

## **PROFESSIONAL SERVICES AGREEMENT FOR ANNUAL FINANCIAL AUDITING SERVICES**

This Agreement, entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2024, by and between the City of Visalia, hereinafter referred to as the "CITY", and Brown Armstrong Accountancy Corporation hereinafter referred to as the "CONSULTANT".

### W I T N E S S E T H

**WHEREAS**, the CITY is authorized and empowered to employ consultants and specialists in the performance of its duties and functions; and

**WHEREAS**, the CITY has the desire to secure certain technical and professional services to assist in the preparation and completion of the items of work described as "Scope of Work" in Exhibit "A", and hereinafter referred to as the "PROJECT"; and

**WHEREAS**, the CONSULTANT represents it is licensed, qualified and willing to provide such services pursuant to terms and conditions of this Agreement.

**NOW, THEREFORE**, CITY and CONSULTANT agree as follows:

#### **I. SERVICES TO BE PERFORMED BY THE CONSULTANT**

- A. Authorized Scope of Work: The CONSULTANT agrees to perform all work necessary to complete in a manner satisfactory to the CITY those tasks described in Exhibit "A" - Scope of Work, for the cost identified in Exhibit "B" - Project Fee.
- B. Additional Services: Incidental work related to the PROJECT and not provided for in Exhibit "A" may be needed during the performance of this Agreement. The CONSULTANT agrees to provide any and all additional services at the rates identified in attached Exhibit "B" - Schedule of Fees for Professional Services. Such additional services shall not be performed by CONSULTANT without the written consent of CITY.

#### **II. TERM:**

The initial contract term shall be for a three (3) year period and shall, at the City's option and with the consent of the CONSULTANT, be extended an additional two (2) year period. Additionally, this Agreement may be terminated for convenience. In the event of termination or expiration of this Agreement, CONSULTANT shall transfer to CITY any funds and/or accounts receivable on hand attributable to the use of CITY funds.

#### **III. TIME OF PERFORMANCE**

The CONSULTANT shall commence performance of this Agreement within ten (10) days of Consultant's Notice to Proceed following City Council approval of this Agreement and shall complete the work within the timeframes outlined in Exhibit "A", unless otherwise extended in writing by CITY, in its sole discretion.

If the CONSULTANT fails to complete the PROJECT within the time specified, plus any extensions of time which may be granted, the CITY shall determine the percent of each work item completed and shall pay the CONSULTANT on that basis.

CONSULTANT shall not be responsible for delays which are due to causes beyond the CONSULTANT's reasonable control. In the case of any such delay, the time of completion shall be extended accordingly in a writing signed by both parties.

#### IV. COMPENSATION

- A. Total Compensation: For services performed pursuant to this Agreement, the CITY agrees to pay and the CONSULTANT agrees to accept, as payment in full, **Two Hundred Thirteen Thousand Nine Hundred Dollars (\$213,900)**. This amount shall constitute complete compensation, including document production and out-of-pocket expenses for all services for the work and PROJECT identified in Exhibits "A" and "B".
- B. Payment of Compensation: The CONSULTANT shall be compensated according to the progress payment schedule set forth in Exhibit "B" upon completion of percentage of each noted phase. The CONSULTANT shall be paid no later than thirty (30) days following submission of a written, verified billing to the CITY. Said billing shall include the percentage of each task completed to date and since the date of the preceding billing, if any.

#### V. AUTHORIZED REPRESENTATIVE

- A. CITY: The Finance Director shall represent the CITY in all matters pertaining to the services to be rendered under this Agreement, except where approval of the City Council of the City of Visalia is specifically required.
- B. CONSULTANT: Lindsey Zimmerman shall represent and act as principle for CONSULTANT in all matters pertaining to the services to be rendered by it under this Agreement.

#### VI. TERMINATION

The right to terminate this Agreement, with or without cause, may be exercised without prejudice to any other right or remedy to which the terminating party may be entitled at law or under this Agreement.

- A. Termination By Either Party Without Cause: The CITY or CONSULTANT may terminate this Agreement at any time by giving written notice to the other of such termination and specifying the effective date thereof, at least fifteen (45) days before the effective date of such termination.
- B. Termination of Agreement for Cause: The CITY may by written notice to the CONSULTANT specifying the effective date thereof, at least fifteen (45) days before the effective date of such termination, terminate the whole or any part of this Agreement in any of the following circumstances:
  - 1. If the CONSULTANT fails to perform the services called for by this Agreement within time(s) specified herein or any extension thereof; or
  - 2. If the CONSULTANT fails to make progress under this Agreement as to endanger performance of this Agreement in accordance with its terms and does not correct such failure within a period of ten (10) days (or longer period as the CITY may authorize in writing) after receipt of notice from the CITY specifying such failure.
- C. Post-Termination:
  - 1. In the event the CITY terminates this Agreement with or without cause, the CITY may procure, upon such terms and such manner as it may determine appropriate, services similar to those terminated.
  - 2. Except with respect to defaults of subconsultants, the CONSULTANT shall not be liable for any excess costs if the failure to perform this Agreement arises out of causes beyond the control and without the fault or negligence of the CONSULTANT. Such causes include, but are not limited to, acts of God or of the public enemy, floods, epidemics, quarantine

restrictions, strikes, and unusually severe weather; but in the event the failure to perform is caused by the default of a subconsultant, the CONSULTANT shall not be liable for failure to perform, unless the services to be furnished by the subconsultant were obtainable from other sources in sufficient time and within budgeted resources to permit the CONSULTANT to meet the required delivery schedule or other performance requirements.

