



City of Hidden Hills

6165 Spring Valley Road * Hidden Hills, California 91302

(818) 888-9281 * Fax (818) 719-0083

MEMORANDUM

To: Honorable Mayor and Members of the City Council

From: Kerry Kallman, City Manager

Date: May 11, 2020

Subject: Consideration of Approval of a Professional Auditing Services Agreement with Van Lant & Fankhanel, LLP

Background

Lance, Soll & Lunghard, LLC (LSL) has served as the City's independent auditors for the past 30 plus years. Though the City is pleased with their services, staff believes it is a good practice to solicit bids for auditing services in order to review what other qualified firms offer and possibly reduce cost for the city.

On February 10, 2020 City Council meeting, the City Council authorized issuance of the RFP for Professional Auditing Services for FY2019/20 to FY2021/22 with the option of extending to two additional one-year periods.

Discussion

In response to the City's RFP issued on February 12, six proposals were received. LSL was one of the proposals received and remained in consideration. All six proposals were evaluated using the agreed upon criteria and all are considered qualified. Upon careful review, the two lowest bidders were selected for a Zoom interview on April 16.

The two finalists interviewed were:

- Van Lant & Fankhanel, LLP
- Moss, Levy & Hartzeim, LLP

Interviews were performed by the City Manager, Finance Advisor, and Accounting Specialist.

Although both firms offer exceptional audit services, taking into consideration cost/audit proposals, Staff selected Van Lant & Fankhanel, LLP (VLF).

VLF is a local CPA firm with offices located in Loma Linda and Murrieta, California. The principals of the firm, Mr. Brett Van Lant and Mr. Greg Fankhanel, have been providing governmental accounting and auditing services to California cities and special districts for 40 years combined. Unlike other audit firms, the Audit Partners will have significant involvement throughout the audit process that will help achieve highly efficient and effective audits. VLF has performed auditing services for similar sized cities such as City of Tehachapi, City of Winters, and City of Blythe.

Additionally, choosing VLF will result in cost savings for the City. The City paid \$21,500 for FY2018/19 audit with our current auditors, LSL. VLF’s proposed cost for FY2019/20 audit is \$19,450 without the Single Audit which is an approximately \$2,050 savings on the first year. Single Audit is only required if the City expends \$750,000 or more of federal assistance grants.

Fiscal Impact

The not to exceed total fees for the audit work cost proposal for Van Lant & Fankhanel, LLP are provided below. Staff will include the audit fees in each budget year for City Council approval.

	Year Ended June 30th				
	2020	2021	2022	2023	2024
Basic Reports to Be Issued					
City Audit, including CAFR and Related Reports	\$ 18,000	\$ 18,000	\$ 18,360	\$ 18,725	\$ 19,100
Gann Limit Review	450	450	460	470	480
Total	\$ 18,450	\$ 18,450	\$ 18,820	\$ 19,195	\$ 19,580
Additional Audit Reports to be Requested at City Option					
Single Audit and Related Reports	\$ 3,200	\$ 3,200	\$ 3,265	\$ 3,330	\$ 3,395
Annual Report of City Financial Transactions to State Controller	1,000	1,000	1,020	1,040	1,060
Total	\$ 4,200	\$ 4,200	\$ 4,285	\$ 4,370	\$ 4,455
Total Fees with Optional Services	\$ 22,650	\$ 22,650	\$ 23,105	\$ 23,565	\$ 24,035

Recommendation

It is recommended that the City Council approve a multi-year agreement with Van Lant & Fankhanel, LLP to provide professional auditing services to the City for the FY 2019/20 to FY 2021/22 with option to extend to additional two one-year periods.

Attachments

- A. Van Lant & Fankhanel, LLP Proposal
- B. Proposed Professional Services Agreement

ATTACHMENT A

Proposal to Perform Audit Services for the City of



Submitted by:



California License No. PAR 7535

Contact Information:

Greg Fankhanel, CPA, CFE
Brett Van Lant, CPA
25901 Kellogg Street
Loma Linda, CA 92354

Telephone: (909) 856-6879

E-mail: gfankhanel@vlfcpa.com
bvanlant@vlfcpa.com

March 13, 2020

CITY OF HIDDEN HILLS
PROPOSAL TO PERFORM ANNUAL AUDIT SERVICES

TABLE OF CONTENTS

	<u>Page Number</u>
Letter of Transmittal	1
Personnel	3
Engagement Partner Resume – Brett Van Lant, CPA	5
Quality Control Reviewer Resume – Greg Fankhanel, CPA, CFE	6
Engagement Supervisor Resume – Enrico Tobing, CPA	7
Senior Accountant Resume – Antonio Moran, CPA	8
License and Independence	9
Company Background:	9
Current Municipal Audit Clients	10
Participation in External Quality Control Review Program	10
Disciplinary Action	11
Audit Approach	11
References	15
Cost Summary	17
Appendix A – Peer Review Report	20



March 13, 2020

City of Hidden Hills
6165 Spring Valley Rd.
Hidden Hills, CA 91302

Van Lant & Fankhanel, LLP (VLF) is pleased to submit our proposal to perform professional audit services for the City of Hidden Hills (City). We hope this proposal conveys our strong desire and qualifications to fulfill your requirements. We understand this proposal is to audit the City's financial statements for three fiscal years beginning with the fiscal year ending June 30, 2020, with the option to extend for two additional years.

VLF is a local firm of Certified Public Accountants with offices located in Loma Linda and Murrieta, California. The principals of the firm (Mr. Brett Van Lant and Mr. Greg Fankhanel) have been providing governmental accounting and auditing services to California cities and special districts for 40 years combined. VLF is dedicated to providing the highest level of experience and expertise in governmental accounting knowledge to ensure a smooth audit process that causes minimal disruption to the City's ongoing daily administrative operations.

VLF is the best choice to provide annual audit services to the City of Hidden Hills for the following significant reasons:

- We have extensive experience auditing similar California cities.
- Significant Partner involvement throughout the audit engagement. Having the Audit Partners involved in all aspects of the audit assures continuity of the audit team.
- A complete understanding of the City's reporting requirements and deadlines. In addition, we assist a number of cities and special districts each year in obtaining the GFOA award for excellence in financial reporting.
- Mr. Fankhanel is also a Certified Fraud Examiner which adds another level of expertise to the audit process.

What sets us apart from other audit firms? As a smaller firm, we believe the **personal service and attention** we will provide cannot be duplicated at larger firms. With VLF, you will be dealing with Partner-level personnel throughout the audit process, including fieldwork. The four auditors to be assigned to the City's audits are dedicated to providing audit and accounting services to local governments in California.

Partners and senior staff will be solely responsible for preparing the applicable reports. Our draft reports go through an extensive review process (Partners) before they are sent to City for review. Our goal is to provide “print ready” reports when City staff receives the first draft. This ensures City staff will not have to spend time correcting our mistakes. We have a proven track record of meeting deadlines and being flexible to meet the City’s needs as they may change throughout the engagement.

The audit team will have laptop computers onsite during the audit fieldwork utilizing state-of-the-art software. We utilize programs such as Microsoft Excel to assist in our audit procedures and provide for greater efficiency and effectiveness, including data extraction procedures and analysis. We have significant experience working with many various accounting systems in our government audits. We prepare the draft financial statements using Word and Excel, and provide grouping schedules, etc. to our clients for their review. Final reports are provided in pdf format.

Our recent experience and related references are included in the section of this audit proposal entitled, “Similar Engagements with Other Governmental Agencies.”

We are passionate about providing the highest level of service. We believe one the best services we can provide is to be available throughout the year to assist our clients with questions and keep them apprised of new accounting and financial reporting requirements. We encourage our clients to communicate questions or concerns, not only during the audit process, but as they arise at any time during the year. You will have access to the audit partners on a daily basis, throughout each audit and each fiscal year.

We certify that VLF and the audit partners are properly licensed to practice in California. Greg Fankhanel is authorized to represent VLF, empowered to submit this proposal, and authorized to sign a contract with the City. This proposal is valid for ninety (90) days. Should you have any questions regarding our proposal or desire additional information, please call Greg Fankhanel, CPA, at (909) 856-6879, or email to gfankhanel@vlfcpa.com.

