



## Staff Report

### July 9, 2019

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**TO:** Honorable Mayor and Members of the Town Council  
**FROM:** Roger Carroll, Finance Director  
**DATE:** July 2, 2019  
**RE:** Selection of Audit Firm

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#### **Recommendation**

Approve resolution selecting Fechter & Company as the Town's Financial Auditor and authorize the Town Manager to approve and sign the engagement letter.

#### **Issue Statement and Discussion**

State law now requires choosing new financial auditors every six years.

Staff requested proposals for auditing services from over 30 public accounting firms. Six responded.

After reviewing qualifications, Fechter & Company was chosen as the best fit for the Town.

The contract will be for the years ending June 30, 2019, 2020 and 2021, with an option to extend for two additional years.

#### **CEQA Requirements**

There are no CEQA issues regarding contracted fiscal services.

#### **Financial and/or Policy Implications**

The contract would agree to the following maximum fees:

- 6/30/2019      \$23,500
- 6/30/2020      \$24,340
- 6/30/2021      \$25,205

If the contract is extended, the subsequent year fees would increase by 3% per year.

The rate for 6/30/2019 is less than the current budgeted amount of \$25,000.

#### **Attachments**

- A. Resolution
- B. Fechter and Company Proposal for Fiscal Auditing Services



# TOWN OF LOOMIS

RESOLUTION NO. 19\_\_\_\_\_

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOOMIS  
AUTHORIZING THE TOWN MANAGER APPROVE AND SIGN AN ENGAGEMENT LETTER FOR  
FISCAL AUDITOR SERVICES

WHEREAS, State law requires the Town to change fiscal auditors every six years; and

WHEREAS, a request for proposals yielded six potential audit firms which were reviewed and evaluated by staff; and

WHEREAS, Fechter and Company was found to be responsive, qualified and appropriately experienced and their proposed cost was within the available budget;

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Town Council of the Town of Loomis, selecting Fechter and Company as the Town's fiscal auditor for the years ending June 30, 2019, 2020 and 2021, with an option for two additional years and authorizing the Town Manager to approve and sign the engagement letter.

PASSED AND ADOPTED this 9<sup>th</sup> day of July 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
Town Clerk





**Fechter & Company**  
Certified Public Accountants

3445 American River Drive, Suite A  
Sacramento, Ca 95864  
(T) 916.333.5360 (F) 916.333-5370

**Attachment B**

cfechter@gmail.com  
www.fechtercpa.com

**Company Representative:** Craig R. Fechter, CPA MST

# Town of Loomis

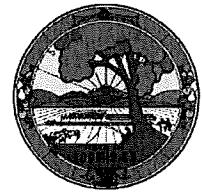
**June 14, 2019**

## Proposal for Fiscal Auditing Services

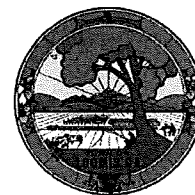
For the Years Ending  
June 30, 2019, 2020, and 2021, with  
the option to extend for two, one-  
year periods.

### Statement of Confidentiality

This proposal and supporting materials contain confidential and proprietary business information of Fechter & Company. These materials may be printed or photocopied for use in evaluating the proposed project but are not to be shared with other parties.



<b>LETTER OF TRANSMITTAL</b>	<b>I</b>
<hr/>	
<b>LICENSING, INDEPENDENCE, AND INSURANCE</b>	<b>2</b>
<hr/>	
<b>FIRM QUALIFICATIONS AND EXPERIENCE</b>	<b>3-5</b>
Internal Quality Control Procedures	
Technology and Security	
Other Affirmations	
Engagement Partner and Staff for This Assignment	
Peer Review	
<hr/>	
<b>REFERENCES</b>	<b>6-8</b>
Similar Engagements with Other Government Entities	
Extended List of Similar Auditing Services to Public Agencies	
<hr/>	
<b>ENGAGEMENT PARTNER, MANAGER AND STAFF EXPERIENCE</b>	<b>9-15</b>
<hr/>	
<b>SPECIFIC AUDIT APPROACH</b>	<b>16-21</b>
Summary of Proposed Phases	
Detailed Approach to the Audit	
Audit Timeline	
Identification of Anticipated Potential Audit Problems	
<hr/>	
<b>Dollar Cost Bid</b>	<b>22</b>
Proposed Fee Schedule	
Standard Billing Rates	
<hr/>	
<b>ATTACHMENTS</b>	<b>23</b>
A: Certificate of Liability Coverage	



June 14, 2019

Roger Carroll  
Finance Manager

Town of Loomis  
PO Box 1330  
Loomis, CA 95650  
916.652.1840

Dear Mr. Carroll:

Fechter & Company, Certified Public Accountants, is pleased to present our proposal to provide audit services to Town of Loomis (the Town). We are a local Sacramento firm. The credentials listed in the resumes of our team will demonstrate our qualifications, competence, and capacity to perform the audit services requested within the time frame required by the Town.

