

**NOTICE OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**

**FINANCE COMMITTEE
TELECONFERENCE MEETING**

**December 20, 2022
10:30 a.m.**

Join Zoom Meeting by clicking on the link below:

Join Zoom Meeting
<https://socwa.zoom.us/>

Meeting ID: 834 1101 6442
Passcode: 395554

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+16699006833,,83153136877#,,,,*101292# US (San Jose)
+16694449171,,83153136877#,,,,*101292# US

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+1 346 248 7799 US (Houston)
+1 360 209 5623 US
+1 386 347 5053 US
+1 564 217 2000 US
+1 646 931 3860 US
+1 929 205 6099 US (New York)
+1 301 715 8592 US (Washington DC)
+1 309 205 3325 US
+1 312 626 6799 US (Chicago)

Find your local number: <https://socwa.zoom.us/j/83411016442>

NOTICE IS HEREBY GIVEN that a Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was called to be held by teleconference on **December 20, 2022**, located at 34156 Del Obispo Street, Dana Point, California.

MEMBERS OF THE PUBLIC ARE INVITED TO PARTICIPATE IN THIS TELECONFERENCE MEETING AND MAY JOIN THE MEETING VIA THE TELECONFERENCE PHONE NUMBER AND ENTER THE ID CODE. THIS IS A PHONE CALL MEETING AND NOT A WEB-CAST MEETING SO PLEASE REFER TO AGENDA MATERIALS AS POSTED WITH THE AGENDA ON THE WEB-SITE WWW.SOCWA.COM. ON YOUR REQUEST, EVERY EFFORT WILL BE MADE TO ACCOMMODATE PARTICIPATION. IF YOU REQUIRE ANY SPECIAL DISABILITY RELATED ACCOMMODATIONS, PLEASE CONTACT THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SECRETARY'S OFFICE AT (949) 234-5452 AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING TO REQUEST DISABILITY RELATED ACCOMMODATIONS. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING.

AGENDA ATTACHMENTS AND OTHER WRITINGS THAT ARE DISCLOSABLE PUBLIC RECORDS DISTRIBUTED TO ALL, OR A MAJORITY OF, THE MEMBERS OF THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY FINANCE COMMITTEE IN CONNECTION WITH A MATTER SUBJECT TO DISCUSSION OR CONSIDERATION AT AN OPEN MEETING OF THE FINANCE COMMITTEE ARE AVAILABLE BY PHONE REQUEST MADE TO THE AUTHORITY ADMINISTRATIVE OFFICE AT 949-234-5452. THE AUTHORITY ADMINISTRATIVE OFFICES ARE LOCATED AT 34156 DEL OBISPO STREET, DANA POINT, CA ("AUTHORITY OFFICE"), BUT ARE NOT OPEN TO THE PUBLIC DURING THE PERIOD OF STAY AT HOME ORDERS. IF SUCH WRITINGS ARE DISTRIBUTED TO MEMBERS OF THE FINANCE COMMITTEE LESS THAN TWENTY-FOUR (24) HOURS PRIOR TO THE MEETING, THEY WILL BE SENT TO PARTICIPANTS REQUESTING VIA EMAIL DELIVERY. IF SUCH WRITINGS ARE DISTRIBUTED IMMEDIATELY PRIOR TO OR DURING THE MEETING, THEY WILL BE AVAILABLE IMMEDIATELY ON VERBAL REQUEST TO BE DELIVERED VIA EMAIL TO REQUESTING PARTIES.

AGENDA

1. Call Meeting to Order
2. Public Comments

THOSE WISHING TO ADDRESS THE FINANCE COMMITTEE ON ANY ITEM LISTED ON THE AGENDA WILL BE REQUESTED TO IDENTIFY AT THE OPENING OF THE MEETING AND PRIOR TO THE CLOSE OF THE MEETING. THE AUTHORITY REQUESTS THAT YOU STATE YOUR NAME WHEN MAKING THE REQUEST IN ORDER THAT YOUR NAME MAY BE CALLED TO SPEAK ON THE ITEM OF INTEREST. THE CHAIR OF THE MEETING WILL RECOGNIZE SPEAKERS FOR COMMENT AND GENERAL MEETING DECORUM SHOULD BE OBSERVED IN ORDER THAT SPEAKERS ARE NOT TALKING OVER EACH OTHER DURING THE CALL.

3. Approval of Minutes

- Finance Committee Meeting of November 30, 2022

Recommended Action: Staff recommends the Finance Committee to approve subject minutes as submitted.

4. Financial Reports for the Month of November 2022

The reports included are as follows:

- a. Summary of Disbursements for November 2022 (Exhibit A)
- b. Schedule of Funds Available for Reinvestment (Exhibit B)
 - Local Agency Investment Fund (LAIF)
- c. Schedule of Cash and Investments (Exhibit C)
- d. Capital Schedule (Exhibit D)
 - Capital Projects – Graph (Exhibit D-1)
- e. Budget vs. Actual Expenses:
 - Operations and Environmental Summary (Exhibit E-1)
 - Operations and Environmental by PC (E-1.2)
 - Residual Engineering, after transfer to Capital (Exhibit E-2)
 - Administration (Exhibit E-3)
 - Information Technology (IT) (Exhibit E-4)

Recommended Action: Staff recommends that the Finance Committee recommend that the Board of Directors ratify the November 2022 disbursements for the period from November 1, 2022, through November 30, 2022, totaling \$1,892,575, and to receive and file the November 2022 Financial Reports as submitted.

5. Year End June 30, 2023, Financial Auditing Services – Selection of Auditor with services up to four (4) years.

Recommended Action: Staff recommends that the Finance Committee make a recommendation to the Board of Directors that authorizes the General Manager to enter into a contract for up to four (4) years with one of the two firms.

6. Cost of Service Restructure Opportunities for SOCWA – Verbal Update on Meeting with Finance Officers

Recommended Action: Staff request the Finance Committee consideration and comments. Direction to Staff.

Adjournment

I hereby certify that the foregoing Notice was personally emailed or mailed to each member of the SOCWA Finance Committee at least 24 hours prior to the scheduled time of the Special Meeting referred to above.

I hereby certify that the foregoing Notice was posted at least 24 hours prior to the time of the above-referenced Finance Committee at the usual agenda posting location of the South Orange County Wastewater Authority and at www.socwa.com.

Dated this 14th day of December 2022.



Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**

Finance Committee

November 30, 2022

DRAFT

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on November 30, 2022 at 7:00 a.m. via teleconference from the Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present via Zoom Meeting:

DENNIS CAFFERTY	El Toro Water District	Alternate Director
DAN FERONS	Santa Margarita Water District	Director
PAMELA ARENDS-KING	South Coast Water District	Alternate Director

Absent:

MATT COLLINGS	Moulton Niguel Water District	Director
DAVID SHISSLER	City of Laguna Beach	Alternate Director

Staff Participation:

BETTY BURNETT	General Manager
MARY CAREY	Finance Controller
AMBER BAYLOR	Director of Environmental Compliance
JIM BURROR	Director of Operations
KONSTANTIN SHILKOV	Senior Accountant
NAYDN KIM	Accountant
ANNA SUTHERLAND	Accounts Payable
DINA ASH	HR Administrator
MATT CLARKE	IT Administrator
RONI YOUNG-GRANT	Associate Engineer
DANITA HIRSH	Executive Assistant

Also Participating:

ADRIANA OCHOA	Procopio Law
KEVIN DAVIS	Procopio Law
KEN PUN	The Pun Group
SOPHIA KUO	The Pun Group
KATHRYN FRESHLEY	El Toro Water District
PAUL PENDER	Santa Margarita Water District

1. Call Meeting to Order

Chairman Ferons called the meeting to order at 7:00 a.m.

2. Public Comments

None.

3. Approval of Minutes

- Finance Committee Meeting of October 18, 2022

ACTION TAKEN

Motion was made by Director Cafferty and seconded by Director Arends-King to approve subject Minutes as submitted.

Motion carried: Aye , Nay 0, Abstained 0, Absent 2
Director Ferons Aye
Director Shissler Absent
Director Cafferty Aye
Director Collings Absent
Director Arends-King Aye

4. Annual Comprehensive Financial Report (ACFR) for Fiscal Years ended June 30, 2022, and 2021

Mr. Ken Pun and Ms. Sophia Kuo of The Pun Group gave a presentation on the SOCWA independent audit and overview of the Financial Statements.

ACTION TAKEN

Motion was made by Director Arends-King and seconded by Director Cafferty to recommend that the Board receive and file the Annual Comprehensive Financial Report (ACFR) including the Independent Auditors Report for Fiscal Years ended June 30, 2022, and 2021.

