

County of Lassen
Auditor



Diana Wemple
Auditor

Lori Pearce
Assistant Auditor

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May 14, 2019

To: Jeff Hemphill, Chairperson
Lassen County Board of Supervisors

From: Diana Wemple, Auditor

RE: Receive proposal from Price Paige and Company contract for financial statement preparation and audit services from FY 2018/19 thru FY 2022/23.

Recommendation: Authorize staff to amend current contract with Price Paige and Co. to include FY 2018/19 for \$82,418 and FY2019/20 for \$82,418 with the option to extend for another 3 years.

Discussion: Amending Price Paige and Co. contract will assist with the FY 2018/19 and FY 2019/20 audits being completed timely during the implementation of Tyler Software.

Government code 12410.6(b) requires that the audit-managing partner be changed every 6 years. In discussion with Price Paige and Co., they are aware of this requirement, and they have addressed it internally by changing the managing partner after 6 years.

Fiscal Impact: General Fund will initially be responsible for the majority of costs; some costs will be recovered through the cost allocation plan. To be paid out of fund 100-0101.

Attached: Proposal by Price Paige and Co. and GC 12410.6(b)

Betty T. Yee
California State Controller



Auditor Rotation Requirements for Annual Audits of Local Governments

Assembly Bill 1345 added section 12410.6.(b) to Government Code regarding auditor rotation requirements of public accounting firms providing audit services to local agencies.

Government Code section 12410.6.(b) indicates that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.

**PROPOSAL FOR
PROFESSIONAL AUDITING SERVICES**

FOR THE

**COUNTY OF LASSEN
CALIFORNIA**

**FOR THE YEARS ENDING
JUNE 30, 2019 THROUGH 2021**

**Submitted
May 9, 2019**

By

Fausto Hinojosa, CPA, CFE

Price Paige & Company
Accountancy Corporation
677 Scott Avenue
Clovis, California 93612
Phone: 559-299-9540
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Website: www.ppcpas.com

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COUNTY OF LASSEN

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES
JUNE 30, 2019 THROUGH 2021

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May 9, 2019

Ms. Diana Wemple
Auditor
County of Lassen
221 S. Roop Street, Suite 4
Susanville, California 96130

Dear Ms. Wemple and Auditor Selection Committee:

It is our pleasure to present our proposal to continue to provide auditing services to the County of Lassen (the County) for the fiscal years ending June 30, 2019, 2020 and 2021, with an option of extending two additional years upon mutual agreement. When presented with viable alternatives, it isn't always easy for entities such as the County to identify the accounting firm that can best meet their overall audit and accounting needs. Over the past twenty years we have developed significant expertise in governmental audit and accounting, specifically as it relates to counties. Our knowledge of the government environment and more specifically, Lassen County operations, has allowed us to develop more robust audit plans that we believe have improved the quality of our audits.

Our audit professionals are highly qualified and have extensive experience and expertise in governmental auditing and accounting. The firm has been a member of the AICPA Government Audit Quality Center for several years and all of our auditors take a minimum of 80 hours of continuing professional education every two years specifically related to the auditing and accounting services we provide. This commitment to learning yields a direct benefit to the clients we work with. Additionally, our firm has a well-earned reputation for ensuring the audit not only gets done right but, just as importantly, on time. We are committed to communicating effectively to ensure that your questions are addressed comprehensively. As demonstrated by our resumes and considerable involvement by the audit partner and managers, we know that our firm has the resources, knowledge and expertise to meet and service the needs of the County. We can assure you that we fully understand the work to be performed and we wish to emphasize our commitment to meeting or exceeding all of your expectations. We are committed to providing these services in accordance with the County's required timelines. Additional information about our firm's audit department and services we offer may be found on our website at www.ppcpas.com.

I trust that this proposal will adequately summarize our approach to client service and identify those attributes which set our firm apart from others. We appreciate the opportunity to submit this proposal to serve you and would be pleased to furnish any additional information regarding our firm or answer any other specific questions or concerns you may have. I am the audit principal for our firm and I am authorized to make representations for the firm with regard to this proposal. I may be reached at (559) 299-9540 or via email at fausto@ppcpas.com.

