

**Sierra County
Board of Supervisors'
Agenda Transmittal &
Record of Proceedings**

MEETING DATE: March 3, 2020	TYPE OF AGENDA ITEM: <input checked="" type="checkbox"/> Regular <input type="checkbox"/> Timed <input type="checkbox"/> Consent
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DEPARTMENT: Audit
APPROVING PARTY: Van A. Maddox
PHONE NUMBER: 530-289-3286

AGENDA ITEM: Approval of a Contract with Smith and Newell for Audit Services for the years ending June 30, 2020, 2021, 2022.

SUPPORTIVE DOCUMENTS ATTACHED: Memo Resolution Agreement Other

BACKGROUND INFORMATION: Smith & Newell has been the County's Audit firm for the last 6 years. With all the turmoil if both the Auditors office and the Treasures Office Changing Auditors would be very disruptive at this time. This is a service contract therefore there is no legal requirement to go thru for a competitive bidding process.

This agreement would be an increase for 2.3% over last year's cost. There is a 3% increase got 2021 & 2022.

FUNDING SOURCE:

GENERAL FUND IMPACT: No General Fund Impact

OTHER FUND: various

AMOUNT: \$60,900 N/A

ARE ADDITIONAL PERSONNEL REQUIRED?

Yes, -- --
 No

IS THIS ITEM ALLOCATED IN THE BUDGET? Yes No

IS A BUDGET TRANSFER REQUIRED? Yes No

SPACE BELOW FOR CLERK'S USE

BOARD ACTION:

- Approved
- Approved as amended
- Adopted
- Adopted as amended
- Denied
- Other
- No Action Taken

- Set public hearing
For: _____
- Direction to: _____
- Referred to: _____
- Continued to: _____
- Authorization given to:

Resolution 2020- _____
Agreement 2020- _____
Ordinance _____
Vote:
Ayes:
Noes:
Abstain:
Absent:
 By Consensus

COMMENTS:

CLERK TO THE BOARD

DATE

**AGREEMENT FOR
PROFESSIONAL
SERVICES**

THIS AGREEMENT for Professional Services (Agreement) is made as of the Agreement Date set forth below by and between the County of Sierra, a political subdivision of the State of California (COUNTY), and

Smith & Newell CPAs (CONTRACTOR)

In consideration of the services to be rendered, the sums to be paid, and each and every covenant and condition contained herein, the parties hereto agree as follows:

OPERATIVE PROVISIONS

1. SERVICES.

The CONTRACTOR shall provide those audit services described in Attachment "A", Provision A.1. CONTRACTOR shall provide said services at the time, place and in the manner specified in Attachment "A", Provisions A.2 through A.3.

2. TERM.

Commencement Date: 7-1-2020

Termination Date: 6-30-2023

3. PAYMENT.

COUNTY shall pay CONTRACTOR for services rendered pursuant to this Agreement at the time and in the amount set forth in Attachment "B". The payment specified in Attachment "B" shall be the only payment made to CONTRACTOR for services rendered pursuant to this Agreement. CONTRACTOR shall submit all billings for said services to COUNTY in the manner specified in Attachment "B".

4. FACILITIES, EQUIPMENT AND OTHER MATERIALS AND OBLIGATIONS OF COUNTY.

CONTRACTOR shall, at its sole cost and expense, furnish all facilities, equipment, and other materials which may be required for furnishing services pursuant to this Agreement, except as provided in this paragraph. COUNTY shall furnish CONTRACTOR only those facilities, equipment, and other materials and shall perform those obligations listed in Attachment "A.4".

5. ADDITIONAL PROVISIONS.

Those additional provisions unique to this Agreement are set forth in Attachment "C".

6. GENERAL PROVISIONS.

The general provisions set forth in Attachment "D" are part of this Agreement. Any inconsistency between said general provisions and any other terms or conditions of this Agreement shall be controlled by the other terms or conditions insofar as the latter are inconsistent with the general provisions.

7. DESIGNATED REPRESENTATIVES.

Sierra County Auditor is the designated representative of the COUNTY and will administer this Agreement for the COUNTY. Norm Newell and Carrie Schroeder are the authorized representative for CONTRACTOR. Changes in designated representatives shall occur only by advance written notice to the other party.

8. ATTACHMENTS.

All attachments referred to herein are attached hereto and by this reference incorporated herein. Attachments include:

- Attachment A - Services
- Attachment B - Payment
- Attachment C - Additional Provisions
- Attachment D - General Provisions
- Attachment E - Scope of Services
- Attachment F - Billing Information

9. AGREEMENT DATE. The Agreement Date is

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day here first above written.

"COUNTY"

"CONTRACTOR"

COUNTY OF SIERRA

By _____
JIM BEARD

ATTEST:

APPROVED AS TO FORM:

HEATHER FOSTER
Clerk of the Board

AMANDA UHRHAMMER
County Counsel

ATTACHMENT A

A.1 SCOPE OF SERVICES AND DUTIES.

The services to be provided by CONTRACTOR and the scope of CONTRACTOR'S duties shall include the services as generally outlined in Attachment E, as attached hereto and incorporated by this reference and shall generally included an examination and audit of all books, records, and accounts of the County for the fiscal years ending June 30, 2020; June 30, 2021; and June 30, 2022 in accordance with generally accepted government accounting standards, which shall include review of internal controls and the financial transactions and records necessary to express an opinion on the County's financial condition. In addition to preparing audit reports and giving an opinion, the Contractor shall issue a management report on its evaluation of the County's system of internal accounting controls. Required reports on the county's transit fund and required reports on all funding subject to a single audit.

A.2. TIME SERVICES RENDERED.

Work will begin no later than October of each year unless another date is arranged between the parties in advance. Thereafter, CONTRACTOR shall perform services in a diligently and timely manner. Reports are to be issued within six months of the end of the fiscal's close unless other arrangements have been agreed to.

A.3. MANNER SERVICES ARE TO BE PERFORMED.

As an independent contractor, CONTRACTOR shall be responsible for providing services and fulfilling obligations hereunder in a professional manner. COUNTY shall not control the manner of performance.

A.4. FACILITIES, EQUIPMENT AND OTHER MATERIALS AND OBLIGATIONS OF COUNTY.

Adequate office space two days interim and two days field work a year for Contractors staff.

Copies of existing records and supporting documentation as necessary to perform all work:

1. Chart of accounts.
2. General ledger balance sheet and income statement summary.
3. Budget to actual revenue and expenditure summary totals for each fund presented in the financial statements.
4. County of Sierra adopted financial budget for the fiscal year end June 30, of audit.
5. Make available Minutes of the Board of Supervisors meetings or summaries of actions of recent meetings for which minutes have not yet been prepared for the period July 1, of the year being audited through the dates of our arrival. (minutes on the county web page meets this requirement)
6. A cash reconciliation report which reconciles cash at fiscal year end between the Auditor-Controller's office and the County Treasurer.
7. Outstanding warrant list at fiscal year end for each group of warrants (vendor, payroll, etc.) issued.
8. Detail schedules of all receivable accounts (due from governments or otherwise) at fiscal year end by fund and supporting documentation for those receivables.
9. A copy of the forth quarter interest apportionment report for the County Treasury.
10. Reconciled schedules of all interfund transfers as of the fiscal year end.
11. Supporting schedules for all inventory balances, including the year-end inventory test count sheets, final detail inventory report indicating item name, cost per item, and total item value, at fiscal year end.
12. Fixed assets detail report and a schedule of additions and deletions and proceeds from sales of fixed assets during the fiscal year for the general fixed assets and all proprietary funds. Depreciation schedules for the proprietary funds.
13. Detail schedule of all payables accounts at fiscal year end by fund. Also have available the vendor check registers for the months of July and August of the subsequent year being audited.
14. Copy of the Revenue Anticipation Note payable and documentation on the payments of the prior year RAN

