
  - Bank Reconciliations
  - Management and Accounting
  - Cash and Investments
  - Accounting for Receivables and Revenues
  - Accounts Payable and Purchasing
  - Capital Asset Accounting
  - Debt Accounting and Management
  - Information System Security and Microsoft training

## FIRM QUALIFICATIONS AND EXPERIENCE (Continued)

- ❖ **Operational Segment Audits** such as:
  - Cash collection controls and procedures
  - Loans receivable management
  - Police evidence room
  - Cal-Card and Purchasing Card
- ❖ **Project Length Audits** such as Construction in Progress project audits and Joint Powers Authority member equity calculations.
- ❖ **Lease/Franchise/TOT/Independent Operator Agreement Audits** including rent recalculations, revenue controls, payroll/independent contractor compliance and more.
- ❖ **Pre-award Operator/Contractor Analysis and Audits**, such as
  - Preward audits of Engineering Firms funded by CALTRANS
  - Independent Analysis of Proposed Airport Operators
  - Independent Analysis for Prospective Fire Service Providers
- ❖ **Information Systems Support** customized to fit your needs:
  - Information System Reviews and Audits
  - Network Vulnerability Scans
  - Security and Access Reviews
  - Security and Microsoft Certified Training
  - Microsoft Small Business Specialist
  - Payment Card Industry (PCI) Compliance

### *Professional Activity*

We are active members of the Government Finance Officers Association and the California Society of Municipal Finance Officers as well as the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. We are also a member of the Association of California Water Agencies (ACWA). We are frequent speakers at various organizations; some of our pertinent presentations are listed below:

In May 2009, Cory Biggs, our former CEO, was a speaker at the annual Governmental Accounting and Auditing Conference hosted by the Education Foundation of the California Society of Certified Public Accountants. This annual conference is held for CPAs for the purpose of keeping CPAs current on issues affecting Governmental Accounting and Auditing. At the conference, Cory presented "The Auditor's Perspective" on auditing municipalities on the verge of, or in bankruptcy. His presentation followed remarks made by the City of Oakley Assistant Finance Director and the City's bankruptcy attorney. He was also requested to provide an update at the 2010 conference.

Also in 2009, Cory spoke at the semi-annual conference of the California Municipal Treasurer's Association on "Maintaining a Good Relationship with Your Auditor" in which he discussed techniques for treasury staff to use when working with auditors to achieve a meaningful, thorough audit process. This discussion included a heavy focus on cash and investment processes and procedures, compliance, financial reporting and disclosures.

In August 2007, Cory presented Trust Fund Alternatives for Funding Retiree Health Care Benefits at a symposium sponsored by ABAG.

In August 2006, Cory, made two presentations at a Symposium on the Implementation of GASB #45, sponsored by ABAG. One presentation was a summary of the Statement and its impacts on municipalities and the other presentation explored funding options and ramifications of the Statement.

## **FIRM QUALIFICATIONS AND EXPERIENCE (Continued)**

In February 2006, Cory presented "Cost Impacts from Implementing GASB 45, Accounting of Financial Reporting by Employers for Post-employment Benefits Other than Pensions", to the San Mateo Finance Officers Group. He was also a speaker at the 2005 CSMFO Annual Conference, on "How to Stay Out of Trouble" regarding identification of adverse fiscal trends in local governments and appropriate responses.

We attend CSMFO Northern California chapter meetings on a regular basis, and we have served as speakers on various occasions. We all attend the CSMFO Annual Conference, at which our Partners have been speakers. We have also attended the League of California Cities' annual Financial Management Seminars.

Amy Meyer and Katherine Yuen serve on the Governmental Accounting and Auditing Committee of the California Society of CPAs. Amy Meyer is a CAFR reviewer for the CAFR Award Program of the Government Finance Officers Association.

### ***Internal Quality Assurance System***

Every one of our audit and assurance engagements has an Engagement Partner responsible for the successful completion of the work as well as ensuring we maintain quality levels that satisfy professional standards. Our very high Partner to staff ratio of one to five is double that of traditional firms. We specifically structure our work for on-site Engagement Partner participation while the audit is being conducted. This structure is done by design to ensure we have active on the job oversight of staff and timely completion of the work.

We have always subjected our audit and assurance engagements to a second Quality Assurance Review. Historically this was performed by a second partner. However, over the past several years audit quality controls standards have been revised and enhanced. Standards issued by the American Institute of Certified Public Accountants and General Accountability Office now form the guidance in determining adequate quality controls for audit firms. While not required by the Standards, we believed it would be better to have an independent second review of the work by someone without engagement responsibilities and to have that person report to the shareholders directly as a group rather than any one shareholder.

### ***No Disciplinary Action***

We have no record of substandard or unsatisfactory performance, nor have any claims ever been filed with any State Board of Accountancy against our firm or any of our employees.

### ***Federal or State Field Reviews***

We have not been subject to any Federal or State Field Reviews of our audits during the past three years.

### ***Litigation***

We have not been sued over poor work quality, nor have we paid any such claims out of court in the past five years.

## FIRM QUALIFICATIONS AND EXPERIENCE (Continued)

**But we are proud to say we have been sued!** This was an action by a third-party contractor who filed suit to prevent us from issuing a report critical of their operation and their method of determining the amount of revenue they should share with our client. This action was not settled out of court; but went to judgment. In that case **the Superior Court of the State of California held in our favor and dismissed us from the proceedings without prejudice.** In other words, the Court decided that our report should be issued without any change.

In the words of our insurance representative, **"You are the only accounting firm we know of that has been sued for doing their work RIGHT!"**

### *External Quality Control Review*

We are members of the Quality Review Program of the AICPA, which means we subject ourselves to a peer review of our workpapers and quality control procedures every three years by independent accountants specializing in such work. **Our most recent peer review was completed in 2011; we again received a rating of pass, the highest level of assurance possible.** This peer review included a review of four governmental and non-profit audit engagements, including a Special District. A copy of our most recent peer review opinion is located at the end of this section.

Our municipal audit reports are subject to annual reviews by various branches of the Office of the State Controller. District audit reports and Single Audit Act reports receive particular scrutiny. During the past five years every one of these reports has been accepted as submitted. Of course, all of our clients' CAFRs are also reviewed by CSMFO and/or GFOA for award consideration; every report submitted has won an award from one of these organizations.

PEER REVIEW



POWELL & SPAFFORD, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA  
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy  
Member-Audit in Institute of Certified Public Accountants

System Review Report

To the Shareholders  
Maze & Associates  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Maze & Associates (the firm) in effect for the year ended May 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*.

In our opinion, the system of quality control for the accounting and auditing practice of Maze & Associates in effect for the year ended May 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*. Maze & Associates has received a peer review rating of *pass*.

*Powell & Spafford, LLP*

October 5, 2011

**PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE**

*Audit Team*

We are proposing to assign Amy Meyer as Engagement Partner, Vikki Rodriguez as Technical Review/Alternate Partner, and Isaac Williams as Supervisor to your audit. We will also have Donald Hester, our Information Technology Director, perform a review of your information system as it relates to our work and our Quality Assurance Director, Cory Biggs, perform a Quality Assurance Review of all our reports and workpapers.

We would be happy to exchange any member of the team, should the City wish to do so.