3. Should the Agreement be terminated with or without cause, the CONSULTANT shall provide the CITY with all finished and unfinished documents, data, studies, services, drawings, maps, models, photographs, reports, etc., prepared by the CONSULTANT pursuant to this Agreement.
4. Upon termination, with or without cause, CONSULTANT will be compensated for the services satisfactorily completed to the date of termination according to compensation provisions contained herein. In no event, shall the total compensation paid CONSULTANT exceed the total compensation agreed to herein.
5. If, after notice of termination of this Agreement, as provided for in this article, it is determined for any reason that the CONSULTANT was not in default under the provisions of this article, then the rights and obligations of the parties shall be the same as if the Agreement was terminated without cause.
6. Termination of this Agreement shall not terminate any obligation to indemnify, to maintain and make available any records pertaining to the Agreement, to cooperate with any audit, to be subject to offset, or to make any reports of pre-termination activities.

## **VII. INTEREST OF OFFICIALS AND THE CONSULTANT**

- A. No officer, member, or employee of the CITY who exercises any functions or responsibilities in the review or approval of this Agreement shall:
  1. Participate in any decision relating to this Agreement which effects his personal interest or the interest of any corporation, partnership, or association in which he has, directly or indirectly, any interest; or
  2. Have any interest, direct or indirect, in this Agreement or the proceeds thereof during his tenure or for one year thereafter.
- B. The CONSULTANT hereby covenants that he has, at the time of the execution of this Agreement, no interest, and that he shall not acquire any interest in the future, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed pursuant to this Agreement. The CONSULTANT further covenants that in the performance of this work, no person having any such interest shall be employed.

## **VIII. NO PERSONNEL, AGENCY OR COMMISSION**

The CONSULTANT warrants, by execution of this Agreement, that no personnel agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide established commercial or selling agencies maintained by the CONSULTANT for the purpose of securing business. For breach or violation of this warranty, the CITY shall have the right to annul this Agreement without liability or, in its discretion, to deduct from this Agreement price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift, or contingent fee.

## **IX. SUBCONTRACTING**

- A. The CONSULTANT shall not subcontract or otherwise assign any portion of the work to be performed under this Agreement without the prior written approval of the CITY.
- B. In no event shall the CONSULTANT subcontract work in excess of 50% of the contract amount, excluding specialized services. Specialized services are those items not ordinarily furnished by a consultant performing the particular type of project.

## **X. INDEPENDENT CONTRACTOR**

In the performance of the services herein provided for, the CONSULTANT shall be, and is, an independent contractor and is not an agent or employee of the CITY. The CONSULTANT has and shall retain the right to exercise full control and supervision of all persons assisting the CONSULTANT in the performance of said services hereunder. The CONSULTANT shall be solely responsible for all matters relating to the payment of its employees including compliance with social security and income tax withholding and all other regulations governing such matters.

## **XI. SPECIFICATIONS**

All specifications, manuals, standards, etc., either attached to this Agreement or incorporated by reference, are binding as to the performance of the work specified in this Agreement unless they are changed by written amendment to this Agreement modified in writing to incorporate such changes.

## **XII. DOCUMENTS/DATA**

- A. Ownership of Documents: All original papers and documents, produced as a result of this Agreement, shall become the property of the CITY. In addition, CITY shall be provided with access and use of any other papers and documents consistent with the purpose and scope of services covered by this Agreement. Any additional copies, not otherwise provided for herein, shall be the responsibility of the CITY.

Documents, including drawings and specifications, prepared by CONSULTANT pursuant to this Agreement, are not intended or represented to be suitable for reuse by CITY or others on extensions of the PROJECT or on any other project. Any use of the completed documents for other projects and any use of incomplete documents without the specific written authorization from CONSULTANT will be at CITY's sole risk and without liability to CONSULTANT. Further, any and all liability arising out of changes made to CONSULTANT's deliverables under this Agreement by CITY or persons other than CONSULTANT is waived as against CONSULTANT, and the CITY assumes full responsibility for such changes unless the CITY has given CONSULTANT prior notice and has received from CONSULTANT written consent for such changes.

- B. Publication: No report, information, or other data given or prepared or assembled by the CONSULTANT pursuant to this Agreement, shall be made available to any individual or organization by the CONSULTANT without the prior written approval of the CITY. Notwithstanding the foregoing, however, the CONSULTANT shall not be required to protect or hold in confidence and confidential information which (1) is or becomes available to the public with the prior written consent of the CITY; (2) must be disclosed to comply with law; or (3) must be disclosed in connection with any legal proceedings.
- C. Copyrights: The CONSULTANT shall be free to copyright material developed under this Agreement with the provision that the CITY be given a nonexclusive and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use the material for government or public purposes.

