City of Loma Linda Official Report

Floyd Petersen, Mayor
Stan Brauer, Mayor pro tempore
Robert Christman, Councilmember
Robert Ziprick, Councilmember
Charles Umeda, Councilmember

COUNCIL AGENDA: March 28, 2006

TO: City Council

VIA: Dennis R. Halloway, City Manager

FROM: Diana De Anda, Finance Director
Sonia Fabela, Accounting Manager

SUBJECT: Appoint Capporicci & Larson Certified Public Accountants as the City's external auditors

RECOMMENDATION

Recommend awarding service contract for audit services to Capporicci & Larson Certified Public Accountants.

BACKGROUND

The Government Finance Officers Association (GFOA) issues recommendations on standard government entity practices. One of the items in the GFOA recommended practices is that government entities replace auditors at the end of the contract or after a prolonged period of time. The City has been with the current auditors since 1992. GFOA also recommends that Government entities should enter into multi-year agreements of at least five years duration. City staff is recommending a contract for three years with the option to renew for a two year term. Such agreement will help maintain continuity long enough to allow the firm to recover from "start up" costs over several years and at the same time provide the City with variation in audit firms.

ANALYSIS

A third GFOA recommendation is the undertaking of a full-scale competitive bid process. The City mailed out twelve Requests for Proposals to firms located in Southern California including the present auditors. Seven proposals were received and three out of the four lowest bids were interviewed by the Audit Committee and Finance management staff. The key items that differentiated Capporicci & Larson from the other two firms were thoroughness of approach to conducting the audit, commitment to timeliness in conducting the audit, qualifications and related experience of the audit team, and maximum fees to conduct the audit. In addition to

providing audit services at a low cost, Capporicci & Larson will provide City staff with updates and training on current developments in governmental accounting.

ENVIRONMENTAL

None

FINANCIAL IMPACT

The audit fees proposed by Capporicci & Larson are $31,900 for fiscal year 2006 and $32,450 for fiscal years 2007 and 2008. The audit fees are included in the annual adopted budget.

City of Loma Linda

Proposal

Proposal to Perform
Professional Auditing Services
for the years ending
June 30, 2006 through June 30, 2008

Submitted January 26, 2006

Contact Person:

Stephen L. Larson
Caporicci & Larson
Certified Public Accountants
3184-D Airway Avenue
Costa Mesa, California 92626
Toll Free Telephone: (877) 862-2200, Ext. 125

C&L
Caporicci & Larson
Certified Public Accountants

CITY OF LOMA LINDA

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Letter of Transmittal

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C&L
Caporicci & Larson
Certified Public Accountants

January 26, 2006

Pam O'Camb, City Clerk
City of Loma Linda
25541 Barton Road
Loma Linda, California 92354

Dear Ms. O'Camb:

The accounting firm of Caporicci & Larson, Certified Public Accountants, a partnership, (the Firm) is pleased to have the opportunity to respond to your request for a proposal to perform auditing services and to submit its qualifications to perform a general audit of the financial records of the City of Loma Linda and related entities (the "City") for the three years ending June 30, 2006 through June 30, 2008. The objective of our audit is to issue an opinion regarding the fairness of presentation of the City's financial position for the three years in accordance with generally accepted accounting principles. The audit to be performed will follow generally accepted auditing standards, U.S. General Accounting Office's Government Auditing Standards, Single Audit Act of 1984, as amended in 1996, and OMB A-133.

This proposal will introduce our Firm to you, highlight the background of the partners and staff assigned to the engagement, summarize our experience in the governmental area, and describe our approach to auditing the City.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the City on a timely basis.

As a partner of the Firm, I will be the primary contact for negotiation of the contract. Additionally, I have been authorized to legally bind the Firm. You may contact me at the following address and phone number:

Stephen L. Larson
Caporicci & Larson
Certified Public Accountants
3184-D Airway Avenue
Costa Mesa, California 92626
Toll Free Telephone: (877) 862-2200, Ext. 125

We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports prior to the City's published time frames and commit to you that we will perform the work within the time frames required.

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in municipal auditing and reporting requirements. We have performed auditing and consulting engagements for numerous cities throughout California. The Engagement Partner assigned to the City, Mr. Larson, is a member of several governmental committees, has actively participated in the development of accounting and audit guidelines and standards for the governmental sector, and serves as a national reviewer for the GFOA. Additionally, we are responsive to the needs of the City, understand the City's operational environment, and pledge to you our complete commitment to providing a quality product that meets the City's requirements.

This proposal is a firm and irrevocable offer and will remain valid for 120 days after the date of this letter.

We are confident you will find our organization offers the required expertise, technical knowledge, and business understanding to perform an audit of the City. Our past experience provides us with a thorough understanding of the needs and requirements of the City, as well as the technical knowledge to perform such services in accordance with the accounting and auditing guidelines as published by the various authoritative entities.

We welcome your inquires and look forward to further discussions with you.

Sincerely,

Stephen L. Larson
Senior Partner
Caporicci & Larson

Summary of Proposal

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CITY OF LOMA LINDA

Summary of Proposal

Introduction

This Summary is presented to provide you with a general knowledge of the contents of the proposal and to allow you to quickly:

- gain an understanding of our Firm
- review the qualifications of the members of the Engagement Team
- identify the Firm's approach to the audit of the City of Loma Linda (the "City")
- identify services provided to the City at no additional cost
- identify the proposed audit fees

Firm Qualifications

The accounting firm of Caporicci & Larson, Certified Public Accountants (the "Firm"), provides auditing, accounting, and advisory services to numerous governmental entities throughout California. With offices located in Oakland, Sacramento, Costa Mesa and San Diego and a staff of 42, the Firm serves a variety of cities and counties throughout California as well as conducting financial related services for the State of California and various Federal agencies. Names and phone numbers of several of our current clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and the ability of the audit staff.

Our Costa Mesa office will be the Engagement Office assigned to the City.

In addition to specific City financial statements, the Firm has also audited redevelopment agencies, transportation authorities, public financing authorities, special districts, OCJP grants, self insurance pools, joint power authorities and has also performed numerous compliance audits in accordance with the Single Audit Act, TOT audits, franchise audits, and other special projects. Additionally, the Firm has significant experience in bond offerings, post closure landfill costs, and recent changes to redevelopment reporting requirements.

Several of our city clients currently receive the GFOA and CSMFO awards for reporting excellence.

The Firm is a member of the Private Companies Practice Section of the AICPA and received a positive peer review report on its system of quality control.

Mr. Gary M. Caporicci, the assigned Engagement Partner for the City, held various positions with Coopers & Lybrand including its **head of the governmental audit practice for the Southwest Region** of the United States responsible for offices located in Houston, Austin, New Orleans, and Oklahoma City. Gary is also a **national reviewer for the GFOA** and has literally participated in **hundreds of city audits of all sizes**. Mr. Stephen L. Larson, the assigned Compliance Partner for the City, served for many years in a variety of positions with Arthur Young & Company (currently Ernst & Young) and Coopers & Lybrand

(currently PriceWaterhouse/Coopers) in their audit and consulting areas. Steve provides **expertise** in **Single Audit compliance** requirements and **internal control structure evaluation**.

Firm policy requires that the **Engagement Partner**, during the first year of the engagement, **be actively involved in the daily fieldwork**. This means to the City that Gary will actually **be on-site** during much of the audit coordinating the audit process, supervising the audit staff, gaining a hands-on understanding of City processes, and benefiting the City with his broad municipal experience. In addition, Steve will also be overseeing the compliance portion of the audit. We have found that this effort by both Partners benefits the City and the Firm through developing a thorough knowledge of City practices and issues, and establishing a close working relationship with the City's Management. Additionally, **continuity of audit personnel** is assured because of the hands on involvement of the two partners.

The four professional staff assigned to the Engagement are qualified and experienced. **Each individual** of the Engagement Team has several years of experience and has conducted or **participated** in **numerous municipal audits** of various sizes. Their understanding of city operations and the various authoritative guidelines will provide the where-with-all to perform the audit in an efficient and effective manner with **minimal disruption** to the City's finance department.

Technical Approach

The approach to the audit has been designed to meet the audit requirements of the various authorities with the least disruption to the City's office operations. The foundation of the audit approach is based on **communication** coupled with a strong **knowledge** of City operations and **detailed planning** at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and City Management and staff throughout the engagement eliminates "**surprises**". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, **inefficiencies, disruptions, and lack of understanding** are kept to a **minimum**.