**We understand that engagement partners, managers, directors and other supervisory staff may be changed only with the express written permission of the City.**

We will balance out our resources with our Senior Associates and Associates to form fully leveraged teams. All of our audit staff are experienced with Comprehensive Annual Financial Reports, large enterprise operations, retirement plans, Single Audits, capital assets and infrastructure, long term debt, including swaps and related compliance and continuing disclosures, and all other aspects of municipal accounting and financial reporting.

We provide our clients continuity while introducing enough new people to keep our perspective fresh and provide you with the benefits of rotation. We intend to retain all the people assigned to your audit throughout this year's entire engagement. In future years we plan to rotate no more than one person on each segment whom we will replace with someone of equal experience.

Brief resumes of our proposed team members follow:

**AMY MEYER, Engagement Partner** - Amy graduated from the University of the Pacific in 1993 with a B.S. in Accounting and a minor in Information Systems, and has worked with Maze & Associates since 1993. Amy is a California CPA and is a member of the California Society of CPAs and the American Institute of Certified Public Accountants. Amy has assisted several of our clients with their computer applications and is very comfortable using a variety of systems. She has been involved with a number of accounting and GASB implementation training classes customized to our clients' needs. Amy is also our PC applications expert. Amy currently serves on the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants, which provides practical guidance to CPAs in the area of governmental accounting and auditing in an effort to improve the quality of financial reporting on governmental entities. Amy is also a CAFR reviewer for GFOA. **She has accumulated three hundred four hours of continuing education during the last three years as an in-house instructor and participant.** She has gained valuable experience on the audits of the following:

|   |   |
|---|---|
| City of Alameda   | City of Mountain View                   |
| Alameda Power and Telecom   | City of Oakley                          |
| City of Albany  | City of Palo Alto                       |
| City of American Canyon   | Redwood Empire Municipal Insurance Fund |
| Town of Atherton  | City of Rancho Cordova                  |
| Association of California Water Agencies Joint Powers Insurance Authority | City of Richmond                        |
| City of Brentwood   | City of Rio Vista                       |
| California Joint Powers Risk Management Authority                         | City of Rocklin                         |
| City of Concord   | City of Roseville                       |
| City of Dublin  | Town of San Anselmo                     |
| East Bay Regional Park District   | City of San Carlos                      |
| City of El Cerrito  | City of San Pablo                       |
| City of Hercules  | City of Santa Clara                     |

**PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE (Continued)**

**AMY MEYER (Continued)**

|   |  |
|---|--|
| Livermore Area Recreation and Park District | City of Saratoga                                       |
| City of Livermore                           | South Placer Wastewater Authority                      |
| Town of Los Gatos                           | City of Tracy  |
| City of Manteca                             | City of Vallejo  |
| City of Martinez                            | City of Waterford                                      |
| City of Milpitas                            | West Contra Costa Transportation Advisory<br>Committee |
| City of Modesto                             | City of Woodland                                       |

**VIKKI C. RODRIGUEZ, CPA, Partner** – Vikki graduated from San Diego State University where she received her Bachelor of Science Degree in Accounting with a Minor in English. Vikki received her Masters in Taxation at Golden Gate University in 2006. She is a Certified Public Accountant in the State of California. She is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. Vikki spent a year and a half working as an accountant at the City of Daly City and her college years working part time for both municipal government and nonprofit organizations prior to joining the firm in 1998. Vikki has accumulated over 360 hours of continuing education in the past three years as an instructor, participant and student. She has attended the past four annual Nonprofit Organization Conferences held in May. Vikki chairs on the non-profit board of the Center for Human Development. Her audit experience includes the following:

***Municipalities***

|   |   |
|---|---|
| City of Alameda                                 | City of Martinez                                |
| City of American Canyon                         | City of Milpitas                                |
| City of Belmont                                 | City of Newark                                  |
| City of Benicia                                 | City of Palo Alto                               |
| City of Cupertino                               | City of Petaluma                                |
| City of Daly City                               | City of Pittsburg                               |
| City of Emeryville                              | City of Pleasant Hill                           |
| City of Half Moon Bay                           | City of Rio Vista                               |
| City of Larkspur                                | City of San Carlos                              |
| City of Livermore                               | City of San Rafael                              |
| City of Los Banos                               | City of Suisun City                             |
| Town of Los Altos Hills                         | City of San Mateo                               |
| Town of Los Gatos                               | City of South Lake Tahoe                        |
| City of Manteca                                 | City of Tracy                                   |
| <b><i>Special Districts</i></b>                 | City of Visalia                                 |
| Alameda-Contra Costa Transit District           | Livermore Amador Valley Transit Authority       |
| Alameda Municipal Power                         | Livermore Area Recreation & Park District       |
| Bethel Island Municipal Improvement District    | Livermore Amador Valley Waste Management Agency |
| Calaveras County Water District                 | Novato Sanitary District                        |
| Coastside County Water District                 | Mid-Peninsula Water District                    |
| Contra Costa Mosquito & Vector Control District | Peninsula Corridor Joint Powers Board           |
| Contra Costa Transportation Authority           | Rodeo-Hercules Fire Protection District         |
| Contra Costa Water District                     | San Mateo Transportation Authority              |
| Delta Diablo Sanitation District                | San Mateo County Transit Authority              |
| Diablo Water District                           | Santa Clara Valley Animal Control Authority     |
|   | Santa Clara Valley Water District               |

**PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE (Continued)**

***Vikki Rodriguez (Continued)***

|                                     |                                       |
|-------------------------------------|---------------------------------------|
| Dublin San Ramon Services District  | South San Joaquin Irrigation District |
| East Bay Municipal Utility District | Skyline County Water District         |
| East Palo Alto Sanitary District    | Solano Transit Authority              |
| El Dorado Irrigation District       | West Bay Sanitary District            |
| Fairfield Suisun Sewer District     | West Valley Sanitation District       |

***ISAAC WILLIAMS, SUPERVISOR*** - graduated from Cal State East Bay in 2009 with a Bachelor of Science in Business Administration of Accounting. *Isaac* has received 240 hours of continuing education in the past three years.

|  |                                     |
|--|-------------------------------------|
| City of Alameda                        | City of Palo Alto                   |
| City of Belmont                        | City of Pittsburg                   |
| City of Benicia                        | City Piedmont                       |
| City of Belmont                        | Placer County Water Agency          |
| City of Concord                        | City of Roseville                   |
| City of Davis                          | City of San Pablo                   |
| Dublin San Ramon Services District     | Solano Irrigation District          |
| Eastern Contra Costa Transit Authority | City of Stockton                    |
| El Cerrito                             | Traffix                             |
| City of Lathrop                        | City of Turlock                     |
| City of Larkspur                       | City of Vallejo                     |
| City of Livermore                      | City of Waterford                   |
| City of Los Banos                      | City of West Sacramento             |
| City of Manteca                        | Town of Atherton                    |
| Menlo Park                             | Town of Moraga                      |
| City of Oakley                         | Zone 7-Alameda County Flood Control |
|  | City of San Rafael                  |