- payable.
15. Detail schedules of deferred revenue representing state advances.
 16. Detail schedules of all long-term debt outstanding at fiscal year end and changes made during the fiscal year.
 17. A capital lease schedule and copies of new capital and operating leases incurred during the year and related amortization payments schedules for each.
 18. Detail schedule of encumbrances at fiscal year end by fund.
 19. Applicable documentation for creation of new funds, including Board of Supervisor resolutions and journal entries prepared to add funds to the general ledger.
 20. Calculation of proposition 4 limit and board resolution approving limitation for the fiscal year being audited.
 21. Supporting documentation for vacation and sick leave accruals.
 22. Administrator statement detailing activity and investment summary for fiscal year end regarding outstanding certificates of participation bonds requiring reserves and payment funds.
 23. List of authorized signatures for claims and samples of signatures.
 24. Work papers in determining the information on the PERS footnote: including reports calculating total PERS wages vs. County payroll and calculation of contributions. Please summarize the payments to the PERS from the semi-monthly reports (pink sheets).
 25. IRS forms 941 for all quarters being audited reconciled to the general ledger.
 26. Schedule on determining Post-retirement benefits expense and the county ordinance or resolution that allowed for these benefits.
 27. Supporting documentation for the accrual of the post closure landfill costs liability and the information gathered in order to prepare the footnote.
 28. Trindel audit report when available.
 29. Supporting documentation for subsequent events.

ATTACHMENT B

PAYMENT

COUNTY shall pay CONTRACTOR as follows:

B.1 BASE CONTRACT FEE. The County shall pay the Contractor according to the schedule stating the rate for each staff classification (see ATTACHMENT B-2), but in no case shall the total amount paid for any fiscal year exceed the maximum amount stated in Paragraph B.6.

	For the year ended		
	<u>6/30/20</u>	<u>6/30/21</u>	<u>6/30/22</u>
Sierra County	\$44,500	\$45,800	\$46,750
Single Audit (Including State Grants Supplemental Schedules)	7,216	7,465	8,113
Transportation Commission Performance Audit	-	3,300	-
Transit Fund	3,462	3,565	3,672
Transportation Commission	4,544	4,680	4,820
Gann Limit Calculation	<u>1,178</u>	<u>1,215</u>	<u>1,250</u>
Total	<u>\$60,900</u>	<u>\$66,025</u>	<u>\$64,605</u>

B.2 MILEAGE. N.A.

B.3 TRAVEL COSTS. None.

B.4 AUTHORIZATION REQUIRED. Services performed by CONTRACTOR and not authorized in this Agreement shall not be paid for by COUNTY. Payment for additional services shall be made to CONTRACTOR by COUNTY if, and only if, this Agreement is amended in writing by both parties in advance of performing additional services.

B.5 SPECIAL CIRCUMSTANCES. None.

B.6 MAXIMUM CONTRACT AMOUNT. The maximum amount payable to CONTRACTOR under this Agreement shall not exceed the following:
Notwithstanding any other provision of this contract, in no event will the cost to County for the services to be provided herein exceed the maximum sum of \$ 60,900 for the year ended 6/30/20, 66,025 for the year ended 6/30/21, \$ 64,605 for the year ended 6/30/22.

ATTACHMENT B-2

STAFF CLASSIFICATION RATE

Rates:

<u>Classification</u>	<u>Hourly Rate</u>
Partner	\$ 175
Manager	120
Senior	100
Staff Accountant	80
Administrative Assistant	60

ADDITIONAL PROVISIONS

[NONE]

**ATTACHMENT D
GENERAL PROVISIONS**

D.1 INDEPENDENT CONTRACTOR. For all purposes arising out of this Agreement, CONTRACTOR shall be an independent contractor and CONTRACTOR and each and every employee, agent, servant, partner, and shareholder of CONTRACTOR (collectively referred to as "The Contractor") shall not be, for any purpose of this Agreement, an employee of COUNTY. Furthermore, this Agreement shall not under any circumstance be construed or considered to be a joint powers agreement as described in *Government Code* Section 6000, et seq., or otherwise. As an independent contractor, the following shall apply:

D.1.1 CONTRACTOR shall determine the method, details and means of performing the services to be provided by CONTRACTOR as described in this Agreement.

D.1.2 CONTRACTOR shall be responsible to COUNTY only for the requirements and results specified by this Agreement and, except as specifically provided in this Agreement, shall not be subject to COUNTY's control with respect to the physical actions or activities of CONTRACTOR in fulfillment of the requirements of this Agreement.

D.1.3 CONTRACTOR shall be responsible for its own operating costs and expenses, property and income taxes, workers' compensation insurance and any other costs and expenses in connection with performance of services under this Agreement.

D.1.4 CONTRACTOR is not, and shall not be, entitled to receive from or through COUNTY, and COUNTY shall not provide or be obligated to provide the CONTRACTOR with workers' compensation coverage, unemployment insurance coverage or any other type of employee or worker insurance or benefit coverage required or provided by any federal, state or local law or regulation for, or normally afforded to, any employee of COUNTY.

D.1.5 The CONTRACTOR shall not be entitled to have COUNTY withhold or pay, and COUNTY shall not withhold or pay, on behalf of the CONTRACTOR any tax or money relating to the Social Security Old Age Pension Program, Social Security Disability Program or any other type of pension, annuity or disability program required or provided by any federal, state or local law or regulation for, or normally afforded to, an employee of COUNTY.

D.1.6 The CONTRACTOR shall not be entitled to participate in, or receive any benefit from, or make any claim against any COUNTY fringe benefit program including, but not limited to, COUNTY's pension plan, medical and health care plan, dental plan, life insurance plan, or other type of benefit program, plan or coverage designated for, provided to, or offered to COUNTY's employees.

D.1.7 COUNTY shall not withhold or pay on behalf of CONTRACTOR any federal, state or local tax including, but not limited to, any personal income tax owed by CONTRACTOR.

D.1.8 The CONTRACTOR is, and at all times during the term of this Agreement shall represent and conduct itself as, an independent contractor and not as an employee of COUNTY.

D.1.9 CONTRACTOR shall not have the authority, express or implied, to act on behalf of, bind or obligate the COUNTY in any way without the written consent of the COUNTY.

D.2 LICENSES, PERMITS, ETC. CONTRACTOR represents and warrants to COUNTY that it has all licenses, permits, qualifications, and approvals of whatsoever nature which are legally required for CONTRACTOR to practice its profession. CONTRACTOR represents and warrants to COUNTY that CONTRACTOR shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement any licenses, permits, and approvals which are legally required for CONTRACTOR to practice its profession at the time the services are performed.

D.3 CHANGE IN STATUTES OR REGULATIONS. If there is a change of statutes or regulations applicable to the subject matter of this Agreement, both parties agree to be governed by the new provisions, unless either party gives notice to terminate pursuant to the terms of this Agreement.

D.4 TIME. CONTRACTOR shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary for the satisfactory performance of CONTRACTOR's obligations pursuant to this Agreement. Neither party shall be considered in default of this Agreement to the extent performance is prevented or delayed by any cause, present or future, which is beyond the reasonable control of the party.

D.5 INSURANCE.

D.5.1 Prior to rendering services provided by the terms and conditions of this Agreement, CONTRACTOR shall acquire and maintain during the term of this Agreement insurance coverage through and with an insurer acceptable to COUNTY, naming the COUNTY and COUNTY's officers, employees, agents and independent contractors as additional insured (hereinafter referred to as "the insurance"). The insurance shall contain the coverage indicated by the checked items below.