Motion carried: Aye 3, Nay 0, Abstained 0, Absent 2
Director Ferons Aye
Director Shissler Absent
Director Cafferty Aye
Director Collings Absent
Director Arends-King Aye

5. Final Use Audit, FY 2021-22 Budget vs. Actual

ACTION TAKEN

Motion was made by Director Arends-King and seconded by Director Cafferty to recommend that the Board of Directors approve the FY 2021-22 Use Audit.

Motion carried: Aye 3, Nay 0, Abstained 0, Absent 2
Director Ferons Aye
Director Shissler Absent
Director Cafferty Aye
Director Collings Absent
Director Arends-King Aye

6. Fiscal Year 2021-22 Updated Supplemental Financial Report

Ms. Carey pulled the agenda item to make some revisions based on information that was received after the report was sent out.

There was consensus of the Finance Committee to have this item brought back for consideration at the December meeting.

7. Financial Reports for the Month of October 2022

ACTION TAKEN

Motion was made by Director Arends-King and seconded by Director Cafferty to recommend that the Board of Directors ratify the October 2022 disbursements for the period from October 1, 2022, through October 31, 2022, totaling \$2,836,868, and to receive and file the October 2022 Financial Reports as submitted.

Motion carried:	Aye 3, Nay 0, Abstained 0, Absent 2
	Director Ferons Aye
	Director Shissler Absent
	Director Cafferty Aye
	Director Collings Absent
	Director Arends-King Aye

Adjournment

There being no further business, Chairman Ferons adjourned the meeting at 7:38 a.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of the Special Meeting of the South Orange County Wastewater Authority Finance Committee of November 30, 2022 and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

South Orange County Wastewater Authority

**AU-C 260 Communication With
Those Charge With Governance**

For the Year Ended June 30, 2022

November 30, 2022



CONTENTS

- Scope of Work
- Required Communications (AU-C 260)
- Audit Approach for SOCWA
- Overview of Financial Statements
- Audit Results
- Thank You!

SCOPE OF WORK

SCOPE OF WORK

- Audit of the Annual Comprehensive Financial Report
- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

- Form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America
- Our responsibility is to plan and perform the audit to obtain “reasonable” assurance (not “absolute” assurance) about whether the financial statements are free of material misstatements.
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- We considered internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency’s ability to continue as a going concern for a reasonable period of time.
- Communicate with those charged with governance

Required Communications (AU-C 260)

Required Communications (AU-C 260)

- **Ethics and Independence**

- Complied with ALL relevant ethical requirements regarding independence

- **Significant Accounting Policies**

- SOCWA disclosed all significant accounting policies in Note 2 to the financial statements.
- SOCWA implemented GASB Statements –
 - No. 87 - *Leases*
 - No. 89 - *Accounting for Interest Cost Incurred before the end of a Construction Period*
 - No. 92 - *Omnibus 2020*
 - No. 93 - *Replacement of Interbank Offered Rates. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR)*
 - No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*

Required Communications (AU-C 260)

- **Significant Estimates**
 - Fair Value on Investments
 - Depreciation on Capital Assets and Amortization on the Lease Assets (Right to Use Assets)
 - Net Pension Liability
 - Net OPEB Liability
- **Sensitive Disclosures**
 - Note 2 - Summary of Significant Accounting Policies
 - Note 6 – Other Postemployment Benefits (“OPEB”)
 - Note 7 – Defined Benefit Pension Plan
 - Note 10 – Commitment and Contingencies
 - Note 11- Prior Period Adjustments and Restatements of 2021 Financial Statements
 - Note 12 – Subsequent Events

Required Communications (AU-C 260)

- **Misstatements**
 - There were no corrected or uncorrected misstatement reported.
- **Consultation with Other Accountants**
 - Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and other matters.
- **Significant Difficulties**
 - We encountered no significant difficulties in dealing with management.
- **Disagreement with Management**
 - We did not have any disagreement with management in terms of accounting treatments nor audit procedures performed.

OVERVIEW OF THE FINANCIAL STATEMENTS

Net Position as of June 30

	2022	2021 (As Restated)
Assets	\$ 173,113,027	\$ 171,492,520
Deferred Outflows of Resources	3,913,258	3,869,594
Liabilities	19,722,497	31,100,108
Deferred Inflows of Resources	9,733,205	2,468,392
Net Position:		
Investment in capital asset	161,420,788	154,752,497
Unrestricted (deficit)	(13,850,205)	(12,958,883)
Total net position	<u>\$ 147,570,583</u>	<u>\$ 141,793,614</u>

Changes in Net Position

	2022	2021 (As Restated)
Operating Revenues	\$ 23,250,429	\$ 22,015,485
Less: Operating expenses	(33,344,043)	(31,170,402)
Non operating revenues	316,629	239,383
Capital contributions	15,553,954	11,533,533
Changes in Net Position	<u>\$ 5,776,969</u>	<u>\$ 2,617,999</u>

Net Pension Liability

Measurement Date	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate	Current Discount	Discount Rate
	-1% (6.15%)	Rate (7.15%)	+1% (8.15%)
June 30, 2021	\$ 17,466,537	\$ 9,257,418	\$ 2,471,058
June 30, 2020	23,382,615	15,527,683	9,037,399

Net OPEB Liability

Plan's Net OPEB Liability			
Measurement Date	Discount Rate -1% (5.5%)	Current Discount Rate (6.5%)	Discount Rate +1% (7.5%)
June 30, 2022	\$ 6,265,966	\$ 4,948,607	\$ 3,860,444
June 30, 2021	\$ 5,344,943	\$ 4,142,479	\$ 2,906,753

AUDIT RESULT

Audit Results

- **Financial Statements**
 - Unmodified opinion
 - Financial Statements are fairly presented in all material respects
 - Significant accounting policies have been consistently applied
 - Estimates are reasonable
 - Disclosures are properly reflected in the financial statements
- **AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit***
 - Internal Control over Financial Reporting



THE
PUN GROUP
ACCOUNTANTS & ADVISORS

Thank You



HQ - ORANGE COUNTY

200 E. Sandpointe Avenue
Suite 600
Santa Ana, CA 92707

SAN DIEGO

4365 Executive Drive
Suite 710
San Diego, CA 92121

BAY AREA

2121 North California Blvd.
Suite 290
Walnut Creek, CA 94596

LAS VEGAS

1050 Indigo Drive
Suite 110
Las Vegas, NV 89145

PHOENIX

4742 North 24th Street
Suite 300
Phoenix, AZ 85016

Exhibit A

**South Orange County Wastewater Authority
Summary of Disbursements for November 2022
Staff Recommendation of Fiscal Matters**

	<u>Actual</u>
General Fund	\$ (448,681)
PC 2 - Jay B. Latham Plant	(804,551)
PC 5 - San Juan Creek Ocean Outfall	(35,372)
PC 8 - Pretreatment Program	(605)
PC 12 SO - Water Reclamation Permits	-
PC 15 - Coastal Treatment Plant/AWT	(85,883)
PC 17 - Joint Regional Wastewater Reclamation	(480,706)
PC 21 - Effluent Transmission Main	(390)
PC 23 - North Coast Interceptor	-
PC 24 - Aliso Creek Ocean Outfall	(36,386)
Total	<u>\$ (1,892,575)</u>

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
SCHEDULE OF FUNDS AVAILABLE FOR REINVESTMENT
as of November 30, 2022**

CASH IN BANK: (BEGINNING BAL.)	\$	1,839,409
L.A.I.F. FUNDS: (BEGINNING BAL.)		3,105,673
DEPOSITS, TRANSFERS & ADJUSTMENTS:		6,441,730
FUND REQUIREMENTS:		
BILLS FOR CONSIDERATION ¹		(1,892,575)
TOTAL CASH IN BANK	\$	9,494,237

¹ GL postings.

In accordance with Government Code 53646(c), since all funds are placed in the State LAIF, staff has included in the Financial Packet, the most current statement from the State LAIF, in lieu of the report required by Government Code 53646(b)(1).

In accordance with requirements of the Government Code and the "SOCWA Investment Policy", I hereby certify that:

- 1). All investment actions executed since the last report have been made in full compliance with the Investment Policy.
- 2). SOCWA does not have sufficient funds currently on hand to meet its expenditure obligations for the next six months (see note) due to the fact that SOCWA bills and receives operational funds on a quarterly basis only.

Betty Burnett
General Manager

Note: Operational funds are collected on a quarterly basis at the beginning of the quarter. Capital funds are collected on a quarterly basis in connection with projected needs. Member agencies have pledged to have funds available to meet all obligations.



