

**Memorandum  
Office of the Auditor-Controller  
County of Placer**

**TO:** Board of Supervisors  
**FROM:** Katherine J. Martinis, Auditor-Controller *KJM*  
**DATE:** March 27, 2012  
**SUBJECT:** RFP No. 9881, Countywide Audit Services – Exercise of Option Year #1  
Agreed-upon Procedures Engagement – Dissolution of County Redevelopment Agencies

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**ACTION REQUESTED**

1. Exercise Option Year #1 related to the award of RFP No. 9881 to Macias, Gini & O'Connell, CPAs, of Sacramento, CA; authorize staff to negotiate and enter into a contract in an amount not to exceed \$192,538.00; and, authorize the Auditor-Controller to sign the resulting contract.
2. Authorize Auditor-Controller to sign the attached engagement letter for Macias, Gini & O'Connell to perform the agreed-upon procedures as outlined for the former County Redevelopment Agency and for the former City Redevelopment Agencies in Auburn, Lincoln, Rocklin and Roseville in an amount not to exceed \$70,000.

**BACKGROUND**

At the request of the Placer County Auditor-Controller, RFP No. 9881 solicited proposals from qualified firms to perform the annual Countywide audits for the Placer County Auditor-Controller, in accordance with auditing standards generally accepted in the United States of America and as included in the *Statements of Auditing Standards*, published by the American Institute of Certified Public Accountants, *Government Auditing Standards*, published by the Comptroller General of the United States, Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Institutions*, California Government Code Section 25250, California Penal Code Section 925, and other applicable laws and regulations as stated in the request for proposal.

In early 2009, a 5-member evaluation panel representing the Auditor-Controller's Office, the Treasurer/Tax Collector's Office, the Health and Human Services Department, the Facility Services Department, and the Redevelopment Agency reviewed the proposals, and rated each firm on their specialized experience, qualifications, familiarity with associated issues, methodology and proposed project approach. The panel concluded that the proposal submitted by Macias, Gini & O'Connell was most advantageous, considering the evaluation factors set forth in the Request for Proposals. The contract approved by your Board in 2009 was for an initial three (3) year period with options to renew for two (2) additional one (1) year periods, with a not-to-exceed of five (5) consecutive years. The initial contract period was from July 1, 2009 through June 30, 2012. We are asking to extend this an additional year through June 30, 2013 and will evaluate the final option year in late 2012.

On December 29, 2011, the California Supreme Court ruled that the State of California had the power to dissolve redevelopment agencies and upheld the provisions of ABx1 26 that was passed into law on June 29, 2011. Among the plethora of requirements within ABx1 26, in accordance with Health and Safety Code Section 34182(a)(1), "the County Auditor-Controller is required to perform or cause to be performed agreed-upon procedures audits". The procedures listed in the Attachment to the engagement letter were "agreed to" by the Department of Finance, California State Controller and County Auditor-Controller. It is then the Auditor-Controller who engages a practitioner to perform the "agreed-upon" procedures. Per

provisions within ABx1 26, the "agreed-upon" procedures audits are to be completed and submitted to the California State Controller by July 15.

We are asking the Board to select Macias, Gini & O'Connell to perform this engagement. The firm specializes in audits of state and local governments, with a particular niche in the redevelopment arena. They are also our current auditors and are familiar with the accounting records of the County. Most importantly, the firm is available to commence the engagement in April 2012 and expects to issue all reports before the July 15<sup>th</sup> deadline.

#### **FISCAL IMPACT**

The contractual commitment resulting from this recommendation will total \$262,538 in FY11/12. The Auditor-Controller's Office is adequately funded for these ongoing services and will be reimbursed from the Redevelopment Property Tax Trust Fund (as defined in ABx1 26) for the agreed-upon procedures performed for each of the dissolved redevelopment agencies in accordance with Health and Safety Code Section 34182(a)(3).

#### Attachments

Response to RFP No. 9881  
Engagement Letter for Agreed-upon Procedures of Redevelopment Agencies

cc: Brett Wood, Purchasing Manager

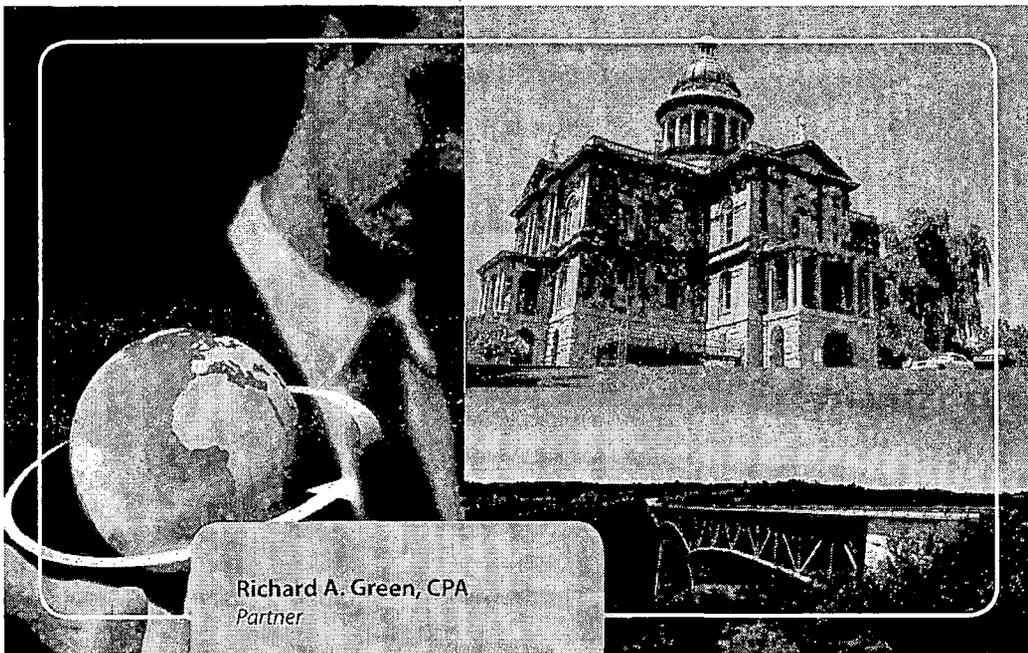
# PROPOSAL TO CONDUCT AN EXAMINATION OF ANNUAL FINANCIAL STATEMENTS FOR THE

COUNTY OF PLACER  
(ORIGINAL COPY)

**RFP #9881**

March 5, 2009

*Macias Gini & O'Connell LLP*



**Richard A. Green, CPA**  
*Partner*

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**MACIAS GINI & O'CONNELL LLP**  
Certified Public Accountants & Management Consultants

March 5, 2009

Administrative Services Department  
Procurement Services Division  
2964 Richardson Drive  
Auburn, CA 95603-2640

Dear Evaluation Committee:

On behalf of Macias Gini & O'Connell LLP (MGO), I am pleased to present our proposal to conduct an examination of annual financial statements (RFP #9881) for the County of Placer (County) for the fiscal years ending June 30, 2009, 2010, and 2011, and optional two-year extension for 2012 and 2013. Our firm's breadth of experience, expertise and long-standing history in serving large governments and our hands-on commitment to superior service, integrity and knowledge make us uniquely qualified. The County would become one of our premiere local government clients within our Sacramento Public Sector Assurance Practice. We are excited to have the opportunity to earn back your business.

**Our Understanding of the Scope of Services** - We will perform financial and compliance audits of the County's basic financial statements for the aforementioned fiscal years, as well as other specific audits identified in our proposal. Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and as applicable, the Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requirements of the Transportation Development Act, and certain provisions contained in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller's Office, Division of Local Government Fiscal Affairs, and in the Standards and Procedures for Audits of California Counties Participating in the First 5 California (Children and Families) Program. In addition, we will prepare a letter to the Board of Supervisors containing certain required communications and our observations and recommendations. As we have proven during our recent contract period, we fully understand the importance of completing our fieldwork and analyses on time, and are prepared to continue to work closely with you to meet or exceed all deadlines established in the Request for Proposal.

**Quality Matters** - The environment in which the County operates has changed significantly the past few years. In response to the corporate and accounting scandals of early 2000 and 2001, the American Competitiveness and Corporate Accountability Act, commonly known as the Sarbanes-Oxley Act was signed into law in 2002. In addition, the Not-For-Profit Integrity Act was signed into law in 2004. Although these laws are not directed at government entities they have had a profound impact on public expectations of how governments operate. There is a heightened awareness of the need for fiscal accountability and sound governance within the public sector. MGO is uniquely qualified to assist the County in demonstrating proper fiscal accountability through the financial audit process.

MGO has the unmatched expertise and experience in providing assurance service to the public sector. We serve the largest local governments in California that have similar operating and financial reporting issues as the County. We understand the audit risks, proper internal control over financial reporting and administration of federal programs and financial reporting standards related to the County. As a result of this understanding, MGO is uniquely qualified to perform a quality financial audit that will:

- 1) Properly assess audit risk
- 2) Effectively assess the adequacy of internal control over financial reporting
- 3) Determine effectiveness of internal control over the administration of major federal programs
- 4) Properly determine compliance with OMB Circular A-133 requirements as it relates to major programs
- 5) Perform proper procedures to render an opinion on the financial statements

**Award-Winning CAFRs** - We have previously assisted the County in obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting Award and will continually work with the County to ensure that it maintains this level of financial reporting excellence.

**National Recognition for Leadership** - In 2007, the Public Accounting Report ranked MGO as the 29th fastest-growing CPA firm in the nation and "a firm to watch" in the West. We are extremely proud of our growth and leadership role in the public sector industry area. Our partners have invested significant energy and resources in participating with standard-setting bodies, industry groups and other regulatory authorities. The American Institute of Certified Public Accountants (AICPA), the Governmental Accounting Standards Board (GASB) and others have recognized our participation and commitment to helping shape the standard-setting and thought landscape. We have the unique honor of giving "voice" to our clients in the development of our profession's policies and standards, and would be honored to count the County among the clients we serve.

**Global Resources** - Our firm is an independent member of the BDO Seidman Alliance. Currently, BDO is the fifth largest professional services firm in the world and serves clients through more than 400 offices in its U.S. distribution network. As member firms of BDO International, BDO and its alliance members serve clients by leveraging their global distribution network of resources comprised of more than 1,095 member firm offices in 110 countries. MGO is the leader of the Government Industry Group (GIG) for the entire BDO alliance network. Our role as the GIG is to provide BDO and Alliance members with thought leadership on technical, marketing, and business development issues.

**Personalized Service** - We have developed our statewide certified public accounting practice to operate as a flexible "one firm" practice. One reason our clients choose us is our hands-on, service oriented business philosophy coupled with our commitment to quality, reliability and responsiveness to client needs. Our professional culture, distinctive style and our values set us apart from the ordinary. MGO combines the skills, personality, and attentiveness of a local firm with the breadth of services offered by the national and international firms. MGO is available year-round to provide the County with professional assurance advice and to consult on unusual and complex financial transactions. Our service does not end after the completion of your audit.

Throughout our past professional relationship with the County, we have put forth the most qualified and responsive professionals to best address your service needs and technical issues. You have the commitment that MGO will continue to provide the County with the highest quality resources for the years to come. As a partner, I am authorized to make representations on behalf of the firm as well as sign for and obligate the firm contractually.

Thank you for this opportunity to present our proposal. If the Evaluation Committee has any questions or wish to discuss the contents of this proposal, please contact me directly at (916) 642-7046, by email at rgreen@mgocpa.com, or by fax at (916) 928-2755.

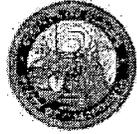
Very truly yours,

MACIAS GINI & COMPANY LLP  
Certified Public Accountants and  
Management Consultants

Richard A. Green, CPA  
*Partner*

RG/ks

# TABLE OF CONTENTS

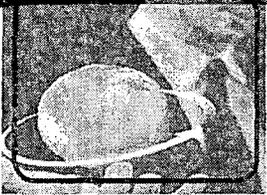


**Placer County**  
**California**

TAB A - Organization Size, Structure and Resources .....	1
TAB B - Auditing Experience .....	6
TAB C - Project Staff Qualifications .....	14
TAB D - Project Approach and Plan of Work .....	16
TAB E - Cost Proposal .....	32
Appendices	
Appendix 1 - Resumes .....	40
Appendix 2 - Peer Review Reports .....	54



# ORGANIZATION SIZE, STRUCTURE AND RESOURCES



Macias Gini & O'Connell LLP (MGO) is a statewide public accounting and consulting firm with six offices throughout the State of California. Founded in 1987, MGO is a full-service firm with staff of over 200 highly skilled professionals providing assurance, tax, accounting, financial advisory and management consulting services to governmental entities, nonprofits, corporations, partnerships and individuals. MGO is committed to exceeding the expectations of clients through our philosophy

of proactive planning, communication and year-round involvement and our core values of service, integrity and expertise. Our mission is to provide world-class services while passionately exceeding the expectations of our clients.

## Statewide Network of Offices

We have developed our statewide professional services practice to operate as a "one office" practice. MGO has the resources to successfully complete any project, regardless of the size or complexity. Our professionals have the collective knowledge, experience and commitment necessary to attentively and effectively provide the highest quality service to our clients.

## BDO Seidman Alliance

MGO is an independent member firm of the BDO Seidman (BDO) Alliance. Currently BDO is the fifth largest professional services firm in the world. The BDO Alliance serves clients through more than 400 independent alliance firm locations domestically in the U.S. As a member of BDO International, the BDO Alliance services clients by leveraging a global distribution network of resources comprised of more than 1,095 member offices in 110 countries. The benefits of our alliance with BDO, which include stronger market position, global connectivity, and critical mass in premium talent areas, enable us to offer specialists trained to support the distinct needs of our clients that operate in highly regulated and complex environments. In addition to bench strength, state of the art technology and training programs, MGO has immediate access to the full breadth and resources of a leading global professional services firm.

## Thought Leadership in the Public Sector

Our firm demonstrates our commitment to the public sector through the investment of both financial and human resources. In addition to the dedication of our statewide practice to issues facing the public sector, MGO has contributed countless hours in consultation with the many agencies that regulate and shape the environment in which local governments operate. Our role as a thought leader to the public sector is evidenced through our participation on national committees, technical publications and articles authored by our partners, and the specialty training we provide to industry associations and our clients.

## Memberships and Certifications

Our firm is a member of the Government Finance Officers Association (GFOA), Association of Government Accountants (AGA), Government Audit Quality Center, American Society of Public Administration (ASPA), State Association of County Auditor-Controllers, California Society of Municipal Finance Officers (CSMFO), American Institute of Certified Public Accountants (AICPA), the California Society of CPAs, the Private Companies Practice Section of the AICPA, and the California Transit Association.

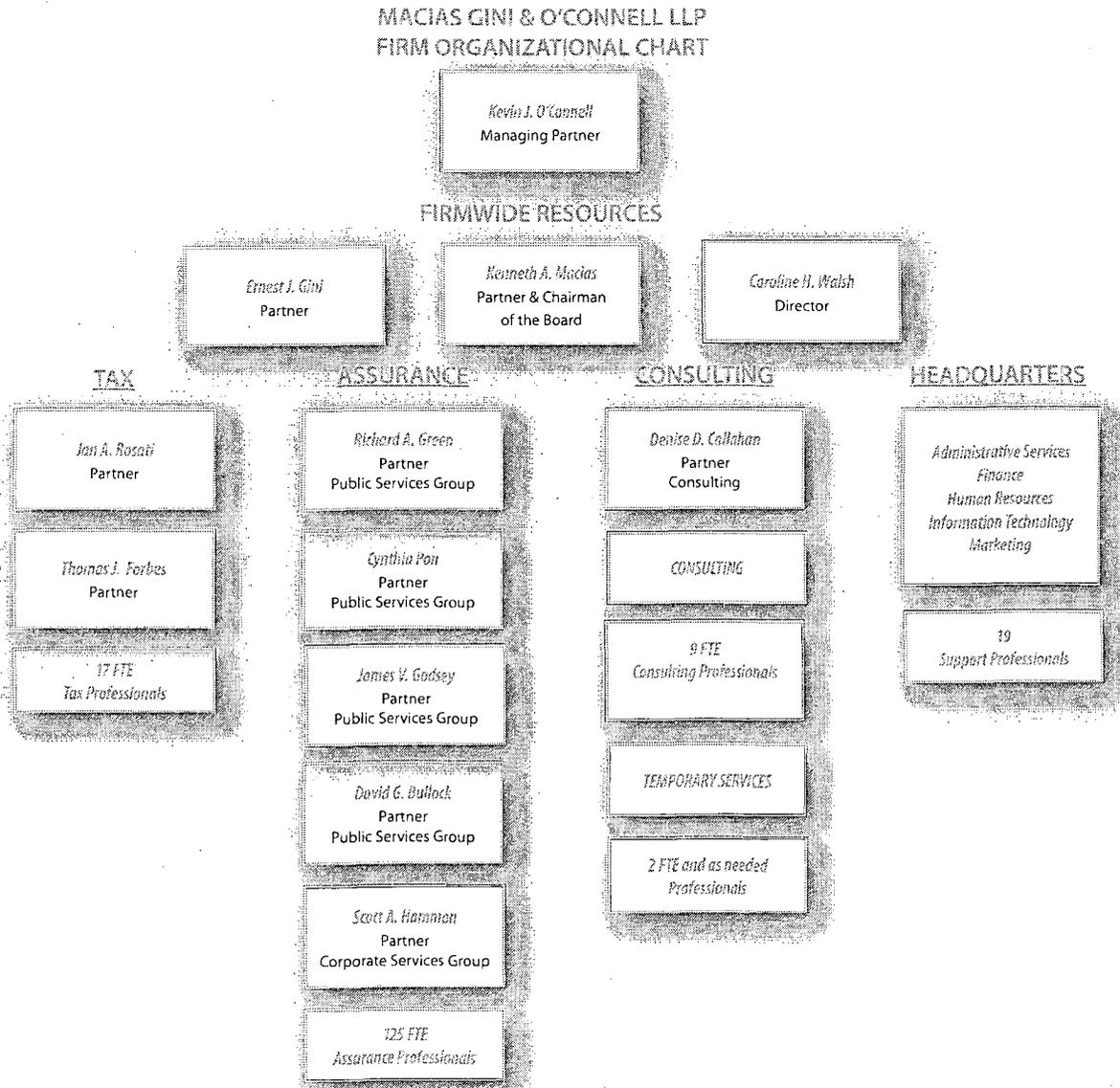


**Firm Capacity**

MGO's Public Sector Practice is one of the largest in the country and offers unmatched resources in serving this highly complex sector. Our professionals are experienced in working with clients in all areas of the public sector, at all levels of government. In addition to general-purpose units of government, we serve authorities, boards, and commissions. We work in the areas of economic development, education, finance, health and human services, housing, justice, lotteries, public safety, public works, retirement systems, and transportation, as well as in the central administrative functions. This diversity provides us with a well-balanced perspective and a tremendous base of experience. Our reputation was built on our extensive government experience, understanding of internal systems/procedures and ability to work side-by-side with our clients to implement complex accounting and reporting pronouncements.