Sincerely,

Fausto Hinojosa, CPA, CFE
Audit Principal
Price Paige & Company

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

FIRM HISTORY AND QUALIFICATIONS

Established in 1976 and located in Clovis, California, Price Paige & Company consists of four owners (principals), Fausto Hinojosa, Mitchell Buckley, Henry Oum, and Robert F. Price, each of whom is a Certified Public Accountant. The principals of the firm have over 90 years of combined experience in public accounting. Our firm is comprised of thirteen CPAs and fifteen CPA candidates, as well as full and part-time accounting, bookkeeping and clerical staff. Over 60% of Price Paige & Company's practice is in auditing and attest services, primarily in the governmental and not-for-profit sectors. In addition, we provide services to many businesses in accounting, tax, and management consultation in all areas.

Price Paige & Company is recognized in the community and by our peers as experts in the areas of governmental and not-for-profit audit and accounting. Our proven commitment to excellence allows us to work with you in the most time and cost-effective manner possible. Our auditors are not seasonal; what we mean by this is that they are not "tax accountants" who perform audits in the "off-season". They are focused exclusively in providing audit services and they receive over 80 hours of continuing education every two years, specifically related to improving their audit skills. The experience of our team allows us to conduct very efficient and effective audits.

We currently provide audit or review services to more than 40 governmental agencies and approximately 35 not-for-profit organizations annually, many of which are federal single audits. The breadth and scope of single audits we have conducted is significant and we have experience auditing organizations with an excess of \$100 million dollars of federal funding.

It is our practice to assign a team of personnel from our firm to your account in order to provide the range of services you have requested. This team is generally kept abreast of any significant developments which arise through our normal association with you. The most important aspect of this approach is to provide continuity to the engagement. We understand that the audit process requires two-way communication and we accept our responsibility to listen and to deliver timely and effective solutions to the audit and accounting problems we encounter.

Mandatory Qualifications

The associates of Price Paige & Company are licensed Certified Public Accountants, certified by the California State Board of Accountancy (License # COR 3442). All team members assigned to the audit comply with the 80-hour continuing education requirements promulgated by *Government Auditing Standards*.

Mandatory Qualifications

The associates of Price Paige & Company are licensed Certified Public Accountants, certified by the California State Board of Accountancy (License # COR 3442). All team members assigned to the audit are in compliance with the 80-hour continuing education requirements promulgated by *Government Auditing Standards*.

Independence

Our firm is independent with respect to the County of Lassen and its component unit, as defined by auditing standards generally accepted in the U.S. Government Accountability Office's *Government Auditing Standards*.

Conflict of Interest

Our firm's established policy is that we do not submit proposals for audit services if there is a known conflict of interest with the potential client. There are no current or potential conflicts of interest with anyone (employees, management, officers or directors) within the County of Lassen.

External Peer Review

Our record of successful Peer Reviews and our Engagement Quality Control Review program serves as evidence of our commitment to meeting the standards of care and performance applicable to our audit practice and demonstrate the extra measures we take to ensure continued successful compliance with our client's expectations about our quality and competence.

Our Quality Control Review included a review of specific governmental engagements. For your consideration, a copy of our most recent Peer Review Report is presented as Exhibit 1 in this proposal. In addition, our firm was recently awarded the AICPA's Certificate of Recognition for demonstrating that we designed and complied with a system of quality control standards established by the AICPA (see Exhibit 2).

Price Paige & Company has never had any disciplinary actions taken nor are any pending with the Federal or State regulatory bodies or professional organizations. In addition, we are pleased to affirm that we have never had an unresolved dispute related to accounting or auditing matters that resulted in disengagements. We work closely with our clients to develop solutions that are consistent with the accounting rules and auditing standards.

We Conduct Peer Reviews

In addition to having successful peer reviews, Price Paige & Company also conducts peer reviews of other accounting firms. Essentially, we "audit" other Auditors to ensure auditing and accounting standards are being met. Being a peer reviewer requires us to understand the technical accounting rules, especially in a government environment. We leverage our experience as technical peer reviewers in our audit engagements so that we can perform effective and efficient audits making it much easier on our clients.