Respectfully submitted,

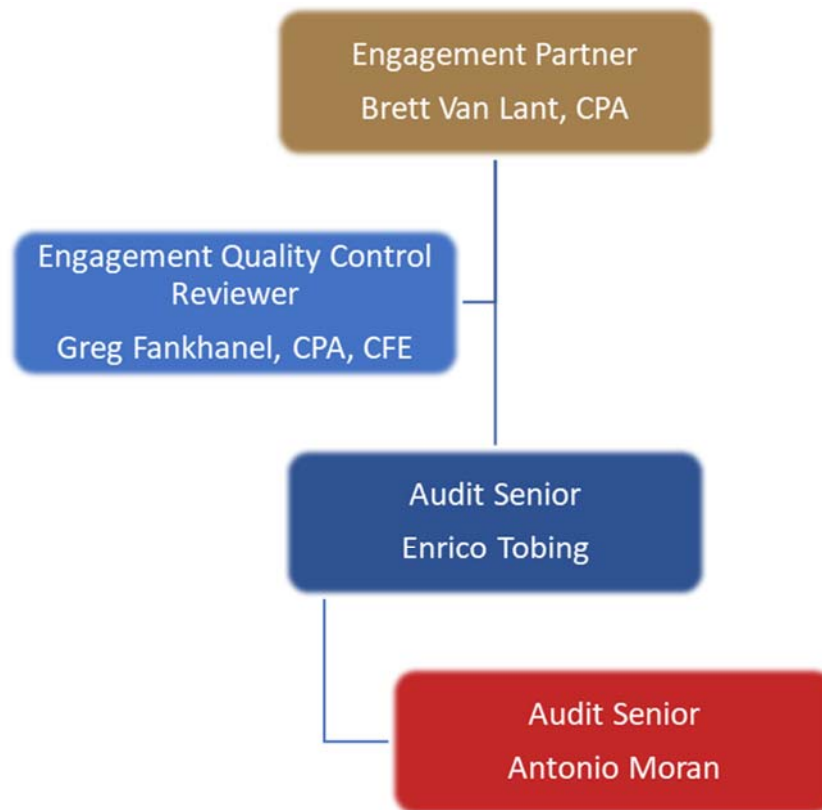
A handwritten signature in cursive script that reads "Greg Fankhanel".

Greg Fankhanel, CPA, CFE
Managing Partner



Personnel

The proposed Engagement Team selected to serve the City have extensive experience and a proven record of providing excellent audit services to Cities of similar size and operations.



We will provide continuity of audit staff from year to year, which is in the best interest of the City and is most efficient from our firm's perspective. Additionally, the audit partners assigned to this engagement are working partners and therefore will be involved throughout the entire engagement each year, including fieldwork.

We affirm that engagement partners, managers, and other supervisory staff may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons only with the express prior written permission of the City. We agree the City retains the right to approve or reject replacements.



*Brett Van Lant, CPA
Engagement Partner*

Mr. Van Lant is an Audit Partner for VLF and has over 13 years of experience auditing local governments and non-profits, including cities and special districts throughout the State of California. His duties will include supervising the engagement team during fieldwork, reviewing all reports, and performing the review and approval of the audit engagement. In addition, he will be the point of contact for the City throughout the engagement.

*Greg W. Fankhanel, CPA, CFE
Engagement Quality Control Reviewer*

Mr. Fankhanel is the managing Partner of VLF and has 30 years of experience auditing local governments and non-profits, including cities and special districts throughout the State of California. Mr. Fankhanel will be extensively involved throughout the audit process. He has served as a special reviewer for the GFOA certificate of achievement program for many years. His duties will include performing quality control reviews of the engagement and serve as the concurring partner for the audit.

*Enrico Tobing, CPA
Audit Senior*

Mr. Tobing is an Audit Senior with VLF and has over 5 years of experience. He will work closely with the Partners during the audit fieldwork and report preparation. Mr. Tobing has extensive experience auditing local governments, including cities and special districts throughout the State of California.

*Antonio Moran, CPA
Audit Senior*

Mr. Moran is a Senior Auditor with VLF and has over 3 years of experience. He will work closely with the Partners and Mr. Tobing throughout the audit fieldwork. Mr. Moran has three years of experience auditing local governments.

Resumes of the proposed engagement team are provided below:

BRETT VAN LANT, CPA

Engagement Partner

Brett Van Lant is an audit Partner of Van Lant & Fankhanel, LLP. Prior to co-founding our firm, Mr. Van Lant spent 6 years with Teaman, Ramirez, & Smith where he served as an Audit Manager for over 4 years.

Mr. Van Lant has extensive experience in leading and performing financial statement audit engagements for government agencies. He has worked closely with many local governments over the year assisting with the implementation of significant accounting pronouncements including GASB 67/68 and GASB 75.

PROFESSIONAL MEMBERSHIPS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Government Finance Officers Association (GFOA)

PROFESSIONAL EXPERIENCE (PARTIAL LIST)

- Town of Apple Valley
- City of Healdsburg
- City of Highland
- City of La Puente
- City of Montclair
- City of Murrieta
- City of San Fernando
- City of San Clemente
- City of Tehachapi
- City of Yucaipa
- City of Winters
- East Valley Water District
- Running Springs Water District
- Lake Arrowhead Community Services District
- Temescal Valley Water District
- Tehachapi-Cummings County Water District
- Valley Sanitary District

CONTINUING PROFESSIONAL EDUCATION

Over 120 hours of continuing education over the past three years with a focus on governmental accounting and auditing topics, along with topics related to audits performed under the Uniform Guidance.

EDUCATION

California State University, San Bernardino

BS Degree in Business Administration, Emphasis in Accounting

GREG W. FANKHANEL, CPA, CFE

Engagement Partner

Greg W. Fankhanel is the Managing Partner of Van Lant & Fankhanel, LLP. Prior to co-founding our firm, Mr. Fankhanel spent 24 years with Teaman, Ramirez, & Smith where he served as an Audit Partner for over 12 years.

Mr. Fankhanel has extensive experience in leading and performing financial statement audit engagements for government agencies. In addition, as a Certified Fraud Examiner (CFE), he takes a proactive approach in providing information and assistance in fraud prevention and detection, which provides an excellent resource for audit clients.

PROFESSIONAL MEMBERSHIPS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Government Finance Officers Association (GFOA)
- Member, Association of Certified Fraud Examiners (ACFE)
- GFOA Certificate reviewer

PROFESSIONAL EXPERIENCE (PARTIAL LIST)

- Town of Apple Valley
- City of Corona
- City of Highland
- City of La Puente
- City of Montclair
- City of Murrieta
- City of San Fernando
- City of San Clemente
- City of Tehachapi
- City of Yucaipa
- City of Winters
- East Valley Water District
- Running Springs Water District
- Lake Arrowhead Community Services District
- Temescal Valley Water District
- Tehachapi-Cummings County Water District
- Valley Sanitary District

CONTINUING PROFESSIONAL EDUCATION

Over 120 hours of continuing education over the past three years with a focus on governmental accounting and auditing topics, along with fraud prevention and detection.

EDUCATION

University of Hawaii

BS Degree in Business Administration, Emphasis in Accounting

ENRICO TOBING, CPA

Engagement Supervisor

Enrico Tobing is an audit Supervisor at Van Lant & Fankhanel, LLP. Enrico joined VLF upon graduating from California State University, San Bernardino.

Mr. Tobing has over 5 years' experience performing financial statement audit engagements for government agencies. He has been involved in numerous audit engagements throughout the years participating in the planning process, developing the detailed audit approach, performing single audit compliance testing, supervising staff, and the preparation of financial and other required reports. He earned his CPA license in California in 2020.

PROFESSIONAL MEMBERSHIPS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Municipal Finance Officers (CSMFO)

PROFESSIONAL EXPERIENCE (PARTIAL LIST)

- Town of Apple Valley
- City of Healdsburg
- City of Highland
- City of La Puente
- City of Lemon Grove
- City of Montclair
- City of Murrieta
- City of San Fernando
- City of San Clemente
- City of Tehachapi
- City of Yucaipa
- Town of Windsor
- City of Winters
- East Valley Water District
- Running Springs Water District
- Lake Arrowhead Community Services District
- Temescal Valley Water District
- Tehachapi-Cummings County Water District

CONTINUING PROFESSIONAL EDUCATION

Over 120 hours of continuing education over the past three years with a focus on governmental accounting and auditing topics, along with topics related to audits performed under the Uniform Guidance.