### **XIII. INDEMNIFICATION AND INSURANCE**

- A. As respects acts, errors, or omissions in the performance of services, CONSULTANT agrees to indemnify and hold harmless CITY, its elected and appointed officers, employees, and CITY designated volunteers from and against any and all claims, demands, losses, defense costs, liability or consequential damages arising directly out of CONSULTANT's negligent acts, errors or omissions in the performance of his/her services under the terms of this Agreement, except to the extent those arise out of the negligence of CITY.
- B. CITY agrees to indemnify and hold harmless CONSULTANT, its officers, employees, and designated volunteers from and against any and all losses, defense costs, liability or consequential damages to the extent arising out of CITY'S negligent acts, errors or omissions in the performance of this Agreement.
- C. As respects all acts or omissions which do not arise directly out of the performance of services, including but not limited to those acts or omissions normally covered by general and automobile liability insurance, CONSULTANT agrees to indemnify, defend (at CITY's option), and hold harmless CITY, its elected and appointed officers, agents, employees, representatives, and volunteers from and against any and all claims, demands, defense costs, liability, or consequential damages of any kind or nature arising out of or in connection with CONSULTANT's (or CONSULTANT's subcontractors, if any) performance or failure to perform, under the terms of this Agreement; except to the extent those which arise out of the negligence of CITY.
- D. Without limiting CITY's right to indemnification, it is agreed that CONSULTANT shall secure prior to commencing any activities under this Agreement, and maintain during the term of this Agreement, insurance coverage as follows:
- Workers' Compensation insurance as required by California statutes.
  - Commercial general liability insurance with a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence. Such insurance shall include coverage for Premises and Operations, Contractual Liability, Personal Injury Liability, Products and Completed Operations Liability, Broad Form Property Damage (if applicable), Independent Contractor's Liability (if applicable).
  - Professional Liability insurance coverage, in an amount not less than One Million Dollars (\$1,000,000).
  - Comprehensive Automobile Liability coverage with a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence. Such insurance shall include coverage for owned, hired, and non-owned automobiles and shall be provided by a business automobile policy.
- E. CITY'S Risk Manager is hereby authorized to reduce the requirements set forth above in the event he/she determines that such reduction is in the CITY'S best interest.
- F. Each insurance policy required by this Agreement shall contain the following clause:
- "This insurance shall not be canceled, limited in scope or coverage, or non-renewed until after thirty (30) days prior written notice has been given to the City Clerk, City of Visalia, 707 W. Acequia, Visalia, CA 93291."

In addition, the commercial general liability and comprehensive automobile liability policies required by this Agreement shall contain the following clauses:

“It is agreed that any insurance maintained by the City of Visalia shall apply in excess of and not contribute with insurance provided by this policy.”

“The City of Visalia, its officers, agents, employees, representatives and volunteers are added as additional insureds as respects operations and activities of, or on behalf of the named insured, performed under contract with the City of Visalia.”

- G. Prior to commencing any work under this Agreement, CONSULTANT shall deliver to CITY insurance certificates confirming the existence of the insurance required by this Agreement, and including the applicable clauses referenced above. Within thirty (30) days of the execution date of this Agreement, CONSULTANT shall provide to CITY endorsements to the above-required policies, which add to these policies the applicable clauses referenced above. Said endorsements shall be signed by an authorized representative of the insurance company and shall include the signatory's company affiliation and title. Should it be deemed necessary by CITY, it shall be CONSULTANT's responsibility to see that CITY receives documentation acceptable to CITY which sustains that the individual signing said endorsements is indeed authorized to do so by the insurance company. CITY has the right to demand, and to receive within a reasonable time period, copies of any insurance policies required under this Agreement.
- H. 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:
1. Obtain such insurance and deduct and retain the amount of the premiums for such insurance from any sums due under the Agreement; or
  2. Order CONSULTANT to stop work under this Agreement and/or withhold any payment(s) which become due to CONSULTANT hereunder until CONSULTANT demonstrates compliance with the requirements hereof; or
  3. Terminate this Agreement.

Exercise of any of the above remedies, however, is an alternative to other remedies CITY may have and is not the exclusive remedy for CONSULTANT's failure to maintain insurance or secure appropriate endorsements.

Nothing herein contained shall be construed as limiting in any way the extent to which CONSULTANT may be held responsible for payments of damages to persons or property resulting from CONSULTANT's or its subcontractor's performance of the work covered under this Agreement.

#### **XIV. NON-DISCRIMINATION**

CONSULTANT and all subcontractors shall not discriminate against any employee or applicant for employment on the basis of race, color, national origin, or sex in the performance of this Agreement. The CONSULTANT shall carry out applicable requirements of 49 CFR part 26 in the award and administration of DOT-assisted contracts. Failure by the contractor to carry out these requirements is a material breach of this Agreement, which may result in the termination of this Agreement.

#### **XV. MISCELLANEOUS PROVISIONS**

- A. Successors and Assigns: This Agreement shall be binding upon and shall inure to the benefit of any successors to or assigns of the parties.
- B. Prohibition of Assignment: Neither the CITY nor CONSULTANT shall assign, delegate or transfer their rights and duties in this Agreement without the written consent of the other party.