**Firm Organization**

MGO has 11 Partners serving a wide variety of organizations from our 6 statewide offices. Many of MGO's partners, directors and managers enjoyed extraordinary success while developing their careers in the Big 4 accounting firms. This vast background of experience coupled with the firms relentless focus on attracting and developing top talent has helped earn MGO national recognition for thought leadership from both the profession and industry regulators. The following summarizes our firm's organization:



Professional services to be rendered under the terms of the Request for Proposal will be provided by the Sacramento office of MGO. This office has six partners, six directors, one senior manager, eleven managers, nine seniors, and a significant number of other professional staff and consultants.

#### Full-Service Firm

The departments within our firm are comprised of unique specialties to provide clients with a complete spectrum of services. To avoid potential conflicts of interests, these divisions within our firm are independently directed by experts in their field and have full decision-making authority.

#### Assurance Services

Our financial audit approach is distinguished from many of our competitors' approaches as it has been developed as a by-product of our vast experience in serving the public sector. We will update our understanding of the County's organizational structure, strategic plans, operations and operating environment to tailor our audit approach to achieve the audit objectives in the most efficient and effective manner possible. The resulting plan also maximizes the potential for providing practical and creative recommendations to improve operations and internal controls.

#### Tax Preparation and Planning Services

We provide complete federal, state, and local tax services. We perform tax planning for corporations, individuals, and estates, including areas such as compensation, tax shelters, acquisitions, mergers, reorganizations and recapitalizations, multi-state tax issues, estate planning, net operating loss preservation, and research and development tax credit studies. We also prepare all types of tax returns, including information returns for nonprofit organizations, and represent clients before taxing authorities at the federal, state, and local level.

#### Management Consulting Services

Macias Consulting Group, Inc. (MCG) is the performance and risk consulting arm of MGO that provides assistance to public agencies. Drawing from our years of experience, MCG has a thorough understanding of public agencies and their partnerships with public and private sector programs and services. As the professional service provider for numerous public agencies throughout California, MCG has established an excellent working relationship with our clients and delivered quality products in a timely manner with an insightful perspective on ways to improve service delivery. We take our commitment to "good government" seriously.

Our consulting services encompass many aspects of a client's business. For example, public agencies may need assistance providing the framework for transitioning into performance based management, reviewing the effectiveness of programs and services, assessing the effectiveness and security of information management systems, or determining whether agency operations comply with current federal, state or local requirements. MCG has experience in developing quantitative and qualitative approaches to develop fact-based, objective, and independent evaluations and in knowing what type of information is needed to effect innovative, suitable change at the highest levels in government.

Consulting at our firm falls within six broad categories:

- Operational/Departmental Reviews
- Accounting and Auditing Support
- Performance Audits
- Financial Analysis and Planning
- Management
- Information Systems and Technology

### Temporary Personnel Services

Moreland Personnel Services (MPS) is the leader in interim staffing solutions for local governments in California, serving California cities, counties, special districts, and nonprofits since 1978. With CPA firm roots, MPS has grown into a premier interim staffing solution for governmental entities statewide. We are proud to support the system of public agencies throughout the State of California and enhance the services they deliver.

There are a wide variety of circumstances that can make interim staffing an effective tool for governmental agencies:

- Replace absent employees (maternity leave, medical leave, military leave)
- Fill vacancy during recruitment process
- Manage workloads during peak periods (budget, year end, etc.) and special projects
- Maintain ongoing operations during system conversions

### State of the Art Computer Technology

To ensure the most cost effective and efficient audit for our clients, MGO has made a significant commitment to utilizing state-of-the-art technology in the audit process, including our extensive Local Area Network (LAN) and Internet access which allows our professionals to access information from the field. Our professionals are all trained and equipped to perform an array of on-line research and other auditing procedures using:

**BDO Audit** – an electronic version of our audit manual that allows instantaneous searches using Folio software.

Customized CaseView Programs – identifies and assesses control risks during the audit planning process, resulting in an efficient audit approach tailored to our client's operations.

**CaseWare Working Papers** – allows us to automate the entire audit working paper process quickly and efficiently. Working Papers facilitate the download of the client's general ledger and journal entries, or any other types of electronic information, create an assortment of working papers and financial reports.

**WinIDEA** – microcomputer based, with mainframe and mid-range computer downloading capabilities, allowing our computer assisted auditing techniques (CAATs) program to be executed at client premises.

**VISIO Control Templates** – a decision support tool that enables us to focus on the strengths and weaknesses in a client's accounting and related control systems by utilizing a computerized flow-charting model to highlight critical control points within those systems.

### Commitment to Quality

#### Quality Control Review Report

MGO's commitment to performing quality assurance work has been recognized by our clients and the national standards setters. The quality of our Public Sector Practice is evident by the results of our Peer Review performed in May 2006 when we received an unqualified opinion - the highest level of assurance possible - with no comments from the firm of Davis, Monk & Company (DMC). Harold Monk, Partner, was responsible for the review and during that time he was Chairman of the AICPA Auditing Standards Board (2005-2006). Additionally, the Public Company Accounting Oversight Board (PCAOB) completed its review of our Private Sector Practice and issued its report with no comments. The results of these reviews provide independent validation of our commitment to providing quality assurance services. Please refer to our Peer Review Report in Appendix 2 - Peer Review Report.

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

#### Certificate of Achievement Expertise

Our unsurpassed experience with the Government Finance Officers Association (GFOA) of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting Program ensures our clients that all requirements will be met for their Comprehensive Annual Financial Reports (CAFRs). In addition to our extensive financial reporting review process (quality control), we also employ updated checklists for governmental reporting and the GFOA Certificate Program, which ensures adherence to professional standards.

#### License to Practice in California

Our firm and all assigned key professional staff are properly licensed by the State of California to practice as Certified Public Accountants. MGO meets all requirements imposed by federal, State and local laws, rules, and regulations.

#### Independence

Our firm meets the independence standards, due professional care, qualifications, and quality control requirements of the *Government Auditing Standards, 2007* revision, published by the U.S. Government Accountability Office (GAO) in relation to the County and its component units. If we are selected as your auditor, we will not enter into any relationships that may impair this independence during the term of the contract.

#### Liability Insurance Coverage

Our firm maintains adequate professional liability (\$7 million), automobile, and general insurance coverage to audit large organizations, as well as Workers' Compensation Insurance for all employees who will be engaged in the performance of this contract.

#### Litigation Status

There are neither any current or pending disciplinary or litigation actions against our firm in any manner related to our professional activities.

#### Conflict of Interest

Our firm does not have any financial, business or other relationship with the County or any member of the County staff that would have an impact on the outcome of this project. To the best of our knowledge, none of our current clients have a financial interest in the outcome of this project. Furthermore, no official or employee of the County has an interest, has been employed or retained to solicit or aid in the procuring of the resulting contract from this Request for Proposal, nor will any such person be employed in the performance of the contract without immediate divulgence of such fact to the County.

# AUDITING EXPERIENCE



## Qualifications and Professional Experience Why MGO is Best Qualified

MGO believes that the skills and experience of the professionals performing the work drive the success of an engagement. Establishing and maintaining a successful business relationship relies on two key factors – an in-depth knowledge of service needs and the desire to provide the best possible client service. To ensure that the County receives the highest quality service, we selected the members of our engagement team based not only on their individual strengths but their experience serving and background auditing similar governmental entities and federal compliance programs, and high potential for making a significant contribution to supporting your goals. Our team's technical and practical knowledge, combined with the desire to serve the County responsively, enables us to provide you with the support and expertise you should expect from your accounting and consulting firm. Our professionals are dedicated to exceptional client service, have an unmatched commitment to quality, work together as a team, and recognize the importance of people. The experience of our audit team will allow the County's most important resources, its human resources, to focus more time performing their critical functions and less time "training" the auditors.

***MGO is Local Commitment and Global Resources*** – Our depth of resources and expertise continually makes a difference for our clients, which keeps us passionate about the work that we do. As a leading California regional firm, we are able to provide personalized services to a wide range of clients, customizing our approach to our client's needs and long-term success. At the same time, we leverage the many benefits of our alliance relationship with BDO Seidman so that we can provide our clients with the premium resources, training and state-of-the art technology of a national firm.

***MGO is Limitless Opportunity*** – Creating opportunity for our people and our clients is the essence of MGO's philosophy. We recruit and employ talented people and provide them the experience, opportunity, and comprehensive training in a wide variety of industries, supporting clear paths to success. We employ this same emphasis on limitless opportunity in our approach to serving clients – recognizing and facilitating our clients' success is paramount. Our focus on building relationships, teamwork, and supporting the achievement of both client and employee goals is supported by over 20 years' experience serving clients in California's complex business, governmental and nonprofit environments.

***MGO is California*** – With offices throughout the state, we know California. We understand the unique circumstances inherent to doing business in the Golden State because we've served hundreds of California entities over the past two decades. Our expertise has propelled us into a leadership role in both our state and our nation; we are staffed with principals who are nationally recognized as thought leaders in our profession; and, fueled by exponential growth in our for-profit and nonprofit business lines – we were ranked as the 29th fastest-growing CPA firm in the country in 2007.

***MGO is Public Sector Practice Leader*** – MGO is California's leader in serving large local governments, with a client roster that includes some of the largest and most complex local government organizations in the state and the nation: the Cities of Sacramento, Oakland, San Jose, and San Diego; the Counties of San Diego, Santa Clara, Sonoma, Los Angeles, San Francisco, and Alameda; and the State of California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) among many others. We bring a national reputation for service and quality in this practice area including our role in the BDO Seidman Alliance as leader of the Governmental Industry Group, supporting alliance member firms across the country in providing world-class service to public sector clients. Our local government specialists have experience serving over 30 cities, 20 counties and hundreds of special purpose governmental organizations. We have assisted many of these entities not only to successfully meet the requirements of the new reporting model, but also to receive certificates of achievement for excellence in financial reporting from the GFOA.



64

### Commitment to the Government Sector

Members of our firm have served as independent auditors and financial consultants to numerous Counties throughout the state. Below is map of California with the Counties we have served highlighted in yellow.



As the leader in providing professional assurance services to California governments, MGO is uniquely qualified to put our resources to work for the County of Placer. Our focus both here in California and nationally provides the County instant access to a broad range of expertise and assistive resources. Our breadth and depth of resources is demonstrated by the following:

#### National Footprint

Due to MGO's long-term involvement and national liaisons, we are the firm best positioned to keep you abreast of the changing accounting and auditing standards – and we will.

- The County's client service partner, Richard Green, was selected to participate on the GASB Pension Disclosure Task Force.
- The County's technical review partner, Ernest Gini, served on the GASB Advisory Committee on the User Guide to Local Government Financial Statements.
- The AICPA Government Accounting and Auditing Committee (GAAC) was a major influence in the development of generally accepted auditing standards and accounting principles of governments. MGO Partners and Directors have participated over the last 15 years with GAAC which was responsible for developing the AICPA's Audit and Accounting Guide for State and Local Governments.
- The AICPA State and Local Government Expert Panel (EP) is the successor group to the GAAC and is responsible for addressing practice and emerging issues in the public sector. The EP serves as the profession's primary liaison to the Governmental Accounting Standards Board, the Government Accountability Office, and the Government Finance Officers' Association. Caroline Walsh, Director, is one of fourteen people nationwide currently serving on this prestigious panel.
- MGO Director Caroline Walsh was recognized for her contribution to the 2007 Audit Risk Alerts for State and Local Governments.
- The firm's Managing Partner, Kevin O'Connell, served on a GASB task force that developed guidance to implement GASB Statement Nos. 43 and 45 related to – Other Postemployment Benefits (OPEB).
- *Government Auditing Standards and Circular A-133 Audits* is the leading industry guidance for auditors conducting audits in accordance with the Yellow Book and the Single Audit Act. MGO Managing Partner, Kevin O'Connell, was recognized for his contribution on the task force responsible for a recent release of this guide.
- MGO Partner David Bullock served on a GASB Sales and Pledges task force developing GASB Statement No. 48 related to – Securitizations.
- MGO is a member of the AICPA Government Audit Quality Center (GAQC). The GAQC was established in 2004 and its primary purpose is to provide resources to promote high quality governmental audits. To demonstrate our commitment to quality auditing practices, MGO was one of the first firms in the U.S. to join the GAQC.

**Proven Record of Service**

The professionals at MGO have consistently demonstrated our technical expertise, breadth of resources and commitment to serve. We have assisted the County in the past in reaching important financial reporting milestones such as the obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting in 2001 for the first time in many years and assisting in the implementation of Governmental Accounting Standards Board Statement #34 in 2002.

Our service team offers the County a tremendous level of experience and expertise in providing assurance services to the public sector. Additionally, ensuring a high level of continuity of returning professionals to the County's engagement throughout the duration of the contract will be paramount to our service efforts. Continuity of staffing will allow MGO the benefit of the institutional knowledge about the County gained by our team of professionals when identifying true audit risk and providing value added service and perspective. To ensure that the County's personnel derive maximum benefit from their working relationships with our people, we will continue to maintain the highest possible level of staff continuity throughout the course of the engagement.

A select listing of some of the current and past clients that MGO has provided professional assurance services similar to the County and other entities contained in the Request for Proposal, are as follows. A more comprehensive list of clients can be provided to the County upon request.

<b>California Counties</b>	<b>Fiscal Year of Most Recent Audit</b>	<b>Number of Years</b>	<b>CAFR (GFOA Certificate)</b>	<b>Single Audit</b>
Alameda	2008	2	■	■
Los Angeles	2008	2	■	■
Merced	2006	3	■	■
Placer	2002	5	■	■
Orange	2007	10	■	■
Sacramento	2007	11	■	■
San Diego	2008	5	■	■
San Mateo	2008	15	■	■
San Francisco	2008	5	■	■
Santa Clara	2008	8	■	■
Solano	2008	9	■	■
Sonoma	2008	9	■	■
Tuolumne	2008	15		■
<b>California Cities</b>				
Fresno	2008	1		■
Galt	2008	8	■	■
Lodi	2008	6	■	■
Oakland	2008	6	■	■
Sacramento	2008	5	■	■
San Diego	2008	5	■	■
San Jose	2008	9	■	■
Santa Rosa	2008	8	■	■
Stockton	2008	6	■	■
Woodland	2008	4	■	■

*County Children & Families Commissions*

- Orange County Children & Families Commission
- **First 5 Placer Children and Families Commission**
- Riverside County Children and Families Commission
- San Francisco Children and Families Commission
- Santa Clara Children and Families First Commission
- Tuolumne County Children and Families Commission

*Transportation Organizations*

- Alameda-Contra Costa Transit District (1)
- Altamont Commuter Express Authority
- Bay Area Rapid Transit (BART) (1)
- Butte County Association of Governments
- Golden Gate Bridge, Highway and Transportation District
- Kern Council of Governments
- Los Angeles County Metropolitan Transportation Authority
- Metropolitan Transportation Commission
- Orange County Transportation Authority
- Peninsula Corridor Joint Powers Board (1)
- **Placer County Transportation Planning Agency**
- Sacramento Area Council of Governments (1)
- San Francisco County Transportation Authority
- San Joaquin Regional Rail Commission
- Santa Clara Valley Transportation Authority (1)
- Santa Rosa Transit
- Southern California Regional Rail Authority
- Southern California Regional Transit District
- **Tahoe Area Regional Transit**
- Tuolumne County Transportation Council

Separate TDA Financial and Compliance Audits for:

Cities of Antioch, Foster City, Modesto, Pleasanton, Rohnert Park, Santa Rosa, Union City, and Vacaville; City and County of San Francisco; and Counties of Contra Costa, Napa, Placer, San Mateo, Santa Clara, and Tuolumne

*Redevelopment Agencies*

- Chico Redevelopment Agency
- City of Stockton Redevelopment Agency
- Contra Costa County Redevelopment Agency
- Modesto Redevelopment Agency
- Oakland Redevelopment Agency
- Orange County Development Agency
- Redevelopment Agency of Placer County
- Redevelopment Agency of the City of Galt
- Redevelopment Agency of the City of San Diego
- Sacramento Housing & Redevelopment Agency (1)
- San Jose Redevelopment Agency (1)
- San Mateo County Redevelopment Agency
- Santa Rosa Redevelopment Agency

*Waste Management and Landfill Organizations*

- American Avenue Landfill
- California Integrated Waste Management Board
- City of Los Angeles Bureau of Sanitation
- **Eastern Regional Landfill**
- Orange County Integrated Waste Management Department
- Refuse Enterprise Fund of the County of Sacramento (1)
- Riverside County Waste Management Department
- Sacramento County Sanitation District No. 1 (1)
- Sacramento Regional County Sanitation District (1)
- **Western Placer Waste Management Authority**

(1) GFOA Awarded

**Single Audit Experience**

As a result of MGO serving as the independent auditor to many large and complex governments in California, as illustrated in the table on page 9 for some of our select clients, our professionals have developed extensive experience and are extremely well versed in performing high quality Single Audits. As a testament to our reputation, breadth of resources and experience in performing high quality Single Audits, MGO was recently selected by the **California Bureau of State Audits (BSA)** to assist the State Auditor in conducting the State of California's annual federal compliance audit pursuant to OMB Circular A-133. In partnering with the BSA to conduct the state's annual Single Audit, MGO is responsible for auditing state programs, which combined, accounted for nearly \$7 billion in federal financial assistance (FY 2006/07).