The audit approach will consist of four phases:

Initial Planning Meeting:

Both Partners will meet with City Management to discuss audit approach, identify specific needs of City Management, and familiarize themselves with City policies and practices.

Interim:

For two weeks in April/May, 5 Engagement Team members including an Engagement Team Partner will perform the internal control reviews, test transactions, evaluate compliance with Single Audit Act requirements, identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and City Management of the year end audit responsibilities and assignments.

Year end:

For two weeks in September/October, 5 Engagement Team members including the Engagement Team Partner will conduct validation procedures on general ledger account balances, develop financial statement report formats, prepare the necessary financial reports for the City and its related entities, complete confirmation procedures, perform analytical procedures on revenue and expenditures, perform search for unrecorded liabilities, complete compliance work on Federal Assistance, and wrap up audit field work.

Reporting:

Auditor's report and reports for various City reporting entities and compliance requirements will be finalized along with Single Audit Reports and Management Letter comments. Drafts of the various financial statements and reports will be provided to City Management for review no later than the published time frames as noted in the request for proposal. Final reports will be issued within the timeframes required. Both Partners will be available to present the financial reports to the City Council.

The audit process will be completed and all reports issued within the time frames established by the City. Additionally, we will **automatically prepare** the financial reports in accordance with **GFOA and CSMFO** reporting guidelines at no additional cost to the City.

"No Fee" Services

We offer other services at **no additional cost** to the City. These other services include:

- Preparing the City's financial statements in accordance with GFOA and CSMFO guidelines at **no cost** to the City.
- Performing the agreed upon procedures to review the GANN Appropriations Limit calculations at **no cost** to the City.
- Preparing the Data Collection Form for Reporting on Audit of States, Local Governments and Non-Profit Organizations at no cost to the City.
- Providing updates to City finance staff on recent developments in governmental accounting and reporting at **no cost** to the City.

Professional Fees

Total professional fees to perform the required services, **net of discounts**, are as follows:

Year		Total Costs
For the year ending June 30, 2006	$	31,900
For the year ending June 30, 2007		32,450
For the year ending June 30, 2008		32,450
Total Professional Fees	**$**	**96,800**

The above professional fees are all-inclusive and no additional costs will be charged to the City for audit related services of the City's financial statements.

Conclusion

A relationship with the City of Loma Linda will be of great value to our Firm and we stand ready to commit our resources, knowledge, experience, and expertise to the benefit of your City. We possess the technical qualifications and experience to provide the level of service desired and expected by you and pledge to you our complete commitment to providing the City of Loma Linda with the highest quality of service possible.

Thank you for allowing us to present our firm.

Caporicci & Larson

Costa Mesa, California
January 26, 2006

PROPOSAL

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Independence, License to Practice, and Insurance

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Independence, License to Practice, and Insurance

Independence

The Firm meets the independence requirements as defined by the U.S. General Accounting Office's *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*, and the American Institute of Certified Public Accountants and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards. Additionally, the Firm is independent of all component units of the City as defined by those standards.

The Firm has had no prior relationships with the City or any of its component units. The Firm will provide the City written notice of any professional relationships entered into during the period of this agreement.

License to Practice

The Firm and all key professional staff assigned to the City's audit are properly licensed to practice as Certified Public Accountants in the State of California.

The Firm is registered with the AICPA and the State Society of CPAs.

The Firm has met all required State and local laws, rules, and regulations.

Insurance

All Firm personnel are covered by Workers' Compensation Insurance to the extent required by law.

The Firm maintains various insurance policies including $1 million in professional liability and $2 million in general liability. Prior to execution of a contract with the City, the Firm will increase its professional liability insurance to $2 million, record the City as an additional insured, and provide evidence of such coverage and action.

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Partner, Supervisory and Staff Qualifications and Experience

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Partner, Supervisory and Staff Qualifications and Experience

The Engagement Team will normally consist of 6 individuals who provide a broad business perspective and significant experience in governmental and non-profit auditing. This team will provide access to a wide range of technical capabilities which will provide the City with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations, to offer effective solutions to issues, and the personal involvement of the partners of the Firm.

It is Firm policy to require the Lead Engagement Partner, during the first year of the engagement, to be actively involved in the daily fieldwork. This policy guarantees the proper and efficient performance of the audit process, educates the Lead Engagement Partner as to City processes and issues, and provides the City with on-site expertise in the areas of governmental auditing, accounting, and current developments.

The Engagement Team will be led by Gary M. Caporicci, CPA, CGFM, a senior partner of the Firm, who has over thirty years of audit and business experience. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary where-with-all to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations. Mr. Caporicci, over the years, has been active in the California State Society of Certified Public Accountants' Municipal Accounting Committee where he developed several municipal accounting guidelines, the Municipal Accounting Officers Association, and the GFOA where he serves as a national financial statement reviewer. Mr. Caporicci will be on-site for most of the "year end" phase of the audit.

The second member of the Engagement Team is Stephen L. Larson, CPA, MBA, a senior partner of the Firm. Mr. Larson's background includes over thirty years of audit and business experience encompassing both the public and non-profit sectors. Steve was actively involved with the California State Society of Certified Public Accountants' Municipal Accounting Committee and participated in the development of several audit guidelines for California municipalities. Mr. Larson also wrote, *Introduction to Governmental Accounting*, a one day class provided by CSMFO. Mr. Larson will act as liaison between the City and the Firm, provide directional guidance as required, and evaluate Single Audit compliance and internal control. Mr. Larson will be on-site for most of the "interim" phase of the audit.

The third member of the Engagement Team is Eileen Lin, CPA. She will be the Manager of the Engagement. Ms. Lin's background includes over nine years of accounting and auditing experience. She has participated in the audits of several city and county governments.

The fourth member of the Engagement Team is Stella Chan, CPA. Stella's background includes over 8 years of accounting and auditing experience. She has participated in the audits of several city and county governments, as well as non-profit entities.

The fifth member of the Engagement Team is Henry Chen. Henry's background includes over 5 years of accounting and auditing experience. He has participated in the audits of several city and county governments, as well as non-profit entities.

The sixth member of the Engagement Team is Caroline Lee, MBA. Caroline's background includes over 4 years of accounting and auditing experience. She has participated in the audits of several city and county governments, as well as non-profit entities.

The estimated number of hours each Engagement Team member is scheduled to provide the City during the first audit year is as follows:

Name/Function	Estimated Total Hours
Gary M. Caporicci, CPA, CGFM (Engagement Partner)	25
Stephen L. Larson, MBA, CPA (Compliance Partner)	25
Eileen Lin, CPA (Manager)	50
Stella Chan, CPA (Senior)	180
Henry Chen (Professional Staff)	120
Caroline Lee, MBA (Professional Staff)	120
Administrative Staff	50
Total	**570**

Each member of the Engagement Team participates in Continuing Education programs offered by the American Institute of Certified Public Accountants and California State Society of Certified Public Accountants and each has met the continuing education requirements for municipalities.

The Firm also maintains a comprehensive training program targeted at appropriate professional staff levels. It utilizes in-house developed educational programs, AICPA and California CPA Society educational programs, and on-the-job training.

The Firm maintains an annual training schedule which officially begins in July when all professional and administrative staff attend a six day comprehensive in-house training session which includes:

- Review of principles of accounting and financial reporting for state and local governments.
- Review of governmental fund types and account groups.

- Review of Internal Control evaluation approaches.
- Updates on recent governmental accounting and reporting guidelines.
- Review of Single Audit requirements and approaches.
- Review of financial audit approaches.
- Overview of audit and internal control workpaper techniques.
- Review of GASB 34 reporting requirements.
- Review of current issues facing the governmental community.

During the year, professional staff are sent to various educational sessions sponsored by the AICPA and California State Society of CPAs, as considered appropriate for the level and need of the individual. These classes include, among others:

- Governmental Financial Reporting Standards and Practices.
- Yellow Book: Government Auditing Standards.
- Financial Accounting Standards: Comprehensive Review.
- Single Audit.
- Governmental Auditing & Accounting Update.
- Governmental Accounting Principles.
- Comprehensive Review of Generally Accepted Auditing Standards.

The result of the Firm's training program is the production of a highly educated and competent municipal audit group capable of performing an efficient and effective audit for the City.

The Team members will continue their professional development practices.