We believe we are best qualified to perform this engagement because we maintain a small staff of experienced auditors and accountants. We are able to promise the staff on your engagement will have experience that is directly applicable to your entity.

We commit to completing the audit within the time frame requested by the Town and have included a timeline on page 21.

This proposal is an irrevocable offer valid for 60 days after the date of the proposal. I am authorized to represent and to obligate the firm contractually to the Town. I am located at 3445 American River Drive, Suite A, Sacramento, CA 95864, and you can contact me by telephone at (916) 333-5360.

Thank you for considering our proposal. We look forward to a long and successful working relationship with you and your management team.

Very Truly Yours,



Craig R. Fechter, CPA, President  
Fechter & Company, Certified Public Accountants  
3445 American River Drive, Suite A  
Sacramento, CA 95864  
(T) 916.333.5360 (F) 916.333.5370  
cfechter@gmail.com



## Licensing, Independence, and Insurance

### LICENSING

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- Since 2005, our firm has been licensed as a certified public accounting firm by the California State Board of Accountancy.
- All key professional staff are properly licensed in California.
- Our firm has had no disciplinary action taken or pending since its inception in 2005.
- We have no prior substandard audit work or unsatisfactory performance pending with the State board of Accountancy or other related professional organizations.
- We received an unmodified opinion in our 2017 peer review which has been submitted to the state society of CPAs for approval.

### INDEPENDENCE

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- Our firm is independent of the Town of Loomis as defined by generally accepted auditing standards and the US General Accounting Office's Government Auditing Standards.
- All professional staff in our firm meet the independence requirements of the American Institute of Certified Public Accountants and the Government Auditing Standards, 2003 revision, published by the U.S. General Accounting Office.
- Our firm has no history or professional relationships with the Town or its personnel.

### INSURANCE

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- We carry the insurance coverage required by the Town.
- A copy of our current Liability Insurance Certificate is included as Attachment A.

### CONTINUING EDUCATION

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All of our staff are required to maintain their continuing education at levels necessary to provide services to government clients.



## Firm Qualifications and Experience

Fechter & Company, Certified Public Accountants is a professional corporation based in Sacramento, California. We are a local firm who completes our work at our Sacramento office. Since April 2005 we have built a practice providing audit, tax, and business consulting to government agencies, non-profit organizations, and small business with annual budgets of less than \$25 million.



### EXPERIENCED AUDITORS

From our staff of 4 CPA's and 5 seasoned staff, 3-4 will be assigned to perform all audit procedures. From initial planning through fieldwork to financial statement preparation, our depth of experience will be evident.



### PERSONAL SERVICE

You receive a high level of personal service with easy access to professionals who can answer your questions and facilitate the audit process.



### STEADFAST TURNAROUND

The professional staff is highly focused on assuring that all financial statements are issued as soon as the audit is complete. Our standard issue time is 10 days from the date we receive the final information from our clients.



### EFFICIENT PROCESSES

Our staff turnover is very low. As a result, you will have the same staff from year to year, resulting in a more efficient and effective use of your staff.



## Firm Qualifications and Experience, continued

### TECHNOLOGY AND SECURITY

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- **Microsoft Office:** Since most of our clients use Microsoft applications, we likewise use the programs, which enable us to collaborate on projects.
- **Engagement Processing:** We use Thomson Reuter's Engagement CS paperless auditing software to provide for an efficient audit process. Your staff will not be required to provide mass amounts of copies, only access to the document and we will scan what we need.
- All laptop computers are secured with passwords, changed frequently.
- Our firm subscribes to approximately a dozen industry periodicals and newsletters to help us proactively inform our clients about potential changes in accounting legislation and standards
- We offer an annual Government Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) update course to our clients at no additional charge.

### OTHER AFFIRMATIONS

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- We know of no conflicts of interest with the Town or any of its personnel.
- We will notify you with any changes that occur with our peer review or license status.

### ENGAGEMENT PARTNER AND STAFF FOR THIS ASSIGNMENT

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Mr. Craig Fechter will lead the audit while Ms. Sandy Sup and Ms. Joanne Berry will assist with the fieldwork. Complete resumes are attached to this proposal.

We have recognized the Town's need for staff consistency. You will deal with the same principal each year on the audit – Mr. Craig Fechter, CPA.

Mr. Craig Fechter, CPA is authorized to answer questions and to bind our firm.

Craig R. Fechter, CPA, President  
3445 American River Drive, Suite A  
Sacramento, CA 95864  
(T) 916.333.5360  
(F) 916.333.5370  
cfechter@gmail.com



## Quality Control

Our peer review, including a review of a specific governmental engagement, is provided below. Fechter & Company has never failed a peer review and has fully implemented all required quality control procedures, our next peer review is due in 2020.