Proactive Rather than Reactive Approach to Client Service

A primary objective of our client engagements is to make positive contributions to our client's profitable operations, organizational efficiency and productivity. We work hard at anticipating problems and ensuring there are no surprises. We are creative and always present alternatives for your evaluation rather than insisting upon the "textbook solution". We use frequent meetings and our management recommendation letters as tools for communication with you.

We strive to maintain a continuous involvement with our clients rather than just an annual one. We ask clients to forward copies of their interim financial statements, we review minutes of meetings throughout the year, and we schedule meetings with clients outside of the normal "audit cycle" to stay abreast of changes that might impact the audit. We find this enables us to help our clients identify and solve problems on a timely basis and keeps us informed about their operations.

Smart Technologies

We use sophisticated data analysis software (IDEA) that allows us to perform specific fraud detection tests on large amounts of data, in some cases, testing 100% of the transaction population. Some of the specific tests we perform include duplicate payment tests, matching of employee and vendor addresses to identify potential conflicts, and review of purchase orders to identify potential bid splitting. We believe that our creative use of this value-added software tool allows us to perform more effective audits and gives our clients increased confidence in their financial reporting. We have successfully implemented this data analysis software and testing at Fresno Unified School District which is the fourth largest school district in the state with a budget in excess of \$800 million dollars.

All of our audit engagements are performed utilizing a paperless and digital approach. Our auditing software allows us to increase our efficiency and provide a streamlined workflow. Documents and files can easily be retrieved and forward them to our clients without the need for copying.

Additional Confirmations of Understanding

We will provide to County management letters providing reasonable counseling and guidelines with respect to more acceptable and effective methods of accounting.

We will retain working papers for seven years following the completion of the audit.

Price Paige & Company is an equal opportunity employer. All employees are treated on their merits, without regard to race, age, sex, marital status or other factor not applicable to their position. Employees are valued according to how well they perform their duties, and their ability and enthusiasm to maintain the Firm's standards of service.

Price Paige & Company maintains comprehensive General Liability Coverage, as well as Errors and Omissions Insurance with a limit of at least \$3,000,000. All required certificates of insurance will be provided to County officials should our firm be the successful bidder.

Approach to Communication and Expectations of Our Clients

In order to meet and exceed your expectations, we are diligent about maintaining open communication throughout the entire engagement. In our experience, this results in a more effective engagement. Our approach depends on the timely response and assistance of the County. This cooperation will further ensure our work is completed in an efficient and cost-effective manner.

VALUE ADDED SERVICES AND SUPPORT

The role of auditors has evolved over time in response to client's needs. Our firm has made it a practice to be proactive with clients by providing value-added services, all of which are included as part of our audit engagement. Below are some of the value added benefits that we provide to our clients at no additional charge.

Consultation on Accounting Matters

We provide our clients with guidance on technical accounting matters. We encourage our clients to communicate with us regarding any technical accounting matter as it allows us to be proactive in the audit process. If the technical accounting questions are outside the scope of the audit or require significant research, we would communicate with management regarding the appropriate cost for their approval before proceeding with any additional services.

Client Training

We believe it is important to give our clients access to a full range of information to help them stay abreast of current accounting developments and financial reporting issues. As part of our client service program, we will periodically hold client training seminars and summary courses geared towards providing our clients an understanding of relevant issues. Training sessions that have been offered included understanding and mitigating the risk of fraud, reading and understanding governmental financial statements.

Other Services Offered by Our Firm

In addition to financial statement audits we also offer the following services to the government sector: Internal Control Review, Forensic Accounting, Fraud Investigation, Agreed-Upon Procedures, Financial Statement Review, Financial Statement Compilation and preparation of State Controller's Reports.

SUMMARY OF STAFF QUALIFICATIONS AND EXPERIENCE

We have an outstanding team of professionals who have established themselves as qualified competent individuals. We can assure you that each of our auditors is experienced in governmental auditing, GASB accounting pronouncements and Single Audit requirements. Following is a brief overview of their experience. Detailed experience for each of these professionals is found on pages 6 through 10 of this proposal.