D.5.1.1 Comprehensive general liability insurance including comprehensive public liability insurance with minimum coverage of One Million Dollars (\$1,000,000) per occurrence and with not less than One Million Dollars (\$3,000,000) aggregate; CONTRACTOR shall insure both COUNTY and CONTRACTOR against any liability arising under or related to this Agreement.

D.5.1.2 During the term of this Agreement, CONTRACTOR shall maintain in full force and effect a policy of professional errors and omissions insurance with policy limits of not less than One Million Dollars (\$1,000,000) per incident and One Million Dollars (\$3,000,000) annual aggregate, with deductible or self-insured portion not to exceed Two Thousand Five Hundred Dollars (\$10,000).

D.5.1.3 Comprehensive automobile liability insurance with minimum coverage of One Hundred Thousand Dollars (\$300,000) per occurrence and with not less than One Hundred Thousand Dollars (\$300,000) on reserve in the aggregate, with combined single limit including owned, non-owned and hired vehicles.

D.5.1.4 Workers' Compensation Insurance coverage for all CONTRACTOR employees and other persons for whom CONTRACTOR is responsible to provide such insurance coverage, as provided by Division 4 and 4.5 of the *Labor Code*.

D.5.2 The limits of insurance herein shall not limit the liability of the CONTRACTOR hereunder.

D.5.3 In respect to any insurance herein, if the aggregate limit available becomes less than that required above, other excess insurance shall be acquired and maintained immediately. For the purpose of any insurance term of this Agreement, "aggregate limit available" is defined as the total policy limits available for all claims made during the policy period.

D.5.4 The insurance shall include an endorsement that no cancellation or material change adversely affecting any coverage provided by the insurance may be made until twenty (20) days after written notice is delivered to COUNTY.

D.5.5 The insurance policy forms, endorsements and insurer(s) issuing the insurance shall be satisfactory to COUNTY at its sole and absolute discretion. The amount of any deductible payable by the insured shall be subject to the prior approval of the COUNTY and the COUNTY, as a condition of its approval, may require such proof of the adequacy of CONTRACTOR's financial resources as it may see fit.

D.5.6 Prior to CONTRACTOR rendering services provided by this Agreement, and immediately upon acquiring additional insurance, CONTRACTOR shall deliver a certificate of insurance describing the insurance coverage's and endorsements to:

County of Sierra
Auditor/Risk-Manager
P.O. Drawer 425
Downieville, CA 95936

D.5.7 CONTRACTOR shall not render services under the terms and conditions of this Agreement unless each type of insurance coverage and endorsement is in effect and CONTRACTOR has delivered the certificate(s) of insurance to COUNTY as previously described. If CONTRACTOR shall fail to procure and maintain said insurance, COUNTY may, but shall not be required to, procure and maintain the same, and the premiums of such insurance shall be paid by CONTRACTOR to COUNTY upon demand. The policies of insurance provided herein which are to be provided by CONTRACTOR shall be for a period of not less than one year, it being understood and agreed that twenty (20) days prior to the expiration of any policy of insurance, CONTRACTOR will deliver to COUNTY a renewal or new policy to take the place of the policy expiring.

D.5.8 COUNTY shall have the right to request such further coverage and/or endorsements on the insurance as COUNTY deems necessary, at CONTRACTOR's expense. The amounts, insurance policy forms, endorsements and insurer(s) issuing the insurance shall be satisfactory to COUNTY in its sole and absolute discretion.

D.5.9 Any subcontractor(s), independent contractor(s) or any type of agent(s) performing or hired to perform any term or condition of this Agreement on behalf of CONTRACTOR, as may be allowed by this Agreement (hereinafter referred to as the "SECONDARY PARTIES"), shall comply with each term and condition of this Section D.5 entitled "INSURANCE". Furthermore, CONTRACTOR shall be responsible for the SECONDARY PARTIES' acts and satisfactory performance of the terms and conditions of this Agreement.

D.6 INDEMNITY. CONTRACTOR shall defend, indemnify, and hold harmless COUNTY, its elected and appointed councils, boards, commissions, officers, agents, and employees from any liability for damage or claims for damage for any economic loss or personal injury, including death, as well as for property damage, which may arise from the intentional or negligent acts or omissions of CONTRACTOR in the performance of services rendered under this Agreement by CONTRACTOR, or any of CONTRACTOR's officers, agents, employees, contractors, or subcontractors.

D.7 CONTRACTOR NOT AGENT. Except as COUNTY may specify in writing, CONTRACTOR shall have no authority, express or implied, to act on behalf of COUNTY in any capacity whatsoever as an agent. CONTRACTOR shall have no authority, express or implied, pursuant to this Agreement to bind COUNTY to any obligation whatsoever.

D.8 ASSIGNMENT PROHIBITED. CONTRACTOR may not assign any right or obligation pursuant to this Agreement. Any attempted or purported assignment of any right or obligation pursuant to this Agreement shall be void and of no legal effect.

D.9 PERSONNEL. CONTRACTOR shall assign only competent personnel to perform services pursuant to this Agreement. In the event that COUNTY, in its sole discretion at any time during the term of this Agreement, desires the removal of any person or persons assigned by CONTRACTOR to perform services pursuant to this Agreement, CONTRACTOR shall remove any such person immediately upon receiving written notice from COUNTY of its desire for removal of such person or persons.

D.10 STANDARD OF PERFORMANCE. CONTRACTOR shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which CONTRACTOR is engaged. All products of whatsoever nature which CONTRACTOR delivers to COUNTY pursuant to this Agreement shall be prepared in a first class and workmanlike manner and shall conform to the standards of quality normally observed by a person practicing in CONTRACTOR's profession.

D.11 POSSESSORY INTEREST. The parties to this Agreement recognize that certain rights to property may create a "possessory interest", as those words are used in the *California Revenue and Taxation Code* (107). For all purposes of compliance by COUNTY with Section 107.6 of the *California Revenue and Taxation Code*, this recital shall be deemed full compliance by the COUNTY. All questions of initial determination of possessory interest and valuation of such interest, if any, shall be the responsibility of the County Assessor and the contracting parties hereto. A taxable possessory interest may be created by this, if created, and the party in whom such an interest is vested will be subject to the payment of property taxes levied on such an interest.

D.12 TAXES. CONTRACTOR hereby grants to the COUNTY the authority to deduct from any payments to CONTRACTOR any COUNTY imposed taxes, fines, penalties and related charges which are delinquent at the time such payments under this Agreement are due to CONTRACTOR.

D.13 TERMINATION. COUNTY shall have the right to terminate this Agreement at any time by giving notice in writing of such termination to CONTRACTOR. In the event COUNTY gives notice of termination, CONTRACTOR shall immediately cease rendering service upon receipt of such written notice and the following shall apply:

D.13.1.1 CONTRACTOR shall deliver to COUNTY copies of all writings prepared by it pursuant to this Agreement. The term "writings" shall be construed to mean and include: handwriting, typewriting, printing, photo stating, photographing, computer storage medium (tapes, CD, DVD, etc.) and every other means of recording upon any tangible thing, and form of communication or representation, including letters, words, pictures, sounds, or symbols, or combinations thereof.

D.13.1.2 COUNTY shall pay CONTRACTOR the reasonable value of services rendered by CONTRACTOR to the date of termination pursuant to this Agreement not to exceed the amount documented by CONTRACTOR and approved by COUNTY as work accomplished to date. However, COUNTY shall not in any manner be liable for lost profits which might have been made by CONTRACTOR had CONTRACTOR completed the services required by this Agreement. In this regard, CONTRACTOR shall furnish to COUNTY such financial information as in the judgment of the COUNTY is necessary to determine the reasonable value of the services rendered by CONTRACTOR. In the event of a dispute as to the reasonable value of the services rendered by CONTRACTOR, the decision of the COUNTY shall be final. The foregoing is cumulative and does not affect any right or remedy which COUNTY may have in law or equity.