***CORY BIGGS, CPA, Quality Assurance Director*** - Cory is a graduate of CSU Hayward with a B.S. in Business, emphasis in Accounting. He is a California CPA with over twenty nine years experience, three with Deloitte, Haskins & Sells, three with Seiler & Company, a large Bay Area local firm, and the rest with us. He is a member of the AICPA and California Society of CPA's. Cory's experience includes cities, school districts, and a variety of high-tech and commercial for-profit organizations. He is a CAFR reviewer for the GFOA and was a member of the Professional and Technical Standards Committee which summarizes and makes the final determination for CSMFO awards for Cities. **Cory has accumulated three hundred twenty hours of continuing education in the past three years as an in-house instructor and participant.** His relevant municipal experience includes:

|  |   |
|--|---|
| City of Alameda                          | Livermore Amador/Valley Transit Authority |
| City of American Canyon                  | City of Los Altos                         |
| Association of Bay Area Governments      | Town of Los Altos Hills                   |
| Town of Atherton                         | Town of Los Gatos                         |
| City of Belmont                          | City of Manteca                           |
| Belmont San Carlos Fire Department       | City of Martinez                          |
| Belmont Net Six Joint Powers Authority   | City of Millbrae                          |
| Belmont South San Mateo Police Authority | City of Milpitas                          |

**PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE (Continued)**

***Cory Biggs (Continued)***

|   |  |
|---|--|
| City of Capitola                            | City of Modesto  |
| Coastside County Water District             | City of Mountain View                                    |
| City of Concord                             | City of Napa   |
| Contra Costa County Bond Funds              | City of Palo Alto  |
| Contra Costa Transportation Authority       | Placer County Water Agency                               |
| City of Cupertino                           | City of Pleasant Hill                                    |
| City of Daly City                           | Town of Portola Valley                                   |
| City of Dublin                              | Richmond Housing Authority                               |
| Dublin San Ramon Services District          | San Francisco Bay Area Water Emergency Transit Authority |
| East Bay Municipal Utility District         | San Francisco Bay Transit Water Emergency Authority      |
| City of El Cerrito                          | City of San Carlos                                       |
| El Dorado Irrigation District               | City of San Rafael                                       |
| City of Emeryville                          | San Ramon Valley Fire Protection District                |
| City of Hayward                             | Santa Clara Valley Water District                        |
| Town of Hillsborough                        | City of Saratoga   |
| City of Livermore                           | City of South Lake Tahoe                                 |
| Livermore-Amador Valley Transit Authority   | South Lake Tahoe Basin Waste Management Authority        |
| Livermore Area Recreation and Park District | City of South San Francisco                              |
|   | City of Vallejo  |

***DONALD E. HESTER, IT Director***-Donald's clients include local municipalities, non-profits, corporations and federal government agencies, specializing in a wide array of compliance programs and security assessments such as PCI, FISMA, COBIT, ITIL and ISO27002. He is a guest lecturer and speaker on security topics for CMTA, CSMFO, MISAC, CISOA, ISACA and others and he has served on various advisory committees and as a subject matter expert in information technology and security. Donald also teaches IT Audit and Forensics at the University of San Francisco and Microsoft courses for Los Positas College, San Diego City College and for the @One program of the California State Chancellor's office. Donald graduated with honors from the American Military University with a Bachelor's Degree in Security Management with a concentration in Information Security. He has nearly 20 years of experience in the security field. Donald has been with us for ten years now and has received more than 320 hours of continuing education in the past three years and has over 900 hours of instructional work. His certifications include; CISSP, CISA, CAP, MCT, MCITP, MCTS, MCSE Security, MCSA Security, MCDST, Security+ and CTT+. Donald is also a Chairman and past Treasurer for the Brentwood Veterans Memorial Building and Commandant and past Treasurer for the Delta Diablo Det. 1155 Marine Corps League.

***Staff Training***

We believe the level of training we provide is unmatched by any other accounting firm. **Our audit staff receives an average of 80 hours of continuing education annually, including an average of over 48 hours of municipal audit and accounting training. These are twice the amount required by professional standards.**

Our program places heavy emphasis on governmental accounting and auditing classes conducted by our own staff, supplemented by courses offered by the California Society of Certified Public Accountants, the American Institute of Certified Public Accountants, the Government Finance Officers Association, the California State Municipal Finance Officers Organization and the Association of California Water Agencies.

**PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE (Continued)**

We accomplish this task by reserving a solid week in January or February and another week in July solely for staff training. Our training is very specific and very participatory; lectures are almost non-existent as people are involved in a continual give-and-take format designed to educate while it helps us improve our services. We deal with specific clients and situations, we solve problems and do case studies, and we train people for real-life situations through role-play exercises. Everyone is equal in these exercises and everyone contributes their own experience in the field and the ideas they have formulated from that experience.

Suggestions coming out of staff training sessions are the source of most of the service improvements and refinements we make each year.

A listing of our continuing education courses provided to all our staff, both certified and non-certified, over the past three years is as follows:

| Area/Course  | 2010              |                   | 2011              |                   | 2012              |                   | 2013             |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
|  | Spring<br>40 Hrs. | Summer<br>40 Hrs. | Spring<br>40 Hrs. | Summer<br>40 Hrs. | Spring<br>40 Hrs. | Summer<br>40 Hrs. | Spring<br>8 Hrs. | Summer<br>40 Hrs. |
| <b>Accounting and Accounting Management</b>                            |                   |                   |                   |                   |                   |                   |                  |                   |
| Municipal Audit - Practice Analysis and Review                         | ☐                 | ☐                 | ☐                 | ☐                 | ☐                 | ☐                 | ☐                | ☐                 |
| Managing Municipal Audits - Audit Supervisors                          | ☐                 | ☐                 |                   |                   | ☐                 | ☐                 |                  |                   |
| Cities in the News   |                   |                   |                   |                   | ☐                 |                   |                  |                   |
| Quality Control  |                   |                   | ☐                 |                   | ☐                 |                   |                  |                   |
| <b>GAAP Updates</b>  |                   |                   |                   |                   |                   |                   |                  |                   |
| Cash, Debt, and Capital Asset Auditing Updates                         | ☐                 | ☐                 | ☐                 | ☐                 |                   | ☐                 |                  |                   |
| Researching CCH, Best Practices Consulting/ Governmental Accounting    | ☐                 |                   |                   |                   |                   | ☐                 |                  |                   |
| GASB/FASB Update   | ☐                 | ☐                 | ☐                 | ☐                 | ☐                 | ☐                 | ☐                | ☐                 |
| GASB 34 - Training   |                   | ☐                 |                   |                   |                   | ☐                 |                  |                   |
| Journal Entry Testing  |                   |                   | ☐                 |                   |                   |                   |                  |                   |
| <b>Compliance Audits</b>   |                   |                   |                   |                   |                   |                   |                  |                   |
| Transportation Audits - TDA, STIP and Measures A, B, C                 |                   | ☐                 |                   |                   |                   |                   |                  |                   |
| RDA Compliance   | ☐                 | ☐                 | ☐                 |                   | ☐                 | ☐                 |                  |                   |
| Single Audit Compliance  |                   | ☐                 |                   | ☐                 |                   | ☐                 |                  | ☐                 |
| Housing Authority Audits and REAC Submissions                          |                   | ☐                 |                   | ☐                 |                   |                   |                  |                   |
| Prop 1B Testing  |                   | ☐                 |                   |                   |                   |                   |                  |                   |
| <b>Internal Control</b>  |                   |                   |                   |                   |                   |                   |                  |                   |
| Audit Standards Update   |                   |                   | ☐                 | ☐                 | ☐                 |                   |                  | ☐                 |
| New SASs, Risk Assessment and Impacts on Approach                      | ☐                 |                   | ☐                 | ☐                 |                   | ☐                 | ☐                | ☐                 |
| Assessing Internal Control Risks/ Sample Sizes                         | ☐                 |                   | ☐                 | ☐                 | ☐                 |                   |                  |                   |
| Updating our Audit Approach  | ☐                 |                   | ☐                 |                   |                   |                   |                  | ☐                 |
| SAS 112/115/Memorandum on Internal Control Workshop                    | ☐                 |                   | ☐                 |                   |                   |                   |                  |                   |
| Compliance Auditing (SAS 117)  |                   |                   | ☐                 |                   |                   |                   |                  |                   |
| Yellow Book Update   |                   |                   |                   | ☐                 |                   | ☐                 |                  |                   |
| <b>IT/Paperless/Other</b>  |                   |                   |                   |                   |                   |                   |                  |                   |
| Team Building: Building and Maintaining Effective and Successful Teams |                   |                   |                   |                   | ☐                 |                   |                  |                   |
| CCH Paperless Audit Software/ Trial Balance Function                   | ☐                 | ☐                 | ☐                 | ☐                 | ☐                 | ☐                 |                  |                   |
| IT Information Systems Review Updates                                  | ☐                 | ☐                 |                   | ☐                 | ☐                 | ☐                 |                  | ☐                 |
| Professional Liability Insurer Loss Prevention Seminar                 |                   |                   | ☐                 |                   |                   |                   |                  |                   |