### Contact information:

Grant Bennett Associates  
David C. Wilson, CPA, CVA  
1375 Exposition Boulevard  
Suite 230  
Sacramento, California  
95815

916-922-5109

## Grant Bennett Associates

A PROFESSIONAL CORPORATION

### Report on the Firm's System of Quality Control

September 27, 2018

To the Owner of Fechter & Company and the Peer Review Committee of the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Fechter & Company (the firm) in effect for the year ended March 31, 2017. 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](http://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 an engagement performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act; and an audit of an employee benefit plan.

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

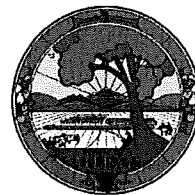
In our opinion, the system of quality control for the accounting and auditing practice of Fechter & Company in effect for the year ended March 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Fechter & Company has received a peer review rating of *pass*.

*Grant Bennett Associates*  
GRANT BENNETT ASSOCIATES  
A PROFESSIONAL CORPORATION  
Certified Public Accountants

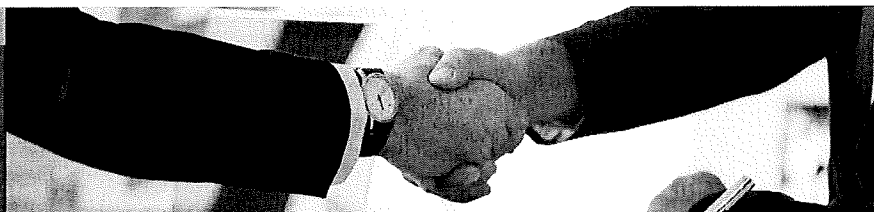


1375 Exposition Boulevard, Suite 230  
Sacramento, CA 95815  
916/922-5109 FAX 916/641-5200

P.O. Box 223096  
Princeville, HI 96722  
888/769-7323



## References



### CITY OF NEEDLES

Needles, CA

**Contact information:**

Sylvia Miledi,  
Finance Manager

760-326-2113

smiledi@cityofneedles.com

**Scope of audit work:**

Financial Statement audit of City and Needles Public Financing Authority; and Single Audit of the City



Serving Pacifica Since 1944

### NORTH COAST COUNTY WATER DISTRICT

Pacifica, CA

**Contact information:**

Connie Hsu,  
Accountant

650-355-3462

chsu@nccwd.com

**Scope of audit work:**

Audit of the GASB 34 financial statements, management letter and report on internal control structure, and preparation of annual report of financial transactions of special districts.



### EAST CONTRA COSTA IRRIGATION DISTRICT

Brentwood, CA

**Contact information:**

Pat Corey, District  
Manager

925-634-3544

patcorey@cwo.com

**Scope of audit work:**

Audit of the GASB 34 financial statements, management letter and report on internal control structure, and preparation of annual report of financial transactions of special districts.



**OPUD**  
Olivehurst Public Utility District  
"Our mission is to provide high quality service to our customers and community's quality of life."

### OLIVEHURST PUBLIC UTILITY DISTRICT

Olivehurst, CA

**Contact information:**

Karen Helvey,  
Financial Manager

530-743-4657

khelvey@opud.org

**Scope of audit work:**

Audit of the GASB 34 financial statements, management letter and report on internal control structure, and preparation of annual report of financial transactions of special districts.



## Extended List of Similar Auditing Services to Public Agencies

This is a comprehensive list representing California governmental agencies our firm has served by conducting audits over the last three (3) years. Contacts and email addresses will promptly be provided upon request. Approximately 50% of our audit clients are government entities.

### SPECIAL DISTRICTS – FIRE PROTECTION

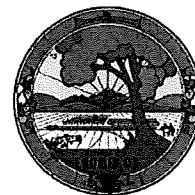
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- Alpine Fire Protection District
- Bonita-Sunnyside Fire Protection District
- Borrego Springs Fire Protection District
- Bridgeport Fire Protection District
- Carpinteria Fire Protection District
- Courtland Fire Protection District
- El Dorado Fire Protection District
- Garden Valley Fire Protection District
- Greenfield Fire Protection District
- Julian-Cuyamaca Fire Protection District
- Kensington Fire Protection District
- Lakeside Fire Protection District
- Mokelumne Fire Protection District
- Montecito Fire Protection District
- North County Fire Protection District
- North County Fire Protection District
- North Tahoe Fire Protection District
- Pioneer Fire Protection District
- Pioneer Fire Protection District
- South Lake County Fire Protection District
- Springlake Fire Protection District
- Stanislaus Consolidated Fire
- Truckee Fire Protection District
- Woodland Avenue Fire Protection

### SPECIAL DISTRICTS – RECREATION AND PARK

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- Ambrose Recreation and Park District
- Arden Manor Recreation and Park District
- Boulder Creek Recreation and Park District
- Carmichael Recreation and Park District
- Fair Oaks Recreation and Park District
- Fulton El Camino Rec and Park District
- Greater Vallejo Recreation District
- Mission Oaks Recreation and Park District
- North County Recreation and Park District
- Pleasant Hill Recreation and Park District



## Extended List of Similar Auditing Services to Public Agencies

This is a comprehensive list representing California governmental agencies our firm has served by conducting audits over the last three (3) years. Contacts and email addresses will promptly be provided upon request. Approximately 50% of our audit clients are government entities.