D.13.2 CONTRACTOR may terminate its services under this Agreement upon thirty (30) working days written notice to the COUNTY, without liability for damages, if CONTRACTOR is not compensated according to the provisions of the Agreement or upon any other material breach of the Agreement by COUNTY, provided that CONTRACTOR has first provided COUNTY with a written notice of any alleged breach, specifying the nature of the alleged breach and providing not less than ten (10) working days within which the COUNTY may cure the alleged breach.

D.14 OWNERSHIP OF INFORMATION. All professional and technical information developed under this Agreement and all work sheets, reports, and related data shall become and/or remain the property of COUNTY, and CONTRACTOR agrees to deliver reproducible copies of such documents to COUNTY on completion of the services hereunder. The COUNTY agrees to indemnify and hold CONTRACTOR harmless from any claim arising out of reuse of the information for other than this project.

D.15 WAIVER. A waiver by any party of any breach of any term, covenant or condition herein contained or a waiver of any right or remedy of such party available hereunder at law or in equity shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained or of any continued or subsequent right to the same right or remedy. No party shall be deemed to have made any such waiver unless it is in writing and signed by the party so waiving.

D.16 COMPLETENESS OF INSTRUMENT. This Agreement, together with its specific references and attachments, constitutes all of the agreements, understandings, representations, conditions, warranties and covenants made by and between the parties hereto. Unless set forth herein, neither party shall be liable for any representations made, express or implied.

D.17 SUPERSEDES PRIOR AGREEMENTS. It is the intention of the parties hereto that this Agreement shall supersede any prior agreements, discussions, commitments, representations, or agreements, written or oral, between the parties hereto.

D.18 MINOR AUDITOR REVISION. In the event the Sierra County Auditor's office finds a mathematical discrepancy between the terms of the Agreement and actual invoices or payments, provided that such discrepancy does not exceed 1% of the Agreement amount, the Auditor's office may make the adjustment in any payment or payments without requiring an amendment to the Agreement to provide for such adjustment. Should the COUNTY or the CONTRACTOR disagree with such adjustment, they reserve the right to contest such adjustment and/or to request corrective amendment.

D.19 CAPTIONS. The captions of this Agreement are for convenience in reference only and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

D.20 DEFINITIONS. Unless otherwise provided in this Agreement, or unless the context otherwise requires, the following definitions and rules of construction shall apply herein.

D.20.1 NUMBER AND GENDER. In this Agreement, the neuter gender includes the feminine and masculine, the singular includes the plural, and the word "person" includes corporations, partnerships, firms or associations, wherever the context so requires.

D.20.2 MANDATORY AND PERMISSIVE. "Shall" and "will" and "agrees" are mandatory. "May" is permissive.

D.21 TERM INCLUDES EXTENSIONS. All references to the term of this Agreement or the Agreement Term shall include any extensions of such term.

D.22 SUCCESSORS AND ASSIGNS. All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto, shall be binding upon and inure to the benefit of such party, its successors and assigns.

D.23 MODIFICATION. No modification or waiver of any provisions of this Agreement or its attachments shall be effective unless such waiver or modification shall be in writing, signed by all parties, and then shall be effective only for the period and on the condition, and for the specific instance for which given.

D.24 COUNTERPARTS. This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

D.25 OTHER DOCUMENTS. The parties agree that they shall cooperate in good faith to accomplish the object of this Agreement and, to that end, agree to execute and deliver such other and further instruments and documents as may be necessary and convenient to the fulfillment of these purposes.

D.26 PARTIAL INVALIDITY. If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provision and/or provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

D.27 VENUE. It is agreed by the parties hereto that unless otherwise expressly waived by them, any action brought to enforce any of the provisions hereof or for declaratory relief hereunder shall be filed and remain in a court of competent jurisdiction in the County of Sierra, State of California.

D.28 CONTROLLING LAW. The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of California.

D.29 CALIFORNIA TORT CLAIMS ACT. Notwithstanding any term or condition of the Agreement, the provisions, and related provisions, of the California Tort Claims Act, Division 3.6 of the *Government Code*, are not waived by COUNTY and shall apply to any claim against COUNTY arising out of any acts or conduct under the terms and conditions of this Agreement.

D.30 TIME IS OF THE ESSENCE. Time is of the essence of this Agreement and each covenant and term herein.

D.31 AUTHORITY. All parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement in the names, titles and capacities herein stated and on behalf of any entities, persons, estates or firms represented or purported to be represented by such entity(s), person(s), estate(s) or firm(s) and that all formal requirements necessary or required by any state and/or federal law in order to enter into this Agreement are in full compliance. Further, by entering into this Agreement, neither party hereto shall have breached the terms or conditions of any other contract or agreement to which such party is obligated, which such breach would have a material effect hereon.

D.32 CORPORATE AUTHORITY. If CONTRACTOR is a corporation or public agency, each individual executing this Agreement on behalf of said corporation or public agency represents and warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the bylaws of said corporation or Board or Commission of said public agency, and that this Agreement is binding upon said corporation or public entity in accordance with its terms. If CONTRACTOR is a corporation, CONTRACTOR shall, within thirty (30) days after execution of this Agreement, deliver to COUNTY a certified copy of a resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Agreement.

D.33 CONFLICT OF INTEREST.

D.33.1 LEGAL COMPLIANCE. CONTRACTOR agrees at all times in performance of this Agreement to comply with the law of the State of California regarding conflicts of interest, including, but not limited to, Article 4 of Chapter 1, Division 4, Title 1 of the *California Government Code*, commencing with Section 1090, and Chapter 7 of Title 9 of said Code, commencing with Section 87100, including regulations promulgated by the California Fair Political Practices Commission.

D.33.2 ADVISEMENT. CONTRACTOR agrees that if any facts come to its attention which raise any questions as to the applicability of this law, it will immediately inform the COUNTY designated representative and provide all information needed for resolution of the question.

D.33.3 ADMONITION. Without limitation of the covenants in subparagraphs D.34.1 and D.34.2, CONTRACTOR is admonished hereby as follows:

The statutes, regulations and laws referenced in this provision D.34 include, but are not limited to, a prohibition against any public officer, including CONTRACTOR for this purpose, from making any decision on behalf of COUNTY in which such officer has a direct or indirect financial interest. A violation occurs if the public officer influences or participates in any COUNTY decision which has the potential to confer any pecuniary benefit on CONTRACTOR or any business firm in which CONTRACTOR has an interest of any type, with certain narrow exceptions.

D.34 NONDISCRIMINATION. During the performance of this Agreement, CONTRACTOR shall not unlawfully discriminate against any employee of the CONTRACTOR or of the COUNTY or applicant for employment or for services or any member of the public because of race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age or sex. CONTRACTOR shall ensure that in the provision of services under this Agreement, its employees and applicants for employment and any member of the public are free from such discrimination. CONTRACTOR shall comply with the provisions of the Fair Employment and Housing Act (*Government Code* Section 12900 et seq.). The applicable regulations of the Fair Employment Housing Commission implementing *Government Code* Section 12900, set forth in Chapter 5, Division 4 of Title 2 of the California *Administrative Code* are incorporated into this Agreement by reference and made a part hereof as if set forth in full. CONTRACTOR shall also abide by the Federal Civil Rights Act of 1964 and all amendments thereto, and all administrative rules and regulation issued pursuant to said Act. CONTRACTOR shall give written notice of its obligations under this clause to any labor agreement. CONTRACTOR shall include the non-discrimination and compliance provision of this paragraph in all subcontracts to perform work under this Agreement.