- C. Dispute/Governing Law: Any dispute not resolvable by informal arbitration between the parties to this Agreement shall be adjudicated in a Court of Law under the laws of the State of California.
- D. Notices: Notice shall be sufficient hereunder if personally served upon the City Clerk of the CITY or an officer or principal of the CONSULTANT, or if sent via the United States Postal Service, postage prepaid, addressed as follows:

CITY OF VISALIA  
 707 W. Acequia Ave.  
 Visalia, CA 93291  
 Attention: City Clerk

Consultant  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

- E. Jurisdiction/Venue/Waiver Of Removal: This Agreement shall be administered and interpreted under the laws of the State of California. Jurisdiction of litigation arising from this Agreement shall be in that State. Any action brought to interpret or enforce this Agreement, or any of the terms or conditions hereof, shall be brought in Tulare County, California. The CONSULTANT hereby expressly waives any right to remove any action to a county other than Tulare County as permitted pursuant to Section 394 of the California Code of Civil Procedure.
- F. Integration/Modification: This Agreement and each of the exhibits referenced herein, which are incorporated by reference, represents the entire understanding of the CITY and the CONSULTANT as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may not be modified or altered except in writing signed by the CITY and the CONSULTANT.
- G. Conflict With Law: If any part of this Agreement is found to be in conflict with applicable laws, such part shall be inoperative, null and void insofar as it is in conflict with said law, but the remainder of the Agreement shall be in full force and effect.
- H. Attorney's Fees: In the event either party commences any action, arbitration or legal proceedings for the enforcement of this Agreement, the prevailing party, as determined by the court or arbitrator, shall be entitled to recovery of its attorney's fees and court costs incurred in the action brought thereon.
- I. Construction: This Agreement is the product of negotiation and compromise on the part of each party and the parties agree, notwithstanding Civil Code Section 1654, that in the event of uncertainty the language will not be construed against the party causing the uncertainty to exist.
- J. Authority: Each signatory to this Agreement represents that it is authorized to enter into this Agreement and to bind the party to which its signature represents.
- K. Headings: Section headings are provided for organizational purposes only and do not in any manner affect the scope or intent of the provisions thereunder.
- L. Firearms Prohibited: Guns may not be carried by contractors /vendors/consultants while working on City of Visalia premises without the expressed written approval of a City of Visalia Department Head, or an exemption in the contract. If a contractor/vendor/consultant is caught carrying a gun, without City permission, their contract will be terminated.
- M. Executive Order N-6-22 – Russia Sanctions On March 4, 2022, Governor Gavin Newsom issued Executive Order N-6-22 (the EO) regarding Economic Sanctions against Russia and Russian entities and individuals. "Economic Sanctions" refers to sanctions imposed by the U.S. government in response to Russia's actions in Ukraine, as well as any sanctions imposed under state law. The EO directs state agencies to terminate contracts with, and to refrain from entering any new contracts with, individuals or entities that are determined to be a target of Economic Sanctions. Accordingly, should the State determine Contractor is a target of Economic Sanctions or is conducting prohibited transactions with sanctioned individuals or entities, that shall be grounds for termination of this

agreement. The State shall provide Contractor advance written notice of such termination, allowing Contractor at least 30 calendar days to provide a written response. Termination shall be at the sole discretion of the State.

**IN WITNESS WHEREOF**, this Agreement is executed on the day and year first above written.

CITY OF VISALIA

CONSULTANT

\_\_\_\_\_  
City Manager

Approved as to Form

\_\_\_\_\_  
City Attorney

\_\_\_\_\_  
Risk Manager

\_\_\_\_\_  
Project Manager

Attachments:

Exhibit "A": Scope of Work

Exhibit "B": Project Fees and Professional Fee Schedule

**B. Proposed Project Approach**

The audits will be performed in accordance with generally accepted auditing standards as published by the American Institute of Certified Public Accountants and by the Comptroller General of the United States; provisions of the Single Audit Act as amended in 1996; and the provisions of the U.S. Office of Management and Budget (OMB), the Uniform Guidance, and applicable OMB Compliance Supplements. We will express opinions on the financial statements that will enable the City to meet the requirements of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.

If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will promptly notify the City's Finance Director. We will not perform extended services unless mutually agreed upon by both parties.

In accordance with *Government Auditing Standards*, we will perform a compliance audit by selecting necessary procedures for testing to express an opinion regarding compliance with the provisions of any and all Federal, State, and City Statutes, Ordinances Administrative Code and rules and regulations.

**Assistance Needed from the City**

We anticipate the following schedules will need to be prepared by the City to assist in the conduct of fieldwork:

1. Confirmations, including:
  - o Bank accounts
  - o Investment pool accounts
  - o New Bond and other debts
  - o Attorney letters
  - o Others, as required
2. Budget
3. Trial Balance
4. Detail cash receipts/disbursements for the fiscal year
5. Bank statements and reconciliations for all cash accounts
6. Investment statements
7. Aging report for receivables
8. Prepaid schedule
9. Entries and note disclosures for leases and subscription based IT arrangements
10. Notes receivable rollforward schedule
11. Capital assets rollforward and detail schedules
12. Pension and OPEB actuary reports and schedules
13. Listing or schedules of accounts payables/accrued payroll and benefits
14. Subsequent cash receipts/disbursements after the fiscal year
15. Long term debt schedules
16. Water, Sewer, and Local Transportation rate schedules
17. Interfund advances, transfers, and due to/from schedules
18. Schedule of Expenditures of Federal Awards
19. GANN Limit schedules and work sheets

# TECHNICAL PROPOSAL

City of Visalia

## Preliminary Schedule

The following is a detailed audit schedule which includes a breakdown of each phase of the audit, staff levels, and hours projected for each phase. Our plan would be to obtain the trial balance one week prior to fieldwork.