### MUNICIPAL UTILITY AGENCIES

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- Banta-Carbona Irrigation District
- Bayshore Sanitary District proposal
- East Contra Costa Irrigation District
- Emerald Bay Services District
- Fox Canyon Groundwater Mgmt Agency
- Georgetown Divide Public Utility District
- Granada Community Services District
- Markleeville Public Utility District
- North Coast County Water District
- Olivehurst Public Utility District
- Rio Linda-Elverta Community Water District
- Sewerage Commission - Oroville Region
- Sites Project Authority
- Thermalito Water and Sewer District
- Washington County Water District

### OTHER SPECIAL DISTRICTS AND AGENCIES

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- Eastside Mosquito Abatement District
- Solano County Mosquito Abatement District
- Turlock Mosquito Abatement District
- E. Stanislaus Resource Conservation District
- W. Stanislaus Resource Conservation District
- Fair Oaks Cemetery District
- Roseville Cemetery District
- Sylvan Cemetery District
- Los Medanos Community Healthcare District
- Eastern Sierra Transit Authority
- Mono County Local Transportation District
- Dixon Public Library
- Nevada County LAFCo
- Colusa Basin Drainage District



## Engagement Partner and Manager Experience

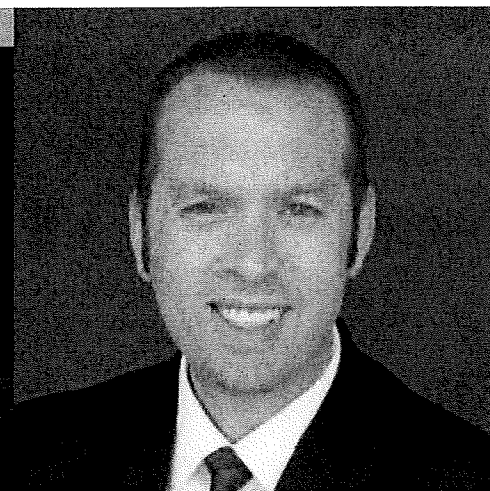
**Craig Fechter, CPA**

Classification: President

Years of Experience: 18

Master of Science in Taxation at Golden Gate University, 2012

BS in Business Administration, Accountancy at CSUS, 2001



### PROFESSIONAL CERTIFICATIONS AND AFFILIATIONS

Certified Public Accountant
Member California Society of Certified Public Accountants
Member American Institute of Certified Public Accountants
Adjunct Professor of Accounting, University of California, Davis Extension
Executive Committee, Big Brothers Big Sisters of the Greater Sacramento Area
Scoutmaster, Boy Scouts of America, Troop 320
Facilities, Transportation & Finance Committee, San Juan Unified School District
Past Finance Committee Chair, San Juan Education Foundation

### RELEVANT EXPERIENCE

During college, Mr. Fechter worked for a local sole practitioner. Following graduation from Sacramento State in 2001, he gained valuable experience at two regional CPA firms. In 2005, he struck out on his own and Fechter & Company was born.

Throughout his professional career, Mr. Fechter has performed financial statement audits of numerous counties, local government agencies, and non-profit agencies.

In 2012, Mr. Fechter earned his Masters of Science in Taxation from Golden Gate University.

Mr. Fechter oversees the Firms Tax and Audit practice, providing tax and business consulting to a wide range of professional corporations, not-for-profits, and small businesses.



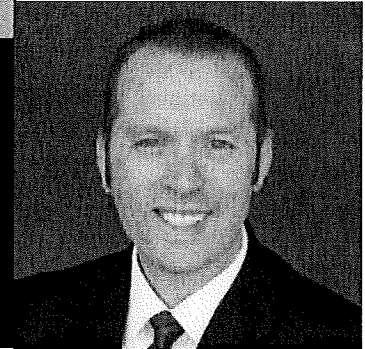
## Craig Fechter, CPA

Classification: President

Years of Experience: 18

Master of Science in Taxation at Golden Gate University, 2012

BS in Business Administration, Accountancy at CSUS, 2001



### FINANCIAL STATEMENT AUDITS: Participated as Engagement Partner

California Society of Health System Pharmacists
Associated Building Materials of America (business association)
Lakeside Fire Protection District
Borrego Springs Fire Protection District
Bonita-Sunnyside Fire Protection District
Carpinteria-Summerland Fire Protection District
South Lake County Fire Protection District
Stanislaus Consolidated Fire Protection

### CONTINUING PROFESSIONAL EDUCATION

Mr. Fechter takes annual courses on the Governmental Accounting & Audit Update. He has recently completed a course in the implementation of the new Auditing Standards (SAS 108-114). He also serves on the accounting advisory board for UC Davis Extension and teaches a course, which serves as a source of CPE for Mr. Fechter.