PMIA/LAIF Performance Report as of 12/07/22



PMIA Average Monthly Effective Yields⁽¹⁾

November	2.007
October	1.772
September	1.513

Quarterly Performance Quarter Ended 09/30/22

LAIF Apportionment Rate ⁽²⁾ :	1.35
LAIF Earnings Ratio ⁽²⁾ :	0.00003699565555327
LAIF Fair Value Factor ⁽¹⁾ :	0.980760962
PMIA Daily ⁽¹⁾ :	1.63%
PMIA Quarter to Date ⁽¹⁾ :	1.29%
PMIA Average Life ⁽¹⁾ :	304

Pooled Money Investment Account Monthly Portfolio Composition ⁽¹⁾

10/31/22

\$215.3 billion

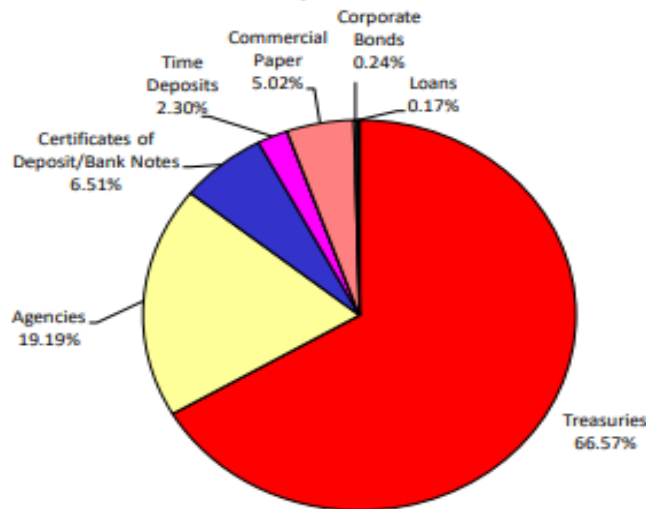


Chart does not include \$3,715,000.00 in mortgages, which equates to 0.002%. Percentages may not total 100% due to rounding.

Daily rates are now available here. [View PMIA Daily Rates](#)

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund loan pursuant to Public Utility Code 3288 (a).

Source:

⁽¹⁾ State of California, Office of the Treasurer

⁽²⁾ State of California, Office of the Controller

Exhibit C

**South Orange County Wastewater Authority
Schedule of Cash and Investments
as of November 30, 2022**

MVA	\$ 11,783	(A)
A/P Checking	1,336,397	(B)
Payroll Checking	129,385	(C)
State LAIF	8,016,673	(D)
Total Cash in Bank¹	\$ 9,494,237	
Petty Cash	1,600	(E)
Total Operating Cash	\$ 9,495,837	
OPEB Trust	5,658,865	(F)
Total Cash and Investments	\$ 15,154,702	

¹Bank balance at the end of a month may differ from an accounting closing balance as there may be in-transit items that haven't cleared the bank.

Notes:

- (A) Interest bearing account; all cash receipts are deposited in this account and later moved to the LAIF account.
- (B) Accounts Payable Checks are drawn against this account; money is transferred to this account, as needed, from the LAIF account.
- (C) Payroll including payroll taxes and related liabilities are drawn against this account; money is transferred into this account, as needed, from the LAIF account.
- (D) California State Local Agency Investment Fund (LAIF) balance.
- (E) Cash on hand with GM's office and held by Chief Operators at each Treatment facility.
- (F) OPEB Trust Fund; these funds can only be used for Retiree Health Benefits. Cash balance is usually one month behind, pending receipt of the PARS statement.

**South Orange County Wastewater Authority
Capital Projects Summaries
For the Period Ended November 30, 2022
(in dollars)**

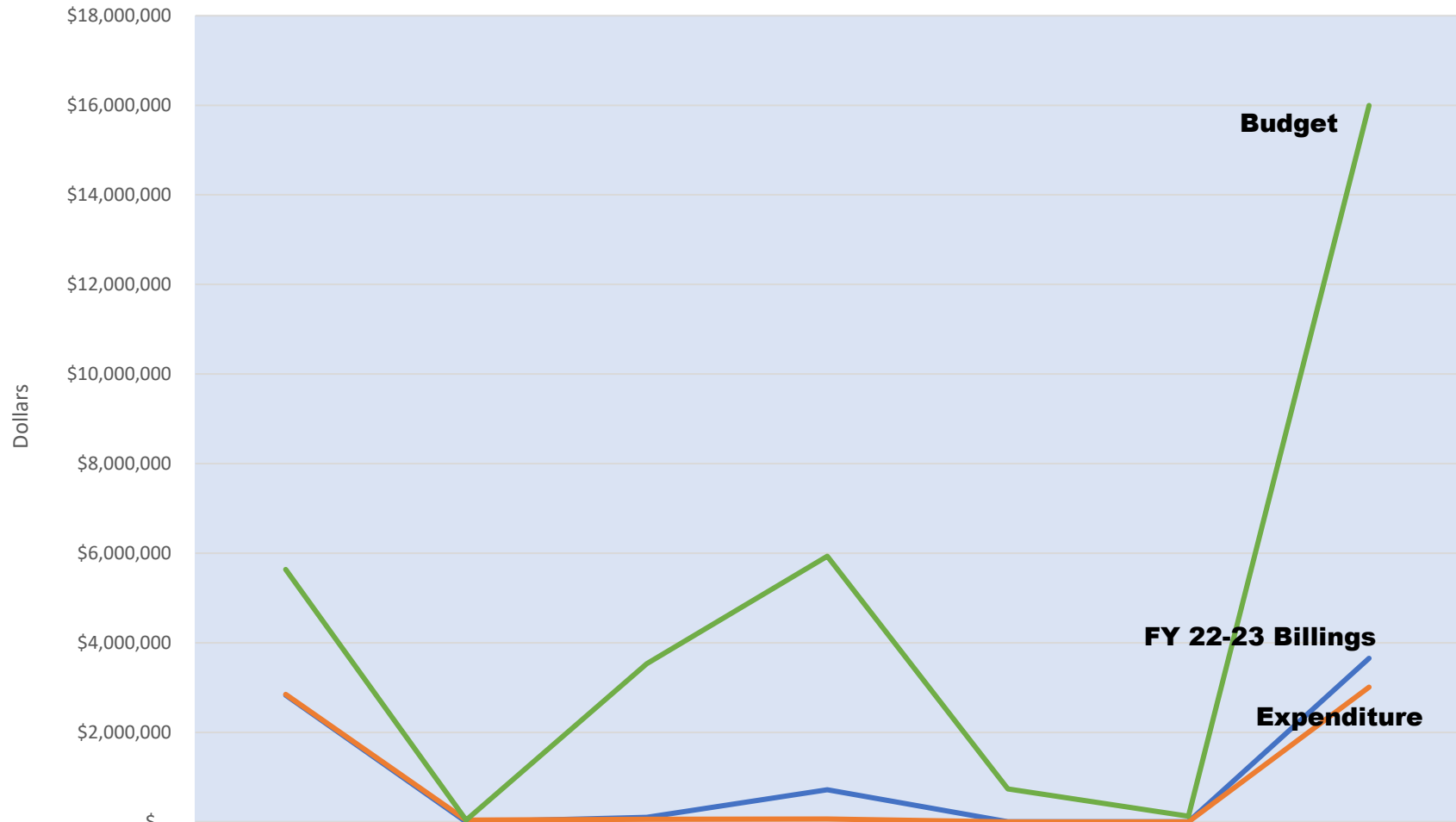
FY 2022-23 Budget vs. Actual Spending								
Description	Capital Budget	Fiscal Year Spending	(Over)/ Under Budget	% Expended	Member Agency Billed	Member Agency Collections	Open Receivables²	% Expended vs. Billed
PC 2-JB Latham	\$ 5,638,569	\$ 2,831,074	\$ 2,807,495	50.2%	\$ 2,845,405	\$ 2,845,405	\$ -	99.5%
PC 5-San Juan Creek Outfall	39,064	-	39,064	-	39,064	39,064	-	-
PC 15-Coastal ¹	3,529,980	99,498	3,430,482	2.8%	56,250	33,447	22,803	176.9%
PC 17-Regional ¹	5,928,616	715,357	5,213,259	12.1%	67,155	64,423	2,732	1065.2%
PC 21 Effluent Transmission	732,810	3,012	729,798	0.4%	-	-	-	-
PC 24 Aliso Creek Outfall	127,065	3,428	123,637	2.7%	-	-	-	-
Total Large Capital	\$ 15,996,104	\$ 3,652,369	\$ 12,343,735	22.8%	\$ 3,007,874	\$ 2,982,339	\$ 25,535	121.4%
Non-Capital Engineering	217,326	16,380	200,946	7.5%	75,000	70,297	4,703	21.8%
Non-Capital Misc Engineering	17,500	11,009	6,491	62.9%	-	-	-	-
Small Internal Capital	2,061,000	508,276	1,552,724	24.7%	1,030,500	896,398	134,102	49.3%
Total Capital	\$ 18,291,930	\$ 4,188,034	\$ 14,103,896	22.9%	\$ 4,113,374	\$ 3,949,034	\$ 164,340	101.8%