The Firm's policy on providing service to our clients includes a commitment to maintaining continuity of audit personnel. We can not guarantee that our staff will remain with the Firm. However, to encourage our staff to remain with us, we pay competitive wage rates, offer promotional opportunities, provide state-of-the-art equipment, provide excellent working conditions, provide various benefits such as retirement plans, medical plans, profit sharing programs, educational benefits, and other such benefits. Additionally, we will guarantee that any staff member assigned to this engagement will return to the City in subsequent years if he or she is still with the Firm. We can also guarantee that the two partners will be involved in future years. Continuity of audit staff is of prime concern to us and because of the hands-on involvement of the senior partners, we can assure you that future years' audits will be conducted in an efficient and effective manner with qualified and experienced professionals.

All of the Firm's staff are skilled in using Microsoft Word and Microsoft Excel.

Partner, Supervisory and Staff Qualifications and Experience

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

Resumes of each member of the Engagement Team follow.

Gary M. Caporicci *Certified Public Accountant* Engagement Partner

Length of Career

- Over 30 years of diversified business experience with 11 years at Coopers & Lybrand.
- Certified Public Accountant for the states of California and Texas.

Professional Experience

- Partial listing of clients with similar requirements as the City:
  - City of Huntington Beach, CA
  - City of Corona, CA
  - City of Hermosa Beach, CA
  - City of Pinole, CA
  - Town of Danville, CA
  - City of Placerville, CA
  - City of Ceres, CA
  - City of Orange, CA
  - City of Sanger, CA
  - City of San Leandro, CA
  - City of Los Altos, CA
  - City of Claremont, CA
  - City of Shafter, CA
  - City of Brawley, CA
  - City of Sanger, CA
  - City of Reedley, CA
  - Anaheim Redevelopment Agency, CA
  - Anaheim Housing Authority, CA

Education

- BS Degree in Accounting from Armstrong College, Berkeley, California (1968).

Professional Activities

- Member, Governmental Accounting and Auditing Committee (7 years).
- Past Chairman, CSCPA local committee on Governmental Accounting and Auditing (5 years).
- National reviewer for the GFOA.
- Principal writer of various California Committee on Municipal Accounting (CCMA) articles.
- Past Co-Chairman (2 years) and speaker (5 years) at various CSCPA Governmental Units conferences.
- Past member of the Texas Governmental Accounting and Auditing Committee.
- Instructor for the CSCPA in areas of governmental and non-profit accounting and auditing.
- Instructor for the American Institute of Certified Public Accountants.
- Adjunct Professor at National University with emphasis on Accounting for Governmental and Nonprofit Entities, Principles of Auditing, and Advanced Accounting.

Continuing Education

- Has met the current CPE educational requirements to perform audits on governmental agencies.

Stephen L. Larson *Certified Public Accountant* Compliance Partner

Length of Career

- Over 30 years of diversified business experience including positions with Arthur Young & Co (currently Ernst & Young), Coopers & Lybrand (currently PriceWaterhouse/Coopers), and American Express.
- Certified Public Accountant for the states of California and Washington.

Professional Experience

- Partial listing of clients with similar requirements as the City:
  - City of Corona, CA
  - City of San Buenaventura, CA
  - City of Redondo Beach, CA
  - City of Oceanside, CA
  - City of Vacaville, CA
  - City of Morgan Hill, CA
  - Town of Danville, CA
  - City of San Leandro, CA
  - City of Menlo Park, CA
  - City of Eureka, CA
  - City of Los Altos, CA
  - OCJP, State of California
  - County of Modoc, Alturas, CA
  - City of Fremont, CA
  - City of Richmond, CA
  - City of Vallejo, CA
  - City of Hercules, CA
  - City of Reedley, CA
  - City of Placerville, CA
  - City of Hermosa Beach, CA
  - City of Brisbane, CA
  - City of Santa Cruz, CA
  - City of San Rafael, CA
  - City of Brawley, CA
  - City of Sanger, CA
  - County of Del Norte, Crescent City, CA

Education

- BS Degree in Accounting from California State University, Hayward, California.
- MBA in Accounting from California State University, Hayward, California.

Professional Activities

- Author and Instructor of "Introduction to Governmental Accounting", a class sponsored by CSMFO.
- Adjunct Faculty for UCI, National University, Sonoma State University.
- Past Discussion Leader, Washington Society of Certified Public Accountants.
- Guest Lecturer on various accounting, budgeting and tax subjects, to various professional, civic and private organizations.
- Contributory writer of auditing publications for California State Society of Certified Public Accountants.
- Member, American Institute of Certified Public Accountants.
- Member, California State Society of Certified Public Accountants.
- Member, CSMFO.
- Member, GFOA.

Continuing Education

- Has met the current CPE educational requirements to perform audits on governmental agencies.

Eileen Lin *Certified Public Accountant* Manager

Length of Career

- Nine years experience in various accounting related positions.

Professional Experience

- Partial listing of clients:
  - City of Orange, CA
  - City of Camarillo, CA
  - City of Redondo Beach, CA
  - City of San Mateo, CA
  - City of Hermosa Beach, CA
  - City of Shafter, CA
  - Town of Danville, CA
  - City of San Buenaventura, CA
  - City of Sanger, CA
  - City of Saratoga, CA
  - City of Brisbane, CA
  - City of Ridgecrest, CA
  - City of Hercules, CA
  - City of Cypress, CA
  - County of Del Norte, Crescent City, CA
  - City of Sierra Madre, CA

- Has performed numerous Single Audits, transportation development act audits, and OCJP field audits.

Education

- BA Degree in Business Economics from University of California, Santa Barbara (1997).

Continuing Education

- Various municipal accounting courses offered by the California State Society of CPAs and local universities including :
  - Governmental Financial Reporting Standards and Practices.
  - Yellow Book: Government Auditing Standards.
  - Municipal Accounting.
  - Single Audit.
- Has met the current CPE educational requirements to perform audits on governmental agencies.

Stella Chan *Certified Public Accountant* Senior

Length of Career

- 8 years experience in various accounting related positions.

Professional Experience

- Partial listing of clients with similar needs as the City:
  - City of Saratoga, CA
  - City of Hermosa Beach, CA
  - City of Vacaville, CA
  - City of Arcadia, CA
  - City of Orange

Education

- BA Degree in Business Administration from University of California, Riverside.

Continuing Education

- Various municipal accounting courses offered by the California State Society of CPAs and local universities including:

  - Governmental Financial Reporting Standards and Practices.
  - Yellow Book: Government Auditing Standards.
  - Municipal Accounting.
  - Single Audit.

- Has met the current CPE educational requirements to perform audits on governmental agencies.

Henry Chen *Staff Auditor*

Length of Career

- 5 years experience in various accounting and auditing positions.

Professional Experience

- Partial listing of clients with similar needs as the City:
  - City of Vallejo, CA
  - City of Vacaville, CA
  - City of Turlock, CA
  - City of Redondo Beach, CA
  - City of Claremont, CA
  - City of Chula Vista, CA
  - City of Sierra Madre, CA
  - City of Los Altos, CA
  - City of Cypress, CA
  - San Diego Community College District, CA
  - San Diego Convention and Visitors' Bureau, CA

Education

- BA Degree in Economics from University of California, Los Angeles (1999).

Continuing Education

- Various municipal accounting courses offered by the California State Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit

- Has met the current CPE educational requirements to perform audits on governmental agencies.

Caroline Lee, MBA *Staff Auditor*

Length of Career

- 4 years experience in various accounting related positions.

Professional Experience

- Partial listing of clients with similar needs as the City:
  - City of Ridgecrest, CA
  - City of Saratoga, CA
  - City of Hermosa Beach, CA
  - City of Arcadia, CA
  - City of Avalon, CA
  - City of Orange, CA
  - City of Pomona, CA

Education

- MBA Degree in International Management from University of California, San Diego.
- BA Degree in Business Economics from University of California, Riverside.

Continuing Education

- Various municipal accounting courses offered by the California State Society of CPAs and local universities including:

  - Governmental Financial Reporting Standards and Practices.
  - Yellow Book: Government Auditing Standards.
  - Municipal Accounting.
  - Single Audit.

- Has met the current CPE educational requirements to perform audits on governmental agencies.

Firm Qualifications and Experience

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About the Firm

The Firm has offices located in Oakland, Costa Mesa, San Diego, and Sacramento, California, and, since 1989, provides a full range of accounting services to governmental agencies and private sector organizations throughout California including audit, tax, accounting, computer audit assistance, and business and management advisory services. The three partners combined have over 100 years of practical experience encompassing all aspects of the financial arena. Forty-two staff members provide the financial background and specific experience to meet the City's operational needs.

