

**SERVICES AGREEMENT (PROFESSIONAL SERVICES)**

## Financial Audit Services

City Agreement No. \_\_\_\_\_

City Budget Code: \_\_\_\_\_

This Services Agreement (Professional Services) for financial audit services ("**Agreement**") by and between the City of Napa, a California charter city ("**City**"), and The Pun Group, LLP ("**Consultant**"), is effective on the Effective Date identified on the signature page.

**RECITALS**

A. The City desires to obtain the services more particularly described in this Agreement and Exhibit "A," and generally including financial audit services of the City's general purpose financial statements.

B. The Consultant and all assigned professional staff are properly licensed for public practice as a Certified Public Accountant in the State of California.

NOW, THEREFORE, the City and the Consultant, for the mutual consideration described herein, agree as follows:

**1. SCOPE OF SERVICES.**

1.1. Services. Consultant, acting in its capacity as a Financial Audit Services professional, licensed and in good standing under California law, will perform the services described in the proposal, attached hereto as **Exhibit "A"** and incorporated herein by reference ("**Services**"), in accordance with the terms and conditions of this Agreement and to the satisfaction of the City's authorized representative, Elizabeth Cabell, Finance Manager ("**City's Authorized Representative**").

1.2. Standard of Care. In performing the Services, Consultant will meet or exceed the applicable standard of care for, and exercise the degree of skill and diligence ordinarily used by reputable professionals within the greater San Francisco Bay Area who provide the same or similar type of professional services as the Services required under this Agreement. Consultant will require and ensure that all of its employees, subconsultants, or agents performing or contributing to the Services will comply with the requirements of this Agreement.

1.3. Independent Contractor. Consultant will control the manner and means for performing the Services, acting as an independent contractor and not as an employee of the City. Consultant will not be entitled to any of the benefits that the City provides to its employees, including, but not limited to, health or retirement benefits.

1.4. Subcontracting. If Consultant subcontracts with a subconsultant to perform any of the Services, the City is deemed an intended beneficiary of that subcontract and the subconsultant will owe a duty of due care to the City. City reserves the right to approve or reject any proposed subconsultant, based on the subconsultant's qualifications, relevant experience, or reputation.

1.5. Third Party Beneficiaries. Except to the extent expressly stated herein, this Agreement will not be construed to create any rights in third parties.

1.6. Time for Performance. Time is of the essence for the performance of all Services and duties under this Agreement. Consultant will commence and complete all Services by the date and within any timeframes set forth in Exhibit "A." Services for which times for performance are not specified in this Agreement will be commenced and completed by Consultant in a reasonably prompt and timely manner based upon the circumstances and direction from the City's Authorized Representative. Consultant will

submit all requests for extensions of time to the City in writing no later than ten days after the start of the circumstances or events giving rise to the delay, and no later than the time by which performance is due. The City's approval of any extension of time for performance of the Services will not operate to waive the City's rights or remedies with respect to damages caused by Consultant's delay.

1.7. Errors and Omissions. Consultant is solely responsible for costs arising from its errors and omissions, including increased construction costs or delay costs. Upon City's request, Consultant will promptly correct its errors and omissions, at no cost to the City.

1.8. Unsatisfactory Services. Upon written notice from the City that any of the Services are unsatisfactory or fail to comply with the requirements of this Agreement (collectively, "**Unsatisfactory Services**"), Consultant will promptly correct or cure any such Unsatisfactory Services as specified in the City's written notice. Consultant will not be entitled to any additional compensation or extension of time to correct or cure the Unsatisfactory Services. Consultant's correction or cure of Unsatisfactory Services will not operate to waive the City's rights or remedies with respect to any damages caused by the Unsatisfactory Services, the cost of which may be recovered by the City as an offset from payment otherwise due or to become due to Consultant.

## 2. COMPENSATION.

2.1. Payment. The City will pay Consultant for Consultant's time and authorized expenses necessary to perform the Services, at the rates and charges set forth and attached hereto as **Exhibit "A"** and incorporated herein by reference, as compensation in full for Services satisfactorily performed in compliance with this Agreement. Consultant's total compensation for performing the Services may not exceed \$426,731, without prior written authorization from the City. If the City authorizes Consultant to perform services in addition to the Scope of Services set forth in Exhibit "A," Consultant will be compensated in accordance with the rates and charges in Exhibit "A." Consultant will not be entitled to any compensation for additional services performed without the City's prior written consent, or which exceed the scope of the City's written consent.

2.2. Invoices. Consultant will submit a monthly itemized invoice to the City's Authorized Representative for the Services provided during the preceding month. At a minimum, the invoice will identify the Services performed, the hours spent performing the Services, the applicable hourly rate(s), and any authorized expenses based on the rates and charges authorized in Exhibit "A." The City will pay the Consultant within 30 days after approval of each invoice, with the exception of any disputed amounts.

3. AUTHORIZED REPRESENTATIVE. Consultant hereby assigns Kenneth H. Pun, Managing Partner to serve as the Consultant's authorized representative ("**Consultant's Authorized representative**"), to personally participate in and manage the Services provided under this Agreement, and to serve as the primary point of contact for all matters pertaining to this Agreement.

3.1. Substitutions. As a material inducement to entering into this Agreement, the City has relied upon Consultant's representations regarding Consultant's qualifications (including the qualifications of Consultant's Authorized Representative, its personnel, and its subconsultants, if any, as identified on Exhibits "A"). Consultant will not replace Consultant's Authorized Representative (or any of its personnel or its subconsultants, if any, as identified on Exhibits "A") without the City's prior written consent.

4. NOTICES. All notices or requests required or contemplated by this Agreement will be in writing and delivered to the other party's Authorized Representative by personal delivery, U.S. Mail, nationwide overnight delivery service, email, or as otherwise specified herein. Delivery is deemed effective upon the first to occur of: (a) actual receipt by a party's Authorized Representative, (b) actual receipt at the address identified below, or (c) three business days following deposit in the U.S. Mail of registered or certified mail sent to the address identified below. A party's contact information, below, may be changed by providing written notice of any change to the other party.

TO CITY: Elizabeth Cabell, Finance Manager  
CITY OF NAPA  
P.O. Box 660  
NAPA, CA 94559-0660  
ecabell@cityofnapa.org

TO CONSULTANT: Kenneth H. Pun, Managing Partner  
2121 North California Blvd, Suite 290  
Walnut Creek, Ca 94596  
Ken.Pun@pungroup.com

5. TERM. The term of this Agreement begins on the date it is signed by the City Clerk, below, attesting full execution of the Agreement by both parties ("**Effective Date**"), and ends upon Consultant's completion of the Services required by this Agreement, unless terminated earlier as provided herein. The following provisions will survive expiration or termination of this Agreement: Section 7.2 (Dispute Resolution), Section 8.1 (Confidentiality), Section 8.4 (Records of Performance), Section 10 (Indemnification), Section 11.4 (Professional Liability), Section 13.3 (Taxes), and Section 14 (General Provisions).

6. CITY'S RIGHT TO TERMINATE. The City may terminate this Agreement for convenience (with or without cause) by providing written notice of termination to Consultant, effective upon the date stated in the notice. If the City terminates the Agreement it will pay Consultant for all Services satisfactorily performed up to and including the effective date of the termination, subject to the provisions of Sections 2 and 8.2.

7. DEFAULT AND DISPUTE RESOLUTION.

7.1. Default. Consultant will be deemed in default of this Agreement if Consultant is not complying with the terms of this Agreement, or the City has reason to believe that Consultant's ability to perform the Services has been or will be impaired. If either of these circumstances exist, the City may give written notice of default to Consultant and demand that the default be cured or corrected within ten days of the notice, unless the City determines that additional time is reasonably necessary to cure the default. If Consultant fails to cure the default within of the time specified in the notice, and the Consultant fails to give adequate written assurance of due performance within the specified time, then the City may terminate this Agreement in accordance with Section 6, or the City may pursue dispute resolution in accordance with Section 7.2.

7.2. Dispute Resolution. If any dispute arises between the parties in relation to this Agreement, the Authorized Representatives for each party will meet, in person, as soon as practicable, to engage in a good faith effort to resolve the dispute informally. If the parties are unable to resolve the dispute, in whole or in part, through informal discussions, the parties agree to participate in mediation. Notwithstanding the existence of a dispute, the Consultant will continue providing the Services during the course of any dispute, unless otherwise directed by the City.

7.2.1. Either party may give written notice to the other party of a request to submit a dispute to mediation, and a mediation session will take place within 60 days of the date that such notice is given, or sooner if reasonably practicable. The parties will jointly appoint a mutually acceptable mediator. The parties will share equally the costs of the mediator; however, each party will pay its own costs of preparing for and participating in the mediation, including any legal costs.