Mr. Fechter is an accomplished public speaker and published author. He has taught CPE courses for the American Society of Women Accountants (Sacramento chapter). He is also the author of accounting-related articles published by Comstock's Magazine and The Nugget, the journal of the Sacramento District Dental Society.

*References for the above clients, who worked exclusively with Mr. Fechter, are available upon request.*

### FINANCIAL STATEMENT AUDITS: Participated as Lead Auditor

Marin County, MAAP, Inc., San Joaquin County,  
Stanislaus County, Sierra County, San Luis Obispo  
County, Lassen County



## Scott German, CPA

Classification: Independent Reviewer

Years of Experience: 34

BS California State University,  
 Sacramento



### RELEVANT EXPERIENCE

Following his graduation from California State University, Sacramento, Mr. German began his career at Main Hurdman, a predecessor form of KPMG. While there he was responsible for providing audit to large not-for-profit organizations, construction, auto dealers and healthcare.

Following KPMG, he moved into the private sector with a large trade association in Sacramento where he served as the Director of Finance for 5 years. He was responsible for managing the entities investment in a for profit subsidiary, information systems and budgeting.

Mr. German continued his career with the California subsidiary of the international drilling company, Major Drilling, Inc. In his capacity as controller he was responsible for cash management, insurance, bonding and financial reporting.

### Volunteer

St Francis High School, Patron's of the Arts

Sacramento Theatre Company

Mr. German develops and oversees the Firm's Quality Control program acting as the Independent Review "Partner" on all engagement he does not manage. His extensive experience in the private sector is a great resource for our clients and allows us to focus appropriately on audit risk.

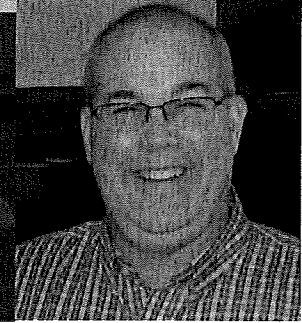


## Scott German, CPA

Classification: Independent Reviewer

Years of Experience: 34

BS California State University,  
Sacramento



### FINANCIAL STATEMENT AUDITS:

#### **Fechter & Company**

E. Claire Raley Center for the Performing Arts
EMSTA College
Sylvan Cemetery District
Fair Oaks Cemetery District
Syngen

Marys Gone Crackers
Creative Solutions 4 Autism.
North Coast County Water District
Sunrise Recreation & Park District
Olivehurst Public Utility District

### FINANCIAL STATEMENT AUDITS:

#### **With former firms**

California Dental Association
California Manufacturers Association
United Way Sacramento

Teichert Construction
American Red Cross, Sacramento
The Dentists Company, Insurance Services

### INDUSTRY EXPERIENCE

California Optometric Association Director of Finance
PC Exploration, Inc. Controller



## Sandy Sup, CPA, MBA

Classification: Audit Manager

Years of Experience: 25

BS University of New Hampshire

MBA at CSUS



### RELEVANT EXPERIENCE

Sandy has been auditing government entities for more than 25 years. She has audited 28 of the 58 counties in California as well as numerous cities and districts in California and Nevada. This work included primary responsibility for the preparation of Comprehensive Annual Financial Reports as well as many other financial reports, including single audit reports. All the Comprehensive Annual Financial Reports for which Sandy served as the primary preparer were considered for, and awarded, the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. Sandy served as a reviewer on the Special Review Committee of the Government Finance Officers Association that is responsible for awarding the Certificate of Achievement for Excellence in Financial Reporting for more than four years.

### PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants (AICPA)

California Society of Certified Public Accountants (CalCPA)

Government Finance Officers Association (GFOA)

Sandy meets the continuing professional education requirements for performing audits in accordance with Government Auditing Standards, which require that she receive 80 credit hours of continuing professional education every two years with at least 24 of those hours being specifically related to governmental accounting and auditing.



## Sandy Sup, CPA, MBA

Classification: Audit Manager

Years of Experience: 25

BS University of New Hampshire

MBA at CSUS



### FINANCIAL STATEMENT AUDITS:

#### With Fechter & Company

Granada Community Services District
Rio Linda/Elverta Water District
East Stanislaus RCD
Thermalito Water and Sewer District
Sewage Commission Oroville Region
Banta-Carbona Irrigation District

East Stanislaus Resource Conservation District
Amador Air District
North Coast County Water District
Markleeville Public Utility District
Olivehurst Public Utility District
Nevada LAFCO

### FINANCIAL STATEMENT AUDITS:

#### With former firm

Amador County
Butte County
El Dorado County
Inyo County
Lake County
Marin County
Mono County
Monterey County

Napa Sanitation District
Nevada County
City of Porterville, CA
Citrus Heights Water District
Sierra County
Siskiyou County
Sutter County
City of Reno, Nevada



## Joanne Berry, CPA

Classification: Audit Manager

Years of Experience: 16

BS in Business Administration, Accounting from California

Polytechnic Institution, 1997



### RELEVANT EXPERIENCE

Mrs. Berry began working in public accounting in 1998 with the international accounting firm Ernst & Young, LLP. Mrs. Berry has held successful financial management positions with biotech and energy organizations. Her experience includes the following:

- Month end close and reporting
- Construction and development
- Compliance with regulatory requirements
- Project management of various accounting projects including software implementations and internal control rework

As Audit Manager at Fechter & Company, Joanne has conducted a variety of audits in accordance with the Yellow Book and governmental auditing standards.