¹ PC 15 and 17 is paid out of Cash on Hand collected in an earlier year

² Balances owed by City of Laguna Beach

Large Capital Projects Fiscal Year '22-23 Budget vs. Year-to-Date Expenditures & Billings as of 11/30/2022

Exhibit D-1



	PC 2-JB Latham	PC 5-San Juan Creek Outfall	PC 15-Coastal	PC 17-Regional	PC 21 Effluent Transmission	PC 24 Aliso Creek Outfall	Total Large Capital
Spent - YTD 11/30/22	\$2,831,074	-	\$99,498	\$715,357	\$3,011.65	3,428.34	\$3,652,369
FY 22-23 Billings	\$2,845,405	39,064.00	\$56,250	\$67,155	-	-	\$3,007,874
Capital Budget 22-23	\$5,638,569	39,064.00	\$3,529,980	\$5,928,616	\$732,810	\$127,065	\$15,996,104

South Orange County Wastewater Authority
O & M & Environmental Safety Costs Summary¹
 For the Period Ended November 30, 2022
 (in dollars)

		FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended
Salary and Fringe					
-5000--**	Regular Salaries-O&M	4,931,084	1,879,558	3,051,526	38.1%
-5001--**	Overtime Salaries-O&M	73,524	59,159	14,365	80.5% (1)
-5306--**	Scheduled Holiday Work	86,468	29,724	56,744	34.4%
-5315--**	Comp Time - O&M	16,920	6,383	10,537	37.7% (1)
-5401--**	Fringe Benefits IN to PC's & Depts.	2,572,272	980,466	1,591,806	38.1%
-5700--**	Standby Pay	70,000	28,340	41,660	40.5%
	Total Payroll Costs	7,750,268	2,983,629	4,766,639	38.5%
Other Expenses					
-5002--**	Electricity	1,253,828	537,715	716,113	42.9%
-5003--**	Natural Gas	268,200	194,145	74,055	72.4% (2)
-5004--**	Potable & Reclaimed Water	87,008	33,071	53,937	38.0%
-5005--**	Co-generation Power Credit	(1,050,004)	(571,905)	(478,099)	54.5%
-5006--**	Chlorine/Sodium Hypochlorite	554,000	300,336	253,664	54.2% (2)
-5007--**	Polymer Products	789,548	410,568	378,980	52.0% (2)
-5008--**	Ferric Chloride	688,256	429,407	258,849	62.4% (2)
-5009--**	Odor Control Chemicals	117,572	58,155	59,417	49.5% (2)
-5010--**	Other Chemicals - Misc.	2,004	-	2,004	-
-5011--**	Laboratory Services	65,724	25,037	40,687	38.1%
-5012--**	Grit Hauling	124,472	52,125	72,347	41.9%
-5013--**	Landscaping	219,008	79,433	139,575	36.3%
-5014--**	Engineering - Misc.	-	-	-	-
-5015--**	Management Support Services	501,512	71,028	430,484	14.2%
-5017--**	Legal Fees	23,688	14,281	9,407	60.3%
-5018--**	Public Notices/ Public Relations	3,732	-	3,732	-
-5019--**	Contract Services Misc.	320,996	97,879	223,117	30.5%
-5021--**	Small Vehicle Expense	23,104	16,193	6,911	70.1% (3)
-5022--**	Miscellaneous Expense	15,988	2,028	13,960	12.7%
-5023--**	Office Supplies - All	46,008	13,368	32,640	29.1%
-5024--**	Petroleum Products	34,000	13,609	20,391	40.0%
-5025--**	Uniforms	71,004	37,278	33,726	52.5%
-5026--**	Small Vehicle Fuel	22,764	7,057	15,707	31.0%
-5027--**	Insurance - Property/Liability	491,248	384,563	106,685	78.3% (3)
-5028--**	Small Tools & Supplies	80,600	28,364	52,236	35.2%
-5030--**	Trash Disposal	8,500	4,426	4,074	52.1%
-5031--**	Safety Program & Supplies	112,712	50,462	62,250	44.8%
-5032--**	Equipment Rental	7,004	7,503	(499)	107.1% (4)
-5033--**	Recruitment	2,316	1,994	322	86.1%
-5034--**	Travel Expense/Tech. Conferences	73,736	8,201	65,535	11.1%
-5035--**	Training Expense	73,052	13,590	59,462	18.6%
-5036--**	Laboratory Supplies	121,144	62,528	58,616	51.6%
-5037--**	Office Equipment	25,992	5,357	20,635	20.6%
-5038--**	Permits	593,908	24,108	569,800	4.1%
-5039--**	Membership Dues/Fees	25,120	5,197	19,923	20.7%
-5044--**	Offshore Monitoring	80,000	57,451	22,549	71.8%
-5045--**	Offshore Biochemistry - 20B	30,004	-	30,004	-
-5046--**	Effluent Chemistry	44,992	28,970	16,022	64.4%
-5047--**	Access Road Expenses	45,000	-	45,000	-
-5048--**	Storm Damage	21,000	-	21,000	-
-5049--**	Biosolids Disposal	1,568,996	767,637	801,359	48.9%
-5050--**	Contract Services Generators - 29A	28,008	4,051	23,957	14.5%
-5052--**	Janitorial Services	101,004	33,002	68,002	32.7%

South Orange County Wastewater Authority
O & M & Environmental Safety Costs Summary¹
 For the Period Ended November 30, 2022
 (in dollars)

		FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended
-5053--**_**	Contract Serv - Digester Cleaning - 29E	60,000	33,762	26,238	56.3%
-5054--**_**	Diesel Truck Maint	41,996	16,427	25,569	39.1%
-5055--**_**	Diesel Truck Fuel	11,496	9,129	2,367	79.4% (2)
-5056--**_**	Maintenance Equip. & Facilities (Solids)	361,000	188,939	172,061	52.3%
-5057--**_**	Maintenance Equip. & Facilities (Liquids)	589,996	231,149	358,847	39.2%
-5058--**_**	Maintenance Equip. & Facilities (Common)	90,008	55,338	34,670	61.5% (5)
-5059--**_**	Maintenance Equip. & Facilities (Co-Gen)	715,996	393,066	322,930	54.9%
-5060--**_**	Maintenance Equip. & Facilities (AWT)	88,000	38,185	49,815	43.4%
-5061--**_**	Mileage	3,652	710	2,942	19.4%
-5068--**_**	MNWD Potable Water Supplies & Svcs.	44,000	14,536	29,464	33.0%
-5076--**_**	SCADA Infrastructure	92,128	-	92,128	-
-5077--**_**	IT Direct	45,004	41,822	3,182	92.9% (3)
-5105--**_**	Co-Generation Power Credit - Offset	1,050,000	571,905	478,095	54.5%
-5303--**_**	Group Insurance Waiver	18,000	7,394	10,606	41.1%
-5305--**_**	Medicare Tax Payments for Employees	2,388	934	1,454	39.1%
-5309--**_**	Operating Leases	28,004	7,376	20,628	26.3%
-5705--**_**	Monthly Car Allowance	35,400	13,258	22,142	37.5%
-5799--**_**	Zephyr Wall Costs Share-O&M	(14,000)	(14,000)	-	100.0%
-6500--**_**	IT Allocations in to PC's & Depts.	609,236	245,035	364,201	40.2%
	Total Other Expenses	11,589,052	5,163,176	6,425,876	44.6%
	Total O&M Expenses	19,339,320	8,146,804	11,192,516	42.1%

¹ This report intends to monitor the Annual Budget % Expended at the Project Committee and Functional Department levels.

The financial information contained in this report, in some cases, is based on the full accrual basis of accounting, whereby expenses are recognized in the period in which the liability is incurred, i.e., payroll and fringe benefits.

There are instances where we will include the total expense for the entire accounting fiscal year if the information is available, i.e., property and liability insurance premiums.

The audited financial statements for the fiscal year recognize all expenses on the full accrual basis of accounting.

- (1) Power emergencies to date between the three (3) Treatment Plants.
- (2) Chemical, fuel, and utilities increased with inflation and supply chain disruptions more than budgeted.
- (3) These are non-linear expenses that are primarily incurred in the first quarter of the Fiscal Year.
- (4) Several pieces are being rented due to delays associated with receiving newly purchased units.
- (5) JBL installed and replaced a failed welding fume hood. CTP implemented additional fire hardening recommendations from OCFA.