7.2.2. Good faith participation in mediation pursuant to this Section is a condition precedent to either party commencing litigation in relation to the dispute. In addition, any claims by Consultant arising from or related to this Agreement, are subject to the claim presentment requirements in the Government Claims Act (Government Code section 900 et seq.).

8. INFORMATION AND RECORDS.

8.1. Confidentiality. Consultant will not disclose any information or records related to the performance of this Agreement, including information and records received from the City, as well as information and

records created by the Consultant, to any person other than a City employee, unless and only to the extent that the City provides the Consultant with prior written consent to make a disclosure. Consultant will notify the City's Authorized Representative of any request for disclosure of information, or any actual or potential disclosure of information, under this Agreement. Consultant's obligations under this section will survive the termination of this Agreement.

8.2. Title to Records. All original documents or records ("**work product**"), whether paper or electronic, required by this Agreement to be prepared by Consultant (including its employees and subconsultants), whether complete or in progress, are the property of the City. Consultant will promptly deliver all such work product to the City at the completion of the Services, upon termination, or upon demand by the City. However, Consultant may make and keep copies of the work product.

8.3. Contract Cost Disclosure. For any document or report prepared in whole or in part by Consultant pursuant to this Agreement, Consultant will include the numbers and dollar amounts of related contracts or subcontracts as further specified by Government Code Section 7550.

8.4. Records of Performance. Consultant will maintain adequate records of performance under this Agreement (including Services provided, invoices for payment, and payments received) and make these records available to the City for inspection, audit, and copying, during the term of this Agreement and until four years after the Agreement has expired or been terminated.

8.5. Electronic Communications. Consultant will use reasonable good faith efforts to avoid transmitting electronic viruses or other damaging coding, and will promptly advise the City if Consultant discovers that an electronic virus or similar destructive coding may have been transmitted to the City.

8.6. Copyrights/Patents. In performing the Services under this Agreement, Consultant will not unlawfully infringe on any copyrighted or patented work. Consultant is solely responsible for the cost of any authorizations necessary to use any copyrighted or patented work.

9. ACCIDENT REPORT. If any death, personal injury, or property damage occurs in connection with the performance of the Services, Consultant will promptly submit to the City Clerk's Office a written notice of the incident of damage with the following information:

9.1. A description of the damage including date, time, and location, and whether any City property was involved;

9.2. Name and contact information of any witness;

9.3. Name and address of the injured or deceased person(s); and

9.4. Name and address of Consultant's insurance company.

10. INDEMNIFICATION. To the full extent permitted by law, Consultant will indemnify, hold harmless, release, and defend the City (including its officers, elected or appointed officials, employees, volunteers, and agents) from and against any and all liability or claims (including actions, demands, damages, injuries, settlements, losses, or costs [including legal costs and attorney's fees]) (collectively, "**Liability**") of any nature, arising out of, pertaining to, or relating to Consultant's negligence, recklessness, or willful misconduct in the performance of this Agreement. Consistent with Civil Code Section 2782, Consultant will not be obligated to indemnify City for the proportionate share of the Liability caused by the City's active negligence, sole negligence, or willful misconduct. To the extent that Services are "design professional services," as defined by Civil Code Section 2782.8, the cost to defend charged to the Consultant will not exceed the Consultant's proportionate percentage of fault. Consultant's indemnification obligations under this Agreement are not limited by any limitations of any insurance held by Consultant, including, but not limited to, workers' compensation insurance.

11. INSURANCE. Without limiting Consultant's indemnification obligations in section 10, Consultant will

procure and maintain throughout the period of this Agreement, the following policies of insurance and endorsements from insurers (if other than the State Compensation Fund) with a current A.M. Best rating of no less than A:VII or its equivalent against injury/death to persons or damage to property which may arise from or in connection with the activities hereunder of Consultant, its agents, employees or subcontractors:

11.1. General Liability Policy. Comprehensive or Commercial General Liability Insurance (“**CGL**”) at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001), in an amount of \$1,000,000 per occurrence. If the Services involve explosive, underground or collapse risks, XCU will be included. If a general aggregate limit is used, either the general aggregate limit will apply separately to this Agreement or the general aggregate will be twice the required occurrence limit.

11.2. Automobile Liability Policy. Automobile liability insurance with coverage at least as broad as ISO Form numbers CA 0001 06 92, Code 1 (any auto), for vehicles used in the performance of this Agreement with minimum coverage of not less than \$1,000,000 per accident, combined single limit.

11.3. Workers’ Compensation. Workers’ Compensation insurance meeting statutory limits of the Labor Code. The workers’ compensation policy will contain or be endorsed to contain a waiver of subrogation against the City, its officials, officers, agents, and employees.

11.4. Professional Liability. Professional liability insurance insuring against Consultant’s errors and omissions in performing the Services, with a policy limit of at least \$1,000,000. The professional liability insurance will include prior acts coverage sufficient to cover all Services provided by Consultant, and which will remain in effect for four years following expiration or termination of this Agreement.

11.5. Endorsements. The CGL and automotive liability policies will contain or be endorsed with the following provisions:

11.5.1. The City, its officers, elected or appointed officials, employees, volunteers, and agents, are covered as additional insureds for liability arising out of the operations performed by or on behalf of Consultant. The coverage will contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees, volunteers, and agents.

11.5.2. The Consultant’s insurance is primary, and no insurance held by the City will be called upon to contribute to a loss.

11.5.3. The inclusion of more than one insured will not operate to impair or limit the rights of one insured against another, and the coverage will apply as though separate policies have been issued to each insured.

11.6. All Policies.

11.6.1. For all insurance policies required under this Agreement, prior to the City’s execution of this Agreement, Consultant will furnish the City with certificates and original endorsements effecting the required coverage. Each certificate of insurance will state that the coverage afforded by the policy or policies will not be reduced, cancelled, or allowed to expire without at least 30 days written notice to City, unless due to non-payment of premiums, in which case at least 10 days written notice is required. Notice required under this subsection will be sent by certified mail. Each required policy will include an endorsement providing that the insurer agrees to waive any right of subrogation it may have against the City. The endorsements will be on forms provided by City or as approved by City’s Risk Manager.

11.6.2. Any deductible or self-insured retention of \$100,000 or more will be disclosed to the City prior to the City’s execution of this Agreement and is subject to approval by the City.

11.6.3. If Consultant does not keep all required insurance policies in full force and effect, the City may, in addition to other remedies under this Agreement, terminate or suspend this Agreement.

12. CONFLICTS OF INTEREST. Consultant warrants that as of the Effective Date of this Agreement it has no interest and will not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of the Services. Consultant further warrants that in the performance of the Services, Consultant will not employ or enter into a subcontract with any person or entity having any such conflict of interest.

12.1. Financial Interest. Consultant will not make or participate in making or in any way attempt to use Consultant's position to influence a City decision in which Consultant knows, or has reason to know, Consultant has a financial interest other than the compensation promised by this Agreement. Consultant represents that it has diligently conducted a search and inventory of its financial interests, as defined in the regulations promulgated by the Fair Political Practices Commission, and has determined that Consultant does not, to the best of Consultant's knowledge, have a financial interest that would conflict with Consultant's duties under this Agreement. Consultant will immediately notify the City in writing if Consultant learns of a financial interest that may conflict with Consultant's obligations under this Agreement.

12.2. Covenant Against Contingent Fees. Consultant warrants that it has not employed, retained, or entered into a contract with any person or entity, other than a bona fide employee working for the Consultant, to solicit or secure this Agreement; and that it has not paid or agreed to pay any person or entity, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the making of this Agreement. For breach or violation of this warranty, the City may void this Agreement without liability or any further obligation to Consultant, or, alternatively, may elect to deduct from payments due or to become due to Consultant, the full amount of such fee, commission, percentage, brokerage fee, gift, or other consideration.

12.3. Statement of Economic Interest. If the City determines Consultant (or any of its employees or subconsultants) is subject to disclosure requirements under the Political Reform Act (Government Code section 87100 et seq.), Consultant (including any required employees or subconsultants) will complete and file a "Statement of Economic Interest" (Form 700) with the City Clerk's Office disclosing Consultant's financial interests.

### 13. COMPLIANCE WITH LAW.

13.1. Legal and Licensing Compliance. Consultant will comply with all applicable federal, state and local laws, rules, and regulations related to the Services under this Agreement. Consultant represents and warrants to City that Consultant has and will keep in effect during the term of this Agreement all licenses (including, but not limited to, the City of Napa business license), permits, qualifications, and approvals of whatsoever nature which are legally required for Consultant to practice Consultant's profession or perform the Services.