**MGO References**

At a time when many governmental agencies are experiencing increasing demands for services and severe budget constraints, our auditors and consultants can bring innovation and creativity to these challenges, while searching for realistic solutions. Our staff have expertise in a variety of private and public settings, which has provided us an opportunity to view a wide range of problems and solutions. Our clients have found that we often have an edge in solving problems over our competitors. Our management letters are known for containing practical and innovative recommendations. Please take an opportunity to verify this information with some of our government clients, which provides an insight of the diversity of our client base. Additional references are available upon request.

*County of Sonoma*

The County is a legal subdivision of the State of California and is charged with general governmental powers. The County's powers are exercised through a Board of Supervisors that, as the governing body of the County, is responsible for the legislative and executive control of the County. The County provides certain services to its citizens, such as road construction and maintenance, law enforcement and criminal justice, regional parks, growth management, and health and social services. In addition, the County administers various special districts governed by the Board and provides services to other special districts governed by independent local boards.

**Years Served:** Fiscal year ending June 30, 2000 to present.

**Services Provided:** Conducted audit of the County's Comprehensive Annual Financial Report, including Single Audit. Submitted their Comprehensive Annual Financial Report to the GFOA and received award.

**Contact:** Ms. Betsy Howze, Accounting Manager  
707.565.3289

*City of Sacramento*

The City of Sacramento was incorporated in 1849 under the laws of the State of California. Sacramento is a charter city and operates under a City Council - City Manager form of government. The City provides a full range of municipal services including police, fire, water, sewer, storm drainage, solid waste, construction and maintenance of streets, planning and zoning, code enforcement, parks, recreation programs, and cultural activities.

**Years Served:** Fiscal year ending June 30, 1989 to present.

**Services Provided:** Conduct audit of the Comprehensive Annual Financial Report (CAFR). Submitted their Comprehensive Annual Financial Report to the GFOA and received award. Performed the Single Audit for the City and issued several other separate stand-alone reports.

**Contact:** Mr. Dennis Kauffman, Accounting Manager  
916.808.5843

*Sacramento Housing and Redevelopment Agency*

The Sacramento Housing and Redevelopment Agency is a joint powers agency that includes the Housing Authorities of the City and County of Sacramento and the Redevelopment Agencies of the City and County of Sacramento, which are responsible for the development and implementation of housing, redevelopment, and selected economic development programs and activities for the City and County of Sacramento.

The Housing Authorities of the City and County were formed in July 1939 and June 1940, respectively. The Redevelopment Agencies were formed in September 1950 and September 1974, respectively. Additionally, the Agency has served as the administrator of the Community Development Block Grant Programs for the City and County of Sacramento since June 1982.

**Years Served:** Fiscal year ending June 30, 1989 to present.

**Services Provided:** Audit of the CAFR, including a Single Audit in accordance with OMB Circular A-133, health and safety code compliance audit, and provided various consulting services. Performed separate audits of private tax credit projects: Norwood Avenue Housing Partnership and Shasta Hotel Investors Partnership.

California Housing Financing Authority – Conducted audits of funded housing projects using same compliance requirements as HUD-assisted projects: Larchmont/Wildflower and San Jose/Broadway.

**Contact:** Mr. Don Cavier, Finance Director  
916.440.1399 x1220

*California Public Employees' Retirement System (CalPERS)*

The State Employees' Retirement System, the predecessor to the Public Employees' Retirement System of the State of California (CalPERS), or the "System," was created after voters approved a constitutional amendment authorizing legislation to establish a pension system for State employees. Such legislation became effective January 1, 1932. CalPERS has expanded to include, among others, employees of local agencies that elect to participate in the System. At June 30, 2008, the Board of Administration (Board) of CalPERS administers a total of 14 funds, including four defined benefit retirement plans: the Public Employees' Retirement Fund (PERF), the Legislators' Retirement Fund (LRF), the Judges' Retirement Fund (JRF), and the Judges' Retirement Fund II (JRF II); four defined contribution retirement plans: the State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF), the Public Agency Deferred Compensation Program (IRC 457), the Replacement Benefit Fund (RBF), and the Supplemental Contributions Program Fund (SCPF); one defined benefit post-employment health care plan, the California Employers' Retirement Benefit Trust Fund (CERBTF); one health care plan: the Public Employees' Health Care Fund (HCF); and five other plans: the Public Employees' Long-Term Care Fund (LTCF), the Public Employees' Deferred Compensation Fund (DCF), the Old Age & Survivors' Insurance Revolving Fund (OASI), the Public Employees' Contingency Reserve Proprietary Fund (CRF), and the Public Employees' Contingency Reserve Agency Fund (CRF).

The CAFR of CalPERS include fund financial statements reporting the financial activities of all of the above funds and assets under trust.

**Years Served:** Fiscal year ending June 30, 1997 to present.

**Services Provided:** Conducted financial and/or compliance audits of the CAFR, CalPERS – Managed S&P 500 Fund Investment Option of the State of California, and the Savings Plus Program.

**Contact:** Mr. Larry Jensen, Chief of Audit Services  
916.795.0802

*University Enterprises, Inc. (CSUS)*

The University Enterprises, Inc. (UEI), formerly known as the California State University, Sacramento (CSUS) Foundation, is a dynamic and innovative governmental nonprofit CSUS auxiliary organization. It oversees an array of auxiliary programs and services that support and strengthen the University's mission of teaching, scholarship and public service. UEI serves the campus by shaping its growth and activities to meet the evolving needs of the University and the community.

**Years Served:** Fiscal years ending June 30, 2006 to present.

**Services Provided:** Conducted financial and compliance audit in accordance with OMB Circular A-133. Prepared applicable federal and state tax returns (Forms 990PF, 199, and RRF1).

**Contact:** Ms. Donna Parenti, Director of Finance  
916.278.7326

# PROJECT STAFF QUALIFICATIONS



## MGO's Engagement Team

The engagement team selected to serve the County represents a strong, well balanced blend of talent, professional skills, and industry experience that is critical to effectively perform the scope of services requested by the County. The team was designed with the most complementary skill sets and experience in providing large government assurance services as well as experience performing compliance audits. The continual involvement and immediate access to the principal members of the engagement team will ensure that the County will be able to contact the decision makers at all times and utilize the full range of our resources. MGO is committed to conducting the audits and meeting all of the County's requirements. To make true on this commitment, the following chart summarizes the division of responsibility among professionals assigned to the County's engagement. Resumes for our principal team members are provided in Appendix 2 - Resumes.

Engagement Team Members	Professional Classification	Percentage of Time Allocated to Engagement
Richard Green	Partner	2.15%
Ernest Gini	Technical Review Partner	1.95%
Kevin Starkey	Director	8.59%
Soctt Brunner	Director	3.07%
Greg Matayoshi	Assistant Consulting Director	1.56%
Mark Aspesi	Senior Associate	18.59%
Patrick Lee	Senior Associate	11.51%

Audit associates will be assigned approximately 51.51% and administrative support staff 1.07% of the total estimated hours, respectively.

## Continuing Professional Education (CPE)

In compliance with *Government Auditing Standards*, our firm administers a program to ensure that all professional staff members satisfy CPE requirements. Since a large composition of MGO's client base includes governmental entities, we are aware of the strict educational guidelines required by the Yellow Book, published by the GAO.

Our audit team receives their CPE from both in-house and commercial-certified CPE training courses. All members of the audit team have satisfied the Yellow Book requirement of having at least 80 hours of continuing professional education every two years, of which 24 must directly relate to the government environment and to government auditing. Over the years, our staff have attended numerous qualifying CPE classes for governmental training related to the GFOA, Governmental Accounting, Auditing and Financial Reporting, Internal Control, GASB and Single Audit updates.

We offer a variety of firm-sponsored training events, which our clients are invited to attend. The trainings are held at locations throughout the state and cover a variety of topics, including auditing and nonprofit updates. We were contracted by the California Department of Education to instruct over 700 CPAs throughout California about auditing and accounting for governmental and nonprofit organizations. We have presented seminars on the following topics:

- Audit Workpapers
- Changes to OMB Circular A-133
- Program-Specific Audits
- Strategic Financial Planning



- Computerized Fund Accounting
- How to Develop a Cost Allocation Plan
- Accounting and Personnel Information
- Internal Control Audits
- New Financial and Governmental Accounting Standards
- Cash Flow Statements
- Documentation for Nonprofits
- The Business of Nonprofits
- Current Accounting and Auditing Issues for Nonprofit Organizations

An example of a training opportunity that we offered to our clients in 2007 was when we partnered with national expert Dr. Lynford Graham to provide guidance in understanding the new audit risk standards issued by the Auditing Standards Board, at no cost to our clients.

Following is a testimonial regarding an MGO training session:

"I give MGO an A grade all the way. They are efficient, knowledgeable, and their level of service is higher than the national firm we used to work with. Not only does MGO provide a quality audit, they also conducted a training event attended by over 100 participants covering a wide range of topics from pollution remediation to management letter comments that was an excellent learning experience."

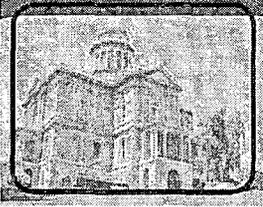
--John Guthrie, Director of Finance  
Santa Clara County

#### Contact Person

Below is the contact person who is authorized during the contract to make representations on behalf of MGO.

Richard A. Green, Partner  
3000 S Street, Suite 300  
Sacramento, CA 95816  
916-642-7046 Direct

# PROJECT APPROACH AND PLAN OF WORK



## Scope of Services

Our understanding of the scope of the services required by the County for the years ending June 30, 2009, 2010, 2011, and optional two-year extensions for 2012 and 2013 is provided below.

### Comprehensive Annual Financial Report (CAFR)

We will perform a financial audit of the County's basic financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States for the purpose of expressing opinions on the fair presentation of the County's basic financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP provides for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the County's basic financial statements. As part of our engagement, we will apply certain limited procedures to the County's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

- (1) Management's Discussion and Analysis
- (2) Budgetary Comparison Schedules for the General Fund and Major Special Revenue Funds
- (3) Schedules of Funding Progress – Pension and Other Postemployment Benefits

Supplementary information other than RSI, such as combining and individual fund financial statements, also accompanies the County's basic financial statements. We will subject the following supplementary information to auditing procedures applied in our audit of the basic financial statements and will provide an opinion "in relation" to the basic financial statements:

- (1) Schedule of Expenditures of Federal Awards
- (2) Combining and Individual Fund Financial Statements and Schedules

The CAFR will also include introductory and statistical sections prepared by the County that will not be subject to the auditing procedures applied in our audit, and for which our auditor's report will disclaim an opinion.

### Single Audit Report

We will perform a Single Audit in accordance with the federal Single Audit Act Amendments of 1996; U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the OMB Circular A-133 Compliance Supplement. The schedule of expenditures of federal awards with accompanying notes and the following reports are expected to be issued separately from the County's Comprehensive Annual Financial Report:

- Report on Compliance with Requirements Applicable to Each Major Program, Internal Control Over Compliance, and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133.
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

We understand that the Auditor-Controller's Office, with the cooperation from other County departments, will prepare a draft of the schedule of expenditures of federal awards, including the related notes and supplemental schedules for the following State grant programs: Office of Emergency Services, Department of Justice, Department of Insurance, Community Services and Development and Foster Family Agency. However, MGO will provide final editing and printing of the Single Audit Report, as well as, completing the online Data Collection Form and electronic submission to the Federal Audit Clearinghouse. MGO will also provide the County with a final print and electronic copy of the Data Collection Form that was electronically submitted to the Federal Audit Clearinghouse.

#### Redevelopment Agency

We will perform a financial and compliance audit of the basic financial statements of the Redevelopment Agency of Placer County (Redevelopment Agency), a component unit of the County, in accordance with GAAS as promulgated by the AICPA; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, for the purpose of expressing opinions on the fair presentation of the Redevelopment Agency's financial statements, in conformity with GAAP. Along with the independent auditor's report on the Redevelopment Agency's basic financial statements and an opinion "in-relation" to the supplemental schedules, we will also issue a report on the Redevelopment Agency's internal control over financial reporting and on compliance (including the provisions contained in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller's Office, Division of Local Government Fiscal Affairs). The Redevelopment Agency will need to include Management's Discussion and Analysis as RSI to accompany the basic financial statements. However, the information will not be audited.

#### GANN Appropriations Limit

We will perform agreed-upon procedures to the County's calculation of its annual appropriations limit in accordance with Article XIII-B of the California Constitution and the annual appropriations limit for the County's dependent special districts. The agreed-upon procedures to be performed and accountant's report to be issued will be conducted in accordance with attestation standards established by the AICPA. The procedures to be performed with respect to the appropriations limit include the following:

- Review the accuracy of the County's computations.
- Determine the Appropriations Limit resulting from the completion of various worksheets was adopted by the Board of Supervisors.
- Determine that the population and inflation options were selected by a recorded vote of the Board of Supervisors.

#### Placer County Flood Control and Water Conservation District and Placer County Air Pollution Control District

Biennial audits will be conducted for the purpose of expressing opinions on the basic financial statements of the Placer County Flood Control and Water Conservation District (Flood Control District) and the Placer County Air Pollution Control District (Air Pollution District). The Flood Control and Air Pollution District's are separately created legal entities that are independently governed and operated as special districts. The District's are not considered component units of the County. We understand that the Air Pollution District will be required to have an audit conducted for the two fiscal years ended June 30, 2009. The District's audits will be conducted in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### First 5 Placer Children and Families Commission

We will perform a financial audit for the purpose of expressing an opinion on the fair presentation of the Commission's basic financial statements in conformity with GAAP. In addition, we will issue an independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* and the California Children and Families First Act of 1998. The First 5 Placer Children and Families Commission (Commission) was established under the provisions of the California Children and Families First Act of 1998 and is a legal entity separate and apart from the County. For financial statement reporting purposes, the Commission is considered a component unit of the County. The Commission is also subject to specific State compliance requirements which are contained in the Standards and Procedures for Audits of California Counties Participating in the First 5 California (Children and Families) Program, issued by the California State Controller. MGO will issue a separate report regarding the Commission's compliance with specific State requirements concerning laws and regulations contained in the Standards and Procedures for Audits of California Counties Participating in the First 5 California (Children and Families) Program, which are identified below:

- (1) Contracting and Procurement
- (2) Administrative Costs
- (3) Conflict of Interest
- (4) County Ordinance
- (5) Long-Range Financial Plans
- (6) Financial Condition of the Commission
- (7) Program Evaluation
- (8) Salaries and Benefit Policies

#### Tahoe Area Regional Transit (TART) Enterprise Fund

We will perform an audit of the fund financial statements of the Tahoe Area Regional Transit (TART) for the fiscal year ending June 30, 2009. TART is an enterprise fund of the County and is included as part of the Transit Fund in the County's basic financial statements. In conjunction with the audit of the financial statements of TART, we will also determine and report on the County's compliance with specific requirements pursuant to the Transportation Development Act that are applicable to TART. Such compliance requirements include determining the proper use of local transportation funds and the County achieving a minimum farebox ratio. The separately issued TART report needs to be transmitted to the State Controller's Office annually within 180 days after the end of the fiscal year. We will complete and submit the final reports no later than December 31 to satisfy the reporting deadline of the State Controller's Office.

#### Western Placer Waste Management Authority

We will perform a financial audit of basic financial statements of Western Placer Waste Management Authority (Authority) in accordance GAAS and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Authority is a stand alone legal entity established by a joint exercise of powers agreement, and is separate and apart from the County. As a general purpose government, the Authority is required to prepare Management's Discussion and Analysis, which will be presented as RSI, to accompany the basic financial statements. We will apply certain limited procedures to the Authority's RSI, however, the information will not be audited. At the conclusion of the audit, we will issue an opinion on the financial statements of the Authority, including a separate report on the Authority's internal control over financial reporting and on compliance and other matters pursuant to *Government Auditing Standards*.