Timing	Phase	Staff	Hours
April/May	<b>Planning and Administration</b>	Partner	5
	<ul style="list-style-type: none"> <li>Obtain and review copies of key work papers of prior audit firm.</li> </ul>	Manager	8
	<ul style="list-style-type: none"> <li>Pre-audit conference.</li> </ul>	Senior	14
	<ul style="list-style-type: none"> <li>Review and evaluate the City's accounting and financial reporting.</li> </ul>	Staff	45
	<ul style="list-style-type: none"> <li>Entrance conference with Management to discuss audit approach, timing, assistance, and issues. Discuss SAS-99 approach.</li> </ul>	Clerical	<u>12</u>
	<ul style="list-style-type: none"> <li>Prepare overall memo confirming audit procedures, timing, and assistance.</li> </ul>		<u>84</u>
	<ul style="list-style-type: none"> <li>Prepare detailed audit work plan and audit programs, audit budget and staffing schedule.</li> </ul>		
	<ul style="list-style-type: none"> <li>Obtain a preliminary Schedule of Expenditures of Federal Awards, if applicable for the latest closed month.</li> </ul>		
	<ul style="list-style-type: none"> <li>Develop audit programs</li> </ul>		
	<ul style="list-style-type: none"> <li>Establish critical dates list and provide to management</li> </ul>		
	<ul style="list-style-type: none"> <li>Provide information request to the City</li> </ul>		
	<ul style="list-style-type: none"> <li>Entrance conference</li> </ul>		
May/June	<b>Internal Control Evaluation and Audit Risk Assessment, Establishment of Audit Plan, Federal Compliance Testing, and Interim Field Work</b>	Partner	8
	<ul style="list-style-type: none"> <li>Document key accounting and compliance processes with management and/or City personnel</li> </ul>	Manager	20
	<ul style="list-style-type: none"> <li>Obtain support for testing of controls. We will provide sample selections at least one week prior</li> </ul>	Senior	45
	<ul style="list-style-type: none"> <li>Understand, evaluate, and perform testing of Information Technology and Electronic Data Processing Systems and the related controls.</li> </ul>	Staff	80
	<ul style="list-style-type: none"> <li>Perform GANN Limit Calculation and prepare preliminary report.</li> </ul>	Clerical	<u>0</u>
	<ul style="list-style-type: none"> <li>Perform audit tests of grant programs and Compliance with Federal Laws and Regulations. Review grant documents; select sufficient number of transactions to test for compliance with the most recent Compliance Supplement.</li> </ul>		<u>153</u>
	<ul style="list-style-type: none"> <li>Review minutes of Council meetings and other key committees.</li> </ul>		
	<ul style="list-style-type: none"> <li>Coordinate and assist City staff in the preparation of all appropriate confirmation requests.</li> </ul>		
	<ul style="list-style-type: none"> <li>Obtain trial balance for interim analytical procedures.</li> </ul>		
	<ul style="list-style-type: none"> <li>Detailed audit plan provided to the City, including all schedules to be prepared by the City.</li> </ul>		
	<ul style="list-style-type: none"> <li>Prepare and send out, with the City's help, confirmations for all cash, debt, certain revenue items such as taxes, and legal.</li> </ul>		
	<ul style="list-style-type: none"> <li>Evaluate internal control testing results and findings, if any</li> </ul>		
<ul style="list-style-type: none"> <li>Obtain confirmations from the City for mailing or emailing</li> </ul>			
<ul style="list-style-type: none"> <li>Fraud risk assessment and fraud interviews</li> </ul>			
<ul style="list-style-type: none"> <li>Evaluate key estimates and contingencies</li> </ul>			
<ul style="list-style-type: none"> <li>Provide detailed audit plan to the City, including schedules to be prepared by the City.</li> </ul>			
<ul style="list-style-type: none"> <li>Hold progress conference with Management.</li> </ul>			