Our Costa Mesa office, which employees 17 staff, will perform the requested services for the City. However, additional staff from our Oakland, San Diego, and Sacramento offices may also be assigned to the engagement at no additional cost to the City.

Firm policy requires the Lead Engagement Partner, during the first year of the engagement, to be actively involved in the daily fieldwork. This policy guarantees the proper and efficient performance of the audit process, educates the Lead Engagement Partner as to City processes and issues, and provides the City with on-site expertise in the areas of governmental auditing, accounting, compliance, and current developments. Consequently, one Partner with over 30 years experience and four professionals will be assigned full time to perform the audit requirements of the City during the current year. In subsequent years, the Manager will be responsible for daily fieldwork and the Lead Engagement Partner's role will evolve to on-site supervision, direction, review, addressing of compliance issues and update of City staff on current developments. Additionally, because of the importance of the City's audit to the development of our Firm, a second partner will be actively involved with the audit, serving as Compliance Partner.

We are committed to providing appropriate and related experience, personal involvement, and a broad business perspective to produce a quality end product within the time frames required.

CITY OF LOMA LINDA

Firm Qualifications and Experience

The Firm's partners and professional staff assigned to the City have performed audits, accounting services and consulting services for numerous governmental entities including, but not limited to:

City of Huntington Beach	City of Fremont	City of Burlingame	City of San Buenaventura
City of Pomona	City of Menlo Park	City of Dublin	City of Petaluma
City of Hermosa Beach	City of Vacaville	City of Petaluma	City of Vista
City of Avalon	City of San Leandro	City of Fairfield	City of La Mesa
City of Oceanside	Town of Danville	City of San Rafael	City of Brawly
City of Corona	City of San Bruno	City of Santa Cruz	City of Shafter
City of Cypress	Town of Atherton	City of Hercules	City of Ridgecrest
City of Redondo Beach	City of Richmond	City of Chula Vista	City of Saratoga
City of Claremont	City of Brisbane	City of Ceres	City of Arcadia

Additionally, the Firm has conducted audits of various Measures, Redevelopment Agencies, Public Financing Authorities, parking citation systems, TDA funds, and pension plans. The Firm is also registered under HUD and is qualified to perform housing audits. We have performed housing audits for Vallejo, Fairfield, Oceanside, Vacaville, and Richmond.

Each audit engagement included financial audits in accordance with the various authoritative auditing standards, compliance audits in accordance with OMB A-133, internal control evaluation, operational reviews, on-going advisory support, and updates on recent governmental accounting and financial reporting developments.

We will adhere to generally accepted auditing standards as promulgated by the AICPA, United States General Accounting Office, and the California State Controller's Office.

The Firm's Partners are current members of the California Society of Municipal Finance Officers, have been members of various national and State municipal accounting committees, and both Mr. Caporicci and Ms. Raissian are national reviewers for the GFOA.

The Engagement Partner, Mr. Caporicci, served with Coopers & Lybrand (currently PriceWaterhouse/Coopers) for over 11 years and was head of its governmental audit practice for the Southwest Region, which included offices in Houston, Austin, New Orleans, and Oklahoma City. Mr. Caporicci also provides ongoing governmental accounting expertise to several of the "Big 4" firms. Mr. Larson, the Compliance Partner, is one of the Senior Partners of the Firm. He has worked for Coopers & Lybrand (currently PriceWaterhouse/Coopers) as well for several years and has managed numerous audits of governmental agencies. The Firm's operational policies, personnel development activities, engagement planning, control, and direction practices, client interaction philosophies, and commitment to a quality end product are based on the Partners' past experience and knowledge.

Quality Control Review

The Firm is a member of the AICPA Quality Review Program. The program is designed to identify weaknesses in policies and procedures relating to the conduct of accounting services.

In 2005, another quality review of the Firm's policies, practices, and procedures was conducted. The reviewers made an independent assessment of the Firm's quality control policies and procedures and inspected the working papers and reports on a representative sample of accounting and auditing engagements. The Firm's administrative files and records were also reviewed and our professional personnel interviewed.

After thorough study of the Firm's procedures and work practices, the reviewers concluded that our firm complies with the stringent quality control standards established by the American Institute of CPAs (AICPA).

In evaluating the Firm's quality controls, a quality reviewer considers, among other things, what a firm does to ensure it hires only qualified people, that it properly supervises them and provides professional training, that it advances them to responsibilities they are capable of handling and that it provides them with necessary technical resources.

Using guidelines established by the AICPA, the reviewers determined that the Firm has an effective quality control system and that our accounting and auditing work conforms to professional standards.

Our continued participation in periodic quality reviews and our voluntary membership in the AICPA and California Society of CPAs support the Firm's commitment to quality and our high standards for client service.

There have not been any state or federal disciplinary actions taken or pending against the Firm nor have there been any negative federal or state desk review findings to report.

The reviewer's report follows.

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GYL Decauwer LLP
Certified Public Accountants Business Consultants

Dennis E. Decauwer, CPA
John Lyrias, CPA
Stephen C. Williams, CPA
W. Brent Hicks, CPA
Cassie Smith, CPA

9920 Alondra Avenue
Suite 101
Rancho Cucamonga
CA 91730
909.948.9900
909.948.9906
FAX 909.948.9636

9920 Vallow Creek Rd.
Suite 240
San Diego
CA 92131
858.653.5998
800.388.4504
FAX 858.653.5960

gyl@gylcauwer.com
www.gylcauwer.com

Your Success is our DESTINATION

To the Partners
CAPORICCI & LARSON, CPAs
Costa Mesa, California

We have reviewed the system of quality control for the accounting and auditing practice of Caporicci & Larson, CPAs (the firm) in effect for the year ended December 31, 2004. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming 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 firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others engagements performed under Government Auditing Standards. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selective tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of non-compliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. 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 because 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 of Caporicci & Larson, CPAs in effect for the year ended December 31, 2004, 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.

As is customary in a system review, we have issued a letter under this date that sets forth comments that were not considered to be of sufficient significance to affect the opinion expressed in this report.

GYL Decamara LLP

Rancho Cucamonga, California
March 30, 2005

Assistance in Final Implementation of GASB 34

The Firm has assisted the following governmental agencies in their efforts to publish their CAFR in compliance with GASB 34:

County of Contra Costa	Town of Danville	City of Saratoga
City of Fremont	City of Oceanside	City of Richmond
City of Ventura	City of Chula Vista	City of Fairfield
City of Placerville	City of Vallejo	City of Corona
City of Santa Cruz	City of Vista	City of Sunnyvale
City of Redondo Beach	City of San Rafael	City of San Leandro
City of Menlo Park	City of Hermosa Beach	City of Hercules
City of Brisbane	City of Shafter	City of Camarillo
City of Santa Cruz	City of Claremont	City of Sanger
	City of Eureka	

In addition, Mr. Caporicci has been serving as instructor for the GFOA, GASB, and California Society of CPAs on GASB 34 training classes. He also presented at the 2000 GFOA National Conference in Chicago, Illinois and authored and instructed a GASB No. 34 course for the California CPA Education Foundation in 2000 through 2005. In 2001 and 2002, Mr. Caporicci participated as a member of the Governmental Accounting Standards Board (GASB) Task Force on *Deposits and Investment Risks Disclosure*. He has also participated on numerous panels and seminar speaking assignments on the subject. In addition, Mr. Larson served on a GASB Advisory Committee and participated in the creation of the "Guide to Implementation of GASB Statement 34 and Related Pronouncements".

As you can see, we are sufficiently knowledgeable about the requirements of GASB 34 and stand ready to assist the City in its efforts to comply with GASB 34.

Capabilities in General Consulting and Compliance Auditing

We offer the full range of accounting and finance services to the governmental sector. These services include:

- Financial audits
- Compliance audits
- Tax advice
- Cost allocation and indirect cost rate studies
- Development of financial and accounting policies and procedures
- Investment review and compliance evaluation
- Financial analysis regarding bond offerings
- Comfort letters
- Operational reviews
- Data processing reviews and studies
- Technical guidance on existing and upcoming accounting issues
- Training seminars

Consequently, Firm personnel have conducted numerous internal control reviews, EDP system reviews and studies, finance personnel evaluations, organizational structure evaluations, compliance audits (State and Federal), short-term and long-term business plans, property and equipment inventories, and investment portfolio evaluations.

We are ready to provide our expertise to assist the City in whatever matters are required as long as the requests do no violate the GAO independence directives.