EDUCATION

California State University, San Bernardino

BS Degree in Business Administration, Emphasis in Accounting

ANTONIO MORAN, CPA

Senior Accountant

Antonio Moran is a Senior Accountant at Van Lant & Fankhanel, LLP. Antonio joined VLF upon graduating from California State University, San Bernardino.

Mr. Moran has over 3 years' experience performing financial statement audit engagements for government agencies. He has been involved in numerous audit engagements throughout the years participating in the planning process, performing audit procedures, performing single audit compliance testing, and the preparation of financial and other required reports. He earned his CPA license in California in 2020.

PROFESSIONAL MEMBERSHIPS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Municipal Finance Officers (CSMFO)

PROFESSIONAL EXPERIENCE (PARTIAL LIST)

- Town of Apple Valley
- City of Highland
- City of La Puente
- City of Lemon Grove
- City of Montclair
- City of San Fernando
- City of Tehachapi
- City of Yucaipa
- Town of Windsor
- City of Winters
- Running Springs Water District
- Lake Arrowhead Community Services District
- Temescal Valley Water District
- Tehachapi-Cummings County Water District

CONTINUING PROFESSIONAL EDUCATION

Over 120 hours of continuing education over the past three years with a focus on governmental accounting and auditing topics, along with topics related to audits performed under the Uniform Guidance.

EDUCATION

California State University, San Bernardino

BS Degree in Business Administration, Emphasis in Accounting



License and Independence

VLF and all assigned key professional staff are properly licensed by the California State Board of Accountancy to practice in the State of California (License No. PAR 7535).

We are independent of the City of Hidden Hills and its component units in accordance with generally accepted auditing standards as promulgated by Rule 101 of the American Institute of Certified Public Accountants Code of Professional Ethics, generally accepted government auditing standards promulgated by the U.S. General Accounting Office (GAO), and the rules of the California State Board of Accountancy and Accounting Oversight Board.

We will provide the City with written notice of any professional relationships entered into during the period of our engagement that may impair our independence, if necessary.

Company Background

Firm Name: Van Lant & Fankhanel, LLP
Address: 25901 Kellogg Street
City, State, Zip: Loma Linda, CA 92354
Corporate Structure: Limited Liability Partnership
State of Inc.: California
Website: www.vlfcpa.com (website under construction)
Contact Information: Greg Fankhanel, CPA, CFE
(909) 856-6879
gfankhanel@vlfcpa.com

Van Lant & Fankhanel, LLP (VLF) is a local firm of Certified Public Accountants specializing in local government accounting and financial reporting. VLF currently serves a number of local governments throughout the State. Our Firm's mission is to provide our clients with the highest level of experience and expertise, throughout each year of our engagement. Because VLF is a smaller firm dedicated to governmental accounting and auditing services, we provide our clients with Partner level individuals in the field each year of the audit engagement. This has proven to be a valuable service to our clients and helps to significantly reduce the amount of client staff time consumed by the audit process.

The proposed audit team will include 2 full-time Audit Partners and 2 full-time Audit Seniors. One of the Audit Partners will be assigned to perform quality control reviews and assist with audit fieldwork as necessary.



Our Loma Linda office will be the engagement office assigned to the City. VLF currently provides audit and accounting services to a number of cities and special districts throughout California. Information regarding several of our current audit clients has been included in this proposal. Please contact these organizations to learn more about our firm’s ability to provide excellent audit services.

Greg Fankhanel has been a reviewer for the GFOA CAFR award program for many years.

Our Firm focuses on providing audit and assurance services to municipal and non-profit organizations. The Partners have also provided TOT and Franchise Fee audit services.

The engagement team members proposed to serve the City are highly-trained government auditors. One of our goals is to avoid putting our clients in a position of having to “train” the auditors. We avoid this by ensuring that all fieldwork is properly staffed and supervised by Partner level personnel. We are required to complete at least 80 hours of continuing education every 2 years, with a majority of these hours relating specifically to government accounting and auditing subjects. Continuing education requirements are met through classes developed by professional organizations, such as the CSCPA, GFOA, and the AICPA. Both Mr. Fankhanel and Mr. Van Lant have been instructors for an in-house continuing education program for several years.

Current Municipal Audit Clients

Below is a list of current municipal audit clients for which we currently provide audit services.

Current Municipal Clients	
City of Lemon Grove	Town of Windsor
City of Highland	City of Winters
City of La Puente	City of Yucaipa
City of Montclair	Apple Valley Fire Protection District
City of San Fernando	Lake Arrowhead Community Services District
City of St. Helena	Running Springs Water District
City of Tehachapi	Tehachapi Cummings County Water District
City of Ukiah	Temescal Valley Water District
City of Upland	City of Susanville

Participation in External Quality Control Review Program

As required by Government Auditing Standards, our firm must have a peer review once every three years. We received a “clean” opinion with no deficiencies in our most recent peer review report, which included a review of specific government engagements. A copy of the report is included at **Appendix A**. Our next peer review is currently in progress.

In addition, we have established a quality control program to adhere to the stringent quality control standards established by the AICPA. We have also developed policies and procedures to ensure our engagements are properly supervised and staff receives necessary training to handle the responsibilities afforded them.



Disciplinary Action

There have been no disciplinary or regulatory actions taken against our CPA firm, or the partners. The firm has had no negative federal or state reviews.

Audit Approach

We believe that timely and adequate audit planning, along with proper communication throughout the audit process, helps to achieve highly efficient and effective audits. We also believe that one of the most important services that can be rendered to clients is to be available at all times during the year. This approach allows the clients the opportunity to consult with the auditors about technical problems and alternative approaches to accounting issues that arise during the year. We emphasize audit partner availability throughout each fiscal year.

The proposed timeline for the fiscal year 2019-20 audit is listed below:

Description	Level of Staff	Estimated Dates
Preaudit planning, detailed request list provided	Partner	May
Auditors mail confirmation letters provided by the District, as applicable	Seniors	July
Preliminary audit fieldwork (risk assessment, evaluating internal controls, etc.) Year-end audit procedures performed	Partners, Supervisor, Senior	Late August
Exit/progress meetings with management	Partners	Late August
Auditors provide draft financial statements and related reports for review	Partners, Supervisor, Senior	September
Final reviews, completion of audit reports	Partners, Supervisor, Senior	October
State Controller's Report preparation	Partners, Supervisor, Senior	Dec./Jan.

The audit process is described below:

Planning Phase

Shortly after our appointment as auditors, we will schedule a pre-audit planning meeting during which we will discuss any special concerns, needs and the timing of the audit with appropriate members of the City’s staff. We will provide a customized request list or “PBC list” to City staff in advance of our arrival for interim fieldwork.



All members of the proposed engagement team are highly trained municipal auditors with extensive experience auditing similar Cities in California. Therefore, we tailor our approach with the focus of being the least disruptive as possible to the City's staff. To achieve this, as part of the planning phase, the engagement team will review City budgets, organizational charts, year-to-date accounting records, applicable accounting policies and procedures, prior year financial statements, the City's website, and minutes of Council meetings to gain a thorough understanding of the City's operations and activities.

Interim Fieldwork

We take a customized approach to each and every audit. We will apply the "Risk Assessment" audit standards to your audits. An overriding objective throughout the planning process is the identification of risks that should be assessed as to whether they could result in material misstatement of the financial statements whether due to error or fraud. Due to the complex nature of the risk assessment process, it is performed at the Partner level for all of our audit engagements.

The main focus of the interim audit fieldwork is to obtain an understanding and evaluate the City's specific internal accounting control systems. Our review and evaluation of your internal control systems will be completed by reviewing supporting documentation for transactions, walk-throughs, and interviews of City staff. Each of these approaches requires inquiry and observation of City personnel and operations. We will also utilize the City's budget, organizational charts, financial reports, policies and procedures, and other applicable documents.

Interim financial reports will be reviewed and limited analytical procedures will be applied to significant account balances in order to identify potential misstatements early on in the audit process.

As required by our audit standards, we will also perform procedures to identify the risk of fraud within the organization. In addition to reviewing pertinent accounting records and policies and procedures, we will conduct "fraud inquiries" with various selected City staff. Given the sensitive nature of these procedures, these inquiries will be conducted by the Audit Partners.

We will conclude the interim audit period with an exit conference with the appropriate City staff to discuss any findings or control risks we encountered during this interim phase, along with practical recommendations to mitigate these risks. Our recommendations will be directed at safeguarding City assets, improving the effectiveness of City procedures, and improving the reporting of financial information, as applicable.