	<u>Years of Auditing/Accounting Experience</u>
Partner: Fausto Hinojosa, CPA, CFE	25
Manager: Joshua Giosa, CPA	12
Seniors: Anthony Gonzales, CPA Candidate	4
Jorge Rodriguez, CPA Candidate	3

Each of these professionals has been the lead auditor/accountant for various governmental, not-for-profit and consulting engagements. They have commendable work ethics and principles, as well as outstanding skills and abilities. Should any of the above members of our audit team become unavailable, we would provide another equally qualified individual from our firm.

In addition to the above-listed professionals, we have other audit staff with several years of governmental audit and accounting experience who may be assigned to your audit.

Continuity of Professional Staff and Succession Planning

Continuity of staff on engagements is as important to us as it is to our clients. Continuity promotes a thorough understanding of your needs and goals, and helps us help you. A smooth auditor transition will be accomplished as follows:

- ♦ **Communication** – We stress transparent communication from the very beginning of the engagement through the audit report delivery. We schedule a planning meeting with your staff to determine expectations, timing, and extent and availability of assistance. We provide a comprehensive PBC list for both interim and year-end fieldwork which includes due dates and responsible parties.
- ♦ **Experience** – Members of our engagement team are experienced auditors, very familiar with the operational, administrative, and accounting and compliance issues related to the municipal sector and the federal single audit in particular.
- ♦ **Quality** – The firm maintains a rigorous quality control review process that includes not only a detailed review by a quality control manager and engagement partner but also an Engagement Quality Control Review (EQCR) as defined by AICPA standards.
- ♦ **Audit Approach** – Our audit approach emphasizes effective up-front planning to identify issues for timely resolution.

RESUME

FAUSTO HINOJOSA

Certified Public Accountant
Certified Fraud Examiner
California License # 66479

Fausto is the Partner in charge of all audit and forensic consulting engagements for Price Paige & Company. His practice is limited to governmental and not-for-profit audit and accounting, fraud investigation and consulting, and litigation support services. Fausto serves as the Managing Partner for the Firm and is responsible for providing strategic leadership. He has worked professionally in the accounting field since graduating from California State University, Fresno in 1990. He became a Certified Public Accountant in 1994 and a shareholder with Price Paige & Company in 1997. He is a Certified Fraud Examiner and has investigated numerous allegations of fraud and has been designated a fraud expert in various legal proceedings.

After more than twenty-five years in the profession, Fausto has developed significant expertise specifically in the areas of audit risk assessment, governmental and not-for-profit auditing, fraud detection and prevention, federal/state grant compliance, and internal controls.

Fausto is the former Chair of the local Government Accounting and Auditing Committee for the California Society of CPA's and currently serves on the state committee. In addition, Fausto is a **reviewer for the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program**. As the former Chair for the State Board of Accountancy Qualifications Committee, Fausto conducted audit workpaper reviews of CPA candidates in order to make licensure recommendations to the Committee.

Fausto is a former Adjunct Professor at Fresno Pacific University where he taught an upper division auditing course. He is a frequent lecturer to the California Society of CPA's and other professional organizations, business and civic groups on governmental and not-for-profit accounting and auditing, preventative fraud measures, and the unique audit requirements for federal award programs under the Single Audit Act.

Professional Organizations and Community Involvement

State Board of Accountancy Qualifications Committee – Past Chair
Fresno Chapter of California Society of CPA's – Past President
Association of Certified Fraud Examiners – Member
American Institute of Certified Public Accountants – Member
Government Accounting and Auditing Committee of the Fresno Chapter – Past Chair
State Government Accounting and Auditing Committee of the California Society of CPA's – Member
Government Finance Officers Association – CAFR Reviewer

RESUME

JOSHUA GIOSA
Certified Public Accountant
California License # 119801

Present Position

Manager

Education and Experience

Joshua began his accounting career at Price Paige & Company in January 2007 after graduating from California State University, Fresno. In June 2005, he received a Bachelor of Science in Business Administration with an option in Accountancy and became a Certified Public Accountant in 2013.