## **PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE (Continued)**

### *Qualifications and Continuity*

Our people accumulate over 1500 hours of purely municipal audit and accounting experience annually, far more than in any general service accounting firm. And we keep the same people on the job, normally for at least three years.

We provide our clients continuity while introducing enough new people to keep our perspective fresh and provide you with the benefits of rotation. We intend to retain all the people assigned to your audit throughout this year's entire engagement. In future years we plan to rotate no more than one person on each segment whom we will replace with someone of equal experience.

We do everything we can to ensure continuity because it helps you, it helps our staff and it helps us. We schedule the entire year in advance to avoid conflicts, and we give priority to clients who are able to accurately predict the date their books will be closed, so that the staff on their audit will not be affected if another client's closing or audit is delayed. We attempt to match personalities as well as skills and abilities so that our staff and yours will get along well.

## **SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES**

### *City Client List*

Please see the listing of all of our City clients on page 7.

### *References*

#### *City of Richmond* – A client since 2005

Principal contact - James Goins, Finance Director, (510) 620-6740

Engagement Partner – Amy Meyer

Total Hours 2,354

Workscope and reports:

- Comprehensive Annual Financial Report (GFOA Award)
- Single Audit Act Report
- Gann Limit Agreed Upon Procedures Report
- Memorandum on Improvements in Internal Controls
- Richmond Joint Powers Financing Authority
- Basic Intermediate and Advanced Governmental Accounting Training
- Annual Report of Financial Transactions (State Controller's Report)
- Richmond Housing Authority (w/ REAC)
- Richmond Housing Authority Properties

#### *City of Manteca* - A client since 1986

Engagement Partner – Amy Meyer

Principal contact—Suzanne Mallory, Finance Director (456) 239-8765

Total Hours 680

Workscope and reports:

- Comprehensive Annual Financial Report (GFOA Award)
- Memorandum on Internal Control
- Single Audit Report
- Manteca Financing Authority
- Gann Limit Agreed Upon Procedures Report

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**SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES (Continued)**

**City of Pittsburg** – A client since 2011  
Principal contact – Tina Olsen, Finance Director (925) 252-4946  
Engagement Principal – Vikki Rodriguez  
Total Hours 507

Workscope and reports:  
Comprehensive Annual Financial Report (GFOA Award)  
Memorandum on Internal Control  
Transportation Development Audit  
Single Audit Act Report  
Gann Limit Agreed Upon Procedures Report  
Municipal Employee Retirement System

**City of Brentwood** - A client since 2007  
Principal contract – Pam Ehler, Director of Finance– (925) 516-5460  
Engagement Partner – Amy Meyer  
Total hours 480

Workscope & Reports:  
Comprehensive Annual Financial Report (GFOA Award)  
Memorandum on Internal Control  
Gann Limit Agreed Upon Procedures Report  
Transportation Development Act Audit  
Single Audit Report

**Rancho Cordova** – A client since 2009  
Engagement Partner – Amy Meyer  
Principal contact – Donna Silva, Finance Director (916) 851-8735  
Total Hours 456

Workscope and Reports:  
Comprehensive Annual Financial Report (GFOA Award)  
Recommendations for Improvements in Internal Control  
Single Audit  
Public Financing Corporation Financial Statements  
Gann Limit Agreed Upon Procedures Report

**SPECIFIC AUDIT APPROACH**

***Specific Audit Approach***

Our audit strategy is designed specifically for municipalities. We perform half our audit well before year-end so we can identify problems early. Our strategy maximizes our efficiency and lessens the load on our clients. When engaged to prepare the financial statements, we prepare proformas of them for your review, well before year-end and we give you detailed interim and final-phase checklists of all the items we will need from you months in advance. We have integrated GASB 34 requirements into our strategy so that there is a seamless transition to the entity-wide statements.

**We will plan the audit in detail and prepare an Audit Plan** which details the information we will need from you to complete our interim and year-end audits, along with the person responsible for preparing it and the date they will have it ready. We tailor it to refer directly to the schedules you already prepare.

## SPECIFIC AUDIT APPROACH (Continued)

**We do not require special reports or reconciliations just for our audit.** We have found that coordinating our team and our client's staff works very well because it helps minimize the impact on your staff at year end. This way the Audit Plan includes most data we need from you so you and your staff can plan and schedule your work accordingly. **Our clients know from prior experience with our firm, that we excel at minimizing our impact on City staff.**

### *Specific Audit Strategy—Interim*

Unlike older-style firms, **we perform most of our important work at interim**, well before the end of the fiscal year. We use our interim work to identify and solve problems and plan the year-end closing and audit in detail. Well before we begin our interim work we'll send you a list of the items we need, so you will have time to prepare.

We forecast many year-end amounts at interim, so that we can limit the amount of work required at year-end and concentrate instead on areas of concern. For example, we normally perform all our cash and investment testing at interim, including sending confirmation letters to depositories and determining financial statement categorizations. Performing these last two steps at interim allows plenty of time to follow up on confirmations or resolve questions about the proper categorization of an investment without delaying the audit. As another example, we test long-term debt at interim and forecast year-end balances and transactions for each debt issue.

We use **remote inquiry** as much as possible at interim, in order to increase our efficiency and reduce our impact on your staff. We can download Council Minutes and other documents from your Website for review. Combining these abilities with our checklists has allowed us to perform larger portions of the audit in our own offices and reduce our questions to writing so that you have more time to deal with them.

### *Laws, Regulations and Compliance*

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

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

To the extent possible, we also begin our tests of compliance with laws and regulations at interim, including use of the OMB Circular A-133 and the Compliance Supplement and any other applicable compliance guidelines. Even if the work cannot begin until year-end we determine the applicable laws and regulations for our compliance testing so that we may incorporate the necessary information in our year-end closing checklist. Our audit samples for purposes of compliance vary based on the grant or compliance guidelines and are program-specific. The samples are stratified to ensure we test transactions that are representative of the costs charged to grants.

### *Specific Audit Strategy—Year End*

At year-end we do not repeat any of the work we performed at interim. Instead, we focus on the items in your Audit Plan and on the Basic Financial Statements. **Our year-end audit field-work actually starts in our office**, so that when we do arrive in your offices we are fully prepared and we minimize our impact on your operations.