Year-end Fieldwork

This phase of the audit will focus on verifying account balances in the City's general ledger. Balance sheet accounts, along with certain revenue and expenditure/expense will be reviewed for reasonableness and verified with supporting documentation, including third-party confirmations, loan and debt agreements, and other supporting schedules. Analytical and substantive procedures will be performed based on our judgment and the results of our risk assessment.



We will conclude the year-end audit fieldwork with an exit conference with the appropriate City staff to discuss the results of our audit procedures, as well as disclose any proposed journal entries we may have discovered. We will also discuss the preparation of the CAFR and various other reports to be issued for the audit period.

City Staff Assistance

Assistance expected from City staff will include pulling invoices for review, answering procedural questions, and answering other questions regarding the City's activities.

Sampling

Our sampling methods are designed to provide the most coverage possible without expending excess time where impractical. We also concentrate efforts towards those areas known to be susceptible to error. Sample sizes will depend upon our preliminary assessment of control risk and the extent of our planned substantive tests and analytical procedures. We use models based on statistical sampling theories to help determine the sample size of a given population of transactions. In addition, we may select transactions above a certain dollar threshold, based on materiality, to review. We use sampling in the areas of cash receipts, cash disbursements, payroll, and utility billing.

Analytical Procedures

Analytical procedures will be performed in the planning stage of the audit (risk assessment process) and in our substantive testing, based on the results of our risk assessment. These procedures will include comparing account balances to prior years and to the current period's budget, and consideration of expected relationships among the accounts and periods. To be effective, the analytical procedures can only be performed once we have determined our expectations based on our understanding of the City's activities and changes from one year to the next. For results that do not meet our expectations, we perform additional substantive procedures to understand and verify the causes for the fluctuations. We make every effort to investigate the fluctuations before obtaining explanations from City staff and consuming staff time unnecessarily. In addition, analytical procedures will also be performed in the overall review stage of the audit.

Approach to Understanding the City's Internal Controls

We will obtain an understanding of the design and implementation of the City's internal controls by performing the procedures as required by SAS 109. This involves documenting our understanding of the internal controls over the areas of cash, investments, revenues and receivables, utility revenues and receivables, expenditures and accounts payable, capital assets, debt, payroll and related liabilities, self-insurance and claims liabilities and grant compliance. We will then evaluate the design of controls and determine whether they have been properly implemented. Evaluating the design of controls involves considering whether the control, individually or in combination with other controls, is capable of effectively preventing or detecting and correcting material misstatements.

In addition, as part of the audit, we will issue an internal control report as required by *Government Auditing Services Proposal*



Auditing Standards that will identify significant deficiencies and material weaknesses, if any.

Approach to Understanding Laws and Regulations Subject to Audit Test Work

Our audit approach recognizes the importance of laws and regulations in planning the audit of a local governmental entity. As part of the audit, we obtain an understanding of those laws and regulations that have a direct and material effect on the determination of financial statement amounts. We then design the audit to provide reasonable assurance of detecting material instances of noncompliance. We obtain our understanding of applicable laws and regulations by becoming familiar with the following:

- 1) The terms and provisions of grant agreements and contracts.
- 2) State and federal restrictions affecting funding received by the City;
- 3) The Municipal Code of the City.
- 4) State laws regarding authorized investments, spending limits, debt limits, etc.
- 5) City policies regarding investments, purchasing, budgets, and the establishment of funds.
- 6) Bond covenants of outstanding issues.
- 7) Personnel Policies adopted by the City.
- 8) Other Federal and State laws and regulations, as appropriate.

In the event that any irregularity in records indicates the City may have suffered or will suffer a monetary loss, we will report such loss to the appropriate City personnel immediately upon discovery in the form of a written report. Responses to City notifications will be prompt and all reports will be remitted in a timely manner to meet your needs. We make it a practice to be proactive in providing guidance and assistance to our audit clients throughout each fiscal year to ensure proper and timely implementation of new and significant accounting pronouncements, and also with laws and regulations.

Why hire VLF?

Based on our experience, our approach to the City's audit is unlike other audit firms. The significant involvement of the Audit Partners throughout the audit process helps to achieve highly efficient and effective audits. We customize each audit, each year, and believe our approach will help the City in its efforts to achieve excellence in financial reporting and provide excellent service to the citizens of Hidden Hills. Your City will be top priority for our firm, and you will have access to the Audit Partners on a daily basis.

Identification of Anticipated Audit Problems

We do not anticipate any unusual, significant problems in conducting the audit. With the high level of experience of our audit team, we anticipate an efficient and effective audit process.

The Partners and all professional staff have significant training and experience in assisting our clients with the implementation of new GASB pronouncements. We will take a pro-active approach to ensure the City has taken the necessary steps to effectively implement new standards, and are aware of applicable laws and regulations. We are committed to being available throughout the year to provide assistance, answer questions, and offer technical advice and examples.



References

The following are audit client references for which similar services have been provided in the last five years. The audit clients listed below are all current audit clients of our firm.

1) City of San Fernando

Nick Kimball, Director of Finance
117 MacNeil Street
San Fernando, California 91340
(818) 898-1215

Engagement Partner: Greg Fankhanel
Total Hours: 300

The City of San Fernando is a full-service city in Los Angeles County. We performed the audit of the City's financial statements for the past five fiscal years, including Single Audit. We have assisted the City with the implementation of various GASB Pronouncements, and with the submission of the CAFR to the GFOA financial statements award program.

2) City of Tehachapi

Client Contact: Hannah Chung, CPA,
Finance Director
City of Tehachapi
115 S Robinson Street
Tehachapi, CA 93561
(661) 822-2200

Engagement Partner: Brett Van Lant
Total Hours: 400

The City of Tehachapi was incorporated in 1909 as a General Law City and provides the following services: public safety, streets, planning, water, wastewater, refuse, airport, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2011 through 2019 (including single audit). We also prepared the State Controller's Reports and provided assistance in obtaining the GFOA financial statement award.

3) City of Lemon Grove

Client Contact: Molly Brennan,
Administrative Services Director
City of Lemon Grove
3232 Main Street
Lemon Grove, CA 91945
(619) 825-3803

Engagement Partner: Greg Fankhanel
Total Hours: 300

The City of Lemon Grove provides the following services: public safety, streets, planning, wastewater, and general administrative services. We conducted the annual audit of the City for



the years ended June 30, 2017 through 2019 (including single audit) and provided assistance with the implementation of GASB 75 and other accounting pronouncements. We also prepared the State Controller's Reports.

4) City of Winters

Client Contact: Shelly Gunby, Director of
Financial Management
City of Winters
318 First Street
Winters, CA 95694
(530) 795-4910

Engagement Partner: Brett Van Lant
Total Hours: 285

The City of Winters was incorporated in 1898 as a General Law City and provides the following services: public safety, streets, planning, water, wastewater, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2014 through 2019 (including single audit) and provided assistance with the implementation of GASB 68 and other accounting pronouncements. We also provided assistance in submitting for and obtaining the GFOA financial statement award.

5) City of La Puente

Client Contact: Troy Grunklee,
Administrative Services Director
City of La Puente
15900 Main St.
La Puente, CA 91744
(626) 855-1509

Engagement Partner: Brett Van Lant
Total Hours: 235

The City of La Puente is a General Law City that provides the following services: public safety, streets, planning, and general administrative services. We conducted the annual audit of the City for the years ended June 30, 2015 through June 30, 2019 (including single audit) and provided assistance with the implementation of new GASB Pronouncements. We also provided assistance in submitting for and obtaining the GFOA financial statement award.



Cost Summary

The schedule of professional fees and total all-inclusive maximum price for the audit services to be provided to the City for the fiscal years ending June 30, 2020 through June 30, 2022, and optional years ending June 30, 2023 and June 30, 2024 are provided below:

NOT TO EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE

In accordance with the Request for Proposal for Audit Services issued by City of Hidden Hills, the firm referenced below hereby submits the following cost proposal:

	Year Ended June 30th				
	2020	2021	2022	2023	2024
Basic Reports to Be Issued					
City Audit, including CAFR and Related Reports	\$ 18,000	\$ 18,000	\$ 18,360	\$ 18,725	\$ 19,100
Gann Limit Review	450	450	460	470	480
Total	\$ 18,450	\$ 18,450	\$ 18,820	\$ 19,195	\$ 19,580
Additional Audit Reports to be Requested at City Option					
Single Audit and Related Reports	\$ 3,200	\$ 3,200	\$ 3,265	\$ 3,330	\$ 3,395
Annual Report of City Financial Transactions to State Controller	1,000	1,000	1,020	1,040	1,060
Total	\$ 4,200	\$ 4,200	\$ 4,285	\$ 4,370	\$ 4,455
Total Fees with Optional Services	\$ 22,650	\$ 22,650	\$ 23,105	\$ 23,565	\$ 24,035

The above fees for Single Audit are based on the assumption there will be one major program to test in accordance with the Uniform Guidance. Invoices for our services will be submitted at two stages each fiscal year: one invoice subsequent to our preliminary audit work for approximately 1/3 of the total price (in August of each year), and the second invoice for the remainder after all reports have been issued.