D.35 JOINT AND SEVERAL LIABILITY. If any party consists of more than one person or entity, the liability of each person or entity signing this Agreement shall be joint and several.

D.36 TAXPAYER I.D. NUMBER. The COUNTY shall not disburse any payments to CONTRACTOR pursuant to this Agreement until CONTRACTOR supplies the latter's Taxpayer I.D. Number or Social Security Number (as required on the line under CONTRACTOR'S signature on page 2 of this Agreement).

D.37 NOTICES. All notices and demands of any kind which either party may require or desire to serve on the other in connection with this Agreement must be served in writing either by personal service or by registered or certified mail, return receipt requested, and shall be deposited in the United States Mail, with postage thereon fully prepaid, and addressed to the party so to be served as follows:

If to "COUNTY":
Auditor/Treasurer-Tax Collector
County of Sierra
Post Office Box 425
Downieville, CA 95936

With a copy to:
County Counsel
County of Sierra
Post Office Drawn D
Downieville, CA 95936

If to "CONTRACTOR":

Smith & Newell CPAs
950 Tharp Road,
Suite 502
Yuba City, Ca. 95993

ATTACHMENT D - PAGE 7 OF 7
SMITH & NEWELL CPAs

(Taxpayers I.D. or Social Security No.)

County of Sierra
Auditor's Office
Post Office Box 425
Downieville, California 95936

Our File No. _____

Re: _____

STATEMENT OF ACCOUNT FOR

BALANCE FORWARD \$

TOTAL CURRENT CHARGES:

Total \$ _____



February 12, 2020

**Proposal to Provide Professional
Independent Auditing Services to:**

County of Sierra

Prepared by:

Norman Newell, CPA, Partner
and
Carrie Schroeder, CPA, Partner



SMITH & NEWELL CPAS
950 THARP RD, STE 502
YUBA CITY, CA 95993

PH 530-673-9790 | FAX 530-673-1305
ACCOUNTING@SMITHANDNEWELL.COM



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February 12, 2020

County of Sierra
Attn: Van Maddox
PO Box 425
Downieville, CA 95936

Dear Van:

Smith & Newell CPAs is pleased to submit our proposal to provide the County of Sierra professional audit services for the fiscal years ending June 30, 2020, 2021 and 2022. We believe that our technical approach and staffing plan described herein respond fully to the County's needs.

Understanding the Work

Our understanding of the scope of work is as follows:

- We will issue a report on the financial statements in conformity with generally accepted accounting principles for the County of Sierra.
- We will issue a report on the internal controls and compliance in accordance with Government Auditing Standards.
- We will prepare a Management report and Auditor's Communication Letters
- We will test compliance with Article XIII B, Review of Appropriations Limit calculation.
- We will have an exit conference with management.
- We will be responsible for report preparation and printing of the County's Annual Financial Report, the Single Audit Report, Appropriations Limit Report, Management Comment Letter and Transit and Transportation Commission Annual Financial Reports. We will provide copies in PDF format, in addition to printed copies.
- We will submit the Transit and Transportation Commission Annual Financial Reports to the State Controller's Office.
- We will prepare any other report for the governing body as may be required by generally accepting auditing standards.
- We are committed to performing the work within the time periods established and meeting the required delivery date of all required reports.

Smith & Newell Qualifications

We believe our audit approach involving experienced staff, extensive partner participation and our proposed work plan uniquely qualify Smith & Newell to be the best choice for the County of Sierra.

Our staff, who will be assigned to the County's audit, are experienced professionals that have extensive experience with government audits. Each of our staff bring experience to the audit that allows for a new outlook with innovative suggestions to improve quality and efficiency. We feel the choice of an audit firm should be primarily based upon staff. We have an extremely low percentage of key employee turnover and we are confident that we will provide the County with consistent staff over the contract period.

Partner involvement is also key to the audit's success. Norman Newell and Carrie Schroeder actively participate in all phases of the audit. They will be responsive to the County's needs and are available to assist the County at any time during the year. Their extensive experience with government auditing provides the benefit of recommendations based on valuable insights to better improve the County's operations and procedures.

Our proposed work plan is based on years of experience with government auditing. We understand the demands placed on governments today and the challenges they face. In developing our work plan, we use the latest audit technology and methodologies to accomplish the goals of the engagement in the most efficient manner which minimizes disruption to normal County operations.

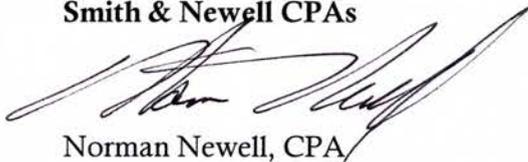
The following individuals are authorized to make representations for Smith & Newell CPAs:

Norman Newell, CPA, Partner
950 Tharp Rd, Ste 502
Yuba City, CA 95993
(530) 673-9790
accounting@smithandnewell.com

Carrie Schroeder, CPA, Partner
950 Tharp Rd, Ste 502
Yuba City, CA 95993
(530) 673-9790
accounting@smithandnewell.com

We hope that as you read through this proposal, you recognize the philosophy of our firm which is to provide each of our clients with exceptional service, experienced staff, and an audit approach that will fit their needs. Our dedication to quality, professional standards and service has been the guiding force in our firm since its inception in 1988. Thank you for providing us the opportunity to present our proposal. This is a firm and irrevocable offer for 60 days from the date of this proposal. As partners in the firm of Smith & Newell, CPAs, Norman Newell and Carrie Schroeder are authorized to make representations for the firm. If you have any questions concerning this proposal, please contact Norman Newell or Carrie Schroeder.

Sincerely,
Smith & Newell CPAs



Norman Newell, CPA,
Partner



Executive Summary

Smith & Newell CPAs is a full-service CPA firm located in Yuba City, California. Norman Newell, CPA will lead the proposed auditing services that include an audit of the annual financial statements and compliance for the County of Sierra for the fiscal years ending June 30, 2020, 2021 and 2022.

When considering whether to hire our firm, you will find that Smith & Newell stands out from our competitors in several areas, such as:

Experienced and Involved Partners

Norman Newell, CPA and Carrie Schroeder, CPA have over 46 years of combined professional auditing, accounting and consulting experience. Both partners will be extensively involved in the County's audit, and will freely lend their expertise on any accounting or internal control issues.

Timely Audits

Smith & Newell is committed to meeting all audit deadlines. Our audits are performed in accordance with an agreed-upon schedule, and submissions to the State of California are filed on time.

Commitment to Quality

Smith & Newell receives a peer review of our system of quality control for our accounting and auditing practice every three years. Our most recent peer review was completed with a *pass* rating. All audits submitted to the State have been approved.

Audit Process

Smith & Newell has extensive experience auditing governmental and nonprofit entities, which makes for a smooth audit process. Our firm guarantees that our staff are experienced and supervised, our clients will be given an audit plan prior to the start of fieldwork, and that we will be considerate of your staff's time during our audit and fieldwork. We will also issue a draft of our reports to the County and will discuss any questions, concerns and audit findings with the County before the reports are finalized.

Problems/Solutions

Smith & Newell CPAs is adept at identifying problem areas that may exist in your organization and providing solutions to help mitigate those problem areas in the future. Both partners will freely discuss any areas that could be changed or improved to help your organization.

Our proposal that follows provides more specific information on the scope of audit services we will provide, our firm and staff experience, qualifications, references and approach to the audit. We hope you choose Smith & Newell CPAs for your auditing needs.