### FINANCIAL STATEMENT AUDITS: With Fechter & Company

Olivehurst Public Utility District
Rio Linda/Elverta Community Water District
Progressive Employment Concepts
Bradshaw Christian School
California Society of Health-System Pharmacists
Community Living Options
Sacramento Ballet
International Christian Adoptions
Greater Yosemite Council – Boy Scouts of America



## Specific Audit Approach

We will perform an onsite interim audit, we use electronic paperless audit software, and will facilitate the collection of source documents through an electronic portal.

The Town requests that the auditor express an opinion on the Town presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America. We propose that the engagement be divided into the following segments:

<b>PHASE I</b>
Initial planning and preparation
Preliminary analysis, report preparation, cash and other confirmation
Information gathering
Evaluating internal controls
<b>PHASE II</b>
Fieldwork
Post-field-work activities (e.g., follow-up on pending items, collection of confirmation letters, etc.)
<b>PHASE III</b>
Report finalization and final analysis
Report delivery and Board of Directors presentation

### ESTIMATED STAFF HOURS BY PHASE

	Phase I Hours	Phase II Hours	Phase III Hours	Total Hours
Partners	10	10	10	30
Managers	25	30	25	80
Professional Staff	20	60	30	110
Clerical/Support Staff	5	5	10	20
Total	60	105	75	240



## Audit Approach

## Phase I

### INITIAL PLANNING AND PREPARATION

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As the first step in our planning and preparation phase, we will meet with the staff of your company to establish a working relationship. We expect this meeting will involve the Town's manager and its controller.

We will deliver a Prepared-by-Client list (PBC), which details the items we will need to perform the audit. We will resolve any ambiguities or questions we or the Town might have about the services we are to perform.

We will gather contact information for the Town's bankers, attorneys, prior accountant, and other relevant parties, and make inquiries as required by Government Auditing Standards.

We will examine prior year's financial statements to develop audit plans for each significant balance sheet and income statement account.

### PRELIMINARY ANALYSIS

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The primary focus of an audit is to develop expectations and compare actual financial results against those expectations. We will compare the current year's results with budgetary expectations to identify any areas of material misstatement.

### REPORT PREPARATION

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Unlike other firms, we prepare financial statements prior to field work. Doing so allows us to focus on the overall financial position of the organization and limits our testing of clearly insignificant areas.

### CASH AND OTHER CONFIRMATIONS

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We will confirm cash with the bank, any material year-end accounts or grants receivable, grants or donations received during the year, debt outstanding at the end of the year, and any other financial transaction that we consider material to the financial statements as a whole. The decision to confirm a statement item depends on the materiality of the item, the susceptibility of the item to misstatement, or the likelihood of fraud.



## Audit Approach

## Phase I

### **INFORMATION GATHERING:**

**We will obtain the information requested in the PBC along with any associated report required.**

#### **1. Testing statistical samples**

During sample selection we consider three questions: (1) purpose of the test—attribute or balance testing, (2) susceptibility of the population or process to fraud or misstatement, and (3) size of transactions—small and numerous, or large and infrequent.

#### **2. Testing revenues and disbursements**

In testing revenues and disbursements, we determine that the attribute being tested is applied to the transaction as approved by the Town's Management and Board. We will select 20 to 30 items based on the results of a random number generator, and select another 20 to 30 items by scanning the detailed general ledger. The result is an overall sample of 40 to 60 invoices to confirm compliance with board-approved procedures. We determine sample sizes in accordance with the objective of the test, the population to be sampled, and the risk associated with that population. The sample size also depends on the size of the population and whether or not we will be able to properly stratify populations into individually significant and individually insignificant items.

#### **3. Type and extent of analytical procedures**

We will use analytical procedures in all areas of the audit. Initially, we will perform analytical procedures to assist us in identifying areas of risk for which substantive procedures will be performed. For certain areas, especially revenues and expenses, we will also utilize analytical procedures as part of our substantive testing. In the final stages of the audit, we will use analytical procedures as part of our final review of the audit.



## Audit Approach

### Phase I

#### **INFORMATION GATHERING:**

We will obtain the information requested in the PBC along with any associated report required.

##### **4. Examining the Town's internal control structure**

Among the items included in the PBC is a questionnaire regarding internal controls. We will review the completed questionnaires and compare them with procedures the Town has established for actions such as purchasing, cash and check collections, inventorying fixed assets, billing, payroll disbursement, and budgeting. We will then audit each area of internal control that will materially affect the audit.