Similar Engagements with Other Governmental Entities

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CITY OF LOMA LINDA

Similar Engagements with other Government Entities

Of the many governmental audits with similar requirements as the City that we have conducted, we have selected the following governmental engagements for you to contact.

Governmental Agency	Total Staff Hours	Scope of Work	Date	Contact & Telephone #
• City of Huntington Beach Huntington Beach Redevelopment Agency Audit Partner - Gary Caporicci	500	Financial Audit/Single Audit Financial Audit **GFOA Certification** **CSMFO Certification**	2002/ 2003/ 2004/ 2005	Robert Sedlak Principal Accountant (714) 536-5907
• City of Oceanside Oceanside Redevelopment Agency Audit Partner - Gary Caporicci	700	Financial Audit/Single Audit Financial Audit **GFOA Certification** **CSMFO Certification**	2000/ 2001/ 2002/ 2003/ 2004/ 2005	Carol Swindell Financial Services Director (760) 435-3845
• City of San Mateo San Mateo Redevelopment Agency Audit Partner - Steve Larson Audit Manager - Eileen Lin	700	Financial Audit/Single Audit Financial Audit **GFOA Certification** **CSMFO Certification**	2002/ 2003/ 2004/ 2005	Hossein Golestan Financial Services Manager (650) 522-7103
• City of Hermosa Beach	600	Financial Audit **GFOA Certification** **CSMFO Certification**	1995/ 1996/ 1997/ 1998/ 1999/ 2000/ 2001/ 2002/ 2003/ 2004/ 2005	Viki Copeland Finance Director (310) 318-0225
• City of Shafter Shafter Redevelopment Agency	500	Financial Audit/Single Audit Financial Audit **CSMFO Certification**	1995/ 1996/ 1997/ 1998/ 1999/ 2001/ 2002/ 2003/ 2004/ 2005	Jo Barrick Finance Director (805) 746-6361
• City of Sunnyvale Sunnyvale Redevelopment Agency Sunnyvale Public Financing Authority Audit Partner - Gary Caporicci Audit Manager - Mark McGeady	1000	Financial Audit/Single Audit Financial Audit Financial Audit GFOA Certification CSMFO Certification	2001/ 2002/ 2003/ 2004/ 2005	Mary Bradley Finance Manager (408) 730-7398

CITY OF LOMA LINDA

Similar Engagements with other Government Entities

Governmental Agency	Total Staff Hours	Scope of Work	Date	Contact & Telephone #
• City of Fairfield Fairfield Redevelopment Agency Audit Partner – Gary Caporicci Audit Manager – Brian Ritschel	1000	Financial Audit/Single Audit Financial Audit **GFOA Certification** **CSMFO Certification**	2000/ 2001/ 2002/ 2003/ 2004/ 2005	Bob Leiland Finance Director (707) 428-7495
• City of Vacaville Vacaville Redevelopment Agency Transportation Development Act Audit Partner – Gary Caporicci Audit Manager – Mark McGeady	800	Financial Audit/Single Audit Financial Audit **Financial Audit** **GFOA Certification** **CSMFO Certification**	1999/ 2000/ 2001/ 2002/ 2003/ 2004/ 2005	Ken Campos Finance Manager (707) 449-5118
• City of Fremont Fremont Redevelopment Agency Audit Partner – Steve Larson Audit Manager – Ahmed Badawi	800	Financial Audit/Single Audit Financial Audit **GFOA Certification** **CSMFO Certification**	2000/ 2001/ 2002/ 2003/ 2004/ 2005	Ray Durant Accounting Services Manager (510) 494-4776

Approach, Scope, and Timing of the Audit

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Approach, Scope, and Timing of the Audit

The specific audit approach has been designed to efficiently and effectively address the audit requirements of the City, to perform the audit of the City's financial records in a timely manner with minimal disruptions to office operations, and to meet the City's timeline.

We will conduct the necessary audit steps to adequately perform:

- Planning of the engagement.
- Evaluation of the existing internal control structure.
- Determination of degree of compliance with laws, regulations, grant provisions, and City approved policies.
- Validation of account balances.
- Determination of competency of finance department staff.
- Verification of reasonableness of management estimates.

Objectives of Our Services

The basic objective of our audit of the City is to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to express our opinion on the fairness of presentation of such financial statements in conformity with generally accepted accounting principles.

Additionally, we believe that another real value of our audit lies in meeting other objectives at no additional cost. The following are other objectives of our services that have important benefits to the City:

- To offer substantive observations and recommendations relating to accounting and operating control policies and procedures.
- To identify opportunities for operating efficiencies and isolate candidate activities for cost reduction opportunities.
- To perform a professional audit in an efficient and effective way to minimize disruption to the office operations.
- To offer ongoing advisory services to assist in the running of the operation and implementation of improved operating procedures.

The engagement will be conducted within the framework of the Firm's quality control program which includes the use of audit programs, careful planning, use of computerized audit software and internal control evaluation & documentation software, and objective review procedures. On-site staff will use Firm supplied portable IBM compatible computers and printers.

Audit Approach

Our approach to performing audit services to the City is based on a thorough understanding of its business. Additionally, our governmental and non-profit audit knowledge assists us in performing the required work with minimum interruption to your office operations. We will concentrate on important matters rather than become bogged down in minor details, thus assuring that your audit is performed efficiently, effectively, and in the least amount of time and disruption.

We will also review procedures and controls over the accounting process, evaluate the accuracy of recorded transactions, and perform other tests and investigative steps as considered appropriate to render an opinion on the financial statements of the City. Our audit approach will adhere to generally accepted auditing standards of the AICPA, the U.S. General Accounting Office, and the California State Controller.

Assuming the City's financial records are in adequate condition and no unusual issues are discovered during the audit process, drafts of the various financial statements and reports will be provided to City Management for review no later than the published time frames as noted in the request for proposal. Final reports will be issued and delivered to the Finance Director within five (5) working days after approval is granted by the City.

Members of the Firm will be available for routine consultation whenever City staff considers it necessary.

We will review all financial reports and any findings, observations, etc. with key members of the City's management.

We will be available to present the financial report, if desired by the City's management.

Audit Schedule

Period	Audit Tasks	Staffing	Est. Hours
	Award of Contract		
April/May	**Interim Audit Procedures:**		
April/May	***- Planning and Administration***	Partner Manager	5 5
	. Review and obtain copies of key work papers of prior audit firm. . Entrance Conference with City Management to discuss audit approach, timing, assistance, and issues. . Review and evaluate the City's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements. . Prepare overall memo to City confirming audit procedures, timing, and assistance. . Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, list of schedules to be prepared by City staff, and provide to City Management.		
April/May	***- Internal Control Structure***	Partner Manager Senior Staff	15 5 70 90
	. Meeting with key Finance Division personnel. . Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation: - Budgeting System. - Revenue, utility billing, accounts receivable, and cash collections. - Purchasing, expenditures, accounts payable, and cash disbursements. - Payroll. - Federal Financial Assistance. - Other systems.		

Audit Schedule (continued)

Period	Audit Tasks	Staffing	Est. Hours
April/May	- ***Internal Control Structure (continued)*** . Perform statistical testing of the internal control system and evaluate the effectiveness of the City's systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with City policies. . Provide to the City's management a memo concerning management letter points and identify issues, if any.		
April/May	- ***Single Audit Compliance*** . Obtain or prepare Federal Financial Assistance Schedule. . Perform audit tests of grant programs and compliance with Federal Law and Regulations. Review grant documents, select sufficient number of transactions to test for compliance of Federal General and Specific Requirements.	Partner Manager Senior Staff	5 5 10 10
April/May	- ***Other Audit Tasks*** . Review minutes of City Council meetings and other key committees. . Coordinate with City staff and prepare of all appropriate confirmation requests including: - Bank Accounts. - Investment pool accounts. - Accounts receivable. - Federal grants. - Revenue from governmental agencies.	Manager Senior Staff	5 10 20

Audit Schedule (continued)

Period	Audit Tasks	Staffing	Est. Hours
	. Coordinate with City staff and prepare of all appropriate confirmation requests including (continued): - Bond and other debts. - Pension plan. - Attorney letters. - Others, as required. . Hold progress conference with City Management. . Hold exit conference with City Management.		
September/ October	**Year end Audit Procedures:**	Partner Manager Senior Staff	15 20 60 100
	. Entrance conference with City Management. . Follow-up on all outstanding confirmations. . Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, council resolutions, minutes, and other documents, as required. . Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual. . Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing City staff. . Perform review of subsequent events by discussions with City Management and review of all minutes of City Council and key committees. . Hold exit conference with City Management.		