Rates for Additional Professional Service

VLF agrees the City may broaden the scope of our engagement and we agree to hold ourselves available to perform such additional work as the City may desire. While we normally will negotiate additional fees for a scope change, the schedule below includes our standard hourly billing rates by staff level, should additional services be requested.



	Hours Billing Rate	Estimated Number of Hours	Estimated Charges
Partners	195	\$ 50	\$ 9,750
Managers	155	65	10,075
Senior Accountant	135	65	8,775
Staff Accountant	95	-	-
Clerical/Support Staff	-	N/A	-
Other	-	N/A	-
Subtotal			\$ 28,600
Discount			(5,950)
Total	580		\$ 22,650

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected, authorized to sign a contract with the City, for the services identified in the Request for Proposals.

Firm Name: Van Lant & Fankhanel, LLP

Signature: 

Printed Name: Brett Van Lant

Title: Partner

Date: 3/10/2020

APPENDIX A



Report on the Firm's System of Quality Control

To Van Lant & Fankhanel, LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Van Lant & Fankhanel, LLP (the firm) in effect for the year ended February 28, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.


Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Van Lant & Fankhanel, LLP in effect for the year ended February 28, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Van Lant & Fankhanel, LLP has received a peer review rating of *pass*.

A handwritten signature in cursive script that reads "Lowell & Spafford".

September 15, 2017

ATTACHMENT B

PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT is made and entered into as of _____ day of _____, 2020 ("Effective Date") by and between the City of Hidden Hills, a municipal corporation ("City") and Van Lant & Fankhanel, LLP ("Consultant").

RECITALS

A. City desires to obtain certain professional services as described in this Agreement.

B. Consultant represents that it is qualified by virtue of experience, training, education and expertise to provide the services required by the City.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. Term of Agreement. This Agreement shall commence on the Effective Date and shall remain and continue in effect until the Services are completed, unless sooner terminated as provided in Section 14.

2. Consultant's Services.

A. Scope of Services. Consultant shall perform the services described in the Scope of Services ("Services") attached as Exhibit A. To the extent that Exhibit A is a proposal from Consultant, such proposal is incorporated only for the description of the scope of services and no other terms and conditions from such proposal shall apply to this Agreement unless specifically agreed to by the City in writing.

B. Standard of Performance. Consultant shall at all times faithfully and competently perform the Services in accordance in a manner satisfactory to the City and consistent with the skill and standard of care generally exercised by like professionals under similar circumstances.

C. Time of Performance. Consultant shall commence the Services upon receipt of a written notice to proceed from City and shall perform all Services in conformance with the timeline set forth in Exhibit A or as otherwise established by the Parties in writing.

D. Personnel. Consultant has, or shall secure at its own expense, all personnel required to perform the Services required under this Agreement. All of the Services shall be performed by Consultant or under its supervisions, and all personnel engaged in the work shall be qualified to perform such Services.

E. Compliance with Laws. Consultant shall keep itself informed of State and Federal laws and regulations which in any manner affect the performance of its Services under this Agreement. Consultant shall at comply with all applicable federal, state and local laws, ordinance, codes and regulations. The City shall not be liable at law or in equity occasioned by failure of Consultant to comply with this provision.

F. Permits and Licenses. Consultant shall obtain and maintain during the Agreement term all necessary licenses, permits and certificates required by law for the performance of the Services under this Agreement, including a business license.

3. Compensation.

A. Compensation. As full compensation for Services satisfactorily rendered, City shall pay Consultant \$22,650, as more particularly described in Exhibit A (“Consideration”). Said Consideration shall constitute reimbursement of Contactor’s fee for the Services as well as the actual cost of any staff time, other direct or indirect costs or fees, including the work of employees, consultants and subcontractors, equipment, materials, and supplies necessary to provide the service (including all labor, materials, delivery, tax, assembly, and installation, as applicable). In no event shall the Consultant be paid more than _____ (which includes expenses and additional services (if any) during the term of this Agreement.

B. Expenses. City shall reimburse Consultant for those expenses expressly set forth in Exhibit A. Any expenses incurred by Consultant which are not expressly authorized by this Agreement will not be reimbursed by City.

C. Additional Services. City shall not allow any claims for additional Services performed by Consultant, unless the City Council or City Representative, as applicable, and the Consultant Representative authorize the additional Services in writing prior to Consultant’s performance of the additional Services or incurrence of additional expenses. Any additional Services or expenses authorized by the City Council or City Representative shall be compensated at the rates set forth in Exhibit A, or, if not specified, at a rate mutually agreed to by the Parties. City shall make payment for additional Services and expenses in accordance with Section 4 of this Agreement.

4. Method of Payment.

A. Invoices. Consultant shall submit to City an invoice, on a monthly basis or as otherwise set forth in Exhibit A, for actual Services performed pursuant to this Agreement. Each invoice shall itemize the Services rendered during the billing period, hourly rates charged, if applicable, and the amount due. City shall review each invoice and notify Consultant in writing within thirty business days of receipt of any disputed invoice amounts.

B. Payment. City shall pay all undisputed invoice amounts within 30 business days after receipt. City does not pay interest on past due amounts. City shall not withhold federal payroll, state payroll or other taxes, or other similar deductions, from payments made to Consultant.

C. Audit of Records. Consultant shall make all records, invoices, time cards, cost control sheets and other records maintained by Consultant in connection with this Agreement available during Consultant’s regular working hours to City for review and audit by City.

5. Independent Contractor.

A. Consultant is and shall at all times remain as to City a wholly independent contractor. Personnel performing the Services on behalf of Consultant shall at all times be under Consultant’s exclusive direction and control. Neither the City, nor any of its officers, employees, or agents shall have control over the conduct of Consultant, or its officers,

employees, or agents, except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees, or agents are in any manner officers, employees, or agents of the City. Consultant shall have no power to incur any debt, obligation, or liability on behalf of City or bind the City in any manner.

B. Consultant expressly acknowledges and agrees that City has no obligation to pay or withhold state or federal taxes or to provide workers' compensation or unemployment insurance or other employee benefits and that any person employed by Consultant shall not be in any way an employee of the City. Consultant shall have the sole legal responsibility to remit all federal and state income and social security taxes and to provide for his/her own workers compensation and unemployment insurance and that of his/her employees or subcontractors. City shall not be liable for compensation or indemnification to Consultant for injury or sickness arising out of performing services hereunder.

6. Responsible Principal(s). Consultant's responsible principal Brett Van Lant, CPA, shall be principally responsible for Consultant's obligations under this Agreement and shall serve as principal liaison between City and Consultant. Designation of another Responsible Principal by Consultant shall not be made without prior written consent of City. City's Responsible Principal shall be Kerry Kallman, City Manager, who shall administer the terms of the Agreement on behalf of City.

7. Release of Information.

A. Consultant covenants that all data, reports, documents, studies, drawings, plans, maps, models, photographs, discussion, or other information (collectively "Data and Documents") developed by Consultant in the performance of this Agreement and/or information received by Consultant or provided for the performance of this Agreement are deemed confidential and shall not be disclosed or released by Consultant without prior written authorization by City. Consultant, its officers, employees, agents, or subcontractors, shall not without written authorization from the City Manager or unless requested by the City Manager, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories, or other information concerning the work performed under this Agreement or relating to any project or property located within the City. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant give the City notice of such court order or subpoena.

B. Consultant shall promptly notify the City should Consultant, its officers, employees, agents, or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions, or other discovery request ("Discovery"), court order, or subpoena from any person or party regarding this Agreement and the work performed there under or with respect to any project or property located within the City. City may, but has no obligation to, represent Consultant and/or be present at any deposition, hearing, or similar proceeding. Consultant agrees to cooperate fully with City and to provide City the opportunity to review any response to discovery requests provided by Consultant. However, City's right to review any such response does not imply or mean the right by City to control, direct, or rewrite said response.