##### **5. Determining pertinent laws and regulations**

We will examine items such as grant agreements to determine their effect on the Town, and audit them if necessary. We will also examine pertinent ordinances to determine whether the Town is complying.

##### **6. Assessing risk**

Generally accepted auditing standards require that we assess the risks of material misstatement and fraud. After analyzing internal controls and evaluating potential weaknesses, we will determine which areas of the audit carry the risk of material misstatement and take steps to mitigate that risk.

##### **7. Testing for functionality of internal controls**

We will conduct random tests on a year-to-year basis to determine the functionality of the Town's internal controls. We will randomly select customers and trace each step of each payment into the system over the course of a year. We will audit any area of potential weakness with a specifically designed test.



## Audit Approach

### Phase 2

### Phase 3

#### FIELDWORK

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With the assistance of Town personnel, we will test the balances resulting from the following procedures:

- Cash deposits
- Internal control of disbursements
- Payroll
- Revenues
- Inventory control
- Billing and collections
- Unrecorded liabilities

We will also discuss with the Board any specific concerns or procedures they want performed.

#### POST-FIELDWORK ACTIVITIES

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Once we complete our fieldwork, we will resolve any pending items and ensure that all requested third-party confirmations have been received. After the Town has reviewed the financial statements and any proposed adjusting journal entries, we will obtain signed representation letters from the Town and from its counsel that confirm or explain any pending litigation against the Town and its effect on the audited financial statements.

#### REPORT FINALIZATION AND FINAL ANALYSIS

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Prior to finalizing the financial statements, we will perform a second comparison of current year results with prior year results, and budgetary expectations to actual results. Performing these tests subsequent to the audit work provides additional assurance that the financial statements are free of material misstatement.

#### REPORT DELIVERY AND BOARD OF DIRECTORS PRESENTATION

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We will deliver our report in person to the Board of Directors. We will also attend a board meeting to answer questions that the Board may have. Our aim is to create an open line of communication between our firm and your organization so the Board feels comfortable asking for help with any questions or issues that may arise during the year.



## Audit Timeline

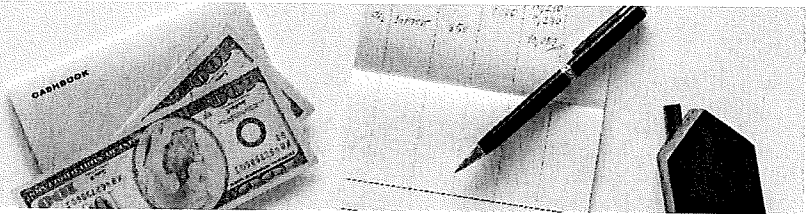
Because the firm president performs and supervises on-site fieldwork, the turnaround time from the end of our fieldwork to the report draft is typically only 10 days. Completion of the final audit report depends on how promptly the Town's staff is able to provide needed reports and confirmations. The typical turnaround is within 3 weeks. The following table shows our timeline for completing the major tasks of the audit.

Phase	Audit Task	Estimated Timeline
I	Entrance conference	August 2019
	Initial planning and audit planning: Prepared-by-Client list, Information from bankers, attorney's Prior year's statements	August 2019
	Preliminary analysis: Report preparation, Cash and other confirmations, Internal controls  Information gathering: Statistical sampling and testing, Revenues and disbursements, Internal controls, Laws and regulations, Risk assessment, Functionality testing	August 2019
II	Fieldwork (3-4 days): Cash deposits, Internal control of disbursements, Payroll, Revenues, Inventory control, Billing and collections, Unrecorded liabilities, Progress Conference	October 2019
	Post-fieldwork activities: Third-party confirmations	October 2019
III	Report finalization and final analysis	October 2019
	Final analysis	November 2019
	Report draft delivery	November 2019
	Final report delivery, Exit Conference	November 1, 2019

**ANTICIPATED AUDIT PROBLEMS:** We do not anticipate any audit problems. However, if problems do arise, we will discuss them with your management and work with your team to resolve the problems as effectively and efficiently as possible.



## Dollar Cost Bid



### PROPOSED FEE SCHEDULE

	Hours	Hourly Rate	Total FY 2019	Total FY 2020	Total FY 2021
Partner	30	\$225	\$6,750	\$6,953	\$7,161
Manager	80	150	\$12,000	\$12,360	\$12,731
Senior	110	75	\$8,250	\$8,498	\$8,752
Clerical/Support Staff	20	50	\$1,000	\$1,030	\$1,061
Sub-total	240		28,000	28,840	29,705
Less Professional discount			(5,000)	(5,000)	(5,000)
Discounted fee			23,000	23,840	24,705
Direct Expenses (travel, printing, etc.)			500	500	500
Total Maximum Fee			\$23,500	\$24,340	\$25,205

We propose a fee increase of 3% for subsequent audits.