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC¹
For the Period Ended November 30, 2022
(in dollars)

	FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended	
02 - Jay B. Latham Plant					
Salary and Fringe					
02-5000-**-***	Regular Salaries-O&M	1,699,352	657,806	1,041,546	38.7%
02-5001-**-***	Overtime Salaries-O&M	27,144	23,196	3,948	85.5% (1)
02-5306-**-***	Scheduled Holiday Work	37,836	13,511	24,325	35.7%
02-5315-**-***	Comp Time - O&M	8,056	2,967	5,089	36.8% (1)
02-5401-**-***	Fringe Benefits IN to PC's & Depts.	886,460	343,143	543,317	38.7%
02-5700-**-***	Standby Pay	26,000	11,018	14,983	42.4%
	Total Payroll Costs	2,684,848	1,051,640	1,633,208	39.2%
Other Expenses					
02-5002-**-***	Electricity	534,828	264,679	270,149	49.5% (2)
02-5003-**-***	Natural Gas	165,128	96,241	68,887	58.3% (2)
02-5004-**-***	Potable & Reclaimed Water	26,004	11,210	14,794	43.1%
02-5006-**-***	Chlorine/Sodium Hypochlorite	9,000	7,032	1,968	78.1% (2)
02-5007-**-***	Polymer Products	319,544	181,180	138,364	56.7% (2)
02-5008-**-***	Ferric Chloride	255,252	127,720	127,532	50.0% (2)
02-5009-**-***	Odor Control Chemicals	23,568	16,390	7,178	69.5% (2)
02-5010-**-***	Other Chemicals - Misc.	1,000	-	1,000	-
02-5011-**-***	Laboratory Services	19,712	6,384	13,328	32.4%
02-5012-**-***	Grit Hauling	59,468	29,223	30,245	49.1%
02-5013-**-***	Landscaping	77,004	26,390	50,614	34.3%
02-5015-**-***	Management Support Services	30,008	11,239	18,769	37.5%
02-5017-**-***	Legal Fees	4,996	3,321	1,675	66.5%
02-5019-**-***	Contract Services Misc.	82,000	31,454	50,546	38.4%
02-5021-**-***	Small Vehicle Expense	11,000	7,222	3,778	65.7% (3)
02-5022-**-***	Miscellaneous Expense	8,000	514	7,486	6.4%
02-5023-**-***	Office Supplies - All	29,000	6,651	22,349	22.9%
02-5024-**-***	Petroleum Products	11,000	5,097	5,903	46.3%
02-5025-**-***	Uniforms	34,008	16,591	17,417	48.8%
02-5026-**-***	Small Vehicle Fuel	10,004	2,914	7,090	29.1%
02-5027-**-***	Insurance - Property/Liability	167,039	134,582	32,457	80.6% (4)
02-5028-**-***	Small Tools & Supplies	38,000	10,336	27,664	27.2%
02-5030-**-***	Trash Disposal	3,000	672	2,328	22.4%
02-5031-**-***	Safety Program & Supplies	39,248	17,732	21,516	45.2%
02-5032-**-***	Equipment Rental	3,000	-	3,000	-
02-5033-**-***	Recruitment	1,000	774	226	77.4%
02-5034-**-***	Travel Expense/Tech. Conferences	20,596	2,926	17,670	14.2%
02-5035-**-***	Training Expense	25,352	4,720	20,632	18.6%
02-5036-**-***	Laboratory Supplies	21,000	8,859	12,141	42.2%
02-5037-**-***	Office Equipment	13,000	370	12,630	2.8%
02-5038-**-***	Permits	26,500	19,800	6,700	74.7% (4)
02-5039-**-***	Membership Dues/Fees	5,808	1,524	4,284	26.2%
02-5049-**-***	Biosolids Disposal	687,000	256,469	430,531	37.3%
02-5050-**-***	Contract Services Generators - 29A	10,004	-	10,004	-
02-5052-**-***	Janitorial Services	47,000	16,420	30,580	34.9%
02-5053-**-***	Contract Serv - Digester Cleaning - 29E	60,000	33,762	26,238	56.3%
02-5054-**-***	Diesel Truck Maint	21,996	7,879	14,117	35.8%
02-5055-**-***	Diesel Truck Fuel	2,996	3,455	(459)	115.3% (2)
02-5056-**-***	Maintenance Equip. & Facilities (Solids)	150,000	143,762	6,238	95.8% (5)
02-5057-**-***	Maintenance Equip. & Facilities (Liquids)	230,000	109,289	120,711	47.5%
02-5058-**-***	Maintenance Equip. & Facilities (Common)	29,000	26,121	2,879	90.1% (6)
02-5059-**-***	Maintenance Equip. & Facilities (Co-Gen)	277,000	89,516	187,484	32.3%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC¹
For the Period Ended November 30, 2022
(in dollars)

	FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended	
02-5061-**-**-**	Mileage	2,148	247	1,901	11.5%
02-5076-**-**-**	SCADA Infrastructure	27,832	-	27,832	-
02-5077-**-**-**	IT Direct	15,004	13,941	1,063	92.9% (4)
02-5303-**-**-**	Group Insurance Waiver	7,204	3,115	4,089	43.2%
02-5309-**-**-**	Operating Leases	22,000	7,376	14,624	33.5%
02-5705-**-**-**	Monthly Car Allowance	22,800	7,975	14,825	35.0%
02-5799-**-**-**	Zephyr Wall Costs Share-O&M	(14,000)	(14,000)	-	100.0%
02-6500-**-**-**	IT Allocations in to PC's & Depts.	211,980	85,259	126,722	40.2%
	Total Other Expenses	3,884,031	1,844,332	2,039,699	47.5%
	Total Expenses	6,568,879	2,895,972	3,672,907	44.1%
05 - San Juan Creek Ocean Outfall					
Salary and Fringe					
05-5000-**-**-**	Regular Salaries-O&M	108,564	54,263	54,301	50.0%
05-5001-**-**-**	Overtime Salaries-O&M	72	279	(207)	388.1%
05-5306-**-**-**	Scheduled Holiday Work	440	44	396	9.9%
05-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	56,628	28,306	28,322	50.0%
	Total Payroll Costs	165,704	82,893	82,811	50.0%
Other Expenses					
05-5015-**-**-**	Management Support Services	125,004	27,227	97,777	21.8%
05-5017-**-**-**	Legal Fees	2,008	938	1,070	46.7%
05-5026-**-**-**	Small Vehicle Fuel	500	-	500	-
05-5027-**-**-**	Insurance - Property/Liability	18,420	14,203	4,217	77.1% (4)
05-5031-**-**-**	Safety Supplies	1,004	-	1,004	-
05-5034-**-**-**	Travel Expense/Tech. Conferences	5,592	1,313	4,279	23.5%
05-5035-**-**-**	Training Expense	2,500	-	2,500	-
05-5036-**-**-**	Laboratory Supplies	35,000	11,572	23,428	33.1%
05-5038-**-**-**	Permits	275,000	-	275,000	-
05-5039-**-**-**	Membership Dues/Fees	2,000	-	2,000	-
05-5044-**-**-**	Offshore Monitoring	40,000	30,485	9,515	76.2% (7)
05-5045-**-**-**	Offshore Biochemistry - 20B	15,004	-	15,004	-
05-5046-**-**-**	Effluent Chemistry	22,496	22,693	(197)	100.9% (8)
05-5058-**-**-**	Maintenance Equip. & Facilities (Common)	1,004	-	1,004	-
05-6500-**-**-**	IT Allocations in to PC's & Depts.	13,148	5,288	7,860	40.2%
	Total Other Expenses	558,680	113,719	444,961	20.4%
	Total Expenses	724,384	196,611	527,773	27.1%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC¹
For the Period Ended November 30, 2022
(in dollars)

	FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended	
08 - Pre Treatment					
Salary and Fringe					
08-5000-**-**-**	Regular Salaries-O&M	116,396	44,884	71,512	38.6%
08-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	60,716	23,414	37,303	38.6%
	Total Payroll Costs	177,112	68,297	108,815	38.6%
Other Expenses					
08-5011-**-**-**	Laboratory Services	3,004	1,440	1,564	47.9%
08-5015-**-**-**	Management Support Services	20,004	-	20,004	-
08-5017-**-**-**	Legal Fees	2,672	605	2,067	22.6%
08-5018-**-**-**	Public Notices/ Public Relations	3,732	-	3,732	-
08-5021-**-**-**	Small Vehicle Expense - 31A	1,100	-	1,100	-
08-5022-**-**-**	Miscellaneous Expense	1,984	-	1,984	-
08-5026-**-**-**	Small Vehicle Fuel - 37A	1,256	-	1,256	-
08-5027-**-**-**	Insurance - Property/Liability	6,141	4,735	1,406	77.1% (4)
08-5028-**-**-**	Small Tools & Supplies	3,600	-	3,600	-
08-5034-**-**-**	Travel Expense/Tech. Conferences	3,496	-	3,496	-
08-5035-**-**-**	Training Expense	2,000	-	2,000	-
08-5038-**-**-**	Permits and Fines	504	-	504	-
08-5039-**-**-**	Membership Dues/Fees	796	110	686	13.8%
08-6500-**-**-**	IT Allocations in to PC's & Depts.	14,092	5,668	8,424	40.2%
	Total Other Expenses	64,381	12,558	51,823	19.5%
	Total Expenses	241,493	80,855	160,638	33.5%
12 - Water Reclamation Permits					
Salary and Fringe					
12-5000-**-**-**	Regular Salaries-O&M	88,952	5,311	83,641	6.0%
12-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	46,400	2,771	43,629	6.0%
	Total Payroll Costs	135,352	8,082	127,270	6.0%
Other Expenses					
12-5014-**-**-**	Engineering - Misc.	-	-	-	-
12-5015-**-**-**	Management Support Services	164,996	-	164,996	-
12-5017-**-**-**	Legal Fees	2,000	-	2,000	-
12-5027-**-**-**	Insurance - Property/Liability	8,884	6,850	2,034	77.1% (4)
12-5034-**-**-**	Travel Expense/Tech. Conferences	4,796	606	4,190	12.6%
12-5038-**-**-**	Permits	22,508	-	22,508	-
12-5039-**-**-**	Membership Dues/Fees	68	-	68	-
12-6500-**-**-**	IT Allocations in to PC's & Depts.	10,764	4,329	6,435	40.2%
	Total Other Expenses	214,016	11,786	202,230	5.5%
	Total Expenses	349,368	19,867	329,501	5.7%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC¹
For the Period Ended November 30, 2022
(in dollars)

FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended
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15 - Coastal Treatment Plant

Salary and Fringe

15-5000-**-***	Regular Salaries-O&M	954,888	370,716	584,172	38.8%
15-5001-**-***	Overtime Salaries-O&M	11,216	8,335	2,881	74.3% (1)
15-5306-**-***	Scheduled Holiday Work	15,672	4,697	10,975	30.0%
15-5315-**-***	Comp Time - O&M	1,996	1,790	206	89.7% (1)
15-5401-**-***	Fringe Benefits IN to PC's & Depts.	498,120	193,383	304,737	38.8%
15-5700-**-***	Standby Pay	17,000	4,778	12,223	28.1%
	Total Payroll Costs	1,498,892	583,698	915,194	38.9%

Other Expenses

15-5002-**-***	Electricity	235,000	135,179	99,821	57.5% (2)
15-5003-**-***	Natural Gas	3,000	685	2,315	22.8%
15-5004-**-***	Potable & Reclaimed Water	25,004	9,494	15,510	38.0%
15-5006-**-***	Chlorine/Sodium Hypochlorite	90,000	51,589	38,411	57.3% (2)
15-5007-**-***	Polymer Products	1,000	-	1,000	-
15-5008-**-***	Ferric Chloride	70,000	53,788	16,212	76.8% (2)
15-5009-**-***	Odor Control Chemicals	52,004	18,773	33,231	36.1%
15-5011-**-***	Laboratory Services	20,000	5,738	14,262	28.7%
15-5012-**-***	Grit Hauling	21,004	7,202	13,802	34.3%
15-5013-**-***	Landscaping	57,000	26,100	30,900	45.8%
15-5015-**-***	Management Support Services	11,500	2,667	8,833	23.2%
15-5017-**-***	Legal Fees	5,000	1,048	3,952	21.0%
15-5019-**-***	Contract Services Misc.	110,000	30,699	79,301	27.9%
15-5021-**-***	Small Vehicle Expense - 31A	4,004	466	3,538	11.6%
15-5022-**-***	Miscellaneous Expense	1,000	128	872	12.8%
15-5023-**-***	Office Supplies - All	4,004	2,265	1,739	56.6%
15-5024-**-***	Petroleum Products	3,000	4,110	(1,110)	137.0% (9)
15-5025-**-***	Uniforms	9,000	4,490	4,510	49.9%
15-5026-**-***	Small Vehicle Fuel	2,000	1,250	750	62.5%
15-5027-**-***	Insurance - Property/Liability	72,916	56,222	16,694	77.1% (4)
15-5028-**-***	Small Tools & Supplies	9,000	4,344	4,656	48.3%
15-5030-**-***	Trash Disposal	2,996	1,926	1,070	64.3%
15-5031-**-***	Safety Supplies	32,804	12,185	20,619	37.1%
15-5032-**-***	Equipment Rental	1,000	-	1,000	-
15-5033-**-***	Recruitment	312	104	208	33.4%
15-5034-**-***	Travel Expense/Tech. Conferences	13,072	545	12,527	4.2%
15-5035-**-***	Training Expense	17,148	3,845	13,303	22.4%
15-5036-**-***	Laboratory Supplies	14,000	15,857	(1,857)	113.3% (10)
15-5037-**-***	Office Equipment	2,996	2,655	341	88.6%
15-5038-**-***	Permits	6,996	2,109	4,888	30.1%
15-5039-**-***	Membership Dues/Fees	4,800	1,150	3,650	24.0%
15-5047-**-***	Access Road Expenses	45,000	-	45,000	-
15-5048-**-***	Storm Damage	21,000	-	21,000	-
15-5050-**-***	Contract Services Generators	5,000	4,051	949	81.0% (4)
15-5052-**-***	Janitorial Services	12,004	5,004	7,000	41.7%
15-5054-**-***	Diesel Truck Maint - 31B	1,000	-	1,000	-
15-5055-**-***	Diesel Truck Fuel - 37B	500	-	500	-
15-5057-**-***	Maintenance Equip. & Facilities (Liquids)	144,996	39,833	105,163	27.5%
15-5058-**-***	Maintenance Equip. & Facilities (Common)	23,000	16,670	6,330	72.5% (11)
15-5060-**-***	Maintenance Equip. & Facilities (AWT)	38,000	20,309	17,691	53.4%
15-5061-**-***	Mileage	500	187	313	37.3%
15-5076-**-***	SCADA Infrastructure	32,296	-	32,296	-

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC¹
For the Period Ended November 30, 2022
(in dollars)

		FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended
15-5077-**-**-**	IT Direct	15,000	13,941	1,059	92.9% (4)
15-5303-**-**-**	Group Insurance Waiver	3,600	1,509	2,091	41.9%
15-5305-**-**-**	Medicare Tax Payments for Employees	2,240	934	1,306	41.7%
15-5705-**-**-**	Monthly Car Allowance	4,200	1,761	2,439	41.9%
15-6500-**-**-**	IT Allocations in to PC's & Depts.	118,660	47,725	70,935	40.2%
	Total Other Expenses	1,368,556	608,535	760,021	44.5%
	Total Expenses	2,867,448	1,192,233	1,675,215	41.6%
17 - Joint Regional Wastewater Reclamation and Sludge Handling					
Salary and Fringe					
17-5000-**-**-**	Regular Salaries-O&M	1,844,716	699,615	1,145,101	37.9%
17-5001-**-**-**	Overtime Salaries-O&M	34,472	27,284	7,188	79.1% (1)
17-5306-**-**-**	Scheduled Holiday Work	32,244	11,151	21,093	34.6%
17-5315-**-**-**	Comp Time - O&M	6,868	1,626	5,242	23.7% (1)
17-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	962,288	364,952	597,336	37.9%
17-5700-**-**-**	Standby Pay	27,000	12,545	14,455	46.5%
	Total Payroll Costs	2,907,588	1,117,173	1,790,415	38.4%
Other Expenses					
17-5002-**-**-**	Electricity	484,000	137,858	346,142	28.5%
17-5003-**-**-**	Natural Gas	100,072	97,219	2,853	97.1% (2)
17-5004-**-**-**	Potable & Reclaimed Water	36,000	12,366	23,634	34.4%
17-5005-**-**-**	Co-generation Power Credit	(1,050,004)	(571,905)	(478,099)	54.5%
17-5006-**-**-**	Chlorine/Sodium Hypochlorite	455,000	241,715	213,285	53.1% (2)
17-5007-**-**-**	Polymer Products	469,004	229,389	239,615	48.9% (2)
17-5008-**-**-**	Ferric Chloride	363,004	247,899	115,105	68.3% (2)
17-5009-**-**-**	Odor Control Chemicals	42,000	22,992	19,008	54.7% (2)
17-5010-**-**-**	Other Chemicals - Misc.	1,004	-	1,004	-
17-5011-**-**-**	Laboratory Services	23,008	11,475	11,533	49.9%
17-5012-**-**-**	Grit Hauling - 21A	44,000	15,700	28,300	35.7%
17-5013-**-**-**	Landscaping	85,004	26,943	58,061	31.7%
17-5015-**-**-**	Management Support Services	24,996	2,667	22,329	10.7%
17-5017-**-**-**	Legal Fees	5,004	7,431	(2,427)	148.5%
17-5019-**-**-**	Contract Services Misc.	110,000	35,726	74,274	32.5%
17-5021-**-**-**	Small Vehicle Expense	7,000	8,505	(1,505)	121.5% (3)
17-5022-**-**-**	Miscellaneous Expense	5,004	1,386	3,618	27.7%
17-5023-**-**-**	Office Supplies - All	13,004	4,453	8,551	34.2%
17-5024-**-**-**	Petroleum Products	20,000	4,402	15,598	22.0%
17-5025-**-**-**	Uniforms	27,996	16,197	11,799	57.9%
17-5026-**-**-**	Small Vehicle Fuel	9,004	2,893	6,111	32.1%
17-5027-**-**-**	Insurance - Property/Liability	199,964	154,182	45,782	77.1% (4)
17-5028-**-**-**	Small Tools & Supplies	30,000	13,684	16,316	45.6%
17-5030-**-**-**	Trash Disposal	2,504	1,828	676	73.0%
17-5031-**-**-**	Safety Supplies	38,652	20,545	18,107	53.2%
17-5032-**-**-**	Equipment Rental	3,004	7,503	(4,499)	249.8% (12)
17-5033-**-**-**	Recruitment	1,004	1,116	(112)	111.2%
17-5034-**-**-**	Travel Expense/Tech. Conferences	20,592	1,040	19,552	5.0%
17-5035-**-**-**	Training Expense	25,148	5,025	20,123	20.0%
17-5036-**-**-**	Laboratory Supplies	25,144	16,147	8,997	64.2%
17-5037-**-**-**	Office Equipment	9,996	2,332	7,664	23.3%
17-5038-**-**-**	Permits	15,000	2,199	12,801	14.7%
17-5039-**-**-**	Membership Dues/Fees	5,804	2,414	3,390	41.6%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC¹
For the Period Ended November 30, 2022
(in dollars)

		FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended
17-5049-**-**	Biosolids Disposal	881,996	511,168	370,828	58.0% (2)
17-5050-**-**	Contract Services Generators - 29A	13,004	-	13,004	-
17-5052-**-**	Janitorial Services	42,000	11,578	30,422	27.6%
17-5054-**-**	Diesel Truck Maint	19,000	8,548	10,452	45.0%
17-5055-**-**	Diesel Truck Fuel	8,000	5,674	2,326	70.9% (2)
17-5056-**-**	Maintenance Equip. & Facilities (Solids)	211,000	45,177	165,823	21.4%
17-5057-**-**	Maintenance Equip. & Facilities (Liquids)	215,000	82,027	132,973	38.2%
17-5058-**-**	Maintenance Equip. & Facilities (Common)	36,000	11,152	24,848	31.0%
17-5059-**-**	Maintenance Equip. & Facilities (Co-Gen)	438,996	303,550	135,446	69.1% (13)
17-5060-**-**	Maintenance Equip. & Facilities (AWT)	50,000	17,876	32,124	35.8%
17-5061-**-**	Mileage	1,004	277	727	27.6%
17-5068-**-**	MNWD Potable Water Supplies & Svcs.	44,000	14,536	29,464	33.0%
17-5076-**-**	SCADA Infrastructure	32,000	-	32,000	-
17-5077-**-**	IT Direct	15,000	13,941	1,059	92.9% (4)
17-5105-**-**	Co-Generation Power Credit - Offset	1,050,000	571,905	478,095	54.5%
17-5303-**-**	Group Insurance Waiver	7,196	2,769	4,427	38.5%
17-5305-**-**	Medicare Tax Payments for Employees	148	-	148	-
17-5309-**-**	Operating Leases	6,004	-	6,004	-
17-5705-**-**	Monthly Car Allowance	8,400	3,522	4,878	41.9%
17-6500-**-**	IT Allocations in to PC's & Depts.	226,420	91,066	135,354	40.2%
	Total Other Expenses	4,956,080	2,478,090	2,477,990	50.0%
	Total Expenses	7,863,668	3,595,263	4,268,405	45.7%
21 - Effluent Transmission Main					
Salary and Fringe					
21-5000-**-**	Regular Salaries-O&M	1,156	-	1,156	-
21-5401-**-**	Fringe Benefits IN to PC's & Depts.	600	-	600	-
	Total Payroll Costs	1,756	-	1,756	0.0%
Other Expenses					
21-5019-**-**	Contract Services Misc.	18,996	-	18,996	-
21-5027-**-**	Insurance - Property/Liability	-	-	-	-
	Total Other Expenses	18,996	-	18,996	0.0%
	Total Expenses	20,752	-	20,752	0.0%
24 - Aliso Creek Ocean Outfall					
Salary and Fringe					
24-5000-**-**	Regular Salaries-O&M	117,060	46,962	70,098	40.1%
24-5001-**-**	Overtime Salaries-O&M	620	65	555	10.4%
24-5306-**-**	Scheduled Holiday Work	276	321	(45)	116.3%
24-5401-**-**	Fringe Benefits IN to PC's & Depts.	61,060	24,498	36,562	40.1%
	Total Payroll Costs	179,016	71,845	107,171	40.1%
Other Expenses					
24-5015-**-**	Management Support Services	125,004	27,228	97,776	21.8%
24-5017-**-**	Legal Fees	2,008	938	1,070	46.7%
24-5027-**-**	Insurance - Property/Liability	17,884	13,789	4,095	77.1% (4)
24-5031-**-**	Safety Supplies	1,004	-	1,004	-
24-5034-**-**	Travel Expense/Tech. Conferences	5,592	1,771	3,821	31.7%
24-5035-**-**	Training Expense	904	-	904	-

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC¹
For the Period Ended November 30, 2022
(in dollars)

	FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended	
24-5036-**-**-**	Laboratory Supplies	26,000	10,094	15,906	38.8%
24-5038-**-**-**	Permits	247,400	-	247,400	-
24-5039-**-**-**	Membership Dues/Fees	5,844	-	5,844	-
24-5044-**-**-**	Offshore Monitoring	40,000	26,965	13,035	67.4% (7)
24-5045-**-**-**	Offshore Biochemistry - 20B	15,000	-	15,000	-
24-5046-**-**-**	Effluent Chemistry	22,496	6,277	16,219	27.9%
24-5058-**-**-**	Maintenance Equip. & Facilities (Common) 41-C	1,004	1,394	(390)	138.8% (14)
24-6500-**-**-**	IT Allocations in to PC's & Depts.	14,172	5,700	8,472	40.2%
	Total Other Expenses	524,312	94,157	430,155	18.0%
	Total Expenses	703,328	166,002	537,326	23.6%
	Total O&M Expenses	19,339,320	8,146,804	11,192,516	42.1%

¹ This report intends to monitor the Annual Budget % Expended at the Project Committee and Functional Department levels.

The financial information contained in this report, in some cases, is based on the full accrual basis of accounting, whereby expenses are recognized in the period in which the liability is incurred, i.e., payroll and fringe benefits.

There are instances where we will include the total expense for the entire accounting fiscal year if the information is available, i.e., property and liability insurance premiums.

The audited financial statements for the fiscal year recognize all expenses on the full accrual basis of accounting.

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended November 30, 2022

- (1) Power emergencies to date between the three (3) Treatment Plants.
- (2) Chemicals, fuel, and utilities increased with inflation and supply chain disruptions more than budgeted.
- (3) Several older vehicles are being maintained.
- (4) These are non-linear expenses that are primarily incurred in the first quarter of the Fiscal Year.
- (5) Staff is performing additional work in areas isolated by ongoing construction work that is not normally accessible for O&M work.
- (6) JBL installed and replaced a failed welding fume hood.
- (7) Toxicity exceedances at the SJCOO triggering accelerated testing and additional costs.
- (8) New NPDES permit requirement for continuous TDS monitoring installation at M-001 sampler.
- (9) Refueling associated with several extended power outages.
- (10) Additional supplies for sampler maintenance and supply restocking.
- (11) CTP implemented additional fire hardening recommendations from OCFA.
- (12) Several pieces are being rented due to delays associated with receiving newly purchased units.
- (13) 30,000-hour Cogen Service Completed.
- (14) O&M staff implementing recommendations in the new NPDES Permit.