13.2. Nondiscrimination. At all times during the term of this Agreement, Consultant will comply with all applicable federal, state, and local laws, rules, and regulations prohibiting discrimination based on race, ethnicity, color, national origin, religion, marital status, age, sex, sexual orientation, disability (including any physical or mental impairment that substantially limits a major life activity), medical condition, or any protected class.

13.3. Taxes. Consultant will file tax returns as required by law and pay all applicable taxes on amounts paid pursuant to this Agreement. Consultant will be solely liable and responsible to pay such taxes and other obligations, including, but not limited to, state and federal income and FICA taxes.

13.4. Provisions Deemed Inserted. Every provision of law required to be inserted or referenced in this Agreement will be deemed to be inserted or referenced.

### 14. GENERAL PROVISIONS.

14.1. Headings. The heading titles for each section of this Agreement are included only as a guide to the contents and are not to be considered as controlling, enlarging, or restricting the interpretation of the

Agreement.

14.2. Severability. If any term of this Agreement (including any phrase, provision, covenant, or condition) is held by a court of competent jurisdiction to be invalid or unenforceable, the Agreement will be construed as not containing that term, and the remainder of this Agreement will remain in full force and effect; provided, however, this section will not be applied to the extent that it would result in a frustration of the parties' intent under this Agreement.

14.3. Governing Law, Jurisdiction, and Venue. The interpretation, validity, and enforcement of this Agreement will be governed and interpreted in accordance with the laws of the State of California. Any suit, claim, or legal proceeding of any kind related to this Agreement will be filed and heard in a court of competent jurisdiction in the County of Napa.

14.4. Attorney's Fees. If any litigation is commenced to enforce or interpret this Agreement, the prevailing party is entitled to reasonable attorney's fees, costs, and expenses incurred.

14.5. Assignment and Delegation. This Agreement will not be assigned or transferred in whole or in part, nor will any of the Consultant's duties be delegated, without the City's prior written consent. Any attempt to assign, transfer, or delegate this Agreement, in whole or any part, without the City's prior written consent will be void and of no force or effect. Any consent by the City to one assignment, transfer, or delegation will not be deemed to be consent to any subsequent assignment, transfer, or delegation.

14.6. Modifications. This Agreement may not be amended or modified orally. No amendment or modification of this Agreement is binding unless it is in a writing signed by both parties.

14.7. Waivers. No waiver of a breach, default, or duty under this Agreement will be effective unless it is in writing and signed by the party waiving the breach, default, or duty. Waiver of a breach, default, or duty under this Agreement will not constitute a continuing waiver or a waiver of any subsequent breach, default, or duty under this Agreement.

14.8. Entire Agreement. This Agreement, including all documents incorporated herein by reference, comprises the entire integrated understanding between the parties concerning the Services. This Agreement supersedes all prior negotiations, agreements, and understandings regarding this matter, whether written or oral. The documents incorporated by reference into this Agreement are complementary; what is called for in one is binding as if called for in all. If any provision in any document attached or incorporated into this Agreement conflicts or is inconsistent with a provision in the body of this Agreement, the provisions in the body of this Agreement will control over any such conflicting or inconsistent provisions.

14.9. Interpretation. Each party to this Agreement has had an opportunity to review the Agreement, and to consult with its respective legal counsel regarding the meaning of the Agreement. Accordingly, Civil Code Section 1654 will not apply to interpret any uncertainty in the meaning of the Agreement.

## 15. SIGNATURES.

15.1. Counterparts. This Agreement may be executed in counterparts, each one of which is deemed an original, but all of which together constitute a single instrument.

15.2. Signatures. The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the Consultant and the City.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the Effective Date set forth below.

**CITY:**  
**CITY OF NAPA, a California charter city**

**CONSULTANT:**  
The Pun Group, LLP

By: \_\_\_\_\_  
Brian Cochran, Finance Director

By: \_\_\_\_\_  
Kenneth H. Pun, Managing Partner

**ATTEST:**

\_\_\_\_\_  
Tiffany Carranza, City Clerk

Date: \_\_\_\_\_  
("Effective Date")

**COUNTERSIGNED:**

\_\_\_\_\_  
Desiree Brun, City Auditor

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Michael W. Barrett, City Attorney



## CITY OF NAPA

*Experience and Approach***Audit Approach**

The City of Napa is requesting the Firm to perform annual auditing services. These audits are to be performed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.
- The standards applicable to financial audits contained in the most current version of the *Generally Accepted Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act as amended in 1996.
- The provisions of U.S. Office of Management and Budget (OMB) Uniform Guidance (formerly known as Circular A-133), Audits of State and Local Governments and Non-Profit Organizations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The Firm will perform the following services:

- ✓ **Financial Statement Audits** and issuance of an opinion statement on the Comprehensive Annual Financial Report ("CAFR"). The audit will be conducted in accordance with Generally Accepted Government Auditing Standards. The CAFR will be in full compliance with all current GASB pronouncements.
- ✓ Provide assistance in meeting the requirements for the Government Finance Officers Association (GFOA) "**Certificate of Achievement for Excellence in Financial Reporting**".
- ✓ Prepare a **Single Audit Report** which will include the following:
  - Report on compliance and on internal control over financial reporting based on audit of financial statements performed in accordance with Government Auditing Standards.
  - Report on compliance with requirements applicable to each major program, internal control over compliance, and on the schedule of expenditures of federal awards in accordance with Uniform Guidance, "Audits of State and Local Governments", and the Single Audit Act of 1984 (Public Law 98-502).
  - Schedule of Expenditures of Federal Awards.
  - Notes to Schedule of Expenditures of Federal Awards.
  - Schedule of Findings and Questioned Costs.
  - Any other required schedules or reports.
  - Prepare the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.
- ✓ Issue a separate "**management letter**" that includes recommendations for improvements on internal control, accounting procedures and other significant observations that are considered to be no reportable conditions.
- ✓ Provide assistance in the **implementation of applicable GASB pronouncements** not yet in effect.
- ✓ Perform an agreed upon procedures report for the **GANN Appropriation Limit**.
- ✓ Prepare and submit the **Transportation Act Audit Reports**, as required (TDA, STIP, SLTPP).
- ✓ Preparation and electronic filing of **City's Real Estate Assessment Center's (REAC) Report** to HUD.
- ✓ As an optional service, prepare and submit the **City's Financial Transactions and Street Reports to the State Controller**.

The Firm will be available for consultation by phone on accounting and financial issues during the year at no extra cost.

The engagement team will be available for consultation throughout the year as an information resource. The auditors will notify the City of new pronouncements that may affect local government accounting. They will also provide guidance on implementation of new GASB requirements, pronouncements, and specifics of federal and state regulations.

## CITY OF NAPA

*Experience and Approach*

If the City is confronted with complex accounting and other issues that may be unfamiliar to staff or may be subject to differing interpretations, the engagement team will be available to advise the City on such issues and to recommend a proper course of action.

The Firm will make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which they become aware.

Supplemental reports, audits, or agreed-upon procedures must be added in a written agreement prior to commencing audit work. The Firm and the City of Napa will discuss and approved the scope and associated costs of these tasks.

***Working Paper Retention and Access to Working Papers***

The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years, unless the City notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to the City and its designees.

The Firm will comply with reasonable requests from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.

***Objectives of Our Services***

Our primary objective for the proposed audit is to examine the City's financial statements and express our opinion on their fairness of presentation, in accordance with generally accepted accounting principles. Other objectives that will benefit the City include the following:

- To offer beneficial observations and recommendations about policies and procedures for accounting and operating controls
- To identify opportunities to make City operations more efficient and reduce costs
- To perform the audit efficiently and effectively, so disruption to office operations is minimized
- To provide continuing advisory services so the City can implement recommendations
- To meet these objectives at no additional cost to the City

The Engagement Team will perform the audit in accordance with the Firm's quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work.

The Firm will supply portable computers to the onsite staff members.

Our audit approach emphasizes careful planning, open communication, and proper assignment of responsibilities. This method ensures that audit requirements will be met with minimal disruption of the City's daily operations, and that the audit will proceed efficiently with full understanding between the Engagement Team and the City.

## CITY OF NAPA

## Experience and Approach

**Project Management**

The Firm's project approach to project management consists of four phases of project initiation & planning meeting, risk assessment, controls, and environment, assess and analyze, and reporting and project closure.

Throughout the project we monitor the progress of the project, project milestones and deliverables through communication of our task plan with your designated liaison for the project. This reporting can be formal or informal depending on the needs of the project and the client. In the case of this short term comprehensive analysis, we will likely use a less formal approach to include a standing weekly progress meeting with a review of open tasks, next tasks and any issues we have encountered during the project. You can expect that the Engagement Partner/Engagement Manager or Engagement Supervisor will be onsite for these meetings to ensure we successfully conclude the project on the proposed schedule.