### Golden Sierra Job Training Agency

We will perform a financial audit of the basic financial statements of Golden Sierra Job Training Agency (Agency) in accordance with GAAS as promulgated by the AICPA and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States for the purpose of expressing opinions on the fair presentation of the Agency's basic financial statements, in conformity with GAAP. Since the Agency is the recipient of federal awards and annually expends federal funds in excess of \$500,000, we will also be performing a Single Audit in accordance with the federal Single Audit Act Amendments of 1996; U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The Agency will be required to prepare a schedule of expenditures of federal awards with accompanying notes and the following reports will be included along with our opinion on Agency's basic financial statements, under a single cover:

- Report on Compliance with Requirements Applicable to Each Major Program, Internal Control Over Compliance, and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133.
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

As a stand-alone general purpose government, the Agency will have to prepare Management's Discussion and Analysis (MD&A), to accompany its basic financial statements. Since MD&A is considered RSI under professional standards, we will not audit the information, although we will subject the information to certain limited procedures, which primarily consists of inquiries of management regarding the methods of measurement and presentation. MGO will provide the final editing and printing of the Agency's financial statements and Single Audit reports, as well as, completing the online Data Collection Form and electronic submission to the Federal Audit Clearinghouse. MGO will also provide the Agency with a final print and electronic copy of the Data Collection Form that was electronically submitted to the Federal Audit Clearinghouse.

### Treasury Oversight Committee Compliance

We will perform an examination of management's assertion that the County Treasurer has complied with the County Treasury Investment Policy and with the investment requirements of California Government Code Sections 27130 to 27137 for the year ending December 31, 2009. Our examination will be conducted pursuant to attestation standards established by the AICPA.

### Communication with Those Charged with Governance

Pursuant to Statement on Auditing Standards (SAS) No. 114, *The Auditor's Communication with Those Charged with Governance*, MGO will annually prepare and communicate certain matters related to the conduct of an audit to those who have responsibility for the oversight of the financial reporting process, i.e. the audit committee, Board of Supervisors, etc. In conjunction with these communications, we will also present any significant deficiencies and/or material weaknesses required to be communicated under SAS No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. Our communications will address the systems of internal control; accounting and financial systems, functions, procedures and processes especially with regard to cost effectiveness and compliance with laws, regulations, contracts and grants. These communications will cover our audits for the following:

- (1) County's Comprehensive Annual Financial Report
- (2) Single Audit
- (3) Redevelopment Agency of Placer County
- (4) TART

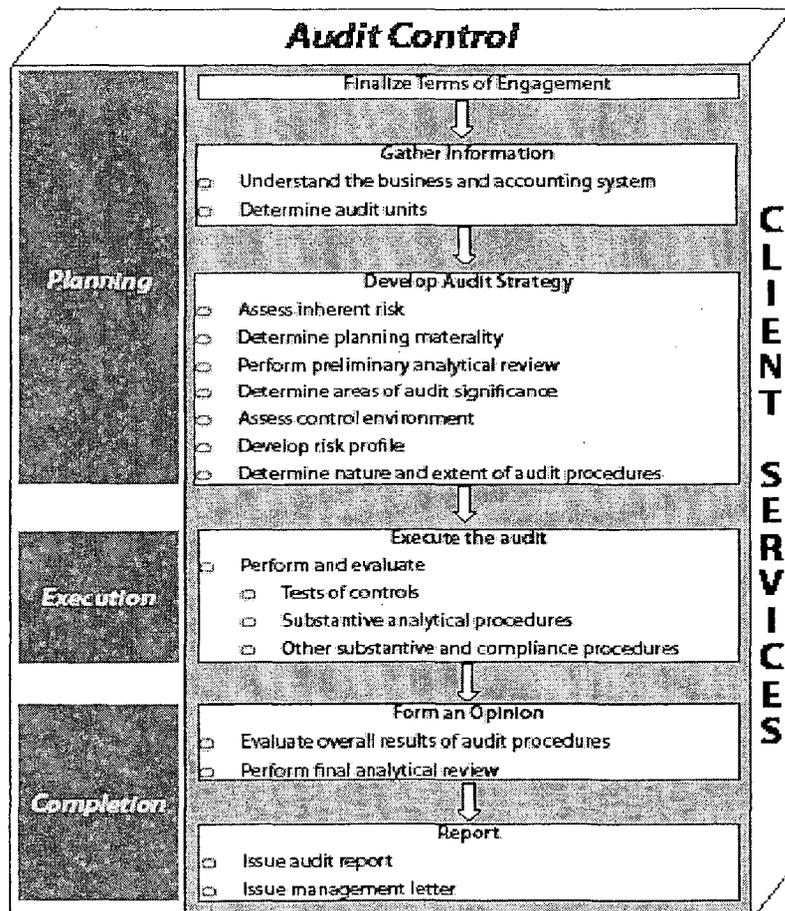
Because the Flood Control District, Air Pollution District, Commission, Authority, and the Agency have separate and distinct governing bodies, we will also be issuing, under separate covers, a report communicating certain matters related to the conduct of those audits to each entities governing body pursuant to SAS No. 114.

It is MGO's policy to fully discuss all findings and recommendations with the appropriate management personnel prior to inclusion in our communications letter.

We will make an immediate, written report, to the appropriate levels of authority and management within the County, concerning any matters of fraud and/or illegal acts or indications of illegal acts of which we become aware.

**Audit Approach**

The recently implemented AICPA Risk Assessment Standards (SAS No. 104 to 111) represented one of the most significant changes in the audit profession in decades. The Risk Assessment Standards represent a significant strengthening of auditing standards that will improve the quality and effectiveness of audits. Specifically, the standards enhance the application of the audit risk model by requiring auditors to obtain a more in-depth understanding of the audit client and its environment, perform a more rigorous assessment of risk of material misstatement in the financial statements, improve the linkage between assessed risks and the audit procedures designed and performed to mitigate such risks and vulnerabilities and clarify the concept of audit evidence. The financial statement audits for the various deliverables as described in the Scope of Services section, will be subject to these new standards. In response to these significant changes, MGO has adopted the structure of the BDO International audit approach as set out in the diagram below:



The audit involves the following stages:

**Agree terms of engagement** - We first agree with the client the objectives of the engagement and the nature and timing of our reports.

**Gather information** - We develop an understanding of the client's business, information system and organization, and the ways in which management exercises control.

**Develop audit strategy** - Based on our knowledge, we then move to a detailed assessment of the risks potentially affecting the financial statements. A client-specific audit strategy is then developed, focusing our audit efforts on financial statement areas where there are significant risks of material misstatement, whether due to fraud or error. We select those procedures which will provide us with the necessary evidence with optimum timing and efficiency.

**Execute the audit** - We then perform the selected audit procedures, ensuring that they are carried out by staff who have a level of experience and knowledge relevant to the planned procedures. The results are evaluated to determine whether we have sufficient appropriate audit evidence or whether additional procedures need to be performed.

**Form an opinion** - We draw together all the evidence we have obtained and consider whether we have obtained reasonable assurance that the risk of material misstatement has been reduced to an appropriately low level.

**Report** - We issue our report, ensuring that it is a clear expression of opinion on the financial statements. In addition, we report on other matters covered by the terms of our engagement.

Our approach will be tailored to meet the specific needs for each respective audit that is conducted. We will leverage off of our experience base and build upon our deep understanding of governmental operations, as well as, our previous experience and knowledge of the County. As conditions change, we will adapt and continue to develop our understanding of critical audit areas through comprehensive audit planning and risk assessment. The key component in performing a successful and effective audit of a government entity is to have knowledgeable and passionate professionals that understand the government industry and environment. Our audit approach entails an analysis of audit risks leading to a focus of audit effort.

Throughout the audit process we gain knowledge which, combined with our general experience and expertise, provides us with a unique insight into the County's operations and with opportunities for identifying improvements, not only with respect to accounting and information systems but also regarding broader, and often more significant areas such as organizational structure and financial planning. This insight is often a source of valuable business advice which may be communicated to the County.

Our approach emphasizes comprehensive and timely audit planning. Some of the techniques to eliminate last-minute surprises are: our managers and partners complete a pre-review of the basic financial statements, stay abreast of new GASB pronouncements and continually communicate with County personnel to discuss staff assignments, timing of obtaining a comprehensive list of schedules, confirmations, and analysis of selected account balances.

#### Internal Control Approach

We assess overall controls each year using the BDO Compass 3 Information Gathering Questionnaire (IGQ), which poses a number of critical questions designed to identify the existence of strengths that would reduce or mitigate the risk of misstatement. The IGQ considers the following components of overall controls:

- (1) Control environment;
- (2) Risk assessment;
- (3) Control activities;
- (4) Information and communication; and
- (5) Monitoring.

Each strength is considered in terms of its effect on each significant financial statement area, or underlying transaction stream, and the related assertions. However, the importance of the control environment, risk assessment, and monitoring components stem from their pervasive influence. As part of our Execution Step, we perform system walkthroughs and/or tests of controls identified as control points in our IGQ to determine whether the internal controls prescribed by management are functioning as designed.

Some of the audit steps that we perform during this part of our Execution Stage are as follows:

- Test controls of significant transaction streams using statistical sampling methods to determine that the checks and balances are functioning as prescribed. Our sample sizes generally vary from 25 to 45 items depending on our assessment of control and detection risks.
- If applicable, identify instances where the internal controls failed to detect an error and report these instances to the appropriate persons. If the finding is of substance, document our findings in a preliminary management letter so that necessary corrections can be made immediately.
- Based on our test results, re-evaluate our preliminary assessment of control risk and make necessary changes to our general audit approach.

The level of controls assurance is assessed for each assertion for each financial statement area. The extent of assurance we may take from controls is assessed by carrying out a detailed evaluation of controls, which would require both:

- The consideration of the design of important control activities relevant to the specific assertion that we are considering; and
- The performance of tests of controls to test adherence to the relevant control activities.

Upon completion of these tests, we update our preliminary evaluation of the control environment and the related accounting and administrative procedures. Based upon the results of our tests, we may revise our assessment of control risk for each significant area.

#### Laws and Regulations Approach

When planning and performing audit procedures and in evaluating and reporting the results thereof, we need to recognize that an illegal act may materially affect the financial statements.

Laws and regulations vary considerably in their relation to the financial statements:

##### *Direct and material effect on financial statements*

- We consider laws and regulations that generally have a direct and material effect on the determination of financial statement amounts. For example, escheat or unclaimed property laws, may affect recorded liabilities and revenues and applicable laws and regulations may affect the amount of revenue accrued under government contracts. However, we consider such laws or regulations from the perspective of their known relation to audit objectives derived from financial statement assertions rather than from a legal perspective.

##### *Indirect effect on financial statements*

- The County may be affected by many other laws or regulations, including those related to occupational safety and health, equal employment, and other violations. Generally, these laws and regulations relate more to an organization's operating aspects than to its financial and accounting aspects, and their financial statement effect is indirect. We ordinarily do not have sufficient basis for recognizing possible violations of such laws and regulations. Their indirect effect is normally the result of the need to disclose a contingent liability because of the allegation or determination of illegality.

Normally, our audit does not include procedures specifically designed to detect illegal acts that indirectly affect the financial statements. However, the procedures listed below, which may be performed for the purpose of forming an opinion on the financial statements, may bring possible illegal acts to our attention:

- Familiarization with the particular legal operational framework applicable to the County and its operations.
- Inquiring of management and the County's attorneys regarding the accounting for and disclosure of loss contingencies.
- Inquiring of management as to the laws and regulations that may be expected to have a fundamental impact on the operations of the County.
- Discussing with management policies and procedures adopted for identifying, evaluating, and accounting for litigation claims and assessments;
- Inspecting relevant documentation and correspondence with relevant licensing or regulatory authorities.
- Obtaining written confirmation from management that they have disclosed all events of which they are aware which involve possible illegal acts, together with any actual or contingent consequences which may arise.

We also remain cognizant for any instances of non-compliance with laws or regulations at all times during the course of our audit that may come to our attention through:

- The performance of other substantive procedures;
- The review of minutes of County Board of Supervisors meetings; and
- Inquiry of the County Executive, members of the Board of Supervisors, the County's lawyers, and others regarding litigation, claims, and assessments.

#### Sampling Approach

Audit sampling is the application of an audit procedure to less than 100% of the items within an account balance or class of transactions for the purpose of evaluating the value of the balance or class. Substantive test ("variables") sampling provides a technique for estimating the extent of monetary misstatement in a class of transactions or balances. It can also be used for estimating the amount of a population. It answers the question, "How much?" rather than "How many?" as in sampling for attributes (such as the operation of a control), and is normally used to help decide if a balance is materially misstated. Sampling can be very useful in performing substantive tests on, for example, inventory or accounts receivable. Sampling is sometimes also used for determining sample sizes for substantive tests of recorded transactions (e.g., vouching of sales, purchases).

There are situations when the more formal approach to sample size determination is often not practical. These situations include:

- Test counting during inventory observations.
- Examining canceled checks when reviewing a bank reconciliation.
- Checking depreciation calculations.
- Requesting vendor statements.
- Testing accruals.
- Interviewing client personnel in conjunction with observation and inquiry procedures.
- Applying analytical procedures.

This does not mean that we would never use sampling for the above types of procedures. For example, sampling might be used when determining the extent of testing for:

- Examining canceled checks when the client's outstanding check list consists of an unusually large number of items which are similar in amount, such as a payroll account for a very large client.
- Selecting invoices for verifying an accounts payable listing consisting of an unusually large number of items similar in amount.
- Testing an accrual comprised of a large number of small items

The application of sampling requires significant auditor judgment in areas such as:

- Considering audit approaches other than using audit sampling (e.g., use of CAATs).
- Defining the population and defining the sampling item.
- Assessing the overall risk level for related control, analytical procedures and risk assessment activities.
- Determining materiality as a base for calculating the tolerable misstatement (error).
- Selecting items for 100% examination.
- Determining the sample size, considering factors such as:
  - a. Expected misstatement (errors) to be found.
  - b. The effect of other tests on the account being tested.

MGO encourages the use of statistical sampling whenever practical especially for substantive tests. We use two primary substantive statistical sampling techniques - PPS ("Probability Proportional to Size") sampling and SRS ("Stratified Random Sampling"). We generally first remove all individual items in excess of 90% of the tolerable misstatement from the population for 100% examination prior to selecting a sample, for both PPS and SRS samples.

In summary our sampling procedures include the following:

- Define the Objective
- Define the Population and the Sampling Unit
- Define Tolerable Misstatement
- Remove Items for 100% Examination
- Specify the Desired Level of Sampling Assurance and the Acceptable Risk of Overauditing
- Estimate the Expected (Anticipated) Misstatement
- Select the Sampling Technique (e.g., non-statistical, PPS, SRS)
- Determine the Sample Size
- Select the Sample
- Examine the Sample Items and Evaluate the Sample Results

#### Information Systems Approach

We will evaluate the County's information technology (IT) environment in accordance with U.S. Government Accountability Office guidelines and AICPA guidelines. The objectives of these reviews are to (1) obtain an understanding of relevant system controls to identify areas that could pose potential auditing risks, (2) determine whether sufficient controls are in place to protect the integrity and reliability of financial data, (3) determine the capability of the core financial management system in carrying out financial data processing and (4) test the system control for the core financial management information system.

We classify control activities in a computerized accounting system environment into two types:

- (1) Application controls and
- (2) General IT controls.

Application controls relate to the transactions and master files or databases for each individual accounting application and represent those controls that operate in the course of processing transactions whose purpose is to ensure the completeness, accuracy and validity of accounting information. Whereas, general IT controls are intended to establish a framework of overall control over all aspects of computerized processing and therefore will affect many applications. General IT controls are essential to maintaining the effectiveness of automated application controls over time.

As part of our Planning Phase, we document our understanding of and evaluate the design and implementation of the information processing system, the design of the control activities, and the effective operation of the control activities.

In addition, we expect to see a direct relationship between the application control activities and supporting general control activities. This relationship is documented and tested. We also establish specific substantive audit procedures by relating controls and substantive procedures to risks. MGO's Information Technology Consultants are experienced in this process and will provide guidance and consultation to our assurance professionals. As we design our substantive audit procedures, we make a preliminary evaluation of the extent to which application and general control activities are likely to be effective in preventing or detecting material misstatements for each assertion.

Regardless of whether we decide to rely on controls as part of our audit strategy, we assess the potential effectiveness of controls or risks in the County's accounting systems in order to identify significant weaknesses and direct our attention to those areas susceptible to misstatement, whether due to error or fraud.

#### Analytical Procedures

Auditing standards require the use of analytical procedures in the planning and overall review stages of the audit. They may be used throughout the audit:

- (1) To direct our attention during the planning stage to areas where amounts appear unusual to the extent that we are put on warning that a material amount may be misstated;
- (2) To provide an important source of audit evidence at the execution stage or substantive analytical procedure; and
- (3) In forming an opinion on the financial statements by assessing the overall reasonableness of these statements.

Preliminary Analytical Reviews – assist us in planning the nature, timing, and extent of auditing procedures that will be used to obtain evidential matter for specific account balances or classes of transactions. To accomplish this, we focus on enhancing our understanding of the client's business and the transactions and events that have occurred since the last audit date and identifying areas that may represent specific risks relevant to the audit.

Our work should normally cover a comparison of:

- Actual results to budget;
- Current year operating results and financial position with the prior year;
- Key financial and operating ratios with the prior year, the industry, and with each other;
- Relationships among elements of financial information within the period; and
- Relevant non-financial information (e.g., number of employees, square footage, etc.).