The above fee quote is a fixed price to be charged for all services rendered in connection with the audit. Our best understanding is that the following must be performed – performing auditing standards under GAAP standards and preparing the financial statements. If a Single Audit were required, the fee would be \$2,700 per major program.

### STANDARD BILLING RATES FOR CLASSES OF PROFESSIONAL PERSONNEL EXPECTED TO WORK ON THE ENGAGEMENT:

	Hourly Rate FY 2019
<b>Partner</b>	\$225
<b>Manager</b>	150
<b>Professional Staff</b>	75
<b>Clerical/Support Staff</b>	50



## Attachment A: Certificate of Liability Coverage

ACORD		FECHT-1      OP ID: RG																																									
CERTIFICATE OF LIABILITY INSURANCE		DATE (MM/DD/YYYY) 10/09/2018																																									
<p>THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.</p> <p>IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).</p>																																											
<b>PRODUCER</b> Coastal Valley Insurance Serv. Lic. 0B84546 2440 Gold River Rd. Ste. 290 Gold River, CA 95670 Anthony R. Telford		<b>CONTACT NAME:</b> Anthony R. Telford <b>PHONE (A/C No. Ext.):</b> 916-436-2600 <b>FAX (A/C No.):</b> 916-436-2810 <b>E-MAIL ADDRESS:</b>																																									
<b>INSURED</b> Fechter & Company Certified Public Accountants Craig Fechter 3445 American River Dr #A Sacramento, CA 95864		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">INSURER(S) AFFORDING COVERAGE</th> <th style="text-align: left;">NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A: Travelers Property Casualty</td> <td>25674</td> </tr> <tr> <td>INSURER B: Allied Insurance Company</td> <td>42579</td> </tr> <tr> <td>INSURER C: Indian Harbor Insurance Co.</td> <td></td> </tr> <tr> <td>INSURER D:</td> <td></td> </tr> <tr> <td>INSURER E:</td> <td></td> </tr> <tr> <td>INSURER F:</td> <td></td> </tr> </tbody> </table>		INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: Travelers Property Casualty	25674	INSURER B: Allied Insurance Company	42579	INSURER C: Indian Harbor Insurance Co.		INSURER D:		INSURER E:		INSURER F:																											
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LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>INSR LTR</th> <th>TYPE OF INSURANCE</th> <th>ADDL INSR</th> <th>SUBR INSR</th> <th>POLICY NUMBER</th> <th>POLICY EFF (MM/DD/YYYY)</th> <th>POLICY EXP (MM/DD/YYYY)</th> <th>LIMITS</th> </tr> </thead> <tbody> <tr> <td>B</td> <td> <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY  <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR              GEN'L AGGREGATE LIMIT APPLIES PER:  <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC  <input type="checkbox"/> OTHER:         </td> <td></td> <td></td> <td>ACP7884583667</td> <td>07/06/2018</td> <td>07/06/2019</td> <td>           EACH OCCURRENCE \$ 1,000,000            DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000            MED EXP (Any one person) \$ 1,000            PERSONAL &amp; ADV INJURY \$ 1,000,000            GENERAL AGGREGATE \$ 2,000,000            PRODUCTS - COM/OP AGG \$ 2,000,000         </td> </tr> <tr> <td>B</td> <td> <b>AUTOMOBILE LIABILITY</b>  <input type="checkbox"/> ANY AUTO  <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> SCHEDULED AUTOS  <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS    <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR  <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE  <input type="checkbox"/> DED <input type="checkbox"/> RETENTION \$         </td> <td></td> <td></td> <td>ACP7884583667</td> <td>07/06/2018</td> <td>07/06/2019</td> <td>           COMBINED SINGLE LIMIT (Ea accident) \$ Included            BODILY INJURY (Per person) \$            BODILY INJURY (Per accident) \$            PROPERTY DAMAGE (Per accident) \$            EACH OCCURRENCE \$            AGGREGATE \$         </td> </tr> <tr> <td>A</td> <td> <b>WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY</b>            ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in HI)            If yes, describe under DESCRIPTION OF OPERATIONS below         </td> <td>Y/N</td> <td>N/A</td> <td>UB3J0730801842G</td> <td>07/10/2018</td> <td>07/10/2019</td> <td> <input checked="" type="checkbox"/> PER <input type="checkbox"/> STATUTE <input type="checkbox"/> OTH-ER            E.L. EACH ACCIDENT \$ 1,000,000            E.L. DISEASE - EA EMPLOYEE \$ 1,000,000            E.L. DISEASE - POLICY LIMIT \$ 1,000,000         </td> </tr> <tr> <td>C</td> <td>Prof Liability</td> <td></td> <td></td> <td>ACP9035110 01 2,000,000 AGG/1,000,000 O</td> <td>05/24/2018</td> <td>05/24/2019</td> <td></td> </tr> </tbody> </table> <p>DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)          30 days notice of cancellation. 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