Joshua serves as the audit supervisor for most of the firm's municipalities and has performed and overseen substantial grant compliance work on both federal and state programs. Although his government auditing background dates back to 2007, since 2011 he has worked almost exclusively planning, performing, reviewing and compiling financial statements for municipalities. He has conducted several Single Audits and has prepared numerous municipality State Controller reports. Joshua has extensive knowledge in the implementation of GASB 68. He recently conducted a GASB 68 training course for firm personnel and has also trained and assisted numerous finance directors on GASB 68 implementation and financial statement presentation. His background also includes significant experience auditing not-for-profit entities and 401(k) pension plans. Joshua has expertise in the use of IDEA data analysis software and has used this software to conduct fraud detection procedures as a part of the many municipal audits he supervises.

Community and Affiliations

Joshua is a member of the American Institute of Certified Public Accountants, the California Society of CPAs and the Government Finance Officers Association. He is currently serving on the Board of Directors as the Treasurer for North Fresno Rotary Endowment and Bullard Youth Softball League. He was formerly on the Board of Directors as the Treasurer for Big Brothers Big Sisters of Central California, and Fresno's Rotary Storyland/Playland. Joshua is also an honorary member of the North Fresno Rotary Club.

Continuing Education

Joshua is in compliance with the continuing education requirements of the AICPA and Government Auditing Standards. Recently attended courses include: *Avoiding Problems in Conducting Single Audits; Financial Statement, Tax and Government Fraud; Interpreting the Yellow Book; Intermediate Governmental Accounting; The GASB's Pension Standards Parts II: Considerations for Agent Plans and Participating Employers; Putting to Rest Governmental "Urban Legends"; and the Continued Complexities of Auditing Governmental Pension Plans and Participating Employees.*

RESUME

ANTHONY GONZALES CPA Candidate

Present Position

Audit Senior

Education and Experience

Anthony began his accounting career at Price Paige & Company in January 2015 after graduating from California State University, Fresno. In December 2014, he received a Bachelor of Science in Business Administration with an option in Accountancy. He has passed all parts of the CPA exam and is awaiting licensure.

Anthony is a senior auditor for numerous governmental (county, municipal and special districts) and not-for-profit audits, which include single audit compliance, State Controller's reports, and preparing financial statements that comply with Yellow Book and required GASB standards. His background includes governmental and not-for-profit entities performed in accordance with GAAP and the Single Audits in accordance with OMB Uniform Guidance 2 CFR 200 Subpart F.

Community and Affiliations

Anthony is a member of the American Institute of Certified Public Accountants and the California Society of CPAs.

Continuing Education

Anthony complies with the continuing education requirements of the AICPA and *Government Auditing Standards*. Recently attended courses include: *Audit Watch University Level 3, In-Charge; Accounting Standards Update: Clarified Risk Assessment Standards; Accounting for Pensions; Accounting Update 2016; Government Accounting Principles; Cash Flows and Functional Expenses; Non-Profit, Net assets and endowments; and Government Accounting Standards Board Statement Number 54: Fund Balance and the Governmental Fund.*

RESUME

JORGE RODRIGUEZ
CPA Candidate

Present Position

Senior

Education and Experience

Jorge began his accounting career at Price Paige & Company in early 2016 as an intern while attending California State University, Fresno. In May 2016, he received a Bachelor of Science in Business Administration with an option in Accountancy.

Jorge has been a staff auditor for numerous governmental and not-for-profit audits, which include single audit compliance, State Controller's reports, and preparing financial statements that comply with Yellow Book and required GASB standards. In addition, he has been the in-charge auditor for numerous nonprofit, governmental, and commercial organizations. His background includes governmental, not-for-profit entities which are performed in accordance with GAAP and the Single Audits in accordance with OMB Uniform Guidance 2 CFR 200 Subpart F.

Community and Affiliations

Jorge plans to sit for the CPA exam in 2019.