Substantive Analytical Procedures (SAPs) – essentially involve a comparison of an amount in the financial statements with what we would expect that amount to be based on our knowledge of the organization and having regard to other audit evidence.

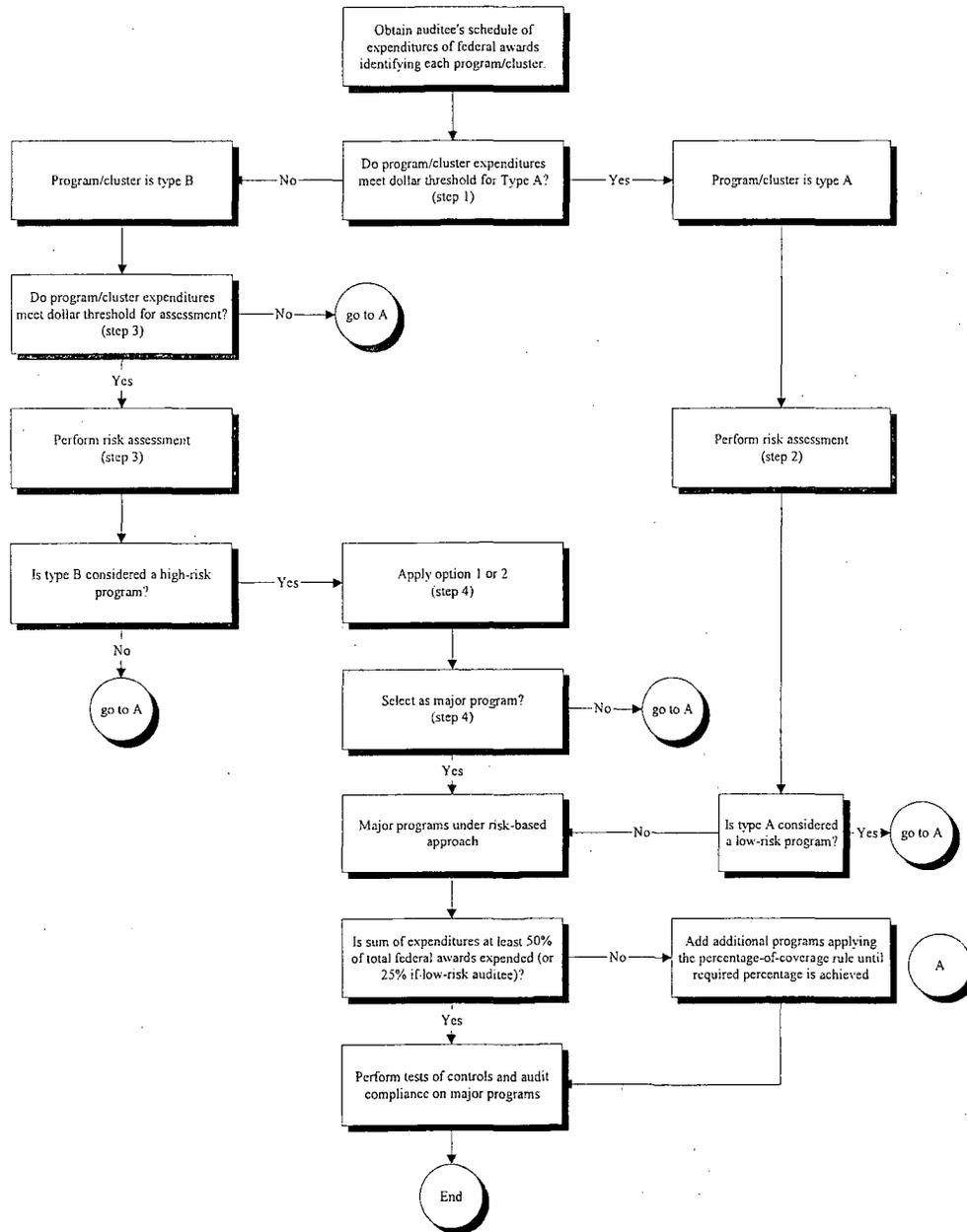
Our work should normally involve utilizing the following techniques:

- Using WinIDEA to extract data and prepare subsequent analysis.
- Determining whether there is a valid relationship between the items being compared (e.g., between interest and interest bearing balances).
- Disaggregating information to compute ratios separately, percentages and amounts for different funds.
- Considering the quality of the data being used in the procedure factoring whether we tested the data and the source of the data.

### Single Audit Approach

OMB Circular A-133 requires the auditor to use a risk-based approach to determine which federal programs are major programs. The risk-based approach includes consideration of current and prior audit experience, oversight by federal agencies and pass-through agencies, and the inherent risk of the federal programs. The risk-based approach is designed to focus the single audit on higher-risk programs.

The flowchart below illustrates our approach and application of the risk-based approach for determining major programs:



### Additional Single Audit Procedures

Entities like the County and the Golden Sierra Job Training Agency that receive federal funds are subject to the audit requirements of OMB Circular A-133. As your auditors, we have a responsibility to determine whether the County and the Agency have complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to federal awards that have a direct and material effect on each major program. Our focus for this area includes monitoring significant deficiencies or material weaknesses ensuring appropriate corrective measures are implemented in a timely manner.

In addition to the approach as depicted in the previous flowchart the following is a broad outline of some of the basic activities to be performed during three distinct phases to ensure the Single Audit is properly planned and efficiently executed:

#### *Planning Phase:*

- Review of predecessor auditor work papers
- Review Part 2 of the OMB Circular A-133 Compliance Supplement and prepare a matrix detailing all of the compliance requirements directly applicable to each of the County's and Agency's major programs.
- Review of the prior year Single Audit reports for consideration and impact of any prior year internal control deficiencies and/or compliance findings with respect to each major program
- Perform reasonable procedures (i.e. inquiry of responsible program management personnel, inquiry of granting agency personnel, review of applicable Code of Federal Regulations for each major program, review of appendices to OMB Circular A-133 Compliance Supplement for any highlighted program changes, etc.) to ensure that compliance requirements for each major program are current and whether there have been any significant changes from the prior year for consideration
- Hold and conduct entrance conferences and planning meetings with appropriate program managers responsible for program oversight
- Request administering departments to complete Single Audit questionnaires for assistance in performing preliminary risk assessment of audit risk for identified programs
- Prepare initial audit materiality matrix for assessing and documenting which program's compliance requirements are direct and material. Materiality is determined on a situational basis and is a matter of professional judgment, considering both qualitative and quantitative factors, our firm's past practices and industry specific standards
- Identify each of the major program's compliance requirements to be tested and prepare separate program specific client participation schedules detailing information requested by the auditors
- Conduct inquiry of responsible department program managers regarding the existence of fraud, abuse, illegal acts, and known noncompliance specific to each major program
- Obtain copies and review any desk and/or on-site reviews conducted by oversight agencies
- Review department and/or program policies and procedures concerning established internal controls over the administration and compliance with direct and material compliance requirements
- Obtain an understanding of the five components of internal control over each major program sufficient to plan the audit in order to support a low assessed level of control risk
- Plan the testing of internal control over each major program to support a low assessed level of control risk for the assertions relevant to the compliance requirements, except where the internal controls are likely to be ineffective in preventing or detecting noncompliance
- Develop tests of internal controls over compliance and other procedures that specifically respond to the audit objectives of each major program's direct and material compliance requirements

**Execution Phase:**

- Based upon the relevant sample size determined perform the planned level of testing of internal controls and sufficient tests of transactions and other audit procedures necessary to determine whether laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each major program were complied with in order to support an opinion on compliance
- Perform subsequent event procedures (i.e. inquiry concerning oversight agency identifying noncompliance or internal control related matters
- Compile and discuss with administering department personnel and the Auditor Controller's Office any identified internal control and/or compliance findings and obtain preliminary management responses and corrective action plan
- Validate the accuracy of the amounts reported on the schedule of expenditures of federal awards and reconcile to the County's general ledger
- Follow-up on any prior audit findings, including performing procedures to assess the reasonableness of the summary schedule of prior audit findings

**Completion Phase:**

- Prepare draft report on compliance requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 and provide to County for review
- Prepare and issue final auditor's report

**Additional Assistance**

We will also perform the following tasks as requested by the County:

- In conjunction with the County's efforts to submit its CAFR to the GFOA for review and consideration for the Certificate of Achievement for Excellence in Financial Reporting (Certificate) program, complete a technical review to ensure the County satisfies the requirements of the Certificate program
- Provide any such additional report schedules, exhibits or other information with respect to any completed and filed audit reports as may be required by a cognizant agency, grantor or administrative agency upon review of the Single Audit report
- Attend all scheduled meetings with the County's audit committee and Grand Jury
- During and throughout the audit fieldwork, provide bi-weekly status reports to the Auditor-Controller summarizing the results and progress of the audit. Any significant findings and/delays in obtaining information which requires management attention or recommendations for immediate corrective action will be communicated
- If conditions are discovered that lead to the belief that material errors, fraud, or abuse may have occurred, or if other circumstances are encountered that requires extended services, we will promptly advise the Treasury Oversight Committee (TOC), with respect to matters involving the TOC examination, or the Auditor-Controller for all other audits under the terms of the contract
- Keep the County advised of new state and national developments affecting government finance and reporting, standards, and trends
- Be available year-round to advise the County on various financial issues and to recommend the proper course of action

### Working Paper Retention and Access to Working Papers

The audit documentation for this engagement is the property of MGO and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the County cognizant or oversight agency, federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit. We will notify the County of any such request. If requested, access to such audit documentation will be provided under the supervision of MGO personnel. MGO will also make the audit documentation available to the following parties or their designees during the retention period: (1) Placer County Audit Committee, (2) Placer County Grand Jury, (3) Placer County Executive and/or Auditor-Controller's Office, (4) auditor or agencies of which the County is a subrecipient of grant funds, and (5) Treasury Oversight Committee.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the County.

### New Professional Standards

The Governmental Accounting Standards Board (GASB) has issued various new accounting standards that will impact accounting and financial reporting of the County. We are uniquely qualified to assist the County in effectively implementing those standards. The combination of our experience and relationships with the standard setting community separates us from our competitors. We will work closely with County management to ensure that all new standards are addressed, understood and properly implemented to the financial reporting. Below is a list of such standards we will advise the County.

- GASB Statement No. 49 - *Accounting and Financial Reporting for Pollution Remediation Obligations*
- GASB Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*
- GASB Statement No. 52 - *Land and Other Real Estate Held as Investment for Endowments*
- GASB Statement No. 53 - *Accounting and Financial Reporting for Derivative Instruments*

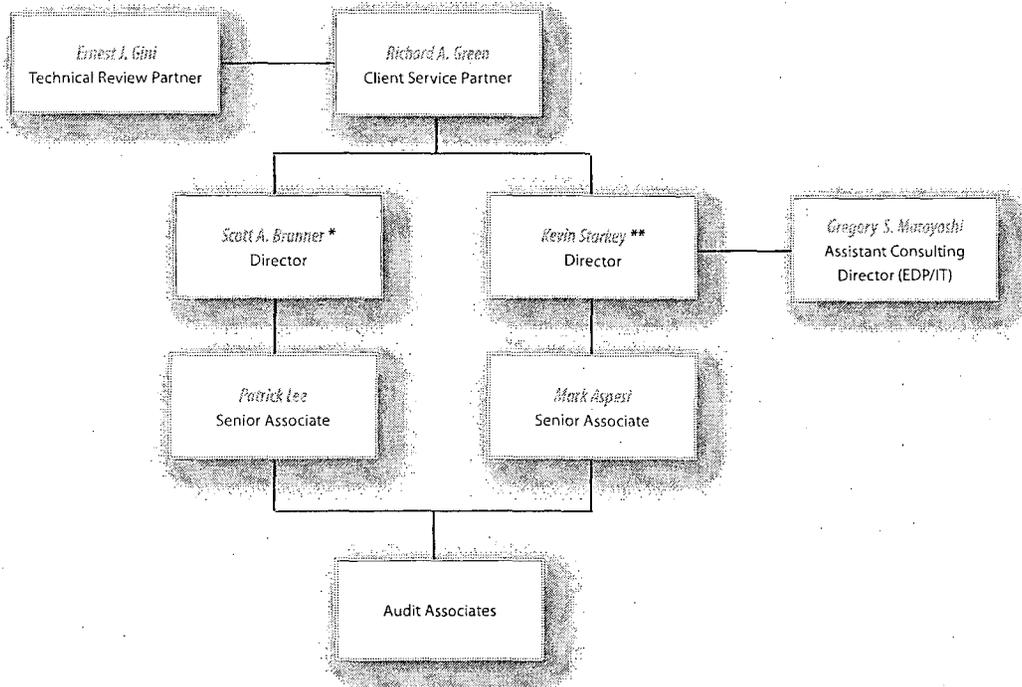
### Management Plan to Ensure On-Time Delivery and Compliance

Governmental entities often depend on an elaborate structure of interlocking relationships for managing programs and resources. We believe that a successful engagement is based upon organization, communication and coordination.

Our objective is to provide the County with an audit plan that is both realistic and mutually acceptable, thus forming the basis by which audit progress can be measured. Frequent communication is required for the audit plan to be an effective management tool. We are committed to completing the County and other entity audits in a manner that best serves the workflow and schedules of all responsible personnel. We will meet with the appropriate management personnel on a regular basis to report the progress of our audits and to report any preliminary findings. The timing of our audit procedures will be closely coordinated with the County's Auditor-Controller's Office, and management of the various departments to minimize disruption to the County's operations, but still ensuring the completion of tasks and deliverables. The achievement of meeting the County's deadlines is predicated upon the timely closing of accounting records and the accurate preparation of GAAP-basis financial statements by the County for all of the various deliverables. We expect the County to communicate any foreseeable delays in the delivery of accounting records, financial statements, and/or other documents needed to complete our work.

Our audit approach emphasizes comprehensive and timely audit planning. Proper planning, timely communications, and prompt resolution of reporting issues will lead to a smooth transition to the timely completion of the engagements and issuance of the final reports. This approach will result in a positive working relationship that is built upon teamwork and the achievement of mutual goals between our auditors and County personnel.

Some of the techniques to provide a recipe for success are: (1) perform a pre-review of prior year financial statements and provide feedback; (2) review of the predecessor audit work papers; (3) inform County and other personnel responsible for financial reporting of any new accounting and/or auditing standards that may impact the audits; (4) convene an entrance conference with all stakeholders who have a role in the financial reporting process and identify a liaison for each of the various deliverables, as well as an overall liaison to the audit contract; (5) prepare separate client participation schedules for each deliverable and meet "in-person" to review the information requested, establishing clear expectations and reasonable timelines; (6) throughout the course of the various audits institute weekly status meetings as a means for measuring progress and eliminating expectation gaps and last minute "fire drills"; and (7) establishing two distinct "teams" assigned to complete the audits and issue all of the required reports. The engagement "teams" responsible for the execution and delivery of the audit services will be as follows:



\* Assigned to the Western Placer Waste Management Authority, Golden Sierra Job Training Agency, and Treasury Oversight Committee engagements.

\*\* Assigned to the County's CAFR, Single Audit, Redevelopment Agency, Appropriations Limit, Flood Control District, Air Pollution District, First 5 Placer Children and Families Commission, and TART Enterprise Fund engagements.

Besides the overall professional audit risk that is inherent in performing any audit, the most significant risks with respect to the services requested under the Request for Proposal resides in the timing and performance of the various audits. We will commit the necessary resources, as demonstrated by the establishment of two separate and experienced "teams", to ensure that all services are rendered within the timelines set out by the County. However, significant delays from predetermined timelines could jeopardize our ability to meet those obligations. Therefore, it is imperative that draft financial statements, items requested by the auditors as outlined in client participation schedules, as well as other information requested by our auditors throughout the audit process is complete, accurate and received in a timely fashion. To mitigate this risk, we have previously identified our approach from a planning, communication and coordination standpoint that provides a framework for success.

Another potential risk is the County's implementation of GASB Statement No. 49. To mitigate the risks encountered when new standards are implemented, at the outset of the contract, we will have upfront discussions regarding the applicability and impacts, if any, of this new standard on the County's accounting and financial reporting. Also, we will establish a clear understanding of the County's approach to implementing the standard and come to a consensus on the proper course of action necessary to ensure adherence to the requirements of GASB Statement No. 49.

Meeting Deadlines

We are passionate about meeting and exceeding the expectations of our clients. The following is a tentative task schedule for the fiscal year ending June 30, 2009, which articulates our understanding of the County's timeline for completion and delivery of the various reports. A similar schedule will be developed for the subsequent years' audits.

Proposed Dates	Task / Specific Deliverables
Soon after execution of contract	Entrance conference with the Auditor-Controller's office and other appropriate key personnel. Discuss prior and anticipated audit problems and work to be performed. Establish overall liaison for the audits. Also, establish framework for the preparation of the "prepared by client" list, which will be used to manage workflow throughout the audit.
June/July	Perform interim procedures including, planning, documentation of internal controls, testing of certain internal controls and single audit compliance. Also, initiate weekly status meetings with management to discuss progress, issues and workflow challenges.
September thru October	Commence year-end audit fieldwork for the Commission, Redevelopment Agency, Western Placer Waste Management Authority, and Placer County Air Pollution Control District.
No later than September 30, 2009	Provide 25 bound report copies of the First 5 Placer Children and Families Commission.
October 19, 2009	Commence year-end audit fieldwork for the County's CAFR, TART, GANN Appropriations Limit, and Single Audit.
No later than October 30, 2009	Provide 25 bound report copies of the Placer County Redevelopment Agency.
No later than December 15, 2009	Provide 1 final bond copy the Auditor's Report on the CAFR, and 10 bound report copies of the Agreed-upon Procedures Report on Appropriation Limit,
No later than December 31, 2009	Provide 25 bound report copies of the Placer County Flood Control and Water Conservation District and the Air Pollution Control District, 25 bound report copies of the Western Placer Waste Management Authority and of the TART Enterprise Fund.
No later than January 11, 2010	Commence year-end audit fieldwork for Golden Sierra Job Training Agency and the Treasury Oversight Committee Compliance.
No later than February 26, 2010	Provide 50 bound report copies of the Single Audit Report, 25 bound report copies of the Golden Sierra Job Training Agency, 25 bound report copies of the Report to Management, and 25 bound report copies of the Independent Treasurer's Assertion.