8. Ownership of Documents. All Data and Documents required to be furnished to City in connection with this Agreement shall become City's property, and City may use all or any portion of the Data and Documents submitted by Consultant as City deems appropriate. Upon completion of, or in the event of termination or suspension of this Agreement, all original Data

and Documents, including computer files containing data generated for the Services, surveys, notes, and other documents prepared in the course of providing the Services, whether in draft or final form, shall be provided to the City within five days of City's written request and shall become City's sole property. Any reuse or modification of any such Data or Documents on any project other than the project for which the materials were prepared shall be done at the sole risk of the City and Consultant shall bear no liability hereunder. With respect to computer files, Consultant shall make available to the City, at the Consultant's office and upon reasonable written request by the City, the necessary computer software and hardware for purposes of accessing, compiling, transferring, and printing computer files. Consultant may take and retain copies of the written products as desired, but the written products shall not be the subject of a copyright application by Consultant.

9. Conflicts of Interest. Consultant affirms that it presently has no interest and shall not acquire any interest, direct or indirect, which may be affected by the Services, or which would conflict in any manner with the performance of the Services. Consultant further covenants that, in performance of this Agreement, no person having any such interest shall be employed by it. Furthermore, Consultant shall avoid the appearance of having any interest, which would conflict in any manner with the performance of the Services. Consultant shall not accept any employment or representation during the term of this Agreement which is or may likely make Consultant "financially interested" (as provided in California Government Code §§1090 and 87100) in any decision made by City on any matter in connection with which Consultant has been retained.

10. Indemnification.

A. Consultant shall hold harmless, and indemnify the Indemnitees from and against any actual, alleged, or threatened causes of action, claims, costs, damages, demands, expenses (including reasonable fees of accountants, attorneys, and other professionals), judgments, losses, and proceedings of any nature whatsoever (collectively, "Liabilities") that arise out of the negligent acts or omissions of Consultant or its subcontractors in connection with this Agreement.

B. Consultant's obligations under this section shall survive expiration or termination of this Agreement, and shall apply regardless of whether or not any insurance policies are determined to be applicable to the Liabilities.

C. Consultant's obligations under this section shall not apply to Liabilities that arise from the negligence or willful misconduct of City, as determined by final arbitration or court decision or by consensus of the parties.

D. Consultant shall obtain executed indemnity agreements with provisions identical to those in this Section 10 from each and every subcontractor or any other person or entity involved by, for, with or on behalf of Consultant in the performance of this Agreement.

11. Insurance. Without limiting Consultant's hold harmless, and indemnification obligations under this Agreement, Consultant shall maintain policies of insurance as specified in the Insurance Requirements set forth in Exhibit B.

12. Mutual Cooperation.

A. City's Cooperation. City shall provide Consultant with all pertinent Data, documents and other requested information as is reasonably available for Consultant's proper performance of the Services required under this Agreement.

B. Consultant's Cooperation. In the event any claim or action is brought against City relating to Consultant's performance of Services rendered under this Agreement, Consultant shall render any reasonable assistance that City requires.

13. Records and Inspections. Consultant shall maintain complete and accurate records with respect to time, costs, expenses, receipts, correspondence, and other such information required by City that relate to the performance of the Services. Consultant shall maintain adequate records of services provided in sufficient detail to permit an evaluation of Services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to City, its designees and representatives at reasonable times, and shall allow City to examine and audit the books and records, to make transcripts therefrom as necessary, and to inspect all work, data, documents, proceedings and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a period of three years after receipt of final payment.

14. Suspension or Termination of Agreement.

A. The City may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, after giving written notice to Consultant at least ten (10) days before the suspension or termination is to be effective. Upon receipt of said notice, the Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. If the City suspends or terminates a portion of this Agreement such suspension or termination shall not make void or invalidate the remainder of this Agreement.

B. In the event of City's termination of this Agreement due to no fault or failure of performance by Consultant, City shall pay Consultant based on the actual value of work satisfactorily performed up to the effective date of termination. Upon termination, Consultant shall submit an invoice to the City pursuant to the provisions of Section X of this Agreement. In no event shall Consultant be entitled to receive more than the amount that would be paid to Consultant for the full performance of the Services required by this Agreement. Consultant shall have no other claim against City by reason of such termination, including any claim for compensation.

15. Force Majeure. Consultant shall not be liable for any failure to perform its obligations under this Agreement if Consultant presents acceptable evidence, in City's sole judgment, that such failure was due to strikes, lockouts, labor disputes, embargoes, acts of God, inability to obtain labor or materials or reasonable substitutes for labor or materials, governmental restrictions, governmental regulations, governmental controls, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, or other causes beyond Consultant's reasonable control and not due to any act by Consultant.

16. Default.

A. Consultant's failure to comply with the provisions of this Agreement shall constitute a default. In the event that Consultant is in default for cause under the terms of this Agreement, City shall have no obligation or duty to continue compensating Consultant for any work performed after the date of default and can terminate this Agreement immediately by written notice to the Consultant.

B. If the City Manager or his designee determines that Consultant is in default in the performance of any of the terms or conditions of this Agreement, City shall serve Consultant with written notice of the default. Consultant shall have ten calendar days after service upon it of the notice in which to cure the default by rendering a satisfactory performance. In the event that Consultant fails to cure its default within such period of time, City may, notwithstanding any other provision of this Agreement, terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

17. Notice. Any notices, bills, invoices, etc. required by this Agreement shall be deemed received on (a) the day of delivery if delivered by hand during the receiving party's regular business hours or by facsimile before or during the receiving party's regular business hours; or (b) on the second business day following deposit in the United States mail, postage prepaid to the addresses set forth below, or to such other addresses as the parties may, from time to time, designate in writing pursuant to this section.

If to City:

Kerry Kallman
City of Hidden Hills
6165 Spring Valley Road
Hidden Hills, California 91302

If to Consultant:

Bret Van Lant, CPA
Van Lant & Fankhanel, LLP
25901 Kellogg Street
Loma Linda, CA 92354

18. Prohibition of Assignment and Delegation. Consultant shall not assign any of its rights or delegate any of its duties under this Agreement, either in whole or in part, without City's prior written consent. City's consent to an assignment of rights under this Agreement shall not release Consultant from any of its obligations or alter any of its primary obligations to be performed under this Agreement. Any attempted assignment or delegation in violation of this Section 18 shall be void and of no effect and shall entitle City to terminate this Agreement. As used in this Section, "assignment" and "delegation" means any sale, gift, pledge, hypothecation, encumbrance or other transfer of all or any portion of the rights, obligations, or liabilities in or arising from this Agreement to any person or entity, whether by operation of law or otherwise, and regardless of the legal form of the transaction in which the attempted transfer occurs.

19. Attorney's Fees. In the event that either party commences any legal action or proceeding to enforce or interpret the provisions of this Agreement, the prevailing party in such action shall be entitled to reasonable attorney's fees, costs and necessary disbursements, in addition to such other relief as may be sought and awarded.

20. Entire Agreement. This Agreement represents the entire integrated agreement between City and Consultant, and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both City and Consultant.

21. No Third Party Beneficiaries Intended. This Agreement is made solely for the benefit of the Parties to this Agreement and their respective successors and assigns, and no other person or entity may have or acquire a right by virtue of this Agreement. The City shall not be obligated or liable under this Agreement to any party other than Consultant.

22. Waiver. No delay or omission to exercise any right, power or remedy accruing to City under this Agreement shall impair any right, power or remedy of City, nor shall it be construed as a waiver of, or consent to, any breach or default. No waiver of any breach, any failure of a condition, or any right or remedy under this Agreement shall be (1) effective unless it is in writing and signed by the Party making the waiver, (2) deemed to be a waiver of, or consent to, any other breach, failure of a condition, or right or remedy, or (3) deemed to constitute a continuing waiver unless the writing expressly so states.

23. Final Payment Acceptance Constitutes Release. The acceptance by Consultant of the final payment made under this Agreement shall operate as and be a release of City from all claims and liabilities for compensation to Consultant for anything done, furnished or relating to Consultant's work or services. Acceptance of payment shall be any negotiation of City's check or the failure to make a written extra compensation claim within ten calendar days of the receipt of that check. However, approval or payment by City shall not constitute, nor be deemed, a release of the responsibility and liability of Consultant, its employees, subcontractors and agents for the accuracy and competency of the information provided and/or work performed; nor shall such approval or payment be deemed to be an assumption of such responsibility or liability by City for any defect or error in the work prepared by Consultant, its employees, subcontractors and agents.