## SPECIFIC AUDIT APPROACH (Continued)

In our offices, we cross-reference or reconcile your Audit Plan information, reports and schedules. The Engagement Partner **performs our detailed Analytical Review and emails our questions to you in advance of our arrival** in your offices. Our experience is that this Analytical Review identifies any issues remaining after our interim work, as well as most potential audit adjustments. This gives all of us time to address these items in person while the audit field-work is proceeding, instead of by telephone, fax and e-mail afterward.

When we start work in your offices, we will need you to complete your responses to the Analytical Review, but we will not need much of your time and we will not ask for more schedules or reports. Our Engagement Partner and Supervisor will meet with you on the first day of the year-end audit to discuss any remaining unanswered Analytical Review questions, review the status of the year-end closing and to determine if modifications to our year-end approach are needed. This meeting sets the stage for the year-end audit.

At the conclusion of our year-end work, our Partner and Supervisor will review the final financial statement drafts with you and your staff. The following week, our Quality Assurance Director will perform a "quality assurance review" of the financial statements and workpapers so that we will be ready to sign the financial statements as soon as the City approves them.

We designed this strategy specifically to fit cities and the complications introduced by GASB 34. It requires our Partners to be fully and actively involved in the planning and performance of the work and it allows us to issue final financial statements and reports immediately after we finish our field-work in your offices.

You will find our strategy allows you to control the audit process, enables you to spread the work over the year as you wish and greatly reduces the pressure at year end.

### *Audit IT Systems, Security and Going Green*

Hand-in-hand with our continuing investment in our people has been our increased investment in systems and hardware support. Eight years ago our systems work was handled by an outside consultant. **Today, we have a full-time staff of three people who maintain our state-of-the-art systems capabilities and provide increasing levels of such service to our clients.**

Every person on our staff is provided with a Windows operating system PC networked with other audit team PCs and a printer via our own wireless LAN establish at the start of each audit in our client's office. In 2008, we completely eliminated hardcopy workpapers by converting to *ProSystems fx Engagement* paperless audit software published by Commerce Clearing House. We use Word as our word processor and Excel for preparation of financial statements and schedules and Outlook for personal information management.

Because of our shift from hardcopy documentation to softcopy and our obligation under professional standards to maintain confidentiality of client data, we instituted state-of-the-art security protections to ensure client data remains confidential and secure. For example, many CPAs use email as a method of communicating financial data to and from clients. But emails are not secure communications! We therefore employ a secure data file transfer system called "LeapFile" under which we exchange data files with our clients using a secure website. This keeps data confidential and has the added benefit of permitting downloads of large excel files or Microsoft Office files that may be erroneously rejected by some email scanning software. In the event one of our staff works out of town or telecommutes, they access data via our virtual private network. **Our VPN, LANs, and audit software are password protected and encrypted to ensure your data remains confidential and secure.**

## SPECIFIC AUDIT APPROACH (Continued)

We will also use some type of connection to the internet during our audit, but coordinate it with our client's IT Staff to ensure there are no breaches in security or protocols.

### *Local Expertise and Resources*

Our expertise and resources are local which provides our clients with timely on-the-spot responses to issues and questions as they arise. Our Audit Supervisors are on site daily while the audit team is in the field. Our Engagement Partners are on site at least weekly checking on progress, discussing and resolving issues with the Audit Team, as well as meeting with our client as needed. In cases of highly complex operations or unusual issues, our Technical Review Partner is brought out to meet with the audit team and provide technical support, consultation and participate in meetings with our clients as needed. With all our resources available locally, our clients are assured of in depth, timely audits and expedient resolutions to questions and issues as they arise.

### *Auditing Large and Complex EDP Systems*

Our approach to auditing EDP systems encompasses information system reviews, system controls and transaction cycle processing, verification and data extraction.

### *Information System Review*

Information System Security became an important part of financial statement audits and we have performed an Information Systems Review (ISR) with every audit since 2001. Unlike our competitors, we extend our review to not only encompass the financial system, but also the network environment that houses that system. From our perspective, the internal controls that are present in the overall network environment are critical to understanding the internal controls over the financial system.

**Unlike financial statements, there are currently no authoritative standards that local governments must employ to ensure that adequate and appropriate IT controls are designed and implemented.** We extensively researched this area and concluded it was most appropriate to base our ISR on the certification and accreditation framework developed by the National Institute of Standards and Technology (NIST) for the Federal Information Security Management Act (FISMA) which is the minimum security required for federal government agencies information systems. NIST recommends states, local governments and Indian tribes comply with these standards as well. **Our reviews include procedures to determine that your systems are adequately protected from unauthorized internal access, provide for reasonable measures to ensure continuation of service, provide for security of data from physical or network access and have internet access defenses including hacker prevention, detection and deterrent systems.**

Our information systems reviews are performed by qualified information security professionals who hold at least the Information Systems Audit and Control Association's (ISACA) Certified Information Systems Auditor (CISA) or the (ISC)<sup>2</sup>'s Certified Information Systems Security Professional (CISSP). Both certifications require continuing professional education. As a value added service we will provide the City with a matrix of the City's maturity as compared with NIST's certification and accreditation framework. Each internal control taken from NIST SP 800-53Rev4 is ranked in this maturity matrix and an average score is provided to the City to give the City a benchmark.

## SPECIFIC AUDIT APPROACH (Continued)

### *System Controls and Transaction Cycle Processing Verification*

With any data processing system upon which we intend to rely as a means of reducing substantive testing, we perform a variety of tests to verify the accuracy of transaction processing, the reliability of system control points and authorization controls, appropriateness of profile structures including Super-user rights access, and automated functionality such as sub-ledger integration and auto-journal entry validity and set up controls.

Gaining an understanding of the design of relevant procedures, controls and authorization levels is integrated with our risk assessment procedures discussed under the *Client Tailored Risk Assessment* section below. As part of our risk assessment process we identify those transaction cycles we intend to rely on. Both processing procedures and controls that are to be relied on are tested with our audits.

Transaction cycle processing and control tests typically involve sampling techniques. Most of our transaction samples are selected and tested during the interim portion of our work. Each sample will run from thirty to fifty transactions in size. We use interval and judgment sampling techniques with a high degree of stratification. Most municipalities operate more than one major revenue system. Therefore, we typically determine which revenue transactions are processed with common procedures and controls and deem that to be a single population and subject it to a single sample. Other revenue cycles processed with separate controls are tested with their own samples. For example, it is common for separate samples to be selected for governmental receipts and each major enterprise fund. Transaction cycles we sample are dependent on materiality to each client's financial statements but typically include, payroll, disbursements, receipts, loans receivable, investments and budget transactions and in accordance with the requirements of Statement of Auditing Standards #99 we also sample journal entries. Samples from each grant audit or major federal award program are also made. Samples are triple purpose samples and we test for correct recording, compliance with applicable policy or regulation and key control attributes - both manual and automated. This includes verification of sub-ledger integration and auto-journal entry validity, if needed.

### *Profiles, Access and Setup Controls*

Despite advances in information technology automation and system control features, classic segregation of duties concepts remain a mainstay for providing adequate internal controls. What has changed, however is the necessity to determine system profile structures and actual system access. We inquire how our clients establish and maintain system profiles for relevant staff with the objective of determining whether controls are in place to provide for adequate segregation of duties and to determine if system profiles are appropriate based on the individual's duties. We also determine how our clients monitor access and we test access through reviews of access logs, observation and in some extreme cases, with fully observed access attempts.