Audit Schedule (continued)

Period	Audit Tasks	Staffing	Est. Hours
September/ October	**Audit Reports:**	Partner	10
		Manager	10
		Senior	30
		Staff	20
		Admin	50
	. Review drafts of Redevelopment Agency, other financial statements, and present audit reports. . Review draft of Single Audit Reports concerning internal control structure, compliance with laws and regulations, and administering of federal financial assistance programs. . Review draft of management letter points. . Present above draft reports to the City Management.		
Within 5 working days after approval.	**Final Audit Reports, Financial Statements, Management Letter, and Single Audit Reports delivered.**		

Summary of Professional Audit Hours and Administrative Staff support for the Year Ending June 30, 2006:

Personnel	Hours
Partners	50
Manager	50
Senior	180
Professional Staff	240
Administrative Staff	50
Total Hours	570

Maximum Fee and Hourly Rates

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We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. In the interest of developing a long term relationship, we will **absorb all costs** required to familiarize ourselves with the operations and accounting systems. Additionally, both Partners will be available to provide advice and consultation as necessary to the City. These **costs** will also be **absorbed** by the Firm.

Total All-Inclusive Maximum Price

Year	Total Costs
For the year ending June 30, 2006	$ 31,900
For the year ending June 30, 2007	32,450
For the year ending June 30, 2008	32,450
Total Professional Fees	**$ 96,800**

We believe the above All-Inclusive Maximum Price is fair and reasonable to both the City and to the Firm. The above price also includes all direct and indirect costs including printing, out-of-pocket expenses and an escalation factor for inflation.

Discount

Because of the importance of your City to our strategic plan, we have discounted our normal fee structure and will assume all costs required to familiarize our staff with the City's operational environment. We strongly believe that the City should not be penalized for introducing new auditors to its operation. This discount in fees, already included in the All-Inclusive Maximum Price, amounts to:

Year	Total
2005	$ 18,000
2006	10,000
2007	10,000
Total	**$ 38,000**

Rates for Additional Professional Services

We are hesitant to simply state hourly rates, as often times the needs of the client and the specific tasks directly impact the billing rates for our services. We maintain a policy of flexible billing rates and try to work within client cost-control parameters. However, to provide the City with additional information, the following are our current published billing rates for projects other than those listed in the RFP:

Position	Hourly Rate
Partner	$ 150.00
Manager	$ 125.00
Senior	$ 105.00
Professional Staff	$ 80.00
Administrative Staff	$ 60.00

It is also Firm policy, during the term of the audit contract, to match the lowest qualified bid on additional financial related services required by the City.

Manner of Payment

Each Engagement Team member maintains detailed time sheets describing work performed, date of work, and amount of time spent on each task for the Engagement. The Firm will summarize the amount of time spent during the month and bill the City based on the hourly rates published in the proposal up to a maximum of 90%. The remaining 10% of the proposal amount will not be due until all final reports are delivered and accepted by the City. Based on our previous experience, the City can anticipate three billings as follows:

Work Performed	Percent of Proposal Amount
For interim work	45 %
For year end work	45
At presentation and acceptance of final reports	10
Total	100 %

Payment by the City is due 30 days after receipt of each billing. A late fee of 1.5% of the billed but unpaid balance will be added for each 30 day period the bill remains unpaid.

CITY OF LOMA LINDA

Maximum Fee and Hourly Rates

Summary

We are able to offer our services at this fee level because:

- We possess the necessary experience and technical knowledge to perform an effective and efficient audit.
- We are very familiar with the accounting requirements of the City through past relationships with similar organizations.
- We use a comprehensive advanced planning process involving both our personnel and the City's key personnel.
- We desire a long-term relationship with the City.

In order to maximize the cost/benefit relationship of our services, we will also attempt to identify significant areas for improvements and cost savings. These observations will be communicated to the City Management.

Please review the following pages for additional information relating to:

- Summary of Professional Fees and Expenses
- Fees by Staff Classification for each year
- Fees by Type of Service for each year

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Summary of Professional Fees and Expenses

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CITY OF LOMA LINDA

Summary of Professional Fees and Expenses

Summary of Proposed Fees
June 30, 2006 through June 30, 2008

	All-Inclusive Maximum Price (Amounts are Net of Discounts) Services	Fees 2005-06	Fees 2005-07	Fees 2007-08	Total Fees 3 Years
1	City of Loma Linda's Interim Audit	$ 6,310	$ 6,382	$ 6,382	$ 19,074
2	Loma Linda Redevelopment Agency Interim Audit	3,160	3,100	3,100	9,360
3	City year End Audit, including GANN limit review, Management Letter, and CAFR Preparation	9,465	9,573	9,573	28,611
4	Year End Financial and Compliance audit of the RDA, including GASB 34 financial statements	4,740	4,650	4,650	14,040
5	A-133 Single Audit of Federal Grants of the City	3,225	3,745	3,745	10,715
	Total Audit Costs	26,900	27,450	27,450	81,800
6	City's State Controllers Report preparation and filing	3,500	3,500	3,500	10,500
7	RDA's State Controller's Report preparation	1,500	1,500	1,500	4,500
	All-Inclusive Maximum Price	**$ 31,900**	**$ 32,450**	**$ 32,450**	**$ 96,800**

	Hourly Rates By Staff Classification Personnel	2005-06	2005-07	2007-08
	Partner	$ 125	$ 125	$ 125
	Manager	105	105	105
	Supervisor	85	85	85
	Staff	65	65	65
	Administrative	50	50	50

	Hours By Type of Service Services	2005-06	2005-07	2007-08
1	City of Loma Linda's Interim Audit	148	134	134
2	Loma Linda Redevelopment Agency Interim Audit	58	46	46
3	City year End Audit, including GANN limit review, Management Letter, and CAFR Preparation	222	200	200
4	Year End Financial and Compliance audit of the RDA, including GASB 34 financial statements	87	69	69
5	A-133 Single Audit of Federal Grants of the City	55	51	51
	Total Audit Hours	570	500	500
6	City's State Controllers Report preparation and filing	-	-	-
7	RDA's State Controller's Report preparation	-	-	-
	Total Hours By Type of Service	570	500	500

Summary of Professional Fees and Expenses

Total Costs of All Years and All Audit Reports

COSTS	2005-06	2005-07	2007-08	Total 3 Years
Professional Fees:				
Partners	$ 6,250	$ 3,125	$ 3,125	$ 12,500
Managers	5,250	2,625	2,625	10,500
Supervisory Staff	15,300	13,600	13,600	42,500
Professional Staff	15,600	15,600	15,600	46,800
Other - Administrative Staff Support	2,500	2,500	2,500	7,500
Total Professional Fees	44,900	37,450	37,450	119,800
Expenses:				
Meals and lodging	-	-	-	-
Transportation	-	-	-	-
Other	-	-	-	-
Total Expenses	-	-	-	-
Gross Charges	44,900	37,450	37,450	119,800
Less Discount	(18,000)	(10,000)	(10,000)	(38,000)
Total All-Inclusive Maximum Price	**$ 26,900**	**$ 27,450**	**$ 27,450**	**$ 81,800**

HOURS	2005-06	2005-07	2007-08
Partners	50	25	25
Manager	50	25	25
Supervisory Staff	180	160	160
Professional Staff	240	240	240
Other	50	50	50
Total Hours	**570**	**500**	**500**

Fees by Staff Classification for Each Year

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Schedule of Professional Fees and Expenses

Supporting Schedule for year ending June 30, 2006

	Quoted Hourly Rates	Total Hours	Total Bid
Professional Fees:			
Partners	$ 125	50	$ 6,250
Manager	105	50	5,250
Supervisory Staff	85	180	15,300
Professional Staff	65	240	15,600
Other - Administrative Staff Support	50	50	2,500
Total Professional Fees		570	44,900

Expenses:	
Meals and lodging	-
Transportation	-
Other	-
Total Expenses	-
Gross Charges	44,900
Less Discount	**(18,000)**
Total Audit Costs	**$ 26,900**

CITY OF LOMA LINDA

Schedule of Professional Fees and Expenses

Supporting Schedule for year ending June 30, 2007

	Quoted Hourly Rates	Total Hours	Total Bid
Professional Fees:			
Partners	$ 125	25	$ 3,125
Manager	105	25	2,625
Supervisory Staff	85	160	13,600
Professional Staff	65	240	15,600
Other - Administrative Staff Support	50	50	2,500
Total Professional Fees		500	37,450