# COST PROPSAL



## Quality is Worth the Cost

Having worked with governmental organizations for over two decades, we understand the budget constraints and political challenges you face. It often seems necessary in the auditor selection process to opt for a low bid in order to meet budgetary goals. While we continually strive to develop fee structures for our engagements that are sensitive to the cost obligations that governments face,

MGO is not usually the "lowest bidder" in the auditor pool. Our business model is designed to offer the highest quality service, bar none, and propagates having the expertise to serve governments better than any other firm in California. In today's complex environment, the adage "you get what you pay for" can be the difference between an organization's success and its failure.

Troubled governments make headlines every day. MGO has a proven track record of assisting challenged governments to get back on track for success. Combine this with our spotless performance record and one can begin to understand the quality of service we provide. Our firm has had no substandard performance findings in over 20 years of doing business, and we recently received a clean inspection from the Public Company Accounting Oversight Board for our public company audits - a clear differentiator between us and many of our competitors.

Governmental accounting and reporting is changing and expanding at an ever increasing rate. Couple this with public accountability issues, federal pressure for increased audit quality, and the penalties for substandard audit performance, and the result is plain: increased risk. Government audits, often considered low-risk engagements by other firms, are quickly becoming areas of extremely high risk. The technical issues involved in government auditing are on a par with those in the commercial environment - but most auditors have little experience and technical guidance to draw upon in serving governments.

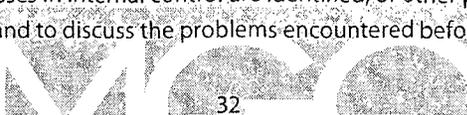
Dealing with these technical issues requires well-trained, highly motivated individuals. Coping with the real issues governments are facing (infrastructure, terrorism, prison overcrowding, drugs and so many more) requires even more from the individuals in the profession. At MGO, we understand that governmental accounting and reporting is being thrust into the spotlight and increasingly scrutinized by a multitude of individuals and groups. We believe that it is imperative that public accountants who serve governments must constantly keep this fact top-of-mind as they help governments prepare for and secure their futures.

## Proposed Fees

We are sensitive to the County's need to control costs. It is our commitment to offer quality service at competitive and fair rates. Our proposed not-to-exceed fees and estimated hours to provide audit services for the County for the years ending June 30, 2009, 2010, and 2011, and optional two-year extension for 2012 and 2013 are included on the following pages.

Should the hours we incur be less than those proposed, we reserve the right to bill our all-inclusive maximum fees. Conversely, if our incurred hours exceed our proposed hours, we understand that our fees shall not exceed the proposed amount. The proposed fees are based on the assumption that there will not be any major changes in scope, which includes new accounting or auditing standards that are not foreseeable at this time; therefore, the impacts cannot be determined. If the scope of the audit is expanded, our fees will be adjusted accordingly.

Our proposed not-to-exceed fees and hours are based on the assumption that the accounting records are in order and that all accrual adjustments necessary to present the financial statements in accordance with accounting principles generally accepted in the United States of America are prepared by you. If we encounter difficulties because accounting records are not readily available, material weaknesses in internal control are identified, or other problems arise, we will meet with you to discuss a potential fee adjustment and to discuss the problems encountered before any additional work is incurred.



Also, our fees for audit services related to the Single Audit are based upon four major programs per fiscal year. For each additional major program that is required to be audited under the requirements of OMB Circular A-133, our fees will increase approximately \$5,500 per major program.

Our professional services will be billed monthly based on the amount of hours worked.

<b>Comprehensive Annual Financial Report</b>			
Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	20	\$ 7,880
Technical Review Partner	394	16	6,304
Engagement Director	315	96	30,240
EDP/IT Consultant	268	32	8,576
Senior Associates	158	270	42,660
Audit Associates	130	500	65,000
Administrative Support Staff	110	2	220
Sub-total		936	160,880
Professional Discount			(84,398)
Out-of-Pocket Expenses *			3,000
<b>Total Hours and Fee</b>		<b>936</b>	<b>\$ 79,482</b>

<b>Single Audit (OMB Circular A-133)</b>			
Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	2	\$ 788
Technical Review Partner	394	6	2,364
Engagement Director	315	26	8,190
Senior Associates	158	40	6,320
Audit Associates	130	200	26,000
Administrative Support Staff	110	2	220
Sub-total		276	43,882
Professional Discount			(22,977)
Out-of-Pocket Expenses *			1,000
<b>Total Hours and Fee</b>		<b>276</b>	<b>\$ 21,905</b>

\* Includes photocopy, fax, mail, travel, and telephone charges expected to be incurred.

<b>Redevelopment Agency of Placer County</b>			
Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	4	\$ 1,576
Technical Review Partner	394	2	788
Engagement Director	315	20	6,300
Senior Associates	158	35	5,530
Audit Associates	130	70	9,100
Administrative Support Staff	110	4	440
Sub-total		135	23,734
Professional Discount			(12,434)
Out-of-Pocket Expenses *			500
<b>Total Hours and Fee</b>		<b>135</b>	<b>\$ 11,800</b>

<b>GANN Appropriations Limit (Article XIII-B)</b>			
Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	-	\$ -
Technical Review Partner	394	1	394
Engagement Director	315	2	630
Senior Associates	158	2	316
Audit Associates	130	4	520
Administrative Support Staff	110	1	110
Sub-total		10	1,970
Professional Discount			(1,032)
Out-of-Pocket Expenses *			50
<b>Total Hours and Fee</b>		<b>10</b>	<b>\$ 988</b>

\* Includes photocopy, fax, mail, travel, and telephone charges expected to be incurred.

**Placer County Air Pollution Control District**

Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	-	\$ -
Technical Review Partner	394	2	788
Engagement Director	315	10	3,150
Senior Associates	158	20	3,160
Audit Associates	130	54	7,020
Administrative Support Staff	110	2	220
Sub-total		88	14,338
Professional Discount			(7,510)
Out-of-Pocket Expenses *			500
<b>Total Hours and Fee</b>		<b>88</b>	<b>\$ 7,328</b>

**Placer County Flood Control and Water Conservation District (FY 2010)**

Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 406	-	\$ -
Technical Review Partner	406	2	812
Engagement Director	324	10	3,245
Senior Associates	163	20	3,255
Audit Associates	134	54	7,231
Clerical/Support Staff	113	2	227
Sub-total		88	14,769
Professional Discount			(7,721)
Out-of-Pocket Expenses *			500
<b>Total Hours and Fee</b>		<b>88</b>	<b>\$ 7,548</b>

\* Includes photocopy, fax, mail, travel, and telephone charges expected to be incurred.

**First 5 Placer Children and Families Commission**

Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	-	\$ -
Technical Review Partner	394	2	788
Engagement Director	315	14	4,410
Senior Associates	158	20	3,160
Audit Associates	130	54	7,020
Administrative Support Staff	110	2	220
Sub-total		92	15,598
Professional Discount			(8,170)
Out-of-Pocket Expenses *			500
<b>Total Hours and Fee</b>		<b>92</b>	<b>\$ 7,928</b>

**Tahoe Area Regional Transit Enterprise Fund**

Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	-	\$ -
Technical Review Partner	394	2	788
Engagement Director	315	8	2,520
Senior Associates	158	16	2,528
Audit Associates	130	44	5,720
Administrative Support Staff	110	2	220
Sub-total		72	11,776
Professional Discount			(6,168)
Out-of-Pocket Expenses *			500
<b>Total Hours and Fee</b>		<b>72</b>	<b>\$ 6,108</b>

\* Includes photocopy, fax, mail, travel, and telephone charges expected to be incurred.

**Western Placer Waste Management Authority**

Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	8	\$ 3,152
Technical Review Partner	394	4	1,576
Engagement Director	315	30	9,450
Senior Associates	158	100	15,800
Audit Associates	130	60	7,800
Administrative Support Staff	110	3	330
Sub-total		<u>205</u>	<u>38,108</u>
Professional Discount			(19,980)
Out-of-Pocket Expenses *			<u>500</u>
<b>Total Hours and Fee</b>		<u><u>205</u></u>	<u><u>\$ 18,628</u></u>

**Golden Sierra Job Training Agency**

Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	8	\$ 3,152
Technical Review Partner	394	4	1,576
Engagement Director	315	25	7,875
Senior Associates	158	100	15,800
Audit Associates	130	40	5,200
Administrative Support Staff	110	3	330
Sub-total		<u>180</u>	<u>33,933</u>
Professional Discount			(17,795)
Out-of-Pocket Expenses *			<u>500</u>
<b>Total Hours and Fee</b>		<u><u>180</u></u>	<u><u>\$ 16,638</u></u>

\* Includes photocopy, fax, mail, travel, and telephone charges expected to be incurred.

**Treasury Oversight Committee (Article 6)**

Professional Classification	Rate per Hour	Total Hours	Total Fee
Client Service Partner	\$ 394	2	\$ 788
Technical Review Partner	394	1	394
Engagement Director	315	8	2,520
Senior Associates	158	14	2,212
Audit Associates	130	30	3,900
Administrative Support Staff	110	1	110
Sub-total		56	9,924
Professional Discount			(5,199)
Out-of-Pocket Expenses *			250
<b>Total Hours and Fee</b>		<b>56</b>	<b>\$ 4,975</b>

**Summary of Deliverables and Fees**

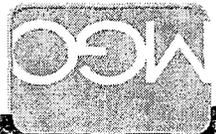
Deliverables	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2010	Fiscal Year Ending June 30, 2011	Fiscal Year Ending June 30, 2012	Fiscal Year Ending June 30, 2013
Comprehensive Annual Financial Report	\$ 79,482	\$ 81,866	\$ 84,322	\$ 86,852	\$ 89,458
Single Audit (OMB Circular A-133)	21,905	22,562	23,239	23,936	24,654
Redevelopment Agency of Placer County	11,800	12,154	12,519	12,894	13,281
GANN Appropriations Limit (Article XIII-B)	988	1,018	1,048	1,080	1,112
Placer County Air Pollution Control District	7,328	-	7,774	-	8,248
Placer County Flood Control and Water Conservation District	-	7,548	-	8,008	-
First 5 Placer Children and Families Commission	7,928	8,166	8,411	8,663	8,923
Tahoe Area Regional Transit Enterprise Fund	6,108	6,291	6,480	6,674	6,875
Western Placer Waste Management Authority	18,628	19,187	19,762	20,355	20,966
Golden Sierra Job Training Agency	16,638	17,137	17,651	18,534	19,090
Treasury Oversight Committee (Article 6)	4,975	5,124	5,278	5,542	5,708
<b>TOTAL PROPOSED MAXIMUM FEES</b>	<b>\$ 175,780</b>	<b>\$ 181,053</b>	<b>\$ 186,484</b>	<b>\$ 192,538</b>	<b>\$ 198,315</b>

\* Includes photocopy, fax, mail, travel, and telephone charges expected to be incurred.

Our fees for additional professional services would be based on our standard hourly rates in effect during the year when additional services are requested, which vary according to the degree of responsibility involved and the experience level of the personnel assigned to the task. Fees for additional services requested during fiscal year 2008/2009 are based on the following standard hourly rates, as noted below.

**ADDITIONAL PROFESSIONAL SERVICES**

<u>Professional Classification</u>	<u>Rate per Hour</u>
Client Service Partner	\$394
Technical Review Partner	\$394
Engagement Director	\$315
EDP/IT Consultant	\$268
Engagement Manager	\$226
Senior Associate	\$158
Audit Associate	\$130
Administrative Support Staff	\$110



# APPENDIX 1 - RESUMES

# RICHARD A. GREEN, CPA

## CLIENT SERVICE PARTNER



### Responsibilities:

- Assurance and Government Advisory Partner in the Sacramento Office of MGO
- Participate in discussions about technical matters with engagement management
- Participate in client discussions concerning complex technical issues
- Available throughout the year to ensure proactive issue identification and service delivery

### Background:

Rick has nearly twenty years of auditing, accounting, and consulting experience, including all phases of external and internal auditing. He has led a wide variety of engagements for California state agencies, counties, cities, and special districts including the nation's first and second largest pension systems, CalPERS and CalSTRS. Accordingly, Rick is very familiar with the operations and compliance requirements of governmental agencies as well as nonprofits and business organizations. In 2006, Rick was appointed to the Governmental Accounting Standards Board (GASB) Task Force on Pension Accounting Research. Before joining Macias Gini & O'Connell LLP in 1994, Rick was a Financial Consultant for Merrill Lynch, specializing in the management of individual and business investment portfolios and retirement plans. Prior to Merrill Lynch, he was with Deloitte & Touche LLP for five years.

Richard is a member of the American Institute of Certified Public Accountants, California Society of Certified Public Accountants, and Association of Government Accountants. Additionally, he is a member of the GASB Task Force on Pension Accounting Research. This task force assesses the effectiveness of current accounting and financial reporting requirements for pension plans and employers established in GASB Statements No. 25, *Financial Reporting For Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Richard was recently a member of the Government Finance Officers Association's (GFOA) Special Review Committee (SRC) for the Certificate of Achievement for Excellence in Financial Reporting Program. This committee performs reviews of comprehensive annual financial reports submitted to the program, which promotes the highest quality financial reporting for state and local governments.

### Education:

- B.S., Business Administration, Concentration in Accounting, California State University, Sacramento

### Continuing Professional Education

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

### Instructional Experience:

Richard has conducted numerous training programs covering a variety of accounting, auditing, and financial reporting topics, including the following:

- OMB Circular A-133 Requirements (Single Audit)
- Government Accounting and Financial Reporting Standards
- Generally Accepted Auditing Standards
- Not-for-Profit Accounting and Financial Reporting
- Government Auditing Standards (GAO)

**A Summarized List of Past and Present Public Sector Clients Served**

Richard has performed on financial and compliance audits for the following clients. (All audits were conducted in accordance with generally accepted auditing standards. Further, many were conducted in accordance with *Government Auditing Standards* and the Single Audit Act.)

*Counties*

- Butte
- Fresno
- Glenn
- Merced
- Napa
- Orange
- **Placer**
- Riverside
- Sacramento
- San Bernardino
- San Mateo
- Solano
- Sonoma
- Stanislaus
- Tulare
- Tuolumne

*Cities*

- Chico
- Galt
- La Mesa
- Los Angeles
- Modesto
- Needles
- Pleasanton
- Rohnert Park
- Sacramento
- Stockton
- Vacaville
- West Sacramento

*State of California*

- California Board of Corrections
- California Business Transportation & Housing Agency Department of Managed Health Care
- California Department of Technology Services
- California Department of Water Resources
- California Exposition and State Fair
- California Integrated Waste Management Board
- California Office of Criminal Justice & Planning
- California Public Employees' Retirement System (CalPERS)
- California State Lottery
- California State Teachers' Retirement System (CalSTRS)
- Department of Transportation (CalTRANS)
- State Bar of California

*Other Governmental Entities*

- Altamont Commuter Express Authority
- Butte County Air Quality Management District
- Butte County Association of Governments
- Capitol Area Development Authority
- Fresno County Employees' Retirement Association
- **Golden Sierra Job Training Agency**
- Kern Council of Governments
- Los Rios Community College District
- Sacramento Area Council of Governments
- Sacramento Area Flood Control Agency
- Sacramento Employment & Training Agency
- Sacramento Housing and Redevelopment Agency
- San Joaquin Delta Community College District
- San Mateo County Redevelopment Agency
- San Mateo General Hospital
- **Western Placer Waste Management Authority**

# ERNEST J. GINI, M.B.A., CPA

## TECHNICAL REVIEW PARTNER



### Responsibilities:

- Consult with Client Service Partner on technical matters
- Review reports for compliance with the applicable standards
- Participate in client discussions concerning complex technical issues

### Background:

Ernest has over 35 years of experience in the CPA profession. Prior to his employment with MGO in 1991, he was a partner in the national CPA firm of Grant Thornton. Prior to Grant Thornton, he was employed for 11 years with Arthur Young & Company (merged as Ernst & Young).

Ernest is an expert in the field of governmental and nonprofit accounting. He has been designated as a Certified Government Financial Manager by the Association of Government Accountants and has conducted seminars for public finance officials on topics such as the New Financial Reporting Model (GASB 34), Changes to OMB Circular A-133, Accounting for Redevelopment Agencies, Single Audit Applications, Changes in *Government Auditing Standards*, GASB Statement Updates, Program-Specific Audits, and other relevant subjects. He currently has firm-wide responsibility for the quality of the firm's governmental audit practice.

He is a member of the California Society of CPAs Government Accounting and Auditing Committee (GAAC) and served as the President of the Sacramento Chapter. He has served as the Chairman of the Sacramento Chapter GAAC for the California Society of CPAs. Ernest is a member of the American Institute and California Society of Certified Public Accountants, the State Association of County Auditors, Association of Government Accountants, and served on the GASB Advisory Committee on the User Guide to Local Government Financial Statements. He was one of the contributors to *What You Should Know about Your Local Government's Finances, A Guide to Financial Statements*.