We will also inquire about procedures and controls used to ensure only those system functions and controls assigned to an employee are in fact setup in system profiles. Considerations include Super User Rights, system profile set up, and system authorization functionality such as transaction initiation, review and approval, automated entry setup and posting. Work typically involves inquiry of staff with Super-User Rights and determining how the organization provides a check and balance against the possibility that one person with Super-User Rights can intentionally or inadvertently assign unauthorized access. We often review access logs and examine approvals of profile changes and review authorization levels.

## SPECIFIC AUDIT APPROACH (Continued)

### *Data Extraction*

We employ rather simple data extraction techniques these days since most modern systems provide easy download capabilities to text or Excel files. We have been utilizing data extraction for over fifteen years. We first began data extraction as a means of downloading data from our clients financial systems for upload directly into the financial statements. Then we expanded this to include transaction details, account information and other data contained in our clients systems that we need for audit. Our Chief Operations Officer, Chris Hunt, oversees our data extraction needs and has successfully worked with all of our clients and their systems to achieve data extractions for our use. We are extremely adept at converting from text, delimited and fixed width files, and with every system used by clients.

### *Assessing Risks – Interim Phase*

Beginning with fiscal 2007-2008 audits, a new set of Statements of Auditing Standards became effective and required that most auditors change the way they audit. Much of this new guidance came out of the aftermath of highly publicized audit failures such as Enron, Global Crossings and the like. The Statements make it clear that a generalized one-size-fits all audit approach will not be permitted. An audit must be based on a unique audit strategy customized to fit each client and its industry.

The primary objective of these Standards is to require the auditor's application of an audit risk model. The concept is that a set of financial statements should be evaluated for the underlying risks of material misstatement. Then, a customized audit should be tailored to test for misstatements and verify that controls are designed and in place to prevent and detect misstatements.

**We have consistently employed a risk based concept from our firm's inception in 1986.** Our audit checklists and programs were originated by reference to *Audits of Local Governments* published by the Practitioners' Publishing Company (PPC), a third party vendor specializing in producing audit guides for unique industries. But, we have not simply used their guide as our approach. We have customized it further for the simple reason that California municipalities have many unique risks not faced by municipalities in other states. As you know, California state law and applicable regulations cover a wide variety of areas such as cash and investment management, redevelopment compliance, transportation development act programs, and child development programs. Indeed, even revenues of California municipalities are unusual and complex such as the Triple Flip and Proposition 1A securitization.

Our primary objective in an audit of each client's financial statements is to opine on whether the financial statements, including disclosures, are free of material misstatement. Our opinion must be based on sufficient, appropriate audit evidence that we obtain and this evidence must be documented. To achieve this objective, we further refine our approach to be responsive to each individual audit. We may reduce the scope of our substantive audit tests provided we conclude there are effective specific controls in place which would detect and correct misstatements due to errors or fraud.

### *Fraud Considerations*

Beginning with our 2004 audits, we employed additional audit steps required by Statement of Auditing Standards #99, *Consideration of Fraud in a Financial Statement Audit*. SAS #99 requires auditors to consider risk areas that may be susceptible to fraud and to then modify their audit strategy. We have been employing a variation of the SAS #99 concept since the early 1990's. For example, for many of our recurring clients, we visited all of their cash collection sites. We performed cash counts and reviewed cash handling practices and procedures, including security measures employed to limit access to cash. This and our planning meetings with our clients staff have resulted in the inclusion of a variety of special emphasis areas in our audits. We combine our fraud consideration brain storming sessions with our overall risk assessment process discussed below.

## SPECIFIC AUDIT APPROACH (Continued)

### *Client Tailored Risk Assessment*

Our strategy to assessing risk begins with a brainstorming session of our audit team where they review your prior year financial statements and operations to identify areas of major audit risk. We also incorporate our consideration of other factors such as the risk of fraud, the economy, regulatory complexities or changes, credit market conditions and others into our initial assessment. We may also compare unusual transactions and estimates to those used by other municipalities or to current trends and issues. Since we are a niche firm specializing in California municipalities this is relatively easy. For example, certain development agreements are unique to municipalities. These agreements usually contain complex financial transactions and legal restrictions. With so much experience in this area we can quickly design an efficient response to these risks.

Major audit risks are further evaluated through consideration of relevant assertions to determine inherent risk due to error or fraud. For example, cash on hand has a relative higher inherent risk of loss due to theft than an infrastructure asset. High and medium inherent risk audit areas are further evaluated to determine relevant internal controls needed to prevent, detect and correct errors or fraud.

We start our evaluation of your internal controls by interviewing staff and meeting with Department heads as needed. We review policies and procedure manuals and other documentation to determine the design of procedures and controls. As part of our evaluations we document narrative memoranda outlining the duties of each pertinent person as well as our GRID evaluation of the important nexus control points. The GRID is our own design; it is a two-axis chart we use to identify potential conflicts of duties in your controls. We enhance our evaluation by reviewing system profile reports, paying special attention to super-user rights. This data is then used to determine the presence or absence of compensating controls designed to mitigate conflicts of duties vested in a single individual.

We then test to verify that procedures and controls are operating effectively such that they reduce the risk that errors or fraud could occur and go undetected and uncorrected. We use a variety of techniques to verify controls are effective including: sampling, observation, documentation of reviews, examining system access reports and comparisons with other data.

After this has been completed, we assess the risk of material misstatement which is determined by the relative inherent risk of an area and the associated control risk to plan our substantive tests. That is, the risk that controls are not in place or are not operating effectively. Areas with a low risk of material misstatement assessment may receive limited substantive procedures while those with a high risk of material misstatement will receive significant substantive procedures.

**We then design our final phase audit plan to ensure we obtain sufficient appropriate evidence about the financial statements and disclosures.** Specific audit procedures are developed and documented in our audit programs and we develop potential internal control points for further evaluation as to significance and communicate those to staff.

### *Client Participation in the Risk Assessment Process*

Of course, any risk assessment process is incomplete without our clients' active participation. We hold meetings with senior finance staff and others within the organization to discuss their views and assessments of risks affecting the financial statements. Our inquiries are backed up by reviews of the annual budget, mid-year budget revisions, internal audit reports, grantor performance and monitoring correspondence and any other pertinent data we deem relevant.

## SPECIFIC AUDIT APPROACH (Continued)

We must also establish two-way communication with the Council or Audit Committee which we typically accomplish by meeting to discuss the audit process and timing, management representations and fraud considerations. For those organizations without an Audit Committee, we typically attend a Council meeting or meet with representatives of the Council.

### *Assessing Risks - Final Phase*

Although the majority of our evaluations and testing of internal controls is completed with our interim testing, it is during the final phase that actual year end balances, transactions and disclosures are known and our substantive procedures are employed. These procedures and data often reveal unusual or unexpected results that must be considered in the risk assessment process. Risk assessment processes are iterative and cumulative. That is, we must continually re-evaluate our assessments based on information and procedures gathered. It is not uncommon for an initial assessment and the corresponding substantive audit work to be restructured as a result of new data. Indeed it is the intent of current audit standards that the audit be responsive to risks.