24. Corrections. In addition to the above indemnification obligations, Consultant shall correct, at its expense, all errors in the work which may be disclosed during City's review of Consultant's reports or plans, or other submittals. Should Consultant fail to make such correction in a reasonably timely manner, such correction may be made by City, and the cost thereof shall be charged to Consultant. In addition to all other available remedies, City may deduct the cost of such correction from any retention amount held by City or may withhold payment otherwise owed Consultant under this Agreement up to the amount of the cost of correction.

25. Non-Appropriation of Funds. Payments to be made to Consultant by City for services performed within the current fiscal year are within the current fiscal budget and within an available, unexhausted fund. In the event that City does not appropriate sufficient funds for payment of Consultant's services beyond the current fiscal year, the Agreement shall cover payment for Consultant's services only to the conclusion of the last fiscal year in which City

appropriates sufficient funds and shall automatically terminate at the conclusion of such fiscal year.

26. Governing Law and Choice of Forum. This Agreement, and any dispute arising from the relationship between the Parties to this Agreement, shall be governed by and construed in accordance with the laws of the State of California, except that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Agreement. Any dispute that arises under or relates to this Agreement (whether contract, tort or both) shall be resolved in a superior or federal court with geographic jurisdiction over the City of Hidden Hills.

27. Time of the Essence. Time is of the essence in respect to all provisions of this Agreement that specify a time for performance; provided, however, that the foregoing shall not be construed to limit or deprive a Party of the benefits of any grace or use period allowed in this Agreement.

28. Exhibits; Precedence. Exhibits A and B constitute a part of this Agreement and are incorporated into this Agreement by this reference. If any inconsistency exists or arises between a provision of this Agreement and a provision of any exhibit, or between a provision of this Agreement and a provision of Consultant's proposal, the provisions of this Agreement shall control.

29. Non-Discrimination and Equal Employment Opportunity. In the performance of this Agreement, Consultant shall not discriminate against any employee, subcontractor or applicant for employment because of race, color, religious creed, sex, gender, gender identity, gender expression, marital status, national origin, ancestry, age, physical disability, mental disability, medical condition, genetic information, sexual orientation or other basis prohibited by law. Consultant will take affirmative action to ensure that subcontractors and applicants are employed, and that employees are treated during employment, without regard to their race, color, religious creed, sex, gender, gender identity, gender expression, marital status, national origin, ancestry, age, physical disability, mental disability, medical condition, genetic information or sexual orientation.

30. Severability. Invalidation of any provision contained herein or the application thereof to any person or entity by judgment or court order shall in no way affect any of the other covenants, conditions, restrictions, or provisions hereof, or the application thereof to any other person or entity, and the same shall remain in full force and effect.

31. Counterparts. This Agreement may be executed in multiple counterparts, all of which shall be deemed an original, and all of which will constitute one and the same instrument.

32. Corporate Authority. Each person executing this Agreement on behalf of his or her Party warrants that he or she is duly authorized to execute this Agreement on behalf of that Party and that by such execution, that Party is formally bound to the provisions of this Agreement.

The Parties, through their duly authorized representatives are signing this Agreement on the date stated in the introductory clause.

CITY OF HIDDEN HILLS

Bret Katz, Mayor

ATTEST:

Deana L. Graybill, CMC, City Clerk

CONSULTANT:

Van Lant & Fankhanel, LLP

Name:

Title:

EXHIBIT A

SCOPE OF SERVICES, TIME OF PERFORMANCE, AND COMPENSATION

Scope of Services

The City's goal is to provide the public and its constituents with a financial statement that gives complete, accurate and understandable information about the City's financial condition. The selected independent auditor will be required to perform the following tasks:

1. Annual Financial Report - Audit the Basic Financial Statements of the City to obtain reasonable assurance about whether the financial statements are free from material misstatement. Express an opinion on the fair presentation of the City's governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in conformity with generally accepted accounting principles. The Auditor shall also be responsible for performing certain limited procedures involving management's discussion and analysis (MD&A) and the required supplementary information (RSI) required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.
2. Single Audit Act Report (if required) – The audit firm will perform a single audit on the expenditures of federal grants in accordance with the provisions of the Single Audit Act Amendments of 1996 and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and render the appropriate audit reports on Internal Control over Finance Reporting based upon the audit of the City's financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with Requirements Applicable to each Major Program, and internal Control over Compliance. The single audit report prepared and published by the audit firm will include appropriate schedule of expenditures and material weaknesses, and follow up on prior audit findings where required. If the City does not meet the minimum requirements to necessitate a single audit, the fees shall be adjusted accordingly. Additionally, the audit firm will submit the required information to the Federal Audit Clearinghouse.
3. Gann Limit - The audit firm shall perform agreed-upon procedures pertaining to the City's Article XIIB Limit (Appropriations Limit) and render a letter annually to the City regarding compliance.
4. GASB 68 – The firm selected is expected to provide templates and/or journal entries required to comply with Governmental Accounting Standards Board Statement No. 68.
5. Management Letter – The firm will issue a separate “management letter” that includes recommendations for improvement in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. The management letter shall be addressed to the City Manager. Prior to its release, City staff shall be given an opportunity to review and comment.
6. Updates – The firm selected is expected to keep the City abreast of new developments affecting municipal finance and reporting, Government Accounting Standards Board

pronouncements, procedural changes for grants, etc. The firm is also expected to provide advice to City staff related to the proper accounting treatment for transactions as needed and without additional costs.

7. Other – The firm selected will prepare the Annual Financial Report (AFR) as well as the Single Audit Report (if needed). Will also be asked to prepare the Cities State Controller’s Office Financial Transaction Report (FTR). The firm selected may also be asked to examine other reports or perform other services as required. The scope and compensation for any such request would be negotiated between the City and the Auditor.

Auditing Standards to be Followed

To meet the requirements of this Request for Proposal, the audit shall be performed in accordance with:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants
- The standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States
- The provisions of the Federal Single Audit Act
- The provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

Reports to be Issued

Following completion of the audit and preparation of the fiscal year’s financial statements and special purpose audits, the Auditor shall issue:

1. Reports on the fair presentation of the financial statements in accordance with auditing standards generally accepted in the United States of America as listed below:
 - a. Basic Financial Statements for the City;
 - b. Single Audit Report
2. A report based on the 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.
3. A report on the compliance with requirements that could have a direct and material effect on each major program and internal control over compliance in accordance with OMB Circular A-133 and on the schedule of expenditures of federal awards. Also included would be a schedule of findings and questioned costs associated with federal awards.

4. A Management Letter setting forth recommendations (as applicable) for improvements in the City's internal control, accounting procedures, and any other significant observations.
5. Reports to and communication with those charged with governance, as required by auditing standards.
6. A report on the City's compliance with Proposition 111, Article XIII.B of the California State Constitution and Government Code Section 7900 (et seq.) and its calculation of the "Gann Limit".
7. Auditors shall be required to make immediate, written notification to the City Council, City Manager, and City Attorney of all irregularities and illegal acts or indications of illegal acts of which they become aware.
8. Any other reports that may become required as a result of a change in accounting standards or new pronouncements that become effective during the term of the engagement.

Other Communications

The Auditor shall make all communications to the City required by the audit standards under which the engagement is performed. Those communications include, but are not limited to:

- The Auditor's responsibility under generally accepted auditing standards.
- Significant accounting policies.
- Management judgment and accounting estimates.
- Significant audit adjustments.
- Other information in documents containing audited financial statements.
- Disagreements with management.
- Management consultation with other accountants.
- Major issues discussed with management prior to retention.
- Difficulties encountered in performing the audit.
- Errors, irregularities, and illegal acts.

The Auditor must be available to present the audit plan prior to beginning field work. In addition, the Auditor must be available to present all final reports to City management and the City Council as requested at no additional costs.

Working Paper Retention and Access to Working Papers

All work papers and reports must be retained, at the Auditor's expense, for a minimum of five years (or the retention timeframe established by the professional standards, whichever is longer) unless the firm is notified in writing by the City of the need to extend the retention period. The work papers are subject to review by federal and state agencies and other individuals designated by the City. Accordingly, the work papers shall be made available upon request.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers.