**Proposed Segmentation of the Engagement and Timeline**

The audit will be performed in four phases:



**Initial Planning Meeting:** The Engagement Partner and Manager will meet with City's Management to get up to speed with City policies and procedures, establish any specific requirements Management may have, identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement. *Proposed Timeline:* March/April of each fiscal year.

**Interim:** The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the City, obtain an understanding of the City and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, develop initial risk assessment, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and City Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase. *Proposed Timeline:* June of each fiscal year.

**Year-End:** The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and City Management will hold an exit conference at the end of the Year-End phase. Periodic update meetings will be held to communicate audit progress to management. *Proposed Timeline:* Mid-October of each fiscal year.

**Reporting:** The Firm will review and prepare audit reports and perform quality control procedures following the Quality Control Standards issued by the AICPA. We will also examine reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the City's request, the Engagement Partner and Manager will present the audit to the City's governing body. *Proposed Timeline:* Draft reports by November 1<sup>st</sup>; Final reports by December 1<sup>st</sup>. REAC report to be submitted by January 1<sup>st</sup>.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal City circumstances causes delays in the audit.

## CITY OF NAPA

*Experience and Approach****Level of Staff and Number of Hours to be Assigned to Each Segment of the Engagement***

The Pun Group, LLP understands that the City is not only looking to employ our auditing services but is also seeking to receive value within that professional relationship. We believe that our value is derived from our in-depth knowledge, experience, and commitment that our auditing firm employs. We stress and emphasize “employ” because all of the knowledge and expertise listed on paper will not benefit you unless it is applied. That is why we have developed a plan that we feel will accomplish the objectives of the City and your particular needs. Our Firm will utilize the information that you have shared with us and our experience from our previous audits of this nature, from various government entities and cities to develop a practical plan for all major areas.

Example of Major Areas (not limited to):

- Audit of the City’s financial statements and the related notes to financial statements
- Single Audit procedures and required reporting
- GANN Appropriations Limit
- Communication with those charged with governance
- Internal Control and Management Letters

Total Hours:

<b>Staff Classification Performing Work</b>	<b>Estimated Hours Annually</b>
Partners	90
Managers	135
Supervisory	153
Senior Accountants	180
Staff Accountants	333
Clerical	9
<b>Total Annual Hours:</b>	<b>900</b>

<b>Hours by Audit Phase</b>	<b>Hours</b>
Phase I - Planning	90
Phase II - Interim	270
Phase III - Year End	315
Phase IV - Reporting	225
<b>Total Annual Hours:</b>	<b>900</b>

***Sample Size and the Extent to Which Statistical Sampling is to be  
Used in this Engagement***

In our audit approach, statistical sampling will be used in conjunction with our skilled judgment and knowledge of each situation. When designing an audit sample, our auditors consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn. We determine a sample size sufficient to reduce sampling risk to an acceptably low level and select items for such task in a way that we can reasonably expect it to be representative of the relevant population and likely to provide the auditor with a reasonable basis for conclusions about the population.

## CITY OF NAPA

*Experience and Approach****Enhancing Auditing Quality with Artificial Intelligence***

There are plenty of challenges with established audit practices. Outdated CAAT tools, sampling practices, and the explosive growth of big data are some of the examples, and they all present significant barriers to detecting anomalies, intentional or otherwise, in financial data. The Pun Group, LLP deploys a comprehensive, risk-based approach, complimented by using MindBridge Artificial Intelligence Platform, to conduct our audit. Through this tool we are able to seamlessly analyze thousands and thousands of financial and operating data and records, **identifying and cataloging significant risks, in mere seconds.**

The Ai Auditor platform works by our side, augmenting our capacity to detect errors or fraud in the data—not only by analyzing the entire data set, but by cross-correlating dozens of testing criteria against pre-established data points and presenting us with a view of every user, vendor and transaction, by risk, all within moments of ingesting analyzed data. Something standard audit procedures cannot accomplish.

We utilize these tools to allow our audit teams to increase efficiency in the audit process, to enhance the existing quality of our work, to provide directed testing in areas subject to the highest risk, and to quickly assimilate large amounts of data your staff would typically be asked to gather. The tools also help us to meet our professional requirements regarding fraud and internal control, allowing us to:

- ✓ Run Benford's analysis to check for fraud in transactions
- ✓ Increase the value of audit findings with complete, 100% data coverage.
- ✓ Isolate risk and control issues before they impact your operations.
- ✓ Improve productivity by automating procedures and eliminating manual tasks.
- ✓ Conduct more direct, efficient and effective audits, to improve overall audit quality.

Our engagement team easily imports data in a secure environment from the City's financial software and extracts useful data for testing and analytical procedures particular to the following areas:

- Successful Fraud Test
- Questionable Invoices
- Phantom Vendor Schemes
- Kickback or Conflict-of-Interest Schemes
- Dormant Account Schemes
- Money Laundering Schemes

***Type and Extent of Analytical Procedures to be Used in the Engagement***

Analytical procedures are one of many financial audit processes which help an auditor understand the client's operation and changes in the environment, and to identify potential risk areas to plan other audit procedures. Analytical Procedures includes comparison of financial information on prior periods, budget, forecast, and industry benchmark. We use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analyses, our firm conducts a survey of cities and counties and develops benchmarks on specific vital financial indicators, such as the cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc. Our staff members have previous experience in successfully implanting analytical procedures to the City's benefit.

Analytical procedures are performed at three stages of audit: at the start, in the middle, and at the end of the audit. These three stages are risk assessment procedures, substantive analytical procedures, and final analytical procedures:

- Risk assessment procedures are used to assist the auditor to better understand the business and to plan the nature, timing, and extent of audit procedures.
- Substantive analytical procedures are used to obtain evidential matter about particular assertions related to the account balances or classes of transactions. During the interim phase, our engagement team will set up expectations for the year-to-date results and balances and compare them with budgeted and prior-year amounts. This process allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

## CITY OF NAPA

*Experience and Approach*

- Final analytical procedures are used as an overall review of the financial information in the last review stage of the audit. The Engagement Partner and Manager will perform a high-level analytical analysis of the financial information comparing its data for both quantitatively and qualitatively, to ensure the amount presented in the financial statements are fairly presented in all material respect.

***Approach to be Taken to Gain and Document an Understanding of the Internal Control Structure***

Audit risk assessment is established by an internal control review, combined with the Engagement Team's understanding of the City's operations and accounting software. Using the Committee of Sponsoring Organizations (COSO) Framework, staff members will evaluate the City's processes and identify any control deficiencies. These diagnostic review procedures allow the Engagement Team to assess the City's systems and controls and to provide constructive feedback to management.

During our initial planning phase of the audit, our engagement team, including the Engagement Partner and Manager will obtain an understanding of the entity and its environment. It is an essential aspect of performing an audit under generally accepted auditing standards. In particular, that understanding establishes a frame of reference within which the auditor plans the audit and exercises professional judgment about assessing risks of material misstatement of the financial statements and responding to those risks throughout the examination.

During the interim phase of the audit, our Engagement Team will perform a walkthrough of all significant accounting systems, including processes for financial reporting, revenue recognition and cash receipts, purchasing/contract management and cash disbursements, and payroll and related liabilities, and others. Our auditors will obtain the written policies and procedures, inquiring accounting personnel, and document the process in either a flowchart or narrative summary format. After gaining an understanding of the accounting and internal control systems, our auditor will make a preliminary assessment of control risk, at the assertion level, for each material account balance or class of transactions.

The form and extent this documentation is influenced by the size and complexity of the entity, and the nature of the entity's accounting and internal control systems. Generally, the more complex the entity's accounting and internal control systems and the more extensive the auditor's procedures, the broader our documentation will need to be.

***Approach to be Taken in Determining Laws and Regulations that Will be Subject to Audit Test Work***

The Firm stays continually up to date with audit requirements—including new regulations, compliance supplements, state guidelines, and related contracts—to ensure that we conduct audits under applicable laws and regulations. We test transactions for compliance with the Single Audit Act, California Government Code, GANN Appropriations Limit, provisions of applicable grant guidelines, requirements of local measures, and others.

For example, the Single Audit Act requires that we determine which grants to include in our audit and select transactions from those grants for detailed testing. While most items will be tested as part of the Interim phase, we cannot determine which grants will be tested for the Single Audit until the Year-End phase of the audit.

Our compliance audits of cash, investments, debt covenants, and other areas will be performed in accordance with the California Government Code, which has many provisions and regulations covering investments.

***Approach to be Taken in Drawing Audit Samples for Purposes of Tests of Compliance***

To test compliance, we will follow the AICPA's Audit Sampling Considerations of Uniform Guidance Compliance Audits. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.