Our substantive procedures are selected to be responsive to the assessed risk and relevant assertion and typically involve analytical procedures, third-party confirmation, estimation techniques, mini-max tests, trend analyses, recomputations, corroboration with other tests, tests in total, sampling and comparisons to data gathered in other municipal audits.

Risk assessment procedures would be incomplete without an evaluation of the adequacy of our evidence obtained including internal control tests, any significant deficiencies or material weaknesses and substantive test results. **These factors are considered prior to the release of our opinion in a final re-assessment process that includes our quality assurance review.**

### *Ability to Provide Services on a Short Notice*

We are always ready to provide our clients with the services they need. Depending on the amount of work involved we can adjust our calendar to accommodate smaller projects at any time. Larger projects can be problematic during our peak busy season which lasts from mid-September through December. During those months, our approach to providing services on a short notice is predicated on the principle that we must satisfy our existing obligations before accepting new work. In the rare instance that we are unavailable due to existing commitments, we have a number of recommended consultants that can assist the City.

### *Communication and Coordination*

**We will meet with you at the start of each phase of work and conduct an exit conference at the end of each phase of work. This will ensure you know everything we do, with plenty of time to address any issues.**

Two key objectives for a well run audit are to ensure timely communication of the audit results and to provide for seamless coordination of the external auditors with City staff. The concept is virtually identical to our Accounting Issues Memorandum and detailed Interim and Closing Checklists that we typically prepare for our clients.

## SPECIFIC AUDIT APPROACH (Continued)

The Accounting Issues Memorandum concept was originated by one of our staff over a decade ago to function as a partner's brief of an engagement's status. It worked so well we expanded it to all our audits and share it with our clients. It has proven to be an indispensable communication and coordination tool ever since. This informal memo condenses and summarizes the audit status and issues as of the end of our interim work. It includes housekeeping matters, major and minor potential findings, scheduled audit fieldwork start and finish dates, etc. We produce this memo right in your office before the conclusion of our interim work, so you have an idea of what we've found so far and whether there are areas that need work.

Our Memorandum on Internal Control is drafted at year-end and may include significant issues raised with our interim phase Accounting Issues Memorandum as well as issues arising from our year-end work. We review a draft with you, so that you will have plenty of time to consider the facts and discuss our findings before the audit results are presented to the Council and Committees.

### *Prompt Service and Delivery of Reports*

Financial information, like fish, must be as fresh as possible and this is an important part of our service. We have always focused on reducing financial statement turn-around time and we have never missed a deadline. We normally complete the review of the final draft of the financial statements on the last day of our field-work in our clients' offices or within two weeks thereafter.

Our audit strategy emphasizes detail planning and coordination of our staff and client staff to complete the audit as efficiently as possible. We have found that completing all our work and our reports as part of our field-work dramatically reduces the time required to issue final reports to our clients.

Our strategy allows our clients ample time to review all report drafts before issuance, while ensuring that all reports are issued timely. **Many clients have been able to advance the date on which their reports are presented to Council.**

### *Audit Schedule*

**We have timed our audit to complete all your reports so that they are ready to print by your deadlines.** We will start our work as soon as you appoint us your auditors, with an entrance conference as soon as possible. Please see the proposed segmentation of the engagement on the schedule at the end of this section.

**CITY OF OAKLEY**  
**Proposed Engagement Segments and Budget**

| Audit Activities  | Budgeted Hours |             |              |               |              | Total         |
|---|----------------|-------------|--------------|---------------|--------------|---------------|
|   | Partners       |             | Staff        |               |              |               |
|   | Engagement     | Review      | Supervisor   | Associates    | Office       |               |
| Planning & budget/Confirm/Checklists  | 1.00           |             | 4.00         | 2.00          |              | 7.00          |
| SAS #29 Fraud Assessment  | 1.00           |             | 2.00         |               |              | 3.00          |
| Minutes-resolutions   |                |             | 8.00         |               |              | 8.00          |
| Report  | 8.00           | 4.00        | 16.00        |               | 8.00         | 36.00         |
| Supervision/review  | 16.00          |             | 24.00        |               |              | 40.00         |
| Conferences & meetings  | 2.00           |             | 8.00         |               |              | 10.00         |
| Management letter   | 1.00           |             | 4.00         |               |              | 5.00          |
| MD&A  |                |             |              | 2.00          |              | 2.00          |
| Accounting Issues Memo  | 1.00           |             | 4.00         |               |              | 5.00          |
| Analytical review   | 2.00           |             | 4.00         |               |              | 6.00          |
| Adjustments   |                |             | 2.00         |               |              | 2.00          |
| GRID -Internal Control Evaluation   |                |             |              | 4.00          |              | 4.00          |
| Information Systems Review  |                |             | 4.00         |               |              | 4.00          |
| Cash & Investments  |                |             |              | 20.00         |              | 20.00         |
| Revenue/Receivables   |                |             |              | 16.00         |              | 16.00         |
| Interfunds  |                |             |              | 2.00          |              | 2.00          |
| Notes/loans receivable  |                |             |              | 8.00          |              | 8.00          |
| Capital Assets  |                |             |              | 12.00         |              | 12.00         |
| Accounts Payable/Disbursements  |                |             |              | 16.00         |              | 16.00         |
| Payroll/Accrued liabilities   |                |             |              | 12.00         |              | 12.00         |
| Long Term Debt  |                |             |              | 14.00         |              | 14.00         |
| Pension Plan  |                |             |              | 6.00          |              | 6.00          |
| Fund balance & net position   |                |             |              | 6.00          |              | 6.00          |
| Self insurance/claims   |                |             |              | 4.00          |              | 4.00          |
| Budget  |                |             |              | 4.00          |              | 4.00          |
| Housing Successor Compliance (SB341)  |                |             | 2.00         |               |              | 2.00          |
| <b>Subtotal - Comprehensive Annual Financial Report &amp; Management Letter</b> | <b>32.00</b>   | <b>4.00</b> | <b>82.00</b> | <b>128.00</b> | <b>8.00</b>  | <b>254.00</b> |
| <b>Additional Services per RFP:</b>   |                |             |              |               |              |               |
| GANN Limit Review Report  | 0.50           |             | 2.00         | 5.00          | 1.00         | 8.50          |
| Single Audit Report (Per Tested Program)  | 1.00           |             | 4.00         | 34.00         | 2.00         | 41.00         |
| Successor Agency to the Oakley Redevelopment Agency Disclosures                 | 4.00           |             | 6.00         | 24.00         |              | 34.00         |
| <b>GRAND TOTAL</b>  | <b>37.50</b>   | <b>4.00</b> | <b>94.00</b> | <b>191.00</b> | <b>11.00</b> | <b>337.50</b> |

## IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

### *New GASB Implementation*

We will provide the City with whatever support it needs with regard to gaining an understanding of new pronouncements affecting the financial statements and our audits. Our consistent approach is to provide our clients with advance identification of new GASBs as they are issued. With every audit, we provide overviews of new pronouncements including effective dates and we review these with staff.

In the year of implementation we proforma new disclosures and add on additional data requests to our interim and closing checklists. For complex rules, we prepare course materials and conduct training and education sessions during interim for finance and other affected City staff to ensure they understand the requirements. We include the new GASB provisions as well as any additional resources such as implementation guides, practical application examples and additional technical resources and contacts. After staff has had a chance to think about the City's operations we conduct a follow-up conference to determine the potential impact to the financial statements and audit. In unusual cases we will schedule additional field work before year end to ensure the new rules do not affect year end timing.