# TECHNICAL PROPOSAL

City of Visalia

Timing	Phase	Staff	Hours
October/November	<b>Final Field Work</b> <ul style="list-style-type: none"> <li>Entrance conference with Management.</li> <li>Follow-up on all outstanding confirmations.</li> <li>Verify and validate account balances by reviewing invoices, vouchers, resolutions, minutes and other documentation, as required.</li> <li>Perform analytical review of revenues and expenditures. Determine reason for all material differences between budget and actual, test and verify City attestations.</li> <li>Test cash and investment and bank reconciliations for the City and restricted cash with fiscal agents.</li> <li>Complete payroll testing from journals to 941's amounts (cross fiscal year). Tie 941's to other available information.</li> <li>Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing staff.</li> <li>Review of all minutes of City Council and other key committees.</li> <li>Sample and test material capital asset additions and deletions for the year.</li> <li>Tie out all confirmed debt principal and interest payments to debt schedules.</li> <li>Perform testing and recalculating over the Net Pension Liability and OPEB Liability and related deferred outflows and inflows.</li> <li>Verify the proper classifications of the net position and fund balances.</li> <li>Complete single audit procedures through compliance and control testing in accordance with the Uniform Guidance.</li> <li>Review all audit documentation to ensure we have performed adequate testing to cover our audit opinion.</li> <li>Finalize all potential findings, management letter comments and audit documentation and hold Exit Conference with Management.</li> </ul>	Partner Manager Senior Staff Clerical	8 20 45 140 5  <u>218</u>
	<b>Completion of the Audit and Financial Reporting</b> <ul style="list-style-type: none"> <li>Obtain City's draft ACFR and tie financial statement balances to audit working papers.</li> <li>Send review comments over draft ACFR to City staff for changes</li> <li>Review of the City's ACFR for conformance with the GFOA financial reporting award program.</li> <li>Finalize all reports, findings, and recommendations by December 15<sup>th</sup>.</li> <li>Available to present all reports to City Council Members and Committees, Management, and all interested stakeholders and Citizens.</li> </ul>	Partner Manager Senior Staff Clerical	14 14 12 46 16  <u>102</u>
		<b>Total Hours</b>	<b>557</b>

We will begin with scheduling an entrance conference with City Management as soon as possible after award issuance. During this time, we will begin the following procedures:

## Planning

During this phase of the audit, we will:

- Confer with management to coordinate our efforts with the City's efforts in terms of confirmations, schedules to be prepared, and critical dates to be met to ensure a smooth flow of the audit process;
- Prepare a preliminary assessment of the City's internal control structure utilizing the City's manuals and programs, including controls over federal and state financial assistance programs;
- Perform review of the Electronic Data Processing (EDP) controls relating to the City's computer system;

# TECHNICAL PROPOSAL

City of Visalia

- Perform planning analytical procedures consisting of: (1) Comparative analytics (current balances versus budget and prior year); and (2) Predictive analysis (revenues and expenditures/expenses susceptible to such testing based on our expectations);
- Confer with management regarding the results of our planning;
- Submit questionnaires and requests for information to management regarding internal control. Our approach will emphasize transaction processing; investments, cash receipts, cash disbursements, payroll, capital assets, and external reporting;
- Obtain an understanding of general ledger and related reports available for audit; and
- Obtain basic information from management relating to risk assessment, including fraud risks.

## Internal Control Evaluation and Audit Risk Assessment

During this phase we will obtain an understanding of and evaluate key components of the City's internal control structure. We will also assess risk factors, including fraud risk relating to significant audit areas and transaction cycles. Procedures will consist of:

- Reviewing questionnaires and documents obtained from management regarding the internal control structure.
- Performing walk-throughs and tests of compliance with policies and procedures.
- Identifying risk factors, including fraud risk, relating to significant audit areas and transaction cycles.
- Interviewing key management personnel to verify or resolve complicated issues.
- Summarizing potential significant deficiencies and opportunities for efficiencies and improvements for discussion with management.

## Establishment of Final Audit Plan

Our audit plan will be based on the following:

- Results of our compliance and control testing;
- Analytical procedures applied to interim financial statements of the City;
- Results of our risk assessment;
- Results of audit brainstorming and team discussions; and
- Discussions with management.

## Final Field Work

We expect to begin the final stages of the work in October (subject to the City's approval).

During this phase, we will perform both analytical and substantive procedures such as variance analysis between prior year actual balances vs. current year actual balances and between current year actual balances vs. budget balances, predictive testing, confirming account balances, vouching revenues and expenditures and reviewing estimates for unpaid claims.

At the end of our field work, we will discuss any proposed adjustments with management, and we will request a representation letter from management regarding the audit.

## Completion of the Audit and Deliverables

At the completion of all of the above procedures, we will review the financial statements for GAAP compliance at our manager and partner level. We will then issue drafts of all required reports, draft financial statements, and discuss these drafts with appropriate City personnel. Upon approval by the City, we will issue our reports in final form and be available for a presentation to the Administration Committee. Present all reports to City Council at the meeting of their choice.

We will issue the following for the City:

1. Independent Auditor's Report
2. City Annual Report of Financial Transactions
3. Single Audit Report
4. GANN Limitation Report

# TECHNICAL PROPOSAL

City of Visalia

5. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and the Uniform Guidance

## Statistical Sampling

Based on our preliminary assessment of the internal control structure and risk factors, we anticipate performing internal control testing in the following areas:

Review Area	Sample Size
Receipts and revenues	40-60
Disbursements and accounts payable	40-60
Capital assets additions/deletions	40-60
Payroll and related liabilities	40-60
Controls over requirements of federal and state grants	40-60 (per major program)

Staff will perform internal control testing in May/June, with direct supervision by Mr. Huston. Sample sizes will depend on the extent of reliance placed on the given sample and the volume of transactions involved. Statistical and random sampling will be used to ensure that all samples truly represent the population being tested. We will use audit command language (ACL) software and your on-site automated data system on an "inquiry only" basis for purposes of identifying the postings of items selected for testing. Findings will be discussed with management for accuracy and the process of recommendations immediately started.