## CITY OF NAPA

*Experience and Approach****Client Training Seminar***

Constant changing in accounting and auditing standards, laws and regulations, and compliance provisions has created an unprecedented complexity in public accounting for state and local governments.

The Pun Group Governmental Accounting Conference is designed to not only provide you updates on these new accounting and auditing standards. We also bring in expertise to provide you practical insights on certain pressing issues, such as:

1. Structural Financial Issues – Reduction in tax revenues and the growing cost of services
2. Labor Issues – Escalation of Pension and Healthcare Cost and Other Employee Benefits issues
3. Infrastructures Issues – Maintenance and Repair of Aging Infrastructure

Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues. This year's day-long session—held in Orange County (08/06/2019), Danville (08/20/2019) and Clovis (08/29/2019)—qualifies for eight hours of CPE.

Participants of this year's training seminar received a high-level examination of numerous technical issues, including the following:

- GASB Updates
- Auditing Standards and Single Audit Updates
- Survey of Cities and Counties
- Implementation of the New OPEB Standards
- Public Sector Employee Benefits 2018: Big Ticket Items That Finance Directors and Staff Need to Plan for

Importantly, all of our clients are invited to attend The Pun Group, LLP client training seminar **FREE OF CHARGE**.

## CITY OF NAPA

*Experience and Approach***Identification of Anticipated Potential Audit Problems**

While we do not expect any problems with the audit, we will carefully investigate and monitor the following relevant accounting issues:

**Investments:**

- Compliance with GASB 31 and GASB 34
- Authorization and approval process for City investments
- Controls to assure City's compliance with investment limitations and types of specific investments
- Monitoring by the City of its investments

**Financial Reporting:**

- CAFR compliance with current reporting and disclosure requirements issued by GASB
- CAFR eligibility for financial reporting conformance awards issued by GFOA
- Compliance with the various GASBs in effect
- Perform valuations of OPEB benefits to determine the liability for all benefits promised to active, retired, and inactive plan members as of each valuation date
- Compliance with Governmental Accounting Standards Board (GASB) Statements 74 and 75
- Compliance with infrastructure obligations and regulatory provisions

**Internal Control Structure:**

- City's internal control functions and compliance with proper internal control philosophies
- Computer-system processes and controls, and adequacy of the control environment

Over the period of the engagement, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures:

- GASB 72 – *Fair Value Measurement and Application*
- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB 76 – *The Hierarchy of Generally Accepted Account Principles for State and Local Governments*
- GASB 77 – *Tax Abatement Disclosures*
- GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB 79 – *Certain External Investment Pools and Pool Participants*
- GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement 14*
- GASB 81 – *Irrevocable Split-Interest Agreements*
- GASB 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*
- GASB 83 – *Certain Asset Retirement Obligations*
- GASB 84 – *Fiduciary Activities*
- GASB 85 – *Omnibus 2017*
- GASB 86 – *Certain Debt Extinguishment Issues*
- GASB 87 – *Leases*
- GASB 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*



## CITY OF NAPA

## Experience and Approach

## Prepared by Client List

City of XXXXX Client Assistance Request Package FYE: June 30, 2018				
Please provide the following schedules and information to assist with the audit. These requests will allow us to complete the audit of your financial statements in a timely and efficient manner. We will be basing our audit plan on the assumption that all schedules listed below will be available for our use on the dates indicated. This list is not all inclusive. We may, and probably will, request other items as our audit progresses. Microsoft Excel and Word formats are preferred, but Adobe and scanned hard copy reports are also helpful. If you have any questions on any of the schedules or if there are areas where we may be of assistance, please feel free to contact us.				
Fieldwork dates: Interim 5/14/2018 and Year-End 10/1/2018				
Request Number	Requested Item	Date Requested	Date Expected	Date Received
Interim Procedures				
1	Year-to date FY17-18 Trial Balance as of Interim fieldwork. (Excel and PDF file)	4/24/2018	5/7/18	
2	Most recent revenues report with Budget and Actual comparison for all funds in FY17-18. (PDF file)	4/24/2018	5/7/18	
3	Most recent expenditures report with Budget and Actual comparison for all funds in FY17-18. (PDF file)	4/24/2018	5/7/18	
4	Most recent TB Detail report	4/24/2018	5/7/18	
5	New or updated policies and procedures implemented in FY17-18 for Finance Department, Human Resources, and Risk Management (if any). (PDF file)	4/24/2018	5/7/18	No change in FY18
6	Please update the attached flowchart/narrative and IT forms provided for any changes in effect in FY17-18.	4/24/2018	5/7/18	5/8/2018
7	Bi-annual adopted budget.	4/24/2018	Online	Online
8	City's Resolution to adopt the bi-annual budget.	4/24/2018	N/A	Received
9	Mid-year budget amendment.	4/24/2018	5/7/18	N/A
10	City's Resolution to adopt mid-year budget amendment.	4/24/2018	5/7/18	N/A
11	Access to Cash receipt packages for 8/13/17, 10/17/17, 12/8/17, 2/1/18, 4/7/18, and 6/4/18 with bank statements showing deposits were cleared.	4/24/2018	5/7/18	Only received bank statements
12	Access to Bank Reconciliation for November 2017 to verify the cash receipts selected on item #7 were properly reconciled including the Daily Cash Excel file	4/24/2018	5/7/18	5/8/2018
13	Access to Bus Line receipt for the dates selected as Tab 2 "Bus Line Cash Receipt Dates". If selected dates did not include fare revenue, please let us know and the date will be re-selected.	4/24/2018	5/7/18	5/9/2018
14	Check register for all checks issued in FY17-18 (Excel and PDF file)	4/24/2018	5/7/18	5/8/2018
15	Access to listing of wire transfers made in FY17-18	4/24/2018	5/7/18	5/8/2018
16	Lists of formal bids/RFP went out during FY17-18	4/24/2018	5/7/18	5/9/2018
17	List of Year to date Purchase Orders issued	4/24/2018	5/7/18	5/8/2018
18	Access to payroll registers and payroll distribution reports for pay period covers 7/15/2017, 10/17/2017, 1/10/2018, 3/14/2018, and 6/9/2018	4/24/2018	5/7/18	5/8/2018 6/9/18 is not yet available
19	Lists of new hires, terminated employees, and employees with pay rate increase in FY17-18	4/24/2018	5/7/18	5/9/2018
20	CalPERS Census Data Report as of 6/30/2016 - Misc Plan (the City needs to order from CalPERS)	4/24/2018	5/7/18	5/14/2018
21	List of new hires and terminated employees under CalPERS in FY17-18	4/24/2018	5/7/18	5/9/2018
22	GASB 75 Report (Final version, draft is received)	4/24/2018	5/7/18	
23	MOUs (if any new in effect for FY17-18)	4/24/2018	5/7/18	No change in FY18
24	Salary schedules applicable for FY17-18	4/24/2018	5/7/18	5/8/2018
25	Proof of submission (such as copy of email with report attached) of monthly financials to departments (budget vs actual YTD) for the month of February 2018	4/24/2018	5/7/18	5/8/2018
26	JV Report for all manual JV during the year ended June 30, 2018 (Excel file)	4/24/2018	5/7/18	5/8/2018
27	Disaster Recovery/Contingency Plans, if any new policies/procedures adopted in FY17-18.	4/24/2018	5/7/18	N/A
28	Minutes - July 1, 2017 to most recent	4/24/2018	Online	Online
29	Conflict of Interest Code adopted during FY17-18 (PDF file)	4/24/2018	5/7/18	
30	YTD expenditure report for all attorneys City had paid in FY17-18	4/24/2018	5/7/18	5/8/2018
31	Vendor list (with address) and employee list (with address) in FY17-18	4/24/2018	5/7/18	5/16/2018
32	List of top 10 vendors that the City makes payments to during FY17-18	4/24/2018	5/7/18	5/8/2018
33	Current organizational chart for the City and Finance Department (if any changes from prior year)	4/24/2018	5/7/18	
34	6FOA comment letter for the 2017 CAFR (if available).	4/24/2018	5/7/18	5/8/2018
35	Provide the following for the City personnel responsible for reviewing and approving the financial statements: (Ray) a) updated resume b) training certificates and agendas	4/24/2018	5/7/18	5/8/2018
36	Annually adopted Investment Policy for FY17-18 (PDF file).	4/24/2018	5/7/18	
37	Resolution for adopting the investment policy (PDF file)	4/24/2018	5/7/18	
38	List of authorized signers by bank accounts	4/24/2018	5/7/18	5/8/2018
39	List of authorized investment brokers for FY 16-17	4/24/2018	5/7/18	5/8/2018
40	List of accounts opened and closed during FY17-18. If there are any, please provide proof of proper authorization provided to the bank	4/24/2018	5/7/18	N/A
41	SOC 1 Type 2 report from US Bank trustee service and bridge letter from the report date to 6/30/18	4/24/2018	5/7/18	
42	All new loans/notes agreements in FY17-18, if any.	4/24/2018	5/7/18	N/A
43	Fee schedules updated during FY17-18, if any (PDF file).	4/24/2018	5/7/18	5/8/2018
44	Resolution for adopting new fee schedule (PDF file)	4/24/2018	5/7/18	