### Community Involvement

- Young Men's Christian Association of Greater Sacramento "Sold on Youth Auction"

### Education:

- M.B.A., California State University, Sacramento
- B.S., Business Administration (Accounting)  
California State University, Stanislaus

### Continuing Professional Education

Ernest has satisfied the "Yellow Book" requirement of having at least 80 hours continuing professional education every two years, of which 24 must directly relate to the government environment and to government auditing.

### Instructional Experience:

- Instructed at the Annual CPA Conference for the California Dept. of Education, including the Audit Guide of Child Development and Nutrition Programs.
- Conducted seminars on GASB 34 for the Association of Government Accountants (AGA) and was an expert panelist in the national satellite videoconference on GASB 34 jointly sponsored by the AGA and the National Association of State Auditor's, Comptrollers and Treasurers; also conducted GASB 34 seminars for the State Association of County Auditors; the California Association of Treasurers and Tax Collectors; and numerous cities, counties, and special district clients.
- Conducted seminars on Redevelopment Accounting at Loyola Marymount University for the Institute for Government Executive Management.
- Instructed national audit staff training seminars for a Big Five accounting firm.
- Conducted numerous in-house training programs for national and local accounting firms covering a variety of accounting, auditing, and financial reporting topics.

**A Summarized List of Past and Present Public Sector Clients Served**

Ernest has performed as the engagement partner on financial and compliance audits for the following clients. (All audits were conducted in accordance with generally accepted auditing standards. Further, many were conducted in accordance with *Government Auditing Standards* and the Single Audit Act.)

*Counties*

- Butte
- Contra Costa
- El Dorado
- Fresno
- Glenn
- Orange
- **Placer**
- Riverside
- Sacramento
- Solano
- Sonoma
- Tuolumne
- Ventura
- Yolo

*Cities*

- Antioch
- Chico
- Fort Bragg
- Foster
- Hesperia
- Inglewood
- La Mesa
- Lodi
- Modesto
- Rohnert Park
- Sacramento
- Santa Rosa
- Simi Valley
- Stockton
- Union City
- Vacaville

*State of California*

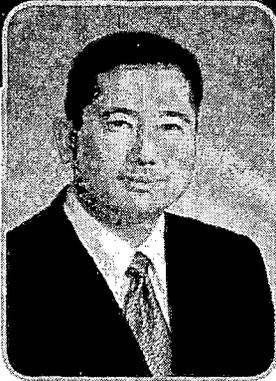
- California Community Colleges
- California Public Employees' Retirement System (CalPERS)
- California State Teachers' Retirement System (CalSTRS)
- Department of Transportation (CALTRANS)
- Department of Veterans Affairs
- Office of the Auditor General
- State Bar of California

*Other Governmental Entities/Programs/Funds*

- Alameda-Contra Costa Transit District
- Bay Area Air Quality Management District
- Butte County Association of Governments
- Capitol Area Development Authority
- Fresno County Valley Medical Center
- **Golden Sierra Job Training Agency**
- Metropolitan Transportation Commission
- Modesto Abandoned Vehicle Abatement Program
- Modesto Redevelopment Agency
- Modesto Transportation Development Act Funds
- Peninsula Corridor Joint Powers Board
- Sacramento Area Council of Governments
- Sacramento Employment & Training Agency
- Sacramento Housing and Redevelopment Agency
- San Bernardino Medical Center
- San Mateo County Transit District
- Santa Rosa Redevelopment Agency
- Stanislaus Drug Enforcement Agency
- **Tahoe Area Regional Transit (TART)**
- Tuolumne River Regional Park
- Ventura County Medical Center
- **Western Placer Waste Management Authority**

# GREGORY S. MATAYOSHI M.B.A.

## ASSISTANT CONSULTING DIRECTOR



### Responsibilities:

- Work closely with the Engagement Director to conduct reviews of information systems
- Perform data extraction and data reliability analysis
- Conduct EDP risk analysis
- Focus on whether program(s) has an adequate EDP risk analysis and system security review

### Background:

Greg is an IT Consultant for MCG and has over 18 years of professional experience as a financial auditor/ project manager, including in-depth knowledge of financial systems and applications. His professional skills include compliance audits and evaluations, financial analysis and data reviews, information management reviews, and reviews of business process workflows and processes. In the past several years, Greg has conducted compliance evaluations against Knox Keene Health Act regulations for 14 health maintenance organizations, three risk bearing organizations, and two county health care providers. Conducted over 55 information management reviews in the past four years to ensure that information systems contained adequate system controls; assessed organizational IT environment for proper segregation of duties, systems management, change controls, and system implementation management. These reviews required conducting interviews, examining information management policies and procedures, IT strategic plans, staff workload ratios, productivity requirements, and reviewing organizational structures.

In addition, Greg is Justice Information Exchange Model (JIEM) Certified and a member of the Association of Government Accountants.

### Education:

- M.B.A., Finance and Technology Management  
California State University, Davis
- B.S., Mechanical Engineering  
University of Colorado

### Instructional Experience:

- Guest lecturer for the USC MPA program, Program Evaluation; CSUS Accounting Society; and CSUS, Beta Alpha Psi

**A Summarized List of Past and Present Public Sector Clients Served**

*Counties*

- Contra Costa
- Orange
- Riverside
- Sacramento
- San Diego
- San Mateo
- Santa Clara
- Stanislaus
- Tuolumne
- Ventura

*Cities*

- Chico
- Chowchilla
- Elk Grove
- Foster City
- Lodi
- Modesto
- Oakland
- Rohnert Park
- Sacramento
- San Diego
- San Jose
- Santa Rosa
- Stockton
- Vernon
- Woodland

*State of California*

- California Department of Managed Healthcare
- California Department of Technology Services
- California Department of Water Resources
- California Public Employees Retirement System (CalPERS)
- California State Teachers Retirement System (CalSTRS)
- California Tahoe Conservancy
- State Bar of California

*Other Governmental Entities*

- Alameda – Contra Costa Transportation District
- Bay Area Rapid Transit Authority
- California Superior Courts-Yolo County
- CSUS, University Enterprises Inc.
- Golden Gate Bridge and Highway Authority
- Kern County Medical Center
- Los Angeles World Airport
- Orange County Transportation Authority
- Port of Oakland
- Sacramento Housing and Redevelopment Agency
- San Jose Redevelopment Agency
- San Mateo Medical Center
- Santa Clara Valley Medical Center
- Santa Clara Valley Transportation Authority

## SCOTT A. BRUNNER, CPA

### ENGAGEMENT DIRECTOR



#### Responsibilities:

- Consult with Client Service Partner on technical matters
- Leads and coordinates the overall delivery of the audit
- Reviews reports for compliance with generally accepted accounting principles and professional auditing standards
- Participate in client discussions concerning complex technical issues
- Supervises engagement team

#### Background:

Scott has more than 20 years of auditing experience and is licensed to practice as a CPA in California. He has been responsible for managing, coordinating, planning, performing, and preparing financial statements, reports, and other schedules related to more than 200 Single Audits of California counties, cities, and special districts. He has performed other audits including California Department of Justice grants, California Office of Criminal Justice Planning/Emergency Services grants, California Department of Insurance grants, Transportation Development Act funds, Housing Authorities, and Redevelopment Agencies. He has also managed or performed numerous agreed-upon procedures engagements.

Scott has spearheaded several special projects, which include converting two medium-sized California cities' Comprehensive Annual Financial Report to the Governmental Accounting Standards Board (GASB) Statement No. 34 (New Reporting Model) format. He also helped a small-sized California city develop a fleet internal service fund and cost allocation plan.

He is a member of the American Institute and California Society of Certified Public Accountants, and of the California Society of Certified Public Accountants.

#### Education:

- B.S., Business Administration (Accounting)  
San Diego State University

#### Continuing Professional Education

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

#### Instructional Experience:

Scott has conducted numerous training programs covering a variety of accounting, auditing, and financial reporting topics, including Single Audits.

### A Summarized List of Past and Present Public Sector Clients Served

Scott has performed on financial and compliance audits for the following clients. (All audits were conducted in accordance with generally accepted auditing standards. Further, many were conducted in accordance with *Government Auditing Standards* and the Single Audit Act.)

#### Counties

- Alpine
- Butte
- Colusa
- Del Norte
- Glenn
- Inyo
- Lake
- Lassen
- Mariposa
- Mendocino
- Merced
- Modoc
- Mono
- Napa
- Nevada
- Plumas
- Sacramento
- Shasta
- Sierra
- Siskiyou
- Solano
- Stanislaus
- Tehama
- Trinity
- Tulare
- Tuolumne
- Yolo

#### Cities

- Antioch
- Farmersville
- Folsom
- Isleton
- Lakeport
- Lodi
- Modesto
- Needles
- Rocklin
- Santa Rosa
- Stockton
- West Sacramento

#### Other Governmental Entities/Programs/Funds

- Bay Area Air Quality Management District
- California Statewide Community Development Authority
- **Golden Sierra Job Training Agency**
- Laguna Community Facilities District
- Laguna Creek Ranch/Elliott Ranch CFDs #1 and #2
- Modesto Abandoned Vehicle Abatement Program
- Modesto Redevelopment Agency
- Modesto Transportation Development Act Funds
- Mountain Valley Library System
- Sacramento Area Flood Control Agency
- Sacramento Child Development Program
- Sacramento Convention Visitor's Bureau
- Sacramento Employment & Training Agency
- Santa Rosa Housing Authority
- Santa Rosa Redevelopment Agency
- Stanislaus Drug Enforcement Agency
- Stockton Redevelopment Agency
- Tuolumne River Regional Park
- Yolo County Resource Conservation District
- Yolo-Solano Air Quality Management District

# KEVIN K. STARKEY, CPA

## DIRECTOR



### Responsibilities:

- Consult with Client Service Partner on technical matters
- Leads and coordinates the overall delivery of the audit
- Reviews reports for compliance with generally accepted accounting principles and professional auditing standards
- Participate in client discussions concerning complex technical issues
- Supervises engagement team

### Background:

Kevin is an Assurance and Government Advisory Services Director in the Sacramento office of MGO. Kevin has more than 10 years of auditing experience and is licensed to practice as a CPA in California. He has been responsible for managing and coordinating assurance services related to financial statements, reports, and other schedules for numerous California counties, cities, and special districts. He has performed other audits including California Department of Justice grants, California Office of Criminal Justice Planning grants, California Department of Insurance grants, Transportation Development Act funds, Housing Authorities, and Redevelopment Agencies. He has also managed or performed numerous agreed-upon procedures engagements.

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

### Education:

- B.S., Business Administration, Concentration in Accounting, California State University, Sacramento

### Continuing Professional Education

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

### Instructional Experience:

Kevin has conducted numerous training programs covering a variety of accounting, auditing, and financial reporting topics, including the following:

- OMB Circular A-133 Requirements (Single Audit)
- Government Accounting and Financial Reporting Standards
- Generally Accepted Auditing Standards
- Government Auditing Standards (GAO)

**A Summarized List of Past and Present Public Sector Clients Served**

Kevin has performed on financial and compliance audits for the following clients. (All audits were conducted in accordance with generally accepted auditing standards. Further, many were conducted in accordance with *Government Auditing Standards* and the Single Audit Act.)

*Counties*

- Butte
- Fresno
- Glenn
- **Placer**
- Sacramento
- Santa Clara
- Solano
- Sonoma
- Tuolumne
- Yolo (OCJP grants)

*Cities*

- Chico
- Galt
- Lodi
- Modesto
- Sacramento
- Stockton
- Woodland

*State of California*

- California Office of Criminal Justice Planning
- California Public Employees Retirement System (CalPERS)
- California State Lottery
- Department of Water Resources
- Multi-State Lottery Association

*Other Governmental Entities/Programs/Funds*

- California Construction Authority
- **Golden Sierra Job Training Agency**
- Laguna Community Facilities District
- League of California Cities
- **Placer County Air Pollution Control District**
- **Placer County Flood Control and Water Conservation District**
- **Placer County Redevelopment Agency**
- Regional Council of Rural Counties
- Sacramento Convention and Visitors Bureau
- Sacramento Employment and Training Agency
- Santa Clara County – El Camino Hospital District
- Sonoma Student Union Corporation
- **Tahoe Area Regional Transit**
- University Enterprises, Inc.
- University Foundation at Sacramento State

# MARK ASPESI

## SENIOR ASSOCIATE



### Responsibilities:

- Conducts fieldwork
- Reviews and analyzes client internal controls
- Supervises engagement staff
- Manages the day-to-day execution of the audit activities and directs task accomplishments, monitors progress, and ensures schedule compliance
- Researches issues as directed by Engagement Director
- Reviews all workpapers before submission to Engagement Director for further review

### Background:

Mark has nearly three years of experience in performing various auditing, accounting, financial, and operational assignments for governmental, nonprofit, tribal, special district and SEC clients. His proven performance areas include, but are not limited to: compiling data to prepare financial statements; preparing workpapers and supporting schedules; performing tests of details and analytical reviews; auditing long-term debt, cash reconciliations, cash receipts/disbursements, fixed assets, accounts payable, encumbrances, sales, and payroll; preparing closing and adjusting entries; observing inventory counts; and performing single audits.

Mark is in the process of passing the CPA examination.

Mark is a member of the California Society of Certified Public Accountants as a candidate member.

### Education:

- B.S., Business Administration, Concentration in Accounting, California State University, Sacramento

### Continuing Professional Education

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

**A Summarized List of Past and Present Public Sector Clients Served**

Mark has performed on financial and compliance audits for the following clients. (All audits were conducted in accordance with generally accepted auditing standards. Further, many were conducted in accordance with *Government Auditing Standards* and the Single Audit Act.)

*Counties*

- Sacramento
- Solano
- Sonoma
- Tuolumne

*Cities*

- Galt
- Sacramento
- Stockton

*Other Governmental Entities/Programs/Funds*

- California Statewide Financing Authority
- City of Galt Culture and Recreation Fund
- Sacramento Area Flood Control Agency
- Sacramento County Regional Sanitation District
- Sacramento Hotel Corporation
- Sonoma County Water Agency

# PATRICK LEE

## SENIOR ASSOCIATE



### Responsibilities:

- Conducts fieldwork
- Reviews and analyzes client internal controls
- Supervises engagement staff
- Manages the day-to-day execution of the audit activities and directs task accomplishments, monitors progress, and ensures schedule compliance
- Researches issues as directed by Engagement Director
- Reviews all workpapers before submission to Engagement Director for further review

### Background:

Patrick joined MGO in July 2006 and has over two years of accounting experience. Patrick has experience in performing various auditing, accounting, financial, and operational assignments. His tasks include investments, contributions, benefit payments, administrative expenses, investment income/expenses; preparing work papers and supporting schedules; performing tests of details; auditing cash reconciliations, cash receipts/disbursements, fixed assets, accounts payable, encumbrances, sales, and payroll; and preparing closing and adjusting journal entries.

Patrick is in the process of passing the CPA examination.

Patrick is a member of the California Society of Certified Public Accountants as a candidate member.

### Education:

- B.S., Business Administration, Concentration in Accounting, California State University, Chico

### Continuing Professional Education

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

**A Summarized List of Past and Present Public Sector Clients Served**

Patrick has performed on financial and compliance audits for the following clients. (All audits were conducted in accordance with generally accepted auditing standards. Further, many were conducted in accordance with *Government Auditing Standards* and the Single Audit Act.)