Expenses:	
Meals and lodging	-
Transportation	-
Other	-
Total Expenses	-
Gross Charges	37,450
Less Discount	(10,000)
Total Audit Costs	$ 27,450

CITY OF LOMA LINDA

Schedule of Professional Fees and Expenses

Supporting Schedule for year ending June 30, 2008

	Quoted Hourly Rates	Total Hours	Total Bid
Professional Fees:			
Partners	$ 125	25	$ 3,125
Manager	105	25	2,625
Supervisory Staff	85	160	13,600
Professional Staff	65	240	15,600
Other - Administrative Staff Support	50	50	2,500
Total Professional Fees		500	37,450

Expenses:	
Meals and lodging	-
Transportation	-
Other	-
Total Expenses	-
Gross Charges	37,450
Less Discount	**(10,000)**
Total Audit Costs	**$ 27,450**

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Fees by Type of Service for Each Year

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2006

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SUMMARY OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2006 Financial Statements:
Combining Schedule - All City Services

COSTS

Nature of Services to be Provided (Net of Discounts):	Total Price
City of Loma Linda's Interim Audit	$ 6,310
Loma Linda Redevelopment Agency Interim Audit	3,160
City year End Audit, including GANN limit review, Management Letter, and CAFR Preparation	9,465
Year End Financial and Compliance audit of the RDA, including GASB 34 financial statements	4,740
A-133 Single Audit of Federal Grants of the City	3,225
Total Costs (Net of Discounts)	**$ 26,900**

HOURS

Nature of Services to be Provided:	Total Hours
City of Loma Linda's Interim Audit	148
Loma Linda Redevelopment Agency Interim Audit	58
City year End Audit, including GANN limit review, Management Letter, and CAFR Preparation	222
Year End Financial and Compliance audit of the RDA, including GASB 34 financial statements	87
A-133 Single Audit of Federal Grants of the City	55
Total Hours	**570**

Costs applied to:

		Costs		Hours	
		City	RDA	City	RDA
Interim	40%	$ 6,310	$ 3,160	148	58
Year End	60%	9,465	4,740	222	87
Total	100%	$ 15,775	$ 7,900	370	145

CITY OF LOMA LINDA

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2006 Financial Statements
City Audit, CAFR, GANN Report, and Management Letter

	Quoted Hourly Rates	Quoted Hourly Rates	Total Bid
Professional Fees:			
Partners	$ 125	35	$ 4,375
Managers	105	25	2,625
Supervisory Staff	85	125	10,625
Professional Staff	65	160	10,400
Other - Administrative Staff Support	50	25	1,250
Total Professional Fees		370	29,275

Expenses:	
Meals and lodging	-
Transportation	-
Other - Printing	-
Total Expenses	-
Gross Charges	29,275
Less Discount	**(13,500)**
Total Cost	**$ 15,775**

CITY OF LOMA LINDA

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2006 Financial Statements:
Redevelopment Agency

	Quoted Hourly Rates	Total Hours	Total Bid
Professional Fees:			
Partners	$ 125	10	$ 1,250
Managers	105	20	2,100
Supervisory Staff	85	40	3,400
Professional Staff	65	60	3,900
Other - Administrative Staff Support	50	15	750
Total Professional Fees		145	11,400

Expenses:	
Meals and lodging	-
Transportation	-
Other - Printing	-
Total Expenses	-
Gross Charges	11,400
Less Discount	**(3,500)**
Total Cost	**$ 7,900**

CITY OF LOMA LINDA

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2006 Financial Statements:
Single Audit

	Quoted Hourly Rates	Total Hours	Total Bid
Professional Fees:			
Partners	$ 125	5	$ 625
Managers	105	5	525
Supervisory Staff	85	15	1,275
Professional Staff	65	20	1,300
Other - Administrative Staff Support	50	10	500
Total Professional Fees		55	4,225

Expenses:	
Meals and lodging	-
Transportation	-
Other - Printing	-
Total Expenses	-
Gross Charges	4,225
Less Discount	(1,000)
Total Cost	$ 3,225

2007

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SUMMARY OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2007 Financial Statements:
Combining Schedule - All City Services

COSTS

Nature of Services to be Provided (Net of Discounts):	Total Price
City of Loma Linda's Interim Audit	$ 6,382
Loma Linda Redevelopment Agency Interim Audit	3,100
City year End Audit, including GANN limit review, Management Letter, and CAFR Preparation	9,573
Year End Financial and Compliance audit of the RDA, including GASB 34 financial statements	4,650
A-133 Single Audit of Federal Grants of the City	3,745
Total Costs (Net of Discounts)	**$ 27,450**

HOURS

Nature of Services to be Provided:	Total Hours
City of Loma Linda's Interim Audit	134
Loma Linda Redevelopment Agency Interim Audit	46
City year End Audit, including GANN limit review, Management Letter, and CAFR Preparation	200
Year End Financial and Compliance audit of the RDA, including GASB 34 financial statements	69
A-133 Single Audit of Federal Grants of the City	51
Total Hours	**500**

Costs applied to:

		Costs		Hours	
		City	RDA	City	RDA
Interim	40%	$ 6,382	$ 3,100	134	46
Year End	60%	9,573	4,650	200	69
Total	100%	$ 15,955	$ 7,750	334	115

CITY OF LOMA LINDA

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2007 Financial Statements:
City Audit, CAFR, GANN Report, and Management Letter

	Quoted Hourly Rates	Quoted Hourly Rates	Total Bid
Professional Fees:			
Partners	$ 125	18	$ 2,250
Managers	105	6	630
Supervisory Staff	85	115	9,775
Professional Staff	65	170	11,050
Other - Administrative Staff Support	50	25	1,250
Total Professional Fees		334	24,955

Expenses:	
Meals and lodging	-
Transportation	-
Other - Printing	-
Total Expenses	-
Gross Charges	24,955
Less Discount	(9,000)
Total Cost	**$ 15,955**

CITY OF LOMA LINDA

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2007 Financial Statements:
Redevelopment Agency

	Quoted Hourly Rates	Total Hours	Total Bid
Professional Fees:			
Partners	$ 125	5	$ 625
Managers	105	15	1,575
Supervisory Staff	85	30	2,550
Professional Staff	65	50	3,250
Other - Administrative Staff Support	50	15	750
Total Professional Fees		115	8,750

Expenses:	
Meals and lodging	-
Transportation	-
Other - Printing	-
Total Expenses	-
Gross Charges	8,750
Less Discount	(1,000)
Total Cost	$ 7,750

CITY OF LOMA LINDA

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2007 Financial Statements:
Single Audit

	Quoted Hourly Rates	Total Hours	Total Bid
Professional Fees:			
Partners	$ 125	2	$ 250
Managers	105	4	420
Supervisory Staff	85	15	1,275
Professional Staff	65	20	1,300
Other - Administrative Staff Support	50	10	500
Total Professional Fees		51	3,745

Expenses:	
Meals and lodging	-
Transportation	-
Other - Printing	-
Total Expenses	-
Gross Charges	3,745
Less Discount	-
Total Cost	**$ 3,745**

2008

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SUMMARY OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2008 Financial Statements:
Combining Schedule - All City Services

COSTS

	Total Price
Nature of Services to be Provided (Net of Discounts):	
City of Loma Linda's Interim Audit	$ 6,382
Loma Linda Redevelopment Agency Interim Audit	3,100
City year End Audit, including GANN limit review, Management Letter, and CAFR Preparation	9,573
Year End Financial and Compliance audit of the RDA, including GASB 34 financial statements	4,650
A-133 Single Audit of Federal Grants of the City	3,745
Total Costs (Net of Discounts)	**$ 27,450**

HOURS

	Total Hours
Nature of Services to be Provided:	
City of Loma Linda's Interim Audit	134
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A-133 Single Audit of Federal Grants of the City	51
Total Hours	**500**

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Total	100%	$ 15,955	$ 7,750	334	115

CITY OF LOMA LINDA

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2008 Financial Statements:
City Audit, CAFR, GANN Report, and Management Letter

	Quoted Hourly Rates	Quoted Hourly Rates	Total Bid
Professional Fees:			
Partners	$ 125	18	$ 2,250
Managers	105	6	630
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Other - Administrative Staff Support	50	25	1,250
Total Professional Fees		334	24,955

Expenses:	
Meals and lodging	-
Transportation	-
Other - Printing	-
Total Expenses	-
Gross Charges	24,955
Less Discount	(9,000)
Total Cost	$ 15,955

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

For the Audit of the 2008 Financial Statements:
Redevelopment Agency

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CITY OF LOMA LINDA

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

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Single Audit

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Other - Administrative Staff Support	50	10	500
Total Professional Fees		51	3,745

Expenses:	
Meals and lodging	-
Transportation	-
Other - Printing	-
Total Expenses	-
Gross Charges	3,745
Less Discount	-
Total Cost	**$ 3,745**

No Fee Services

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CITY OF LOMA LINDA

No Fee Services

We offer other services at no additional cost to the City. These other services include:

- On-site participation of both Partners of the Firm at **no additional cost** to the City.
- Providing updates to City finance staff on recent developments in governmental accounting and reporting at **no cost** to the City.
- Performing the agreed upon procedures to review the GANN Appropriations Limit calculations at **no cost** to the City.