## CITY OF NAPA

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45	Official statements including debt service schedules for any new debts issued in FY17-18, if any (PDF file).	4/24/2018	5/7/18	N/A
46	Any new capital lease agreements and payment schedules for FY17-18, if any (PDF file).	4/24/2018	5/7/18	
47	Listing and official statements for any new non-city obligations debts in FY17-18, if any (PDF file).	4/24/2018	5/7/18	
48	Agreement with Third Party Administrator for FY17-18, if any (PDF file).	4/24/2018	5/7/18	5/9/2018
49	Insurance policies in effect for FY17-18	4/24/2018	5/7/18	5/8/2018
50	SSAE16 Report and Bridge Letter from SSAE report date to 6/30/18 for third party administrators covering FY17-18. (Carl Warren and AdminSure)	4/24/2018	5/7/18	
51	Preliminary Schedule of Expenditures of Federal Awards (SEFA) for all Federal grants expended in FY17-18.	4/24/2018	5/7/18	
52	Reports received for any monitoring, audits, reviews, etc. performed by grantor agencies during FY17-18 to the present for federal and nonfederal grants.	4/24/2018	5/7/18	5/15/2018
53	Listing of City employees who charged time to Bus Lines Fund during FY17-18.	4/24/2018	5/7/18	5/8/2018
54	Listing of City employees who charged time to Fund 331 during FY17-18.	4/24/2018	5/7/18	5/8/2018
<b>Year End Procedures</b>				
<b>General</b>				
55	Most recent chart of accounts and fund roll-ups, if any changes from prior year.	4/24/2018	9/24/18	
56	Most recent roll-ups for the balance sheet and income statements line items, if any changes from prior year.	4/24/2018	9/24/18	
57	Major Fund Determination for FY17-18	4/24/2018	9/24/18	
58	Provide the following for the GANN Agreed Upon Procedure: a) 2018-19 resolution and staff agenda b) FY 18-19 Dept of Finance Letter	4/24/2018	6/30/18	Please use the higher of the County or City's population growth to calculate.
59	Listing and description of new commitments and contingencies that are required for notes disclosure, if any	4/24/2018	9/24/18	
60	Description of subsequent events for note disclosure, if any	4/24/2018	9/24/18	
61	Journal entry and all supporting documents for all prior period adjustments, if any	4/24/2018	9/24/18	
62	Any compliance or monitoring audit report issued by other agencies	4/24/2018	9/24/18	
<b>Trial Balances</b>				
63	Year-to-date Trial Balance for all funds as of 06/30/18 (Excel and PDF file)	4/24/2018	9/24/18	
64	Revenues and Expenditures Status Reports for all funds for the year ended June 30, 2018 (Excel and PDF file)	4/24/2018	9/24/18	
65	Revenue and Expenditures detail transaction report for all funds for the year ended June 30, 2018 (PDF file)	4/24/2018	9/24/18	
<b>Confirmations</b>				
66	Please prepare the confirmation letters, make sure the balances are updated for 2018.	4/24/2018	7/30/18	
<b>Cash and Investments</b>				
67	Access to June 2018 bank statements for all accounts	4/24/2018	9/24/18	
68	Access to July 2018 bank statements for all accounts	4/24/2018	9/24/18	
69	Bank reconciliations for June 2018 for all deposit accounts	4/24/2018	9/24/18	9/24/2018
70	Outstanding check listings at 6/30/18	4/24/2018	9/24/18	
71	Investment report for June 30, 2018	4/24/2018	9/24/18	
72	Schedule for investment disclosure	4/24/2018	9/24/18	9/24/2018
	a) credit rating for each investment	4/24/2018	9/24/18	9/24/2018
	b) maturity dates	4/24/2018	9/24/18	9/24/2018
	c) GASB 72 disclosures	4/24/2018	9/24/18	9/24/2018
73	Listing of interest income on investments by fund for FY17-18.	4/24/2018	9/24/18	9/24/2018
74	Fair value calculation for all investments at June 30, 2018.	4/24/2018	9/24/18	9/24/2018
75	Summary/ reconciliations for all restricted cash and investments held by fiscal agents by trustee account and by fund as of 6/30/18.	4/24/2018	9/24/18	9/24/2018
76	Access to June 2018 cash with fiscal agent. Trustee Statements.	4/24/2018	9/24/18	9/24/2018
<b>Receivables</b>				
77	Notes receivable detail listing as of 6/30/18 (Excel file)	4/24/2018	9/24/18	
78	Loan receivable detail listing as of 6/30/18 (Excel file) - OORP Loan Portfolio including changes during FY17-18 (new loan issued and loan paid off)	4/24/2018	9/24/18	9/24/2018
79	Aged detailed listing of all accounts receivable by fund for all funds at June 30, 2018	4/24/2018	9/24/18	
80	Detailed listing of allowances for uncollectible accounts by fund for all funds at June 30, 2018	4/24/2018	9/24/18	
81	Detailed listing of all taxes receivable as of June 30, 2018	4/24/2018	9/24/18	
82	Detailed listing of all interest receivable as of June 30, 2018	4/24/2018	9/24/18	
83	Detailed listing of all due from other governments as of June 30, 2018	4/24/2018	9/24/18	
<b>Other Assets/ Inventory</b>				
84	Prepaid detail listing as of June 30, 2018 (excel file)	4/24/2018	9/24/18	9/24/2018
85	Inventory detail listing as of June 30, 2018 (excel file)	4/24/2018	9/24/18	9/24/2018
86	Appraisal report for Gardena Municipal Bus Lines as of 6/30/18	4/24/2018	9/24/18	
87	RGIS FY2018 Year End Inventory Report	4/24/2018	9/24/18	9/24/2018
<b>Interfund Transactions</b>				
88	Schedule of due to/from and purpose of each due to/due from (excel file)	4/24/2018	9/24/18	
89	Schedule of advance to/from (schedule of loans/notes receivables) (excel file) & loan agreement if new one.	4/24/2018	9/24/18	
90	Schedule of Transfers in and out and purposes of transfers.	4/24/2018	9/24/18	