## Approach for Drawing Audit Samples for Compliance Tests

Compliance test samples will be drawn usually by statistical sampling techniques. The universe from which the sample is drawn begins at the beginning of the year under audit, and ends with the end of that year. If a null is picked, it is replaced in draw sequence until sufficient live items comprise the planned sample size.

## Extent of Electronic Data Processing (EDP) Software in the Engagement

Each staff person has access to a personal computer, and has knowledge of CCH Pfx Engagement software we have purchased for auditing municipalities and report writing. We use this software in the beginning, inputting all prior year actual numbers, and the client current year budget, including amendments. We then input year-to-date numbers and run analytical work at the end of the audit comparing appropriation-expenditure numbers to prior year and budget amounts. All significant differences are investigated. Our software is capable of complete report writing, including combining statements and footnotes.

## Type and Extent of Analytical Procedures

We will perform analytical procedures during all phases of our audit (audit planning, field work and audit completion). We will build our expectations based on historical experience and known current year factors and will investigate significant departures at the financial statement level to decide if we can reach our comfort level for certain audit areas. We will also perform substantive analytical procedures, where we use analytical procedures as the principal substantive test of a significant financial statement assertion, based on the auditor's judgment and on the expected effectiveness and efficiency of available procedures.

## Approach to be Taken to Understand Internal Control Structure

This is the cornerstone of the engagement. Internal accounting control generally comprises the plan of organization and procedures and records that are concerned with the safeguarding of assets and reliability of financial records.

We will begin by preparing memoranda to fully describe all financial systems. We will then review the documents to isolate the significant strengths and weaknesses that would affect the extent of substantive audit procedures to be employed. Each strength is then tested and the results subjected to evaluation. These evaluations assist us in determining the amount of reliance we can place on those significant strengths we have identified.

# TECHNICAL PROPOSAL

City of Visalia

Our primary approach to assimilating and gaining an understanding of internal controls is through inquiry and observation of your accounting and compliance staff, performing walkthroughs of all key accounting processes, and preparing detailed documentation annually. During this phase we will obtain an understanding of and evaluate key components of the City's internal control structure. We will also assess risk factors, including fraud risk relating to significant audit areas and transaction cycles. Procedures will consist of:

- Reviewing questionnaires and documents obtained from management regarding the internal control structure.
- Performing walk-throughs and tests of compliance with policies and procedures.
- Identifying risk factors, including fraud risk, relating to significant audit areas and transaction cycles.
- Interviewing key management personnel to verify or resolve complicated issues.
- Summarizing potential significant deficiencies and opportunities for efficiencies and improvements for discussion with management.

## Understanding Laws and Regulations of Audit Work

Our experience with various municipal audit clients, most with federal or state monies, has created a reservoir of knowledge of many laws and regulations. However, by inquiry and observation, we will determine all major programs participated in by the City. We then consult the actual law, the Federal Register, Catalogue of Federal programs, or the California State Controllers guide to State and Federal Compliance to obtain understanding of the requirements of the law. For major programs, we specifically test those requirements by inspection of documents.

## Additional Information

### Independence

Our firm, its shareholders and employees are independent of the City and its component units, as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards*.

### External Quality Control Reviews

As part of our commitment to quality control, our firm is a member of the Center for Public Firms Auditors Section (Center) of the American Institute of Certified Public Accountants (AICPA). We have completed several External Quality Control reviews under the AICPA's guidance, all of which included one or more governmental audits. Appendix I of this proposal contains a copy of our most recent report. As indicated in that report, our Firm received a peer review rating of a "pass," which is the highest rating available.

### Desk or Field Reviews and Disciplinary Actions

In the normal course of business, our firm has been subjected to several field reviews during the past three years. Additionally, all of our reports are subjected to annual desk reviews by federal and state cognizant agencies. All of our reports for the past three years were accepted by these agencies. We have no disciplinary action taken or pending against the Firm during the past three years with state regulatory bodies or professional organizations.

### Identification of Anticipated Potential Audit Problems

While we do not anticipate any issues with the audit, we will vigilantly examine and monitor the following relevant accounting issues.

Financial Reporting	Internal Control Structure
<ul style="list-style-type: none"><li>• Financial statement's compliance with current reporting and GASB disclosure requirements</li><li>• Compliance with various current GASB statements</li><li>• Perform valuations of Pension and OPEB benefits to determine the liability for all benefits promised to active, retired, and inactive plan members as of each valuation date</li><li>• Compliance with GASB Statement No. 87 and No. 96</li><li>• Compliance with infrastructure obligations and regulatory provisions</li></ul>	<ul style="list-style-type: none"><li>• City's internal control functions and compliance with proper internal control philosophies</li><li>• Computer-system processes and controls and adequacy of the control environment</li><li>• Compliance with the Uniform Guidance for Federal Grants</li></ul>

# TECHNICAL PROPOSAL

City of Visalia

In the event problems are identified during the course of our audit procedures, we will resolve the problem as follows:

- Discussion amongst audit team at the time of identified potential audit problem for consultation and consensus amongst the team.
- Consultation and discussion with appropriate City personnel when identified to ensure all facts are known and agreed upon with the audit team.
- Consultation and discussion with liaison(s).
- Resolution with appropriate City personnel.
- If applicable, a management letter will be submitted documenting the criteria, condition, cause and effect of the issue, along with our recommendation and management's response and corrective action plan.