Section I – Technical Proposal

1. LICENSE TO PRACTICE IN THE STATE OF CALIFORNIA

Smith & Newell CPAs is licensed to practice accounting in the State of California and has complied with all applicable California State Board of Accountancy requirements. In addition, all of the key professional staff that will be assigned to the audit are also licensed to practice in the State of California and have complied with all applicable State Board of Accountancy standards.

2. INDEPENDENCE

Smith & Newell CPAs is independent of the County of Sierra and all of the component units of the County of Sierra, as defined by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards (commonly referred to as the “Yellow Book” standards), issued by the Comptroller General of the United States.

3. FIRM QUALIFICATIONS AND EXPERIENCE

Our Practice

Smith and Newell, CPAs was established in 1988 as a full-service firm. We are a CPA firm located in Yuba City, California. We are a general partnership providing auditing, tax, accounting and consulting services to governmental entities, nonprofits, corporations, partnerships and individuals. Government services constitute a significant portion of Smith & Newell’s total practice. The firm of Smith & Newell has a commitment to maintain a “hands on” approach to our governmental audits. We actively participate in all phases of each engagement and feel that because of this policy we are able to offer you a high-quality audit at a reasonable price.

Currently our firm consists of seven individuals, including five professionals and two administrative personnel. The professional staff consists of two partners, one manager, one senior and one staff accountant. The County’s engagement will be staffed full-time, as required, by one partner, one manager, one senior, one staff accountant, plus administrative assistance.

Peer Review

Our firm is devoted to quality, and we have taken extra steps to assure that we meet the highest professional standards of quality. Our firm has a program of quality control to ensure that our engagements meet the standards of the Yellow Book, including qualifications, independence, due professional care, and quality control. Every three years we must undergo a peer review of our system of quality control for our accounting and auditing practice. Our peer review includes an onsite review of specific government engagements. A Peer Review Committee establishes the standards and procedures governing the conduct of the peer review. Upon completion of the peer review, the reviewers communicate their findings to the reviewed firm and



prepare a written report. These standards provide that the report should contain, among other things:

- The reviewer's opinion on whether the reviewed firm's quality control system met the guidelines of quality control standards established by the AICPA, and whether the system was being complied with to provide the firm with reasonable assurance of conforming to professional standards.
- The reviewer may issue an unqualified, qualified or adverse opinion. We are pleased to report that we have always received an unqualified opinion - the highest level of assurance possible. Our continued participation in periodic peer reviews and our voluntary membership in the AICPA and the California Society of CPAs support the firm's commitment to quality and client service.

A copy of our most recent peer review report is provided in Appendix B.

Professional Associations

We are members of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. In addition, our firm is a member of the AICPA's Governmental Audit Quality Center. We are also members in the Governmental Finance Officers Association (GFOA).

No Record of Substandard Work

Our firm does not have a record of substandard audit work, nor any outstanding claim of substandard work or unsatisfactory performance pending with the State Board of Accountancy nor the Federal Inspector General. There have not been any positive enforcement actions or other matters that would reflect negatively on our professional qualifications, including any action for substandard audits taken by the State Board of Accountancy, or the Federal Inspector General.

Disciplinary Action

There are not any current or pending disciplinary or litigation actions against our firm in any manner related to our professional activities, nor have there been any such actions in the past.

4. PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE

Qualifications and Experience of Individuals Assigned to the Engagement

The engagement team for the County of Sierra collectively possess over 66 years of auditing experience. They have the ability and expertise to meet the complex demands of the engagement.

- Norman Newell, CPA – Norman is a partner with Smith & Newell CPAs, specializing in government auditing. As a partner in the firm he will have hands-on involvement in all aspects of this engagement. He will serve as quality assurance partner for the County's audit. He will also be responsible



for onsite project management and for the day-to-day management of services to the County. He will be responsible for planning the audit and assuring that the design of audit programs achieves the objectives of the audit. He will review the progress of the audit, assist in resolving technical issues and review reports for overall quality. He reviews and signs all of the reports issued by Smith & Newell and is responsible for firm-wide quality control standards, including annual internal quality control inspections. He will have ultimate responsibility for the delivery of services to the County of Sierra and will work with the County regarding new accounting and auditing pronouncements, and ensure issues are identified and resolved in a timely manner.

- Carrie Schroeder, CPA – Carrie is a partner in Smith & Newell CPAs, specializing in government auditing. As a partner in the firm she will have hands-on involvement in all aspects of this engagement. She will serve as a quality assurance partner for the County's audit. She will be responsible for planning the audit and assuring that the design of audit programs achieves the objectives of the audit. As a partner in the firm she will assist in resolving technical issues and perform final review of reports for overall quality. She will work with the County regarding new accounting and auditing pronouncements, and ensure issues are identified and resolved in a timely manner.
- Matthew Davis, CPA – Matt is a manager in Smith & Newell CPAs, with experience in government auditing. As a manager in the firm he will be responsible for ensure the single audit requirements, if required, are complied with in accordance with the Uniform Guidance. His specialty is single audit compliance and keeping abreast of new developments and requirements in accordance with Uniform Guidance audits. He will also participate in various aspects of the County audit, including internal control testing and analytical reviews.

Engagement Staffing

We are committing the engagement partner, manager, senior and staff as assigned in this proposal, and they will not be changed unless those personnel leave the firm. Resumes of these key professionals to be assigned to the County of Sierra's audit are provided on the following pages.



NORMAN NEWELL, CPA, PARTNER

POSITION

Norm is a partner in Smith & Newell CPAs specializing in audits of governmental entities.

EDUCATION

Bachelor of Science degree from University of California, Cal Poly and a second Bachelor of Science degree in Business Administration with a concentration in Accounting from California State University, Chico.

BACKGROUND

Norm has over 30 years of professional experience providing auditing, accounting and consulting services to governmental entities. As a partner in Smith & Newell, he has managed audits for numerous counties, cities, housing authorities, redevelopment agencies, special districts and grants and special programs.

PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants (AICPA)
 California Society of Certified Public Accountants (CalCPA)
 Association of Government Accountants (AGA)

CONTINUING PROFESSIONAL EDUCATION

Norm has satisfied the "Yellow Book" requirement of having at least eighty hours continuing professional education every two years, of which twenty-four must directly relate to the government environment and government auditing.

2017		
	Governmental, Accounting, & Auditing/Fraud	40
	Tax	16
2018		
	Governmental, Accounting, & Auditing/Fraud	50
	Tax	18
	Ethics, Regulatory & Review	6
2019		
	Governmental, Accounting, & Auditing/Fraud	40.5
	Tax	10
	Ethics, Regulatory & Review	4

RELEVANT EXPERIENCE

For the fiscal year ended June 30, 2019, Norm actively participated in the government audits of six counties, five cities, and numerous special districts.



CARRIE SCHROEDER, CPA, PARTNER

POSITION

Carrie is a partner in Smith & Newell CPAs specializing in audits of governmental entities.

EDUCATION

Bachelor of Science in Business Administration with a concentration in Accounting from California State University Sacramento

BACKGROUND

Carrie has over 16 years of professional experience working with Smith & Newell. She has provided auditing and accounting services to a variety of governmental entities. As a partner in Smith & Newell, she has actively participated in audits for numerous counties, cities, housing authorities, redevelopment agencies, special districts, grants and special programs.

PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants (AICPA)
California Society of Certified Public Accountants (CalCPA)
Association of Government Accountants (AGA)

CONTINUING PROFESSIONAL EDUCATION

Carrie has satisfied the "Yellow Book" requirement of having at least eighty hours continuing professional education every two years, of which twenty-four must directly relate to the government environment and government auditing.