Continuing Education

Jorge is in compliance with the continuing education requirements of the AICPA and *Government Auditing Standards*. Recently attended courses include: *AuditWatch University: Level 3, Accounting for Governmental Assets and Liabilities; Common Single Audit Deficiencies; ASU 2016-14 Nonprofit Financial Statements; Accounting Changes and Error Corrections; FASB Updates to Revenue Recognition; Analytical Fraud Detection; GAAS Guide – Planning, and Plan and Execute Audit Engagements.*

REFERENCES

After evaluating our relevant experience, we are certain you will agree that Price Paige and Company is qualified to serve you. We have been successfully performing audit engagements since 1976. Since then, we have continued to build on our reputation as a well-respected firm throughout the State of California, with the qualifications and experience necessary to provide unequalled performance. Following is a list of some of our audit clients and our primary contact for each:

Reference Name: County of Alpine
Contact: Lowell Black, Director of Finance
Address: 99 Water Street, Markleeville, CA 96120
Phone: (530) 697-2284
Email: black@alpinecountyca.gov
Service Provided: Financial Statement Audit (Uniform Guidance)
Dates: June 30, 2012 through present

Reference Name: County of Mono
Contact: Janet Dutcher, Director of Finance
Address: P.O. Box 556, Bridgeport, CA 93517
Phone: (760) 932-5494
Email: jdutcher@mono.ca.gov
Service Provided: CAFR (Single Audit/Uniform Guidance)
Dates: June 30, 2018 through present

Reference Name: City of Los Banos
Contact: Sonya Williams, Finance Director
Address: 520 J Street, Los Banos, CA 93635
Phone: (209) 827-7000
Email: sonya.williams@losbanos.org
Service Provided: CAFR Audit (Single Audit/Uniform Guidance)
Dates: June 30, 2014 through present

Reference Name: City of Chowchilla
Contact: Rod Pruett, CPA, Finance Director
Address: 1130 S, 2nd St., Chowchilla, CA 93610
Phone: (559) 665-8615
Email: rpruett@cityofchowchilla.org
Service Provided: Financial Statement Audit (Single Audit/Uniform Guidance)
Dates: June 30, 2009 through present

SCOPE OF SERVICES

As our experience indicates, we clearly understand the scope of services to be provided. You can be assured that we will design a specific service approach to ensure compliance with all applicable standards and ensure that the County receives high quality, efficient and effective service.

Standards to be Followed

The financial and compliance audits will be performed in accordance with the following auditing standards:

- ♦ Generally Accepted Auditing Standards (AICPA)
- ♦ *Government Auditing Standards* (U.S. Comptroller General)
- ♦ Provisions of the Single Audit Act Amendments of 1996 (Single Audit)
- ♦ OMB Uniform Guidance 2 CFR Part 200
- ♦ All other applicable federal, state and local laws and regulations

Services to be Performed

All services will be performed in accordance within the County's required timeline as listed in the County's Request for Proposal.

1. County of Lassen. We will audit the books and records of the County of Lassen and issue a report on the fair presentation of the annual financial statements in conformity with accounting principles generally accepted in the United States of America. The financial statements will include GASB 68 and GASB 75 calculations and preparation of footnotes.
2. Federal Single Audit. We will issue single-audit reports on compliance with requirements that could have a direct and material effect on each major program and internal control over compliance in accordance with OMB Uniform Guidance 2 CFR Part 200. We will also prepare the related Data Collection Forms for Reporting on Audits of States, Local Governments and Non-Profit Organizations (Form SF-SAC).
3. We will perform the required Agreed-Upon Procedures pertaining to the County's GANN Limit (Article XIII B annual review of appropriations limit calculations) and annually issue our report to the County regarding compliance.
4. We will perform an examination for the County's Treasury Oversight Committee and annually issue our report to the Oversight Committee regarding compliance.
5. We will conduct a financial and compliance audit of the books and records of the Lassen Regional Solid Waste Authority, a component unit of the County of Lassen, and issue our report to the County.
6. Management Letters. We may provide management letters that would include findings observations, opinions, comments and/or recommendations with regard to systems of internal control, accounting systems compliance with laws, rules and regulations, or any other matters that may come to our attention during the course of the examination.
7. We will prepare a written communication to the audit committee which will include the following information: (1) auditor's responsibility under generally accepted auditing standards; (2) significant accounting policies; (3) management judgments and accounting estimates; (4) significant audit adjustments; (5) disagreements with management; (6) management consultation with other accountants; (7) difficulties encountered in performing the audit.