## CITY OF NAPA

## Experience and Approach

Capital Assets			
91	Listing beginning balances, additions, deletions, transfers, and ending balances of capital assets and accumulated depreciation for all governmental and proprietary fund types for FY17-18	4/24/2018	9/24/18
92	Detailed listing of all additions and deletions for all capital assets for FY17-18, including construction in progress.	4/24/2018	9/24/18
93	Construction in Progress worksheet.	4/24/2018	9/24/18
94	Expenditure Summary by project worksheet.	4/24/2018	9/24/18
95	Calculation for depreciation expense for all governmental and proprietary fund types.	4/24/2018	9/24/18
96	Calculation of gains and losses for all capital assets disposed during FY17-18	4/24/2018	9/24/18
97	A listing of amount and description of donated capital assets, if any.	4/24/2018	9/24/18
98	Detailed transaction report for all repairs/maintenance accounts for all funds for FY17-18	4/24/2018	9/24/18
99	Detailed transaction report for all capital outlay accounts for all funds for FY17-18	4/24/2018	9/24/18
100	Impairment analysis done by the City, if any	4/24/2018	9/24/18
Deferred Inflows			
101	Schedule of Unavailable Revenue as of June 30, 2018 (excel file)	4/24/2018	9/24/18
Accounts Payable			
102	Detailed listing of all accounts payable by fund for all funds as of June 30, 2018 (AP Open Invoice Report)	4/24/2018	9/24/18 9/24/2018
103	Check register and wire transfers from July 1, 2018 to the most recent date. (PDF or excel file)	4/24/2018	9/24/18 9/24/2018
104	Detailed listing of all other payables by fund for all funds as of June 30, 2018	4/24/2018	9/24/18 9/24/2018
105	Detail listing of all retentions payable as of June 30, 2018	4/24/2018	9/24/18 9/24/2018
106	Detail listing of all deposits payable as of June 30, 2018	4/24/2018	9/24/18 9/24/2018
107	Schedule of Unearned Revenue as of June 30, 2018	4/24/2018	9/24/18 9/24/2018
108	Detailed listing of all amounts Due to Other Governments for all funds as of June 30, 2018	4/24/2018	9/24/18 9/24/2018
Accrued Payroll and Related Liabilities			
109	Detailed listing and calculation of all accrued salaries payable by fund for all funds as of June 30, 2018	4/24/2018	9/24/18 9/24/2018
110	Payroll register from last full pay period in FY17-18 and from pay period included in accrual at June 30, 2018	4/24/2018	9/24/18 9/24/2018
111	Form 941s for all quarters of FY17-18	4/24/2018	9/24/18 9/24/2018
112	Reconciliation of Form 941s to total annual payroll for FY17-18	4/24/2018	9/24/18 9/24/2018
113	Detail listing of compensated absences by employee as of June 30, 2018	4/24/2018	9/24/18 9/24/2018
114	Listing of beginning balances, additions, deletions, and ending balances by fund and by short-term portion and long-term portion at June 30, 2018	4/24/2018	9/24/18 9/24/2018
115	Most recent CalPERS actuarial report for Miscellaneous and Safety	4/24/2018	Online 9/24/2018
116	GASB 68 Reports for all plans and all tiers	4/24/2018	ASAP when available 9/24/2018
117	GASB 68 worksheets for Miscellaneous plan and safety plan by using TPG templates	4/24/2018	9/24/18 9/24/2018
118	Reconciliation from MyCalPERS to GL for current year contribution for all plans and allocations among governmental activities, bus lines, and sewer fund.	4/24/2018	9/24/18 9/24/2018
119	Schedule of Annual pension costs for FY17-18 for PERS and PARS.	4/24/2018	9/24/18 9/24/2018
120	Deferred Compensation Plan - FY17-18 spreadsheet and June 2018 statements.	4/24/2018	9/24/18 9/24/2018
121	FY17-18 pay-as-you-go expenditures for health insurance benefits and number of eligible participants at June 30, 2018	4/24/2018	9/24/18 9/24/2018
122	Number of retirees and employees eligible to retirement health plan as of June 30, 2018.	4/24/2018	9/24/18 9/24/2018
123	GASB 75 worksheets by using TPG templates	4/24/2018	9/24/18 9/24/2018
124	Allocations among governmental activities and sewer, if applicable	4/24/2018	9/24/18 9/24/2018
Net Position/Fund Balances			
125	Council resolutions for any amounts deemed to be "committed" in FY17-18	4/24/2018	9/24/18 9/24/2018
126	Listing of fund balance categories as follows by fund for all funds: a) Nonspendable b) Restricted c) Committed d) Assigned e) Unassigned	4/24/2018	9/24/18 9/24/2018
Long-term liabilities			
127	LTD Schedule as of June 30, 2018 (excel file)	4/24/2018	9/24/18 9/24/2018
128	Lease schedule for FY17-18	4/24/2018	9/24/18 9/24/2018
129	Schedule of Bond Premium Amortization as of June 30, 2018 (excel file)	4/24/2018	9/24/18 9/24/2018
130	Schedule of Bond Discount Amortization as of June 30, 2018 (excel file)	4/24/2018	9/24/18 9/24/2018
Revenue and Expenses			
131	Explanation to Revenue and Expenditures over/under budget (items requiring explanations to be provided by the auditor after receiving FY17-18 Revenue and Expenditure Status Report)	4/24/2018	TBD 9/24/2018
132	Spreadsheet for breakdown of Casino revenues by casino for FY17-18	4/24/2018	9/24/18 9/24/2018



## CITY OF NAPA

## Experience and Approach

Insurance and Claims Payables				
133	Liability for FY17-18 claims and changes in estimates for workers' comp and general liability (ISF Trend Analysis).	4/24/2018	9/24/18	9/24/2018
134	List beginning balances, additions, deletions, and ending balances by fund and by short-term and long-term portion at June 30, 2018.	4/24/2018	9/24/18	9/24/2018
135	Loss run reports for workers' compensation and general liability as of June 30, 2018.	4/24/2018	9/24/18	9/24/2018
136	ISF Trend Analysis update for FY17-18.	4/24/2018	9/24/18	9/24/2018
137	Claims listing for ABS/Tribal Claims (Health Benefits).	4/24/2018	9/24/18	9/24/2018
Jointly Governed Organizations				
138	Financial Statements for SBRPCA for FY17-18 (provide draft if final not yet available).	4/24/2018	9/24/18	
139	Percentage Interest in SBRPCA for FY17-18.	4/24/2018	9/24/18	
Single Audit				
140	Schedule of Expenditures of Federal Awards (SEFA) for all Federal grants expended in FY17-18.	4/24/2018	TBD	
141	Supporting schedule and T/B that supports the amounts in SEFA.	4/24/2018	TBD	
142	Please provide the contact information for the grant administrator for the grant selected for testing.	4/24/2018	TBD	
143	Status of findings reported in prior year Single Audit report.	4/24/2018	6/30/17	
144	Grant agreement (and any amendments) for all grants.	4/24/2018	TBD	
145	Revenue & Expenditure G/L Detail for FY17-18 for the grant selected for testing.	4/24/2018	TBD	
Municipal Bus Lines				
146	Fund 050, 056, 057, 058, and 059 - Final year-to-date Trial Balance as of June 30, 2018.	4/24/2018	9/24/18	
147	Fund 050, 056, 057, 058, and 059 - G/L Trial Balance Detail report as of June 30, 2018.	4/24/2018	9/24/18	
148	Fund 050, 056, 057, 058, and 059 - Revenue status report for the year ended June 30, 2018.	4/24/2018	9/24/18	
149	Fund 050, 056, 057, 058, and 059 - Revenue detail report for the year ended June 30, 2018.	4/24/2018	9/24/18	
150	Fund 050, 056, 057, 058, and 059 - Expenditures by Object report for the year ended June 30, 2018.	4/24/2018	9/24/18	
151	Fund 050, 056, 057, 058, and 059 - Expenditures Detail report for the year ended June 30, 2018.	4/24/2018	9/24/18	
152	Fund 050 and 056 - Receivables Detail report as of June 30, 2018.	4/24/2018	9/24/18	9/24/2018
153	Detailed inventory listing as of June 30, 2018.	4/24/2018	9/24/18	9/24/2018
154	Capital Assets as of June 30, 2018:	4/24/2018	9/24/18	
	a) Summary and detailed listing	4/24/2018	9/24/18	
	b) Additions/Deletions listing	4/24/2018	9/24/18	
	c) Depreciation schedule	4/24/2018	9/24/18	
155	Accounts Payable Detail Aging report as of June 30, 2018.	4/24/2018	9/24/18	9/24/2018
156	Unearned revenue schedule as of June 30, 2018 by different funding sources.	4/24/2018	9/24/18	
157	Compliance Documents:	4/24/2018	9/24/18	9/24/2018
	a) Transit Operators Financial Transactions Report for FY16-17 and FY17-18 for Fixed Route and Dial-A-Ride.	4/24/2018	9/24/18	9/24/2018
	b) Short Range Transit Plan, if any amendments.	4/24/2018	9/24/18	9/24/2018
	c) STA & LTP Public Transit Claims for FY17-18.	4/24/2018	9/24/18	9/24/2018
	d) Standard Assurances for Applicants (part of Transit Claims packet).	4/24/2018	9/24/18	9/24/2018
	e) Transit Operator Compliance Certificate from the CHP (covering FY17-18).	4/24/2018	9/24/18	9/24/2018
	f) Bus Lines Schedule with fares in effect for FY17-18.	4/24/2018	9/24/18	9/24/2018
Family Child Care				
158	Fund 331 - Final year-to-date Trial Balance as of June 30, 2018.	4/24/2018	9/24/18	
159	Fund 331 - Revenue Detail G/L Report for the year ended June 30, 2018.	4/24/2018	9/24/18	
160	Fund 331 - Expenditure Detail G/L Report for the year ended June 30, 2018.	4/24/2018	9/24/18	9/24/2018
161	FY17-18 Local Agreements for Child Development Services with CDE (all contracts and amendments) and City Council's approval.	4/24/2018	9/24/18	9/24/2018
162	FY17-18 Program Calendar.	4/24/2018	9/24/18	9/24/2018
163	FY17-18 Quarterly filings (CD9500).	4/24/2018	9/24/18	9/24/2018
164	FY17-18 CDE Reserve Account Activity Report.	4/24/2018	9/24/18	9/24/2018
165	Final FY17-18 CD9500.	4/24/2018	9/24/18	9/24/2018
166	Audited Reserve for FY 16-17.	4/24/2018	9/24/18	9/24/2018
167	FY17-18 Administrative Cost Breakdown spreadsheet.	4/24/2018	9/24/18	9/24/2018
168	FY17-18 Interest Allocation spreadsheet.	4/24/2018	9/24/18	
169	FY17-18 Indirect Cost Calculations.	4/24/2018	9/24/18	9/24/2018
170	FY17-18 Year-end Accrual Journal Entry with calculation including reimbursable earnings and costs, percent of contract earnings, transfer to reserve, etc.	4/24/2018	9/24/18	
171	FY17-18 CDE Attendance and Fiscal Report for Child Development Programs (have all months reports available - we will make selections of months for testing).	4/24/2018	9/24/18	
172	FY17-18 Parent Roster as of 6/30/18.	4/24/2018	9/24/18	9/24/2018
173	FY17-18 Family Fee Schedule (if new schedule in effect for FY17-18).	4/24/2018	9/24/18	9/24/2018
174	FY17-18 Parent Fee Income Detail report.	4/24/2018	9/24/18	9/24/2018
175	Absence Policy in effect for FY17-18 (if new one adopted).	4/24/2018	9/24/18	
176	FY17-18 Days of Enrollment Summary Detail (final).	4/24/2018	9/24/18	9/24/2018
177	FY17-18 List of Providers.	4/24/2018	9/24/18	9/24/2018
178	FY17-18 Salaries & Benefits / PERS worksheets for FCC Fund 331.	4/24/2018	9/24/18	9/24/2018
179	Program goal for FY17-18.	4/24/2018	9/24/18	9/24/2018
180	Parent Policy Handbook, if any changes from prior year.	4/24/2018	9/24/18	
181	FY17-18 California Attendance and Fiscal Reporting and Reimbursement Procedures for Child Development Contracts.	4/24/2018	9/24/18	9/24/2018