2017		
	Governmental, Accounting, & Auditing/Fraud	68
	Tax	16
	Ethics, Regulatory & Review	4
2018		
	Governmental, Accounting, & Auditing/Fraud	35
	Tax	18
2019		
	Governmental, Accounting, & Auditing/Fraud	54
	Tax	12
	Ethics, Regulatory & Review	4

RELEVANT EXPERIENCE

For the fiscal year ended June 30, 2019, Carrie actively participated in the government audits of six counties, five cities, and numerous special districts.



MATTHEW DAVIS, CPA, MANAGER

POSITION

Matt is a manager in Smith & Newell CPAs specializing in audits of governmental entities.

EDUCATION

Bachelor of Science degree from Harding University, Arkansas

BACKGROUND

Matt has over 20 years of professional experience providing auditing, accounting and consulting services to governmental entities. As a manager in Smith & Newell, he has actively participated in audits for numerous counties, cities, housing authorities, redevelopment agencies, special districts and grants and special programs.

PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants (AICPA)
 California Society of Certified Public Accountants (CalCPA)
 Association of Government Accountants (AGA)

CONTINUING PROFESSIONAL EDUCATION

Matt has satisfied the "Yellow Book" requirement of having at least eighty hours continuing professional education every two years, of which twenty-four must directly relate to the government environment and government auditing.

2017		
	Governmental, Accounting, & Auditing/Fraud	68
	Tax	16
	Ethics, Regulatory & Review	4
2018		
	Governmental, Accounting, & Auditing/Fraud	35
	Tax	18
2019		
	Governmental, Accounting, & Auditing/Fraud	48.5
	Tax	8
	Ethics, Regulatory & Review	4

RELEVANT EXPERIENCE

For the fiscal year ended June 30, 2019, Matt actively participated in the government audits of six counties, five cities, and numerous special districts.



5. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

Smith & Newell CPAs provides a significant amount of audit services to governmental entities. A firm resume of governmental audits we have performed in the last five years is included in Appendix A. A representative list of three of those audits follows:

County of Calaveras

Scope of Services:

Conducted financial and/or compliance audits and prepared reports as follows:

- Comprehensive Annual Financial Report
- Single Audit Report
- Appropriations Limit Report
- Treasury Oversight Examination
- Abandoned Vehicle Abatement Service Authority

Length of Service:

2011 – Present

Engagement Partner:

Norman Newell, CPA

Client Contact:

Kathy Gomes, Auditor-Controller

891 Mountain Ranch Rd

San Andreas, CA 95249

(209) 754-6343

kgomes@co.calaveras.ca.us

County of Mariposa

Scope of Services:

Conducted financial and/or compliance audits and prepared reports as follows:

- Annual Financial Report
- Single Audit Report
- Transit and Transportation Commission Annual Financial Reports
- Treasury Oversight Examination

Length of Service:

2003 – Present

Engagement Partner:

Norman Newell, CPA

Client Contact:

Luis Mercado, Auditor

4982 10th St

Mariposa, Ca 95338

(209) 742-1310

lmercado@mariposacounty.org



County of Tehama

Scope of Services:

Conducted financial and/or compliance audits and prepared reports as follows:

- Annual Financial Report
- Single Audit Report
- Appropriations Limit Report
- Treasury Oversight Examination
- Abandoned Vehicle Abatement Service Authority Annual Financial Report

Length of Service:

2008 – Present

Engagement Partner:

Norman Newell, CPA

Client Contact:

LeRoy Anderson, Auditor-Controller

444 Oak St, Rm J

Red Bluff, CA 96080

(530) 527-3474

LAnderson@co.tehama.ca.us

6. SPECIFIC AUDIT APPROACH

Our audit methodology for performing financial statement audits of government entities involves four phases. Phase 1 – Planning and Strategy, Phase 2 – Systems Evaluation, Phase 3 – Testing and Analysis, Phase 4 – Reporting and Follow-Up. These phases are summarized below:

Phase 1 – Planning and Strategy

This phase establishes our basic understanding of the County and its environment and forms the basis of our evaluation of internal control. It is our intention to complete the planning and strategy phase as interim work in July each year.

- Establish an understanding with the County
- Schedule staffing and conduct staff fraud and discussion meeting
- Develop and expand understanding of the County's operations by review of prior year workpapers, reviewing minutes and discussion and analysis
- Determine planning and design materiality and tolerable misstatement
- Perform preliminary determination of major programs and materiality
- Conduct entrance meetings with County personnel and management and inquire about fraud and abuse.
- Identify significant processes and internal controls
- Conduct observations and walkthrough of transactions
- Identify risk factors
- Perform tests of transactions for payroll transactions, cash receipts and disbursements, and selected federal program expenditures
- Prepare initial Audit Preparation Schedule and transmit to the County



Phase 2 – Systems Evaluation

The timing of this phase is dependent on when the County has completed the initial Client Preparation Schedule and closed the County general ledger. It is our intention to complete the Systems Evaluation phase in mid-September of each year.

- Request Federal program expenditure schedule from County and determine major programs
- Request County closed trial balances
- Format financial statements and footnotes
- Perform preliminary analytical procedures
- Schedule meetings with County management to ensure good coordination of engagement
- Develop and expand understanding of information systems
- Identify control objectives
- Identify and understand relevant control activities for financial reporting as well as for single audit
- Determine the nature, extent and timing of control tests and compliance
- Perform nonsampling control tests and test compliance
- Assess internal control on a preliminary basis
- Design and update audit programs

Phase 3 – Testing and Analysis

The timing of this phase will be flexible to best accommodate the schedule of the County while keeping in line with statutory requirements. It is our intention to complete the testing and analysis phase in mid-September of each year.

- Conduct additional audit procedures to conclude on financial statement presentation
- Perform compliance procedures on required disclosures including pension and OPEB
- Perform compliance tests including the Uniform Guidance major single audit programs
- Progress conference and exit conference with the County to discuss reports, pending items and observations
- Obtain legal representation letter and review for potential liability
- Documentation and review of workpapers

Phase 4 – Reporting and Follow-Up

It is our intention to complete the reporting and follow-up phase in December of each year.

- Perform overall analytical procedures
- Reassess materiality and risk
- Evaluate misstatements
- Conclude other audit procedures and clear open items with County
- Determine conformity with applicable standards
- Complete comprehensive engagement review
- Prepare and compile draft reports including the Annual Financial Report, Single Audit Report, Appropriations Limit Report, Management Comment



Letter, and the Transit Fund and Transportation Commission Annual Financial Reports for County

- Review County comments and suggestions and make any required revisions
- Obtain Management Representation letters
- Make presentation to County

Technological Advantages

We have developed specialized resources for performing government audits. These resources include automated and electronic checklists for evaluation controls, source documents for risk-based audit methodology, standardized sample selection procedures, integrated trial balances, combining schedules and links to professional standards. Our staff have unlimited access to online reference libraries and electronic source documents to help maintain efficiency and accuracy during the audit process.

Our firm utilizes Thomson Reuters' Workpapers CS trial balance software that streamlines the audit process, and gives us the ability to manage documents and data from a variety of sources.

Smith & Newell CPAs is dedicated to protecting our clients' information. We provide an online client portal that gives our staff and our clients a very secure way to send and receive information during the audit quickly and securely. Each drawer is encrypted and accessed with a username and password unique to each client.

Laws and Regulations

In the County of Sierra's audit, substantial attention will be given to compliance with laws and regulations. Although management is responsible for ensure that the County complies with laws and regulations applicable to its activities, the independent auditor is responsible for considering them and how they affect the audit. We design the audit to provide reasonable assurance that the financial statements are free of material misstatements resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Among other things, Government Auditing Standards establish additional requirements related to:

- Noncompliance with contracts and grant agreements
- Abuse
- Communication of fraud, illegal acts, noncompliance and abuse

Single Audit Compliance

The Uniform Guidance states that the compliance testing shall include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient evidence to support an opinion on compliance. Supporting an opinion on compliance on each major program requires testing of each major program.