AUDIT APPROACH

Planning and Interim Fieldwork

Our preliminary audit procedures will consist of the following:

- ◆ Provide a list of all audit schedules to be prepared by the County.
- ◆ Provide a detailed audit plan for the County.
- ◆ Internal Controls:
 - Read the County's policy and procedure manuals to obtain a general understanding of internal control systems for all significant transaction classes, account balances, financial close process and financial statement preparation process. Perform necessary follow-up inquiries to obtain specific understanding of control procedures in place.
 - Perform walk-throughs of key controls to evaluate whether they are properly designed and have been placed in operation. Walk-through procedures include inquiries, inspection of documents, re-performance and observation.
 - Systems typically tested include: payroll; disbursements/accounts payable; revenues/receipts; capital asset additions/dispositions and depreciation; long-term debt; equity; general ledger closing process.
- ◆ Perform a computer control evaluation.
- ◆ Perform preliminary analytical review of account balances.
- ◆ Use sophisticated data analysis software (IDEA) to efficiently identify anomalies and unusual transactions for further review.
- ◆ Read minutes, contracts, contract agreements and investment policies to identify significant compliance requirements.
- ◆ Verify major and nonmajor federal and state program compliance requirements, as well as contract requirements based on OMB's Compliance Supplement, grants and contracts.
- ◆ Prepare risk-based tailored audit programs and a client assistance package.
- ◆ Make specific inquiries of management and other personnel regarding fraud.
- ◆ Perform tests of controls for significant accounting systems (sample sizes will vary based on assessed risks).
- ◆ Perform tests of compliance with laws and regulations (sample sizes will vary based on assessed risks).

Fieldwork – Year-End

Based on the results of our planning and risk assessment procedures, we will focus our audit efforts in those areas where the risk of material error or fraud is greatest. Our approach is to identify the most effective and efficient procedures based on inherent and control risk. These procedures may include any of the following for the various account balances and transaction cycles:

- ◆ Analytical procedures: if used as the principal substantive test of a significant financial statement assertion, we will document –
 - the expectation and the factors considered in its development.
 - the results of the comparison between the expectation and recorded amounts.
 - any additional procedures performed in response to significant unexpected differences and the results of those procedures.

- ◆ Tests of details -
 - Test significant journal entries for propriety and authorization.
 - Trace significant operating, capital and debt service expenditures to source documents.
 - Vouch asset balances to detailed records and schedules.
 - Test individual debt transactions for propriety and proper presentation and disclosure in the financial statements.
 - Perform compliance tests related to grant restrictions.
 - Confirm balances with third parties, including banks and/or other lenders.
 - Trace cash receipts to supporting documents including bank statements.
 - Test both the methodology and the accounting for indirect cost allocations, if applicable.
 - Respond to specific fraud risks identified with further substantive tests of details or analytical procedures.
 - Perform observation procedures for significant fixed asset additions.
 - Perform a search for unrecorded liabilities.
 - Propose adjusting journal entries as necessary and provide to the County's finance staff.

Reporting

During the reporting phase, we will:

- ◆ Perform and document final analytical procedures on the financial statements.
- ◆ Draft financial statements and supplemental schedules in accordance with GAAP and review with finance staff.
- ◆ Obtain required representations from management and legal counsel.
- ◆ Discuss internal control and program compliance observations and recommendations.
- ◆ Conduct exit conference with the County's finance manager to review financial statements and review findings (if applicable).
- ◆ Resolve all outstanding issues.
- ◆ Issue the financial statements, single audit reports, and other requested reports.
- ◆ In-person presentation of the final audit report at a regular meeting of the Board of Supervisors.

SINGLE AUDIT APPROACH

Our Firm's approach to the Single Audit requirements, as specified in the Single Audit Act and OMB Uniform Guidance 2 CFR 200 Subpart F, are as follows:

Objectives

The objectives of the Single Audit are to determine the following:

- ♦ the financial statements of the reporting entity are presented in accordance with GAAP.
- ♦ the reporting entities internal control systems provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations.
- ♦ the reporting entity has complied with laws and regulations that have a material effect on the financial statements and on each major Federal assistance program.