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Conclusion

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Conclusion

A client relationship with the City will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship. We are committed to:

- Rendering the highest standard of service.
- Establishing a long-term working relationship dedicated to meeting the needs of the City.
- Assisting the City in operational issues.
- Producing a quality end-product.

We possess the technical qualifications and experience to provide the level of service desired and expected by the City of Loma Linda and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the City of Loma Linda and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

* * * * * * * * * * * * * * * * *

Caporicci & Larson

Costa Mesa, California
January 26, 2006

City of Loma Linda

Loma Linda, California

External Auditor Interview

Presentation of the Firm

March 9, 2006

C&L
Caporicci & Larson
Certified Public Accountants

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Presentation to the City of Loma Linda

March 9, 2006

Overview of the Firm

Brief History

- ✓ Caporicci & Larson (C&L) established in 1989
- ✓ Statewide auditing, tax, and business advisory practice servicing governmental agencies and private sector businesses
- ✓ Three Partners – with over 100 years of combined experience
- ✓ Forty-two staff
- ✓ Offices located in Oakland, Costa Mesa, San Diego, and Sacramento

Who We Are

A focused group of technically competent professionals who:

1. maintain a flexible approach to the audit process
2. meet or exceed required timeframes and expectations
3. provide assistance
4. grow with each engagement
5. value your relationship

Where We're at Today

- ✓ Quality reputation
- ✓ Quality clients
- ✓ Excellent group of people at all levels
- ✓ Good working environment
- ✓ High employee morale
- ✓ Clients appear to like us (contract extensions continue)
- ✓ Excellent administrative support functions

Where We're Going

- ✓ Increase our Client portfolio with medium to large Clients
- ✓ Expand "added value" Services
- ✓ Increase Client commitment to the Firm
- ✓ Enhance capabilities of all Firm personnel
- ✓ Obtain a leadership role in our market
- ✓ Achieve a dominate market position

Overview of the Firm, Continued

The Firm's partners and professional staff assigned to the City have performed audits, accounting services and consulting services for numerous cities.

In addition, the Firm has also audited:

- ✓ Redevelopment Agencies
- ✓ Public Financing Authorities
- ✓ Housing Authorities
- ✓ Single Audits
- ✓ Child Development Programs
- ✓ Senior Nutrition Programs
- ✓ Transportation Authorities
- ✓ Special Districts
- ✓ OCJP Grants
- ✓ Health Care
- ✓ Self Insurance Pools
- ✓ Joint Power Authorities
- ✓ TOT Audits
- ✓ Franchise Audits

The Firm has also issued numerous "comfort letters" on bond offerings as well as performed special projects of various types.

Core Values of the Firm

Client Oriented Values

- ✓ Provide quality, excellent and timely professional services
- ✓ Meet or exceed all promises and commitments made to clients
- ✓ Identify opportunities that will benefit our clients

Personnel Oriented Values

- ✓ Hire and retain quality people
- ✓ Develop Firm personnel through quality training programs and on-the-job experience
- ✓ Maintain an atmosphere where people want to come to work on a daily basis

Firm Oriented Values

- ✓ Generate an appropriate profit
- ✓ Enhance the Firm's reputation through associations with quality endeavors and participation in professional activities
- ✓ Be recognized as experts
- ✓ Retain a focused but flexible approach in our business dealings
- ✓ Provide tools to all personnel that will enable them to work effectively and efficiently

Firm's Ethical Standards

- ✓ Maintain the client's and general public's trust
- ✓ Protect the Firm's reputation
- ✓ Tolerate no improprieties
- ✓ Communicate in a straight forward and honest manner
- ✓ Support an environment of mutual respect
- ✓ Comply with applicable laws, regulations and standards
- ✓ Promote sound financial practices
- ✓ Foster an environment supportive of open communication, sharing of information, and ensuring equal opportunities for all personnel

Approach to the Audit

Engagement Team:

- Gary M. Caporicci, CPA, CGFM, Engagement Partner
- Stephen L. Larson, CPA, MBA, Compliance Partner
- Eileen Lin, CPA, Manager
- Stella Chan, CPA, Senior
- Professional Staff

Objectives:

- Systems evaluations
- Internal control analysis
- Compliance verification
- Account balance validations
- Reconciliations and account analysis
- Analytical reviews
- Implementation of accounting and auditing standards
- Financial reporting

Results:

Comprehensive Evaluation of Systems and Controls

Efficient Validation Process

Development of Recommendations to Management

Timely Performance

Minimal Disruption to City Operations

Approach to the Audit, Continued

Phase I – Initial Meetings

- ✓ Partners and Manager will meet with City Management:
  - Develop contact relationships
  - Perform preliminary reviews of major systems
  - Develop understanding of City's operational environment
  - Perform an in-depth review of the City's financial statements
  - Create a list of schedules which we would like to have available at interim and year-end
  - Identify areas to focus audit efforts
  - Finalize timing
- ✓ Hold official exit conference with City Management

Phase II – Review Systems, Processes, and Compliance

- ✓ Conduct reviews of the City's systems:
  - Review of Policies and Procedures Manuals
  - Walk-through of major systems
    - Cash Disbursements/ Accounts Payable
    - Cash Receipts/ Accounts Receivable
    - Payroll
    - Fixed Assets
    - Other Systems
    - Budgeting
    - General Ledger and Financial Reporting
  - Flowcharting of processes
  - Testing of transactions for each system
  - Review of findings
  - Development of a list of observations to be presented to City Management
- ✓ Conduct an evaluation of compliance:
  - Review of process
  - Review of significant documents
  - Testing of compliance with terms and conditions
  - Review of findings
  - Development of a list of observations to be presented to City Management
- ✓ Hold official exit conference with City Management

Approach to the Audit, Continued

Phase III – Validate Account Balances at Year-End

- ✓ Perform validation work on significant areas of the financial statements:
  - Cash and investments
  - Debt
  - Significant receivables
  - Fixed assets
  - Interfund transactions
  - Deferred revenues
  - Payroll liabilities
  - Other significant liabilities
  - Revenues and expenditures
  - Fund equity reserves and designations
  - Retirement plans
  - Risk management and related liabilities
- ✓ Complete compliance testing
- ✓ Hold official exit conference with City Management

Phase IV – Preparation of the Required Reports

- ✓ Development of the required auditors' reports, financial reports, compliance reports, and Management Letter within the time frames required

GASB 34

C&L has assisted all of our clients in their efforts to publish their CAFR in compliance with GASB 34.

Mr. Caporicci has been serving as instructor for the GFOA, GASB, and California Society of CPAs on GASB 34 training classes. He has also participated on numerous panels and seminar speaking assignments on the subject.

In addition, Mr. Larson served on the GASB Advisory Committee for the creation of the "Guide to Implementation of GASB Statement 34 and Related Pronouncements" published in February, 2002 and has also participated in seminar speaking assignments on GASB 34 implementation efforts.

The manger and senior assigned to the engagement have participated in numerous GASB 34 conversions and ongoing technical support.

As you can see, we are sufficiently knowledgeable about the requirements of GASB 34 and stand ready to assist the City in its efforts to comply with its provisions.

C&L Client Education

✓C&L Annual Newsletter

✓C&L Client Education Seminars

- Held in Fremont, Huntington Beach and San Diego in fiscal year 2005
- Current update on new pronouncements and standards from AICPA, FASB and GASB and other related matters

Conclusion

Why Choose C&L

- ✓ We are:
  - Focused
  - Efficient
  - Flexible
- ✓ We deliver what we promise

THANK YOU

For allowing us to present our Firm