Beginning in fiscal year 2015, the City will be required to implement the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which will have a significant impact on the City's financial statements and footnote disclosures related to the CalPERS pension plan. Although it is anticipated that CalPERS will be able to provide the information necessary for the implementation of the new pronouncement for the year ended June 30, 2015, that information is not expected to be available until the fall of 2015, so we are not able to determine whether the pronouncement will result in an increase to the scope of the audit. As soon as that information is available, we will clearly communicate any revisions to the scope of the audit to the City and whether those changes affect the audit fee.

**COST PROPOSAL  
TO CONTINUE TO PROVIDE  
PROFESSIONAL AUDITING SERVICES  
FOR THE CITY OF OAKLEY**

**Submitted By**

**MAZE & ASSOCIATES  
3478 Buskirk Avenue, Suite 215  
Pleasant Hill, CA 94523  
(925) 930-0902**

**Contact Persons**

Amy Meyer -- e-mail address -- [amym@mazeassociates.com](mailto:amym@mazeassociates.com)  
Vikki Rodriguez -- e-mail address -- [vikr@mazeassociates.com](mailto:vikr@mazeassociates.com)

## **COST PROPOSAL**

### ***Certification***

Amy Meyer and Vikki Rodriguez are authorized to submit this proposal and negotiate and sign a contract with the City of Oakley. Our offer is firm and irrevocable for a period of sixty days from the date of this proposal.

### ***Total Cost of Audit***

Our Total All-Inclusive Maximum Prices for the services specified in the Request for Proposal for the fiscal years ending June 30, 2015 through June 30, 2017 are detailed at the end of this section. Our Total All-inclusive Maximum Prices for the services specified in the RFP are firm fixed fees.

Our policy is to attempt to keep our clients fees constant after inflation. Therefore, the fees for years subsequent to 2015 have been adjusted by 3.5% per year.

### ***Additional Services***

Any additional services will be performed and billed only on the City's prior authorization at our standard billing rates.

### ***Fees***

Our fees are firm fixed prices. In determining our fees, we understand that the City's records will be in condition to be audited; that is, transactions will be properly recorded in the general ledger and subsidiary records, these accounting records and the original source documents will be readily available to use, we will be furnished with copies of bank reconciliations and other reconciliations and analyses prepared by the City and City personnel will be reasonably available to explain procedures, prepare audit correspondence and obtain files and records.

### ***Manner of Payment***

Progress billings will be sent on the basis of actual audit work completed during the course of the engagement. We do not bill for out-of-pocket expenses as they are included in our stated all-inclusive maximum price.

**We do not post separate rate structures for municipal audit work. We view this work as being every bit as important and valuable as the work we perform for other clients and we put our best people on it. Any consulting work you request will be performed at the same rates as our audit work.**

### ***Cost Rationale***

We have always completed our work in the time budgeted and for the agreed upon fee. We have never requested additional fees for work within the scope of the audit after our work was completed. As always, we finish what we start, regardless of the accuracy of our budgets.

ATTACHMENT A

AUDIT WORK COST PROPOSAL FORM

| Service  | 2014/15         | 2015/16         | 2016/17         |
|--|-----------------|-----------------|-----------------|
| City Audit and Related Reports                                     | \$30,990        | \$32,075        | \$33,198        |
| GANN Limit Review Report   | 845             | 875             | 906             |
| Single Audit and Related Reports if necessary (per tested program) | 3,610           | 3,736           | 3,867           |
| Successor Agency to the Oakley Redevelopment Agency Disclosures    | 3,810           | 3,943           | 4,081           |
| <b>Total for Fiscal Year (not to exceed)</b>                       | <b>\$39,255</b> | <b>\$40,629</b> | <b>\$42,052</b> |

NOTES:

- (1) Out-of-pocket expenses are included in our total all-inclusive maximum price above.
- (2) Our policy is to attempt to keep our client's fees constant after inflation.

Therefore, the fees for years subsequent to 2015 have been adjusted for the 2014 CPI increase of 3.50% for the Services Sector of the U.S. Department of Labor, Bureau of Labor Statistics for the San Francisco-Oakland Area.

**ATTACHMENT B**

**ESTIMATE OF COST**

Name of Firm: Maze & Associates

Address: 3478 Buskirk Avenue, Suite 215  
Pleasant Hill, CA 94523

Contact Name: Amy Meyer

Contact Phone #: (925) 930-0902 Fax # (925) 930-0902

Contact Email: amym@mazeassociates.com

**1. Auditors Standard Hourly Billing Rates**

| <b>Auditors Standard Hourly Billing Rates</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>Position</b>                               | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> |
| Partner                                       | \$300          | \$311          | \$322          |
| Supervisor                                    | 115            | 119            | 123            |
| Associates                                    | 85             | 88             | 91             |
| Clerical                                      | 65             | 67             | 69             |

## EXHIBIT B

### INSURANCE REQUIREMENTS

#### PROFESSIONAL SERVICE CONTRACTS:

Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

#### MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. **Commercial General Liability (CGL):** Insurance Services Offer Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than **\$1,000,000** per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. **Automobile Liability:** Insurance Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Consultant has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than **\$1,000,000** per accident for bodily injury and property damage.
3. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than **\$1,000,000** per accident for bodily injury or disease.  
**(not required if consultant provides written verification it has no employees)**
4. **Professional Liability** (Errors and Omissions) Insurance appropriate to the Consultant's profession, with limit no less than **\$1,000,000** per occurrence or claim, \$2,000,000 aggregate.

If the Consultant maintains higher limits than the minimums shown above, the City requires and shall be entitled to coverage for the higher limits maintained by the Contractor. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.

#### Other Insurance Provisions

**The insurance policies are to contain, or be endorsed to contain, the following provisions:**

##### ***Additional Insured Status***

**The City, its officers, officials, employees, and volunteers are to be covered as additional insureds** on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Consultant including materials, parts or equipment furnished in connection with

such work or operations. General liability coverage should be provided in the form of an endorsement to the Consultant's insurance (at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10 and CG 20 37 forms if later revisions used).

***Primary Coverage***

For any claims related to this contract, the **Consultant's insurance coverage shall be primary** insurance as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

***Notice of Cancellation***

Each insurance policy required above shall state that **coverage shall not be canceled, except with notice to the City.**

***Waiver of Subrogation***

Consultant hereby grants to City a waiver of any right to subrogation which Consultant or any insurer of said Consultant may acquire against the City by virtue of the payment of any loss under such insurance. Consultant agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

***Deductibles and Self-Insured Retentions***

Any deductibles or self-insured retentions must be declared to and approved by the City. The City may require the Consultant to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

***Acceptability of Insurers***

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.

***Claims Made Policies***

If any of the required policies provide coverage on a claims-made basis:

1. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
2. Insurance must be maintained and evidence of insurance must be provided **for at least five (5) years after completion of the contract of work.**
3. If coverage is canceled or non-renewed, and not **replaced with another claims-made policy form with a Retroactive Date** prior to the contract effective date, the Consultant must purchase "extended reporting" coverage for a minimum of **five (5) years** after completion of contract work.

***Verification of Coverage***

Consultant shall furnish the City with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the City before work commences. However,

failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

***Subcontractors***

Consultant shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Contractor shall ensure that City is an additional insured on insurance required from subcontractors.

***Special Risks or Circumstances***

City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

**EXHIBIT C**

**VERIFICATION OF REQUIRED INSURANCE**