Procedures

- ♦ Identify major and non-major programs and assess inherent and control risks.
- ♦ Perform substantive tests of compliance and tests of internal control over compliance for all major programs as required by the OMB Uniform Guidance 2 CFR 200 Subpart F.
- ♦ Sample sizes will adhere to the guidance found in the sampling chapter of the, "AICPA Audit Guide, *Government Auditing Standards* and Uniform Guidance Audits".

Reports

The following reports relating to Federal assistance programs will be issued:

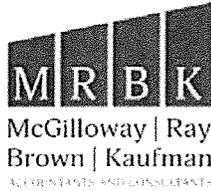
- ♦ Report on supplementary Schedule of Expenditures of Federal Awards. The schedule presents total expenditures for each program.
- ♦ Report on internal controls used in administering Federal financial assistance programs.
- ♦ Report on compliance with laws and regulations, identifying all findings of noncompliance and questioned costs, and expressing an opinion and other assurances on compliance.

Report on fraud, abuse, or illegal acts, or indications of such acts, if discovered.

EXHIBITS

EXHIBIT I

PEER REVIEW REPORT



2511 Garden Road
Suite A180
Monterey, CA 93940
831-373-3337
Fax 831-373-3437

379 West Market Street
Salinas, CA 93901
831-424-2737
Fax 831-424-7936

3478 Buskirk Avenue
Suite A1000
Pleasant Hill, CA 94523
831-373-3337
Fax 831-373-3437

Report on the Firm's System of Quality Control

September 11, 2018

To the Partners of Price, Paige and Company A C
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 Price, Paige and Company A C (the Firm) in effect for the year ended April 30, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; and audits of employee benefit plans.

Daniel M. McGilloway, Jr., CPA, CVA | Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Larry W. Rollins, CPA | Jesus Montemayor, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Smriti Shrestha, CPA | Deanna Thomas, CPA

Price, Paige and Company A C
September 11, 2018
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As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Price, Paige and Company A C in effect for the year ended April 30, 2018, 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*. Price, Paige and Company A C has received a peer review rating of *pass*.



McGilloway, Ray, Brown & Kaufman

EXHIBIT 2

AICPA CERTIFICATE OF RECOGNITION



American Institute of
Certified Public Accountants

Private Companies Practice Section (PCPS) is proud to present this

Certificate of Recognition to

Price Paige & Company AC

For demonstrating that your firm designed and complied with a system of the quality control standards established
by the AICPA during the period 05/01/2014 to 04/30/2015.



Joel C. Olbricht
Joel C. Olbricht, CPA, CGMA, Chair
PCPS Executive Committee

EXHIBIT 3

SCHEDULE OF PROFESSIONAL FEES

**FOR THE YEARS ENDING
JUNE 30, 2019 THROUGH JUNE 30, 2023**

<u>Services</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>
Preparation of the County's Financial Statements and AUP for GANN	\$ 49,825	\$ 49,825	\$ 51,320	\$ 51,320	\$ 52,859
Preparation of the GASB 68 Calculation	1,800	1,800	1,854	1,854	1,910
Preparation of the GASB 75 Calculation	2,575	2,575	2,652	2,652	2,732
Preparation of the Federal Single Audit *	22,024	22,024	22,685	22,685	23,365
Treasury Oversight Committee (examination)	4,408	4,408	4,540	4,540	4,676
Regional Solid Waste Management Authority	12,216	12,216	12,582	12,582	12,960
Other (meals and lodging)	1,786	1,786	1,840	1,840	1,895
Total	<u>\$ 94,634</u>	<u>\$ 94,634</u>	<u>\$ 97,473</u>	<u>\$ 97,473</u>	<u>\$ 100,397</u>

* Includes 4 major federal programs

<u>Audit Staff</u>	<u>Hourly Rates</u>
Partner	300
Manager	185
Senior	150
Staff	110
Admin	80