Professional judgement is required in the selection of transactions for testing. Risk factors to consider include the following:

- Size of program
- Program maturity at the Federal agency
- Program maturity at the auditee
- Complexity
- Extent of contracting
- Multiple internal control structures
- Use of subrecipients
- Extent of computer processing
- Level of oversight
- Prior audit findings

The assurance required (and, therefore, the determination of the minimum sample size) is directly related to the risk of material noncompliance remaining after other audit procedures (risk assessment procedures, substantive analytical procedures, and tests of individually important items) have been performed. We typically assume a five percent tolerable exception rate and based on the degree of assurance needed after analysis of our other audit procedures, we select a sample size based on paragraph 11.72 of the GAS/SA Audit Guide.

Identification of Anticipated Potential Audit Problems

We are not aware of any anticipated problems.

Workpaper Retention

Audit programs, workpapers and reports will be retained for a period of seven years after the completion of the audit and made available for inspection by the County of Sierra, oversight or cognizant agencies, parties designated by federal or state governments, auditors of entities of which the County of Sierra is a subrecipient of grant funds or component unit, and additional auditors if requested by them.

Report Format

Sample formats of required reports for this engagement can be obtained by reviewing audit engagements we have completed for other government entities. The County of Calaveras' financial reports are available at:

<http://auditor.calaverasgov.us/Reports>

The County of Mariposa's financial reports are available at:

<https://www.mariposacounty.org/769/Annual-Financial-Reports>



Section II – Cost Proposal

1. FEE PHILOSOPHY

Our fee philosophy is to foster long-term client relationships by offering fair pricing commensurate with our expertise. We strive to maintain efficiency in our audit approach so we can achieve maximum results in the budgeted time. We also strive to maintain billing rates that are reasonable in relation to the expertise of our staff.

As partners in the firm of Smith & Newell CPAs, Norman Newell and Carrie Schroeder are authorized to represent the firm, empowered to submit the bid, and authorized to sign a contract with the County of Sierra.

2. TOTAL ALL-INCLUSIVE MAXIMUM PRICE

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Annual Financial Report/ Management Comment Letter	\$ 44,500	\$ 45,800	\$ 46,750
Single Audit Report	7,216	7,465	8,113
Appropriations Limit Calculation	1,178	1,215	1,250
Transit Fund	3,462	3,565	3,672
Transportation Commission	4,544	4,680	4,820
Triennial Transportation Performance Audit	-	3,300	-
Total	<u>\$ 60,900</u>	<u>\$ 66,025</u>	<u>\$ 64,605</u>

If it should become necessary for the County of Sierra to request the auditor to render any additional services to either supplement the services requested in the RFP 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 addendum to the contract between the County of Sierra and Smith and Newell CPAs. Any such additional work agreed to between the County of Sierra and Smith and Newell CPAs shall be performed at a negotiated (agreed-upon) rates relative to the contracted service fee.

3. RATES BY STAFF LEVEL

<u>Staff</u>	<u>Rate</u>
Partner	\$ 175
Manager	120
Senior	100
Staff Accountant	80
Administrative Assistant	60

FIRM RESUME

(Last Five Years)

Cities (Including Single Audits)

City of Auburn
 City of Colusa
 City of Jackson
 City of Lincoln
 City of Live Oak
 City of Nevada City
 City of Shasta Lake
 City of Yreka

Counties (Including Single Audits)

County of Amador
 County of Calaveras
 County of Colusa
 County of Del Norte
 County of Glenn
 County of Mariposa
 County of Nevada
 County of Plumas
 County of Siskiyou
 County of Sierra
 County of Tehama

Redevelopment Agencies/Housing Authorities

City of Live Oak Redevelopment Agency
 Regional Housing Authority
 Sutter Community Affordable Housing

Transportation Audits

Colusa County Transportation Commission/Transit
 Lake County/City Area Planning Council
 Lake County Transit Authority
 Mariposa County Transportation Commission/Transit
 Plumas County Transportation Commission/Transit
 Sierra County Transportation Commission/Transit

Other Audits

Amador County Dept of Auto Ins Fraud Program
 Amador County Dept of WC Ins Fraud Program
 3CORE, Inc.
 Central Valleys Rice Growers Association
 Children and Families First - Mariposa County
 Children and Families First - Plumas County
 Counseling Solutions
 North Valley Behavioral Health
 Priorities, Inc.
 Siskiyou County Dept of Auto Ins Fraud Program
 Siskiyou County Dept of WC Ins Fraud Program
 Willow Glen Counseling Center
 Yuba Sutter Economic Development Corporation

Special Districts

Big Rock Community Service District
 Big Springs Irrigation District
 Border Coast Regional Airport Authority
 Brophy Water District
 Butte County Air Quality Management District
 Butte Valley Fire Protection District

Special Districts (Continued)

Cemetery District No. 2 of Sierra County
 Cemetery District No. 3 of Sierra County
 Cemetery District No. 5 of Sierra County
 Colusa County Water District
 Colusa Resource Conservation District
 Copco Lake Fire Protection District
 Crescent Fire Protection District
 Del Norte County Library District
 Del Norte Solid Waste
 Drainage District No. 1
 Drainage District No. 100
 Etna Cemetery District
 Feather Water District
 Fort Dick Fire Protection District
 Gilsizer County Drainage District
 Happy Camp Fire Protection District
 Hidden Valley Lake CSD
 Higgins Area Fire Protection District
 Hunter Valley Community Service District
 Kelseyville Fire Protection District
 Knights Landing Ridge Drainage District
 Keystone Cemetery District
 Lake County Fire Protection District
 Lake of the Pines Ranchos CSD
 Lakeport Fire Protection District
 Levee District No. 1
 Levee District No. 9
 Live Oak Cemetery District
 Mariposa Resource Conservation District
 Maxwell Public Utility District
 Mayten Fire Protection District
 Montague Fire Protection District
 Montague Water Conservation District
 Mystic Mine Road Community Services District
 North San Juan Fire Protection District
 Northshore Fire Protection District
 Oak Tree Park & Recreation District
 Ophir Hill Fire Protection District
 Picard Cemetery District
 Pleasant Grove Cemetery District
 Reclamation District No. 108
 Reclamation District No. 777
 Reclamation District No. 2056
 Redwood Park Community Service District
 Roseville Public Cemetery District
 Rough & Ready Fire Protection District
 Sacramento River Westside Levee District
 Sacramento Valley BAPCC
 San Juan Ridge County Water District
 Scott Valley Fire Protection District
 Scott Valley Irrigation District
 Scott Valley & Shasta Valley Watermaster Dist
 Smartsville Cemetery District
 Smartsville Fire Protection District
 Smith River Community Service District
 Smith River Fire Protection District
 South Sutter Water District

Special Districts (Continued)

South Yreka Fire Protection District
Sutter Basin Fire Protection District
Sutter Cemetery District
Sutter Community Services District
Sutter Resource Conservation District
Sutter-Yuba Mosquito and Vector Control District
Yolo County Water Control and Conservation District
Tulelake Multi-County Fire Protection District
Williams Fire Protection Authority



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Report on the Firm's System of Quality Control

November 28, 2018

To Smith & Newell 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 Smith & Newell (the firm) in effect for the year ended May 31, 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 a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Smith & Newell in effect for the year ended May 31, 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*. Smith & Newell has received a peer review rating of *pass*.

Coughlan Napa CPA Company, Inc.

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