Journal Entries

All adjusting journal entries made by the Auditors must be discussed and explained to the designated Finance Department personnel prior to recording. They should be in a format that shows the lowest level of posting detail needed for data entry in the general ledger systems.

Assistance to be Provided by The City

The Finance Department staff will be available to assist the firm by providing information, documentation and explanations.

1. City Staff will prepare the final closing of the accounting ledgers. The City will provide the auditor with a Trial Balance by Fund and all of the accounting transaction detail necessary to perform the audit.
2. City Staff will generate the necessary confirmation letters prepared by the auditor.
3. City will provide the auditor with reasonable workspace, access to a telephone line, photocopier, and internet access for field work at the City Hall.

Cost Summary

NOT TO EXCEED PRICE FOR PROPOSED SERVICES SCHEDULE

In accordance with the Request for Proposal for Audit Services issued by City of Hidden Hills, the firm referenced below hereby submits the following cost proposal:


	Year Ended June 30th				
	2020	2021	2022	2023	2024
Basic Reports to Be Issued					
City Audit, including CAFR and Related Reports	\$ 18,000	\$ 18,000	\$ 18,360	\$ 18,725	\$ 19,100
Gann Limit Review	450	450	460	470	480
Total	\$ 18,450	\$ 18,450	\$ 18,820	\$ 19,195	\$ 19,580
Additional Audit Reports to be Requested at City Option					
Single Audit and Related Reports	\$ 3,200	\$ 3,200	\$ 3,265	\$ 3,330	\$ 3,395
Annual Report of City Financial Transactions to State Controller	1,000	1,000	1,020	1,040	1,060
Total	\$ 4,200	\$ 4,200	\$ 4,285	\$ 4,370	\$ 4,455
Total Fees with Optional Services	\$ 22,650	\$ 22,650	\$ 23,105	\$ 23,565	\$ 24,035

The above fees for Single Audit are based on the assumption there will be one major program to test in accordance with the Uniform Guidance. Invoices for our services will be submitted at two stages each fiscal year: one invoice subsequent to our preliminary audit work for approximately 1/3 of the total price (in August of each year), and the second invoice for the remainder after all reports have been issued.

	Hours Billing Rate	Estimated Number of Hours	Estimated Charges
Partners	195	\$ 50	\$ 9,750
Managers	155	65	10,075
Senior Accountant	135	65	8,775
Staff Accountant	95	-	-
Clerical/Support Staff	-	N/A	-
Other	-	N/A	-
Subtotal			\$ 28,600
Discount			(5,950)
Total	580		\$ 22,650

I hereby certify that the undersigned is authorized to represent the firm stated above, and empowered to submit this bid, and if selected, authorized to sign a contract with the City, for the services identified in the Request for Proposals.

Firm Name: Van Lant & Fankhanel, LLP

Signature: 

Printed Name: Brett Van Lant

Title: Partner

Date: 3/10/2020

EXHIBIT B

INSURANCE REQUIREMENTS

A. Consultant shall at all times during the term of this Agreement carry, maintain, and keep in full force and effect, insurance as follows:

1. Commercial General Liability Insurance, with coverage at least as broad as Insurance Services Office form CG 00 01, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, for bodily injury, personal injury, and property damage. The policy must include contractual liability that has not been amended. Any endorsement restricting standard ISO "insured contract" language will not be accepted. If Consultant is a limited liability company, the commercial general liability coverage shall be amended so that Consultant and its managers, affiliates, employees, agents and other persons necessary or incidental to its operation are insured.

2. Automobile Liability Insurance at least as broad as Insurance Services Office form CA 00 01 covering bodily injury and property damage for all activities of the Consultant arising out of or in connection with the Services to be performed under this Agreement, including coverage for any owned, hired, non-owned or rented vehicles, in an amount not less than \$1,000,000 combined single limit for each accident.

3. Workers' Compensation Insurance as required by the State of California and Employer's Liability Insurance (with limits of at least \$1,000,000).

4. If this box is checked, Professional Liability Insurance (errors and omissions) that covers the Services to be performed under this Agreement, in the minimum amount of \$2,000,000 per claim and in the aggregate. Any policy inception date, continuity date, or retroactive date must be before the effective date of this Agreement. Further, Consultant agrees to maintain continuous coverage through a period no less than three (3) years after completion of the Services required by this Agreement.

B. Acceptability of Insurers. All insurance policies required by this Agreement shall be issued by an insurer authorized by the State of California to transact business of insurance with a rating of at least a B+;VII in the latest edition of Best's Insurance Guide or by an insurer acceptable to the City Manager.

C. Evidence of Insurance. Consultant shall provide certificates of insurance to City as evidence of the insurance coverage required herein, along with a waiver of subrogation endorsement for workers' compensation. Insurance certificates and endorsements must be approved by the City Manager prior to commencement of performance. Current certificates of insurance shall be kept on file with the City Clerk at all times during the term of this Agreement. City reserves the right to require complete, certified copies of all required insurance policies, at any time.

D. Additional Insured Status. The commercial general and automobile liability policies shall provide or be endorsed to provide that the City and its officers, officials, employees, and agents, and volunteers shall be additional insureds under such policies. This provision shall also apply to any excess/umbrella liability policies.

E. Primary and Non-Contributing. The insurance policies provided by Consultant shall apply on a primary non-contributing basis in relation to any other insurance or self-insurance available to City. Any insurance or self-insurance maintained by City, its officers, employees, agents or volunteers, shall be in excess of Consultant's insurance and shall not contribute with it.

F. Consultant's Waiver of Subrogation. The insurance policies provided by Consultant shall not prohibit Consultant and Consultant's employees, agents or subcontractors from waiving the right of subrogation prior to a loss. Consultant hereby waives all rights of subrogation against City.

G. Self-insured Retentions. Any self-insured retentions must be declared to and approved by the City Manager. The City reserves the right to require that self-insured retentions be eliminated, lowered, or replaced by a deductible. Self-insurance will not be considered to comply with these specifications unless approved by the City Manager.

H. Cancellations or Modifications to Coverage. Consultant shall not cancel, reduce or otherwise modify the insurance policies required by this Section during the term of this Agreement. The commercial general and automobile liability policies required under this Agreement shall be endorsed to state that should the issuing insurer cancel the policy before the expiration date, the issuing insurer will endeavor to mail 30 days' prior written notice to City. If any insurance policy required under this Section is canceled or reduced in coverage or limits, Consultant shall, within two business days of notice from the insurer, phone, fax or notify City via certified mail, return receipt requested, of the cancellation of or changes to the policy.

I. City Remedy for Noncompliance. If Consultant does not maintain the policies of insurance required under this Section in full force and effect during the term of this Agreement, or in the event any of Consultant's policies do not comply with the requirements under this Section, City may either immediately terminate this Agreement or, if insurance is available at a reasonable cost, City may, but has no duty to, take out the necessary insurance and pay, at Consultant's expense, the premium thereon. Consultant shall promptly reimburse City for any premium paid by City or City may withhold amounts sufficient to pay the premiums from payments due to Consultant.

J. Prohibition of Undisclosed Coverage Limitations. None of the coverages required herein will be in compliance with these provisions if they include any limiting endorsement of any kind that has not been first submitted and approved by the City in writing.

K. Separation of Insureds. A severability of interests provision must apply for all additional insureds ensuring that Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the insurer's limits of liability. The policy(ies) shall not contain any cross-liability exclusions.

L. Timely Notice of Claims. Consultant shall give the City prompt and timely notice of claims made or suits instituted that arise out of or result from Consultant's performance under this Agreement, and that involve or may involve coverage under any of the required liability policies.

M. Additional Insurance. Consultant shall also procure and maintain, at its own cost and expense, any additional kinds of insurance, which in its own judgment may be necessary for its proper protection and prosecution of the work.

N. Indemnity Requirements not Limiting. Procurement of insurance by Consultant shall not be construed as a limitation of Consultant's liability or as full performance of Consultant's duty to indemnify City under Section 10 of this Agreement.

O. City Manager Authority. The City Manager may, in writing, amend and/or waive the insurance provisions set forth in paragraph A herein. In such case, the Consultant shall comply with the insurance provisions required by the City Manager.

P. Subcontractor Insurance Requirements. Consultant shall require each of its subcontractors that perform Services under this Agreement to maintain insurance coverage which meets all of the requirements of these provisions.