## COST OF SERVICES

*“Offering a full range of financial services, The Pun Group helps clients address all aspects of their financial condition, while providing solutions and directions in a cost-effective and efficient manner.”*

## CITY OF NAPA

*Cost of Services***Certification**

We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, our partners will provide advice and consultation as needed, at no additional cost to the City.

**Name of Firm:** The Pun Group, LLP  
**Contact Name:** Certified Public Accountants and Business Advisors  
**Contact Telephone Number:** Kenneth H. Pun, CPA, CGMA  
**Contact Email Address:** (949) 777-8801  
 ken.pun@pungroup.com

I, the undersigned, certify I am duly authorized to represent the above named firm and am empowered to submit this bid. In addition, I certify I am authorized to contract with the City on behalf of the above named firm.



January 14, 2018

Kenneth H. Pun, CPA, CGMA | Managing Partner  
 The Pun Group, LLP

Date

**Project Cost**

Following are our total fixed fees for Fiscal Years Ending June 30, 2019 through 2021, with an option to extend for two (2) subsequent fiscal years.

<sup>(1)</sup> Fees related to Single Audit are based on up to four (4) major programs per fiscal year. The fee to audit additional major programs will be \$4,000 each. The number of programs determined to be "major" will be based on OMB Uniform Guidance. The Engagement Team will discuss this with the City's Management before starting Single Audit work.

## CITY OF NAPA

## Cost of Services

## Appendix A

TOTAL MAXIMUM AUDIT COST  
FOR THE FISCAL YEAR ENDING JUNE 30,

	2019	2020	2021	TOTAL	Optional Year 2022	Optional Year 2023
City - Review and Confirm Audit & Issue Related Reports	\$ 55,000	\$ 56,100	\$ 57,222	\$ 168,322	\$ 58,366	\$ 59,534
Management Letter	Included	Included	Included	Included	Included	Included
Single Audit Act Report - Up to 4 Major Programs	\$ 16,000	\$ 16,320	\$ 16,646	\$ 48,966	\$ 16,979	\$ 17,319
Transportation Act Audits - Prepare, Audit & Issue Related Reports	\$ 3,000	\$ 3,060	\$ 3,121	\$ 9,181	\$ 3,184	\$ 3,247
REAC Financial Data Submission - Review and Submission	\$ 1,500	\$ 1,530	\$ 1,561	\$ 4,591	\$ 1,592	\$ 1,624
GANN Limit Review & Report	\$ 500	\$ 510	\$ 520	\$ 1,530	\$ 531	\$ 541
<b>Total Maximum Cost</b>	<b>\$ 76,000</b>	<b>\$ 77,520</b>	<b>\$ 79,070</b>	<b>\$ 232,590</b>	<b>\$ 80,652</b>	<b>\$ 82,265</b>

  

	2019	2020	2021	TOTAL	Optional Year 2022	Optional Year 2023
State Controller Report - City Transactions	\$ 4,500	\$ 4,590	\$ 4,682	\$ 13,772	\$ 4,775	\$ 4,871
State Controller Report - Streets Report	\$ 1,500	\$ 1,530	\$ 1,561	\$ 4,591	\$ 1,592	\$ 1,624
<b>Total Maximum Cost - Optional Services</b>	<b>\$ 6,000</b>	<b>\$ 6,120</b>	<b>\$ 6,242</b>	<b>\$ 18,362</b>	<b>\$ 6,367</b>	<b>\$ 6,495</b>

  

<b>Total Maximum Cost - INCLUDING Optional Services</b>	<b>\$ 82,000</b>	<b>\$ 83,640</b>	<b>\$ 85,313</b>	<b>\$ 250,953</b>	<b>\$ 87,019</b>	<b>\$ 88,759</b>
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## CITY OF NAPA

## Cost of Services

## Appendix B

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
FOR THE FISCAL YEAR ENDING JUNE 30,

	No. of Hours	Hourly Rate	2019	2020	2021	TOTAL	Optional Year 2022	Optional Year 2023
<b>Fees:</b>								
Partners	90	\$ 250	\$ 22,500	\$ 22,950	\$ 23,409	\$ 68,859	\$ 23,877	\$ 24,355
Managers	135	\$ 200	\$ 27,000	\$ 27,540	\$ 28,091	\$ 82,631	\$ 28,653	\$ 29,226
Supervisory Staff	153	\$ 175	\$ 26,775	\$ 27,311	\$ 27,857	\$ 81,942	\$ 28,414	\$ 28,982
Seniors	180	\$ 150	\$ 27,000	\$ 27,540	\$ 28,091	\$ 82,631	\$ 28,653	\$ 29,226
Professional Staff	333	\$ 125	\$ 41,625	\$ 42,458	\$ 43,307	\$ 127,389	\$ 44,173	\$ 45,056
Clerical	9	\$ 100	\$ 900	\$ 918	\$ 936	\$ 2,754	\$ 955	\$ 974
<b>Subtotal Fees</b>			\$ 145,800	\$ 148,716	\$ 151,690	\$ 446,206	\$ 154,724	\$ 157,819
<b>Expenses:</b>								
Meals and Lodging			Included	Included	Included	Included	Included	Included
Transportation			Included	Included	Included	Included	Included	Included
Printing/Copying			Included	Included	Included	Included	Included	Included
Other (Specify)			Included	Included	Included	Included	Included	Included
<b>Subtotal Expenses</b>			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Less Professional Discount</b>			\$ (63,800)	\$ (65,076)	\$ (66,378)	\$ (195,254)	\$ (67,705)	\$ (69,059)
<b>Total Maximum Cost</b>			\$ 82,000	\$ 83,640	\$ 85,313	\$ 250,953	\$ 87,019	\$ 88,759



## CITY OF NAPA

*Cost of Services***Out of Pocket Expenses in the Total Maximum Price and Reimbursement Rates**

The Firm's policy is to maintain flexible billing rates to meet the needs of clients and help them control costs. In the interest of continuing our long-term relationship, we will absorb all expenses required to familiarize ourselves with the operations and accounting systems, as well as, travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the City. The Firm will also absorb these costs.

**Cost for Additional Professional Services**

Below are the Firm's standard hourly billing rates, delineated by staffing levels:

<b>Auditor's Standard Hourly Billing Rates</b>	
<b>Position</b>	<b>FY 2018-19</b>
Partner(s)	\$ 250
Senior Manager(s)	\$ 225
Manager(s)	\$ 200
Supervisor(s)	\$ 175
Senior Accountant(s)	\$ 150
Staff Accountant(s)	\$ 125
Clerical	\$ 100

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added in a written agreement prior to commencing audit work. The Firm and the City will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the above quoted hourly rates.

**Manner of Payment**

Engagement Team members are required to maintain timesheets detailing the date, number of hours, and work performed for every audit task. The Firm will collect these timesheets and bill the, at the rates outlined in the Total All-Inclusive Maximum Price section, in four stages: (1) at the conclusion of the planning phase, (2) at the conclusion of the interim phase, (3) at the conclusion of the Year-End phase, (4) and after presentation and acceptance of the final audit reports. Interim billings will cover a period not less than a calendar month. The billing amounts generally break down as follows:

<b>Work Performed</b>	<b>% of Proposal Amount</b>
For Planning	10%
For Interim work	40%
For Year-End work	40%
At Presentation and Acceptance of Final Reports	10%
<b>Total</b>	<b>100%</b>