*Counties*

- Merced
- Sacramento
- Solano

*Cities*

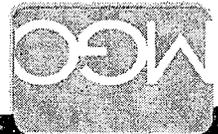
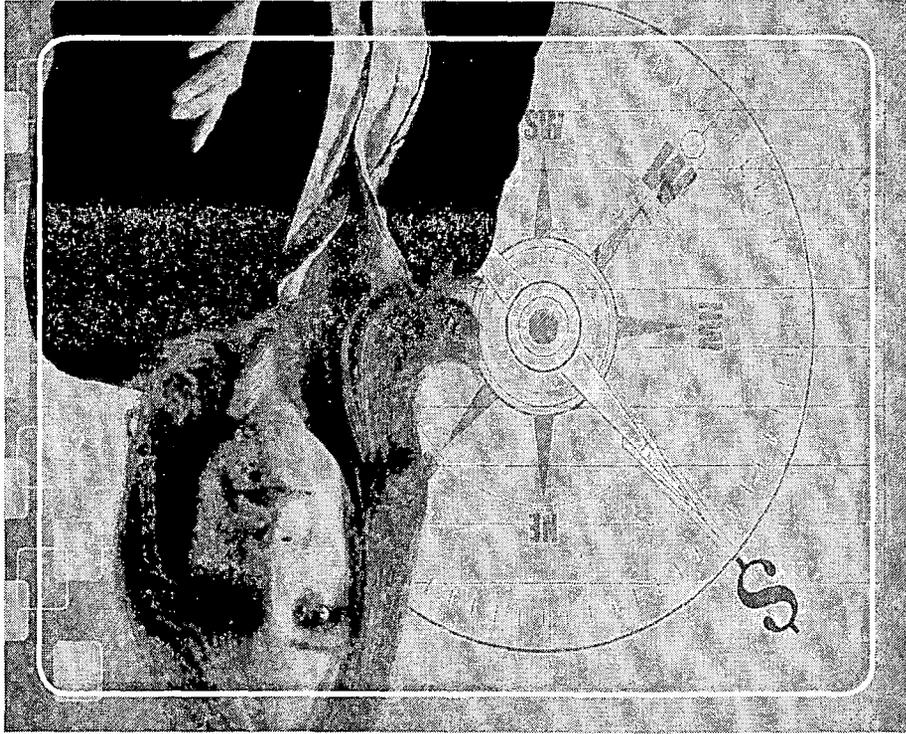
- Galt
- Woodland

*State of California*

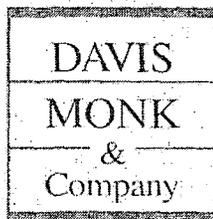
- California Exposition and State Fair
- California Public Employees Retirement System

*Other Governmental Entities/Programs/Funds*

- California Prison Receivership
- California Statewide Communities Development Authority
- Sonoma Student Union
- Woodland Finance Authority
- Woodland Redevelopment Agency



# APPENDIX 2 - PEER REVIEW REPORTS



Certified Public Accountants  
& Business Consultants

*A Partnership Consisting of  
Professional Associations*

*Gainesville*

4010 N.W. 25th Place  
P.O. Box 13494 (32604)  
Gainesville, Florida 32606  
Phone: (352) 372-6300  
(800) 344-5034  
Fax: (352) 375-1583

*Palatka*

906 South State Road 19  
Palatka, Florida 32177  
Phone: (386) 325-4561  
Fax: (386) 328-1014

*St. Augustine*

1301 Plantation Island Dr.  
Suite 205A  
St. Augustine, Florida 32080  
Phone: (904) 471-3445  
Fax: (904) 471-3825

*Website:*

[www.davismonk.com](http://www.davismonk.com)

*Members:*

CPAmerica International

Florida Institute of  
Certified Public Accountants

American Institute of  
Certified Public Accountants

Horwath International

May 26, 2006

To the Partners of  
Macias, Gini & O'Connell, LLP  
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Macias, Gini & O'Connell, LLP (the "firm") applicable to non-SEC issuers in effect for the year ended March 31, 2006. The firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. A system of quality control encompasses the firm's organizational structure, and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of Macias, Gini & O'Connell, LLP in effect for the year ended March 31, 2006, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

*Davis, Monk & Company*



1666 K Street, N.W.  
Washington, DC 20006  
Telephone: (202) 207-9100  
Facsimile: (202) 862-8430  
[www.pcaobus.org](http://www.pcaobus.org)

**Inspection of  
Macias Gini & O'Connell LLP**

Issued by the  
**Public Company Accounting Oversight Board**

**April 24, 2008**

PCAOB RELEASE NO. 104-2008-053



### Notes Concerning this Report

1. Portions of this report may describe deficiencies or potential deficiencies in the systems, policies, procedures, practices, or conduct of the firm that is the subject of this report. The express inclusion of certain deficiencies and potential deficiencies, however, should not be construed to support any negative inference that any other aspect of the firm's systems, policies, procedures, practices, or conduct is approved or condoned by the Board or judged by the Board to comply with laws, rules, and professional standards.
2. Any references in this report to violations or potential violations of law, rules, or professional standards should be understood in the supervisory context in which this report was prepared. Any such references are not a result of an adversarial adjudicative process and do not constitute conclusive findings of fact or of violations for purposes of imposing legal liability. Similarly, any description herein of a firm's cooperation in addressing issues constructively should not be construed, and is not construed by the Board, as an admission, for purposes of potential legal liability, of any violation.
3. Board inspections encompass, among other things, whether the firm has failed to identify departures from U.S. Generally Accepted Accounting Principles ("GAAP") or Securities and Exchange Commission ("SEC" or "Commission") disclosure requirements in its audits of financial statements. This report's descriptions of any such auditing failures necessarily involve descriptions of the related GAAP or disclosure departures. The Board, however, has no authority to prescribe the form or content of an issuer's financial statements. That authority, and the authority to make binding determinations concerning an issuer's compliance with GAAP or Commission disclosure requirements, rests with the Commission. Any description, in this report, of perceived departures from GAAP or Commission disclosure requirements should not be understood as an indication that the Commission has considered or made any determination regarding these issues unless otherwise expressly stated.



### INSPECTION OF MACIAS GINI & O'CONNELL LLP

The Public Company Accounting Oversight Board ("PCAOB" or "the Board") has conducted an inspection of the registered public accounting firm Macias Gini & O'Connell LLP<sup>1/</sup> ("the Firm"). The Board is issuing this report of that inspection in accordance with the requirements of the Sarbanes-Oxley Act of 2002 ("the Act").

The Act restricts the Board from publicly disclosing portions of an inspection report that discuss certain types of deficiencies or certain other nonpublic information.<sup>2/</sup> Because the inspection did not identify instances of such deficiencies, and because the report does not otherwise disclose protected information, the Board is making the entire report available to the public.

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<sup>1/</sup> The Firm has issued audit reports under the name of Macias Gini & Company LLP.

<sup>2/</sup> The Board has elsewhere described in detail its approach to making inspection-related information publicly available consistent with legal restrictions. See Statement Concerning the Issuance of Inspection Reports, PCAOB Release No. 104-2004-001 (August 26, 2004).



PCAOB Release No. 104-2008-053  
 Inspection of Macias Gini & O'Connell LLP  
 April 24, 2008  
 Page 2

## PART I

### INSPECTION PROCEDURES AND CERTAIN OBSERVATIONS

Members of the Board's inspection staff ("the inspection team") conducted fieldwork for the inspection from October 29, 2007 to November 2, 2007. The fieldwork included procedures tailored to the nature of the Firm, certain aspects of which the inspection team understood at the outset of the inspection to be as follows:

Number of offices	5 (Los Angeles, Oakland, Sacramento, San Diego, and Walnut Creek, California)
Ownership structure	Limited liability partnership
Number of partners	10
Number of professional staff <sup>3/</sup>	121
Number of issuer audit clients <sup>4/</sup>	6

<sup>3/</sup> "Professional staff" includes all personnel of the Firm, except partners or shareholders and administrative support personnel. The number of partners and professional staff is provided here as an indication of the size of the Firm, and does not necessarily represent the number of the Firm's professionals who participate in audits of issuers or are "associated persons" (as defined in the Act) of the Firm.

<sup>4/</sup> The number of issuer audit clients shown here is based on the Firm's self-reporting and the inspection team's review of certain information for inspection planning purposes. It does not reflect any Board determination concerning which, or how many, of the Firm's audit clients are "issuers" as defined in the Act. In some circumstances, a Board inspection may include a review of a firm's audit of financial statements of an issuer that ceased to be an audit client before the inspection, and any such former clients are not included in the number shown here.



PCAOB Release No. 104-2008-053  
 Inspection of Macias Gini & O'Connell LLP  
 April 24, 2008  
 Page 3

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits.<sup>5/</sup> To achieve that goal, Board inspections include reviews of certain aspects of selected audits performed by the firm, and reviews of other matters related to the firm's quality control system.

In the course of reviewing aspects of selected audits, an inspection may identify ways in which a particular audit is deficient, including failures by the firm to identify, or to address appropriately, respects in which an issuer's financial statements do not present fairly the financial position, results of operations, or cash flows of the issuer in conformity with GAAP.<sup>6/</sup> It is not the purpose of an inspection, however, to review all of a firm's audits or to identify every respect in which a reviewed audit is deficient. Accordingly, a Board inspection report should not be understood to provide any assurance that the firm's audits, or its issuer clients' financial statements, are free of any deficiencies not specifically described in an inspection report.

#### A. Review of Audit Engagements

The inspection procedures included a review of aspects of the Firm's auditing of financial statements of two issuers. The scope of this review was determined according to the Board's criteria, and the Firm was not allowed an opportunity to limit or influence the scope. This review did not identify any audit performance issues that, in the inspection team's view, resulted in the Firm failing to obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements.

<sup>5/</sup> This focus necessarily carries through to reports on inspections and, accordingly, Board inspection reports are not intended to serve as balanced report cards or overall rating tools.

<sup>6/</sup> When it comes to the Board's attention that an issuer's financial statements appear not to present fairly, in a material respect, the financial position, results of operations, or cash flows of the issuer in conformity with GAAP, the Board's practice is to report that information to the SEC, which has jurisdiction to determine proper accounting in issuers' financial statements.

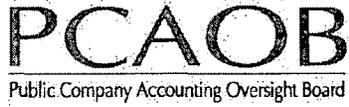


PCAOB Release No. 104-2008-053  
Inspection of Macias Gini & O'Connell LLP  
April 24, 2008  
Page 4

B. Review of Quality Control System

In addition to evaluating the quality of the audit work performed on specific audits, the inspection included review of certain of the Firm's practices, policies, and procedures related to audit quality. This review addressed practices, policies, and procedures concerning audit performance, training, compliance with independence standards, client acceptance and retention, and the establishment of policies and procedures. The inspection team did not identify anything that it considered to be a quality control defect that warrants discussion in a Board inspection report.

END OF PART I



PCAOB Release No. 104-2008-053  
Inspection of Macias Gini & O'Connell LLP  
April 24, 2008  
Page 5

**PART II**

**RESPONSE OF THE FIRM TO DRAFT INSPECTION REPORT**

Pursuant to section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the Board provided the Firm an opportunity to review and comment on a draft of this report. The Firm did not provide a written response.

# Certified Public Accountants.

Sacramento • Walnut Creek • Oakland • Los Angeles Century City • Newport Beach • San Diego

mgocpa.com

March 20, 2012

Mr. Andrew C. Sisk  
Assistant Auditor-Controller  
Auditor-Controller's Office  
County of Placer  
2970 Richardson Drive  
Auburn, CA 95603

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for the County of Placer (County).

We will apply the minimum required agreed-upon procedures which the California State Controller's Office, Department of Finance, and the Placer County Auditor-Controller's Office have specified, as listed in Attachment A, to assist you in ensuring that each of the five dissolved redevelopment agencies within Placer County are complying with their statutory requirements with respect to ABX1 26. Our five engagements to apply agreed-upon procedures for each of the five successor agencies will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the reports. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which these reports have been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our reports, or will not issue reports as a result of these engagements.

Because the agreed-upon procedures listed in Attachment A do not constitute an audit, we will not express opinions on compliance with the statutory requirements with respect to ABX1 26. In addition, we have no obligation to perform any procedures beyond those listed in Attachment A.

We will submit a report for each of the five successor agencies listing the procedures performed and our findings. These reports are intended solely for the use of the California State Controller's Office, Department of Finance, and the Placer County Auditor-Controller's Office, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of these reports, which are a matter of public record. Each of our reports will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Management of each of the five successor agencies and the County are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Section 34182(a)(1). The California State Controller's Office, Department of Finance, and the Placer County Auditor-Controller's Office are responsible for selecting the criteria and determining that such criteria are appropriate for your purposes. The Placer County Auditor-Controller's Office is also responsible for designating an individual with suitable skill, knowledge, and/or experience to oversee the services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Mr. Richard A. Green is the engagement partner and is responsible for supervising the engagements and signing the reports or authorizing another individual to sign them.

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Suite 750  
Walnut Creek  
CA 94596

505 14th Street  
4th Floor  
Oakland  
CA 94612

2609 Century Blvd East  
Suite 500  
Los Angeles  
CA 90007

4675 MacArthur Ct  
Suite 600  
Newport Beach  
CA 92660

225 Broadway  
Suite 1750  
San Diego  
CA 92101

We plan to begin our procedures on approximately April 2, 2012 and, unless unforeseeable problems are encountered, the engagements should be completed by July 15, 2012. At the conclusion of each of our five engagements, we will require representation letters from management of the respective successor agency and the County that, among other things, will confirm their responsibility for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code Section 34182(a)(1).

We will bill the County at a blended rate of \$135 per hour. We believe that our fees for these services will not exceed \$70,000. This 'not-to-exceed' amount is based on anticipated cooperation from your personnel and that there will be some unexpected circumstances encountered during the engagements. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagements. If you have any questions, please let us know. If you agree with the terms of our engagements as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Very truly yours,

MACIAS GINI & O'CONNELL LLP  
Certified Public Accountants and  
Management Consultants

By:



Richard A. Green, CPA  
*Partner*

RESPONSE:

This letter correctly sets forth the understanding of the County of Placer.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**A. RDA Dissolution and Restrictions**

For each redevelopment agency dissolved, perform the following:

1. Obtain a copy of the enforceable obligation payment schedule (EOPS) for the period of August 1, 2011, through December 31, 2011. Trace the redevelopment project name or area (which ever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments made by month through December 31, 2011, and compare it to the legal document(s) that forms the basis for the obligations. Since amount could be estimated, determine that they are stated as such and that legal documentation supports those estimates.
2. Obtain a copy of all amended EOPS filed during the period of January 1, 2012, through June 30, 2012. Trace the redevelopment project name or area (which ever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments to be made by month through June 30, 2012, and compare it to the legal documents that forms the basis for the obligations. Again, since amount could be estimated, determine that they are stated as such and that legal documentation supports those estimates.
3. Identify any obligation listed on the EOPS that were entered into after June 29, 2011, by inspecting the date of incurrence specified on Form A of the Statement of Indebtedness filed with the County Auditor-Controller, which was filed on or before October 1, 2011.
4. Inquire and specifically state in the report the manner in which the agency did or did not execute a transfer of the Low and Moderate Income Housing Fund to the redevelopment successor agency by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency. If the successor agency is a party other than the agency that created the redevelopment agency, an examination of bank statements and changing of account titles and fund names evidencing such transfer will be sufficient.
5. Inquire and specifically state in the report how housing activities (assets and functions, rights, powers, duties, and obligations) were transferred and the manner in which this agency did or did not execute a transfer. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the other agency. An examination of bank statements and changing of account titles and fund names evidencing such transfers will be sufficient. If the housing successor is a party other than the agency that created the redevelopment agency, an examination of bank statements and re-recording of titles evidencing such transfer will be sufficient.

**B. Successor Agency**

1. Inspect evidence that a successor agency (A) has been established by February 1, 2012; and (B) the successor agency oversight board has been appointed, with names of the successor agency oversight board members, which must be submitted to the Department of Finance by May 1, 2012.
2. Inquire regarding the procedures accomplished and specifically state in the report the manner in which this agency did or did not execute a transfer of operations to the successor agency, which was due by February 1, 2012. Procedures to accomplish this might include changing the name of the accounting fund and related bank accounts that are holding these assets for the successor agency. If the successor agency is a party other than the agency that created the redevelopment agency, an examination of bank statements and changing of account titles and fund names evidencing such transfers will be sufficient.
3. Ascertain that the successor agency has established the Redevelopment Obligation Retirement Fund(s) in its accounting system.

4. Inspect the EOPS and ROPS and identify the payments that were due to be paid through the date of the AUP report. Select a sample (based on a dollar amount and/or percentage amount as determined by the Placer County Auditor-Controller's Office) and compare the payments that were due to be paid through the date of the AUP report to a copy of the cancelled check or other documentation supporting the payment.
5. Obtain listings that support the asset figures (cash, investments, accounts receivable, notes, receivables, fixed assets, etc.) in the audited financial statements as of June 30, 2010, June 30, 2011, and as of January 31, 2012, as determined by the successor agency and include as an attachment to the AUP report.

**C. Recognized Obligation Payment Schedule (Draft ROPS)**

Obtain a copy of the initial draft of the ROPS from the successor agency.

1. Inspect evidence that the initial draft of the ROPS was prepared by March 1, 2012.
2. Note in the minutes of the Oversight Board that the draft ROPS has been approved by the Oversight Board. If the Oversight Board has not yet approved the draft ROPS as of the date of the AUP, this should be mentioned in the AUP report.
3. Inspect evidence that a copy of the draft ROPS was submitted to the County Auditor-Controller, State Controller, and Department of Finance.
4. Inspect evidence that the draft ROPS includes monthly scheduled payments for each enforceable obligation for the current six-month reporting time period.
5. Select a sample (based on dollar amount and/or percentage amount as determined by the Placer County Auditor-Controller's Office) and trace enforceable obligations listed on the draft ROPS to the legal document that forms the basis for the obligation.
6. Trace the obligations enumerated on the draft ROPS to the obligations enumerated on the EOPS (including amendments) and note any material differences as agreed to by the Placer County Auditor-Controller's Office.

**D. Recognized Obligation Payment Schedule (Final ROPS)**

Obtain a copy of the final ROPS (January 1, 2012, through June 30, 2012) from the successor agency.

1. Inspect evidence that the final ROPS was submitted to the County Auditor-Controller, the State Controller, and Department of Finance by April 15, 2012, and is posted on the website of the City/County as successor agency (Health and Safety Code section 34177(2)(C)).
2. Inspect the final ROPS and identify the payments that were due to be paid through the date of the Agreed-Upon Procedures report. For payments on the ROPS that were identified as being due through the date of the Agreed-Upon Procedures report, inspect evidence of payment and determine that amounts agree to the purpose of the obligation as amounts could be estimated.
3. Select a sample (based on a dollar amount and/or percentage amount as determined by the Placer County Auditor-Controller's Office) and trace enforceable obligations listed on the final ROPS to the legal agreements or documents that forms the basis for the obligation.

**E. Other Procedures**

Obtain a list of pass-through obligations and payment schedules.

1. Obtain a list of pass-through obligations and payments made from the successor agency from July 1, 2011 through January 31, 2012, inspect evidence of payment, and note any differences from the list of pass-through obligations and payments made.

Issue Agreed-Upon Procedures Report and distribute to the California State Controller by July 15, 2012.