## Quality Control of Financial Publications

In addition to our well qualified team of auditors, we have a designated financial typing department. Our financial typing team of two has a combined total of 26 years of experience. The financial statements go through our typing department for the initial review, which includes footing and proofreading. Any comments are then provided to the manager. The manager and partner will review, and consult with the City if necessary, regarding material findings or inconsistencies that need to be modified and provide approved changes back to the typing department to be updated. Once the financials are close to being ready to be issued, it is provided to the concurring/technical reviewer for final review and comments and then final issuance.

## Approach to Managing the Relationship

We will meet on a regular basis, virtually or via conference call, to update management of the progress. We have a policy of responding to our clients within a 24 hour time period. Our audit team is dedicated 100% to your audit, whether we are in the field or remote. We will provide you with the requested services in a timely manner.

## Transmission of Workpapers

Confidentiality and security of all our clients' data is extremely important to us and is aided by our paperless auditing process. Our firm policy is that only the active client files should be synched to an employee's laptop when out in the field and client data is regularly cleared off the local drives after jobs are finished. In addition, our laptops have both hard drive encryption technology and tracking software to help us locate them in the case they are lost or stolen and to prevent easy access to the saved files.

Throughout the audit process we utilize Sharefile to safely transmit all working papers between Brown Armstrong and our clients. Sharefile ensures secure content collaboration, file sharing and synchronization.

# Exhibit "B": Project Fees & Professional Fee Schedule

## COST PROPOSAL

City of Visalia

### A. Total All-Inclusive Maximum Price

The total all-inclusive maximum price contains all direct and indirect costs, including all out-of-pocket expenses. All expense reimbursements will be charged against the total all-inclusive maximum price. The total all-inclusive maximum price, for each of the three years may only be adjusted by CPI, unless a change in the scope is requested.

City of Visalia All Inclusive Maximum Price			
	2023-24	2024-25	2025-26
Annual Comprehensive Financial Report	\$ 50,800	\$ 50,800	\$ 50,800
Gann Limit Agreed Upon Procedures	1,000	1,000	1,000
Annual Report of Financial Transactions - City	5,500	5,500	5,500
Single Audit Act Reports (Up to Two Major Programs)*	14,000	14,000	14,000
<b>Total</b>	<b>\$ 71,300</b>	<b>\$ 71,300</b>	<b>\$ 71,300</b>

\*- If major programs exceeded two, we will charge \$7,000 for each additional major program.

### B. Schedule of Professional Fees and Expenses

Schedule of Professional Fees and Hours by Staff Classification			
	Hours	Rate	Amount
Partner	35	\$250	\$ 8,750
Manager	62	\$200	12,400
Senior	116	\$150	17,400
Staff	311	\$100	31,100
Clerical	33	\$50	1,650
<b>Total</b>	<b>557</b>		<b>\$ 71,300</b>

# COST PROPOSAL

City of Visalia

Annual Comprehensive Financial Report				Single Audit Act Reports (Up to Two Major Programs)			
	Hours	Rate	Amount		Hours	Rate	Amount
Partners	24	\$250	\$ 6,000	Partners	8	\$250	\$ 2,000
Managers	48	\$200	9,600	Managers	10	\$200	2,000
Seniors	80	\$150	12,000	Seniors	23	\$150	3,450
Staff	222	\$100	22,200	Staff	63	\$100	6,300
Clerical	20	\$50	1,000	Clerical	5	\$50	250
	<u>394</u>		<u>\$ 50,800</u>		<u>109</u>		<u>\$ 14,000</u>

  

Gann Limit Agreed Upon Procedures				Annual Report of Financial Transactions			
	Hours	Rate	Amount		Hours	Rate	Amount
Partners	1	\$250	\$ 250	Partners	2	\$250	\$ 500
Managers	1	\$200	200	Managers	3	\$200	600
Seniors	1	\$150	150	Seniors	12	\$150	1,800
Staff	3	\$100	300	Staff	23	\$100	2,300
Clerical	2	\$50	100	Clerical	6	\$50	300
	<u>8</u>		<u>\$ 1,000</u>		<u>46</u>		<u>\$ 5,500</u>

## C. Out of Pocket Expenses Included in the Total All-Inclusive Maximum Price

All out-of-pocket expenses are included in the schedule of professional fees and expenses. Brown Armstrong will accept reimbursement to be charged against the total not-to-exceed maximum price that is submitted.

## D. Rates for Additional Professional Services

We do not anticipate that additional services will be necessary to complete the audit. If it should become necessary for the City to request Brown Armstrong to render any additional services to either supplement the services requested in the Request for Proposal, or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an amendment to the contract between the City and the Firm. Any such additional work agreed to between the City and the Firm shall be performed at the same rates set forth in the schedule of professional fees.

## E. Manner of Payment

Brown Armstrong agrees to progress payments on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with our cost proposal. Interim billings shall cover a period of not less than a calendar month.