**South Orange County Wastewater Authority
Budget vs. Actual Comparison - Engineering**

For the Period Ended November 30, 2022

(in dollars)

		FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended
Salary and Fringe					
01-5000-03-00-00	Regular Salaries-O&M	161,205	58,285	102,920	36.2%
01-5401-03-00-00	Fringe Benefits IN to PC's & Depts.	84,092	30,404	53,688	36.2%
	Total Payroll Costs	245,297	88,689	156,608	36.2%
Other Expenses					
01-5022-03-00-00	Miscellaneous Expense	3,184	751	2,433	23.6%
01-5023-03-00-00	Office Supplies - All	208	27	181	12.9%
01-5031-03-00-00	Safety Supplies	306	-	306	-
01-5034-03-00-00	Travel Expense/Tech. Conferences	6,439	-	6,439	-
01-5035-03-00-00	Training Expense	2,244	-	2,244	-
01-5037-03-00-00	Office Equipment	408	-	408	-
01-5039-03-00-00	Membership Dues/Fees	1,377	134	1,243	9.8%
01-5061-03-00-00	Mileage	510	23	487	4.6%
01-5309-03-00-00	Operating Leases	9,300	6,446	2,854	69.3%
01-5705-03-00-00	Monthly Car Allowance	4,200	1,260	2,940	30.0%
01-5802-03-00-00	Shipping/Freight	312	-	312	-
01-6500-03-00-00	IT Allocations in to PC's & Depts.	52,639	21,171	31,467	40.2%
	Total Other Expenses	81,127	29,812	51,314	36.7%
	Total Engineering Expenses	326,424	118,501	207,923	36.3%

**South Orange County Wastewater Authority
Budget vs. Actual Comparison- Administration**

For the Period Ended November 30, 2022

(in dollars)

		FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended
Salary and Fringe					
01-6000-04-00-00	Regular Salaries-Admin or IT	974,150	389,927	584,223	40.0%
01-6001-04-00-00	Overtime Salaries-Admin or IT	10,000	11,413	(1,413)	114.1% (1)
01-6315-04-00-00	Comp Time - Admin	5,000	1,497	3,503	29.9%
01-6401-04-00-00	Fringe Benefits IN to ADMIN or IT	508,162	203,404	304,758	40.0%
	Total Payroll Costs	1,497,312	606,241	891,071	40.5%
Other Expenses					
01-6018-04-00-00	Public Notices/ Public Relations	3,270	-	3,270	-
01-6101-04-00-00	HR Recruitment & Employee Relations	29,190	7,918	21,272	27.1%
01-6102-04-00-00	Subscriptions	2,533	1,089	1,444	43.0%
01-6103-04-00-00	Contract Labor/Temp Labor	30,000	5,059	24,941	16.9%
01-6200-04-00-00	Management Support Services	50,000	34,198	15,802	68.4%
01-6201-04-00-00	Audit	46,000	19,100	26,900	41.5%
01-6202-04-00-00	Legal	200,000	107,252	92,748	53.6%
01-6204-04-00-00	Postage	1,500	398	1,102	26.5%
01-6223-04-00-00	Office Supplies - Admin	4,294	1,298	2,996	30.2%
01-6224-04-00-00	Office Equipment	6,000	761	5,239	12.7%
01-6234-04-00-00	Memberships & Trainings	95,912	89,003	6,909	92.8%
01-6239-04-00-00	Travel & Conference	25,000	3,217	21,783	12.9%
01-6241-04-00-00	Education Reimbursement	4,500	-	4,500	-
01-6310-04-00-00	Miscellaneous	20,000	9,959	10,041	49.8%
01-6311-04-00-00	Mileage	569	197	372	34.6%
01-6317-04-00-00	Contract Services Misc	5,573	2,250	3,323	40.4%
01-6500-04-00-00	IT Allocations in to PC's & Depts.	117,968	47,447	70,521	40.2%
01-6601-04-00-00	Shipping/Freight	4,382	66	4,316	1.5%
01-6705-04-00-00	Monthly Car Allowance	12,000	5,031	6,969	41.9%
	Total Other Expenses	658,691	334,243	324,448	50.7%
	Total Admin Expenses	2,156,003	940,484	1,215,519	43.6%

(1) Increased number of meetings.

South Orange County Wastewater Authority
Budget vs. Actual Comparison-IT
 For the Period Ended November 30, 2022
 (in dollars)

		FY 2022-23 Budget	Actual	(Over)/Under Budget	% Expended
Salary & Fringe					
01-6000-05-00-00	Regular Salaries-Admin or IT	106,310	44,334	61,976	41.7%
01-6401-05-00-00	Fringe Benefits IN to ADMIN or IT	55,456	23,127	32,330	41.7%
	Total Salary & Fringe	161,767	67,461	94,305	41.7%
Other Expenses					
01-6028-05-00-00	Small Tools & Supplies	1,000	-	1,000	-
01-6035-05-00-00	Training Expense	3,000	-	3,000	-
01-6224-05-00-00	Office Equipment	600	-	600	-
01-6234-05-00-00	Memberships & Trainings	12,850	1,810	11,040	14.1%
01-6239-05-00-00	Travel & Conference	1,500	-	1,500	-
01-6300-05-00-00	Software Maintenance Agreements	60,433	32,013	28,420	53.0%
01-6301-05-00-00	Hardware Maintenance Agreements	14,186	10,252	3,934	72.3% (1)
01-6302-05-00-00	Cloud Subscriptions (Internet)	181,766	85,858	95,908	47.2%
01-6303-05-00-00	Telecommunications	164,582	61,421	103,161	37.3%
01-6305-05-00-00	IT Professional Services	53,500	11,161	42,339	20.9%
01-6306-05-00-00	Small Hardware Purchases (< \$5k)	28,900	7,636	21,264	26.4%
01-6307-05-00-00	Small Software Purchases & Licenses(<\$5k)	26,444	9,595	16,849	36.3%
01-6308-05-00-00	IT Memberships	160	-	160	-
01-6309-05-00-00	Operating Leases	64,173	25,683	38,490	40.0%
01-6310-05-00-00	Miscellaneous	5,000	-	5,000	-
01-6312-05-00-00	Computer & Photocopy Supplies	-	764	(764)	-
	Total Other Expenses	618,094	246,192	371,902	39.8%
	Total Expenses before Allocation	779,860	313,653	466,207	40.2%
IT Allocations (Out) to PC's & Depts					
01-6400-05-00-00	IT Allocations (OUT) to PC's & Depts.	(779,860)	(313,653)	(466,207)	40.2%
	Total IT Allocations (Out) to PC's & Depts	(779,860)	(313,653)	(466,207)	40.2%

(1) AVI SPL Maintenance for JBL Audio/Visual

Agenda Item

5

Legal Counsel Review: No

Meeting Date: December 20, 2022

TO: Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Jeanette Cotinola, Procurement and Contracts Manager

SUBJECT: Year End June 30, 2023, Financial Auditing Services – Selection of Auditor with services up to four (4) years.

Summary

SOCWA prepared and distributed an original RFP sent to Forty-Three notified vendors via Planet Bids. Two (2) responsive proposals were received.

1. The Pun Group; SOCWA's Audit firm for the last six (6) years.
2. Badawi and Associates

SOCWAs current policy allows for consideration of up to five (5) years in duration for acquired audit for services. Government Code Section 12410.6 allows for up to six (6) years of audit services or beyond if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit is changed.

Discussion/Analysis

Staff sent the proposals to an Advisory Committee Review team made up of: Gavin Curran of City of Laguna Beach, Mathew Schmelzel of City of San-Clemente, Jason Hayden of El Toro Water District, Mike Dunbar of Emerald Bay Service District, Eileen Lin of Irvine Ranch Water District, Erica Castillo of Santa Margarita Water District, Pam Arends-King at South Coast Water District, Karen Warner at Trabuco Canyon Water District, Jenny Leisz at South Coast Water District, Stephen Dopudja of Trabuco Canyon Water District, Drew Atwater of Moulton Niguel Water District.

Two of which replied with a total score in favor of retaining Pun Group.

The Pun Group is proposing lead Audit/Engagement Partner, Frances J. Kuo, CPA, CGMA is a member of the American Institute of Certified Public Accountants (AICPA); California Society of Certified Public Accountants (CalCPA); and California Society of Municipal Finance Officers (CSMFO). Ms. Kuo brings over sixteen years' experience to the team that would be leading the efforts for SOCWA. She is also the in-house instructor who provides training, both theoretical and on-the-job training, to lower-level staff at the Pun Group.

Badawi & Associates is proposing lead Audit/Engagement Partner, Ahmed Badawi, CPA who is a member of, CALCPA Government Accounting and Auditing Committee, American Institute of Certified Public Accountants, California Society of Certified Public Accountants, Government Finance Officers Association, and California Society of Municipal Finance Officers. Mr. Badawi is also CSMFO’s Instructor for the “Introduction to Governmental Accounting” training class. Mr. Badawi brings over twenty (20) years of experience to the team that would be leading the efforts for SOCWA.

Fiscal Impact

The Pun Group:

1.	Fiscal year 2022-2023*	\$30,000
2.	Fiscal year 2023-2024*	\$30,000
3.	Fiscal year 2024-2025*	\$30,900
4.	Fiscal year 2025-2026*	\$31,827
5.	Fiscal year 2026-2027*	\$32,782

(* If the SOCWA is required to undergo a single audit in accordance with the Federal Single Audit Act and the Uniform Guidance, there will be an **additional fee of \$3,000 for each major program in excess of two (2).**

Hours dedicated to SOCWA from The Pun Group:

Partners:	20
Director & Managers:	40
Supervisory Staff:	80
Staff:	100
Clerical:	8

Badawi & Associates:

1.	Fiscal year 2022-2023	\$29,990
	Single use audit	\$1,670
	State Controller’s Report	\$1,080
	Totaling	\$32,740
2.	Fiscal year 2023-2024	\$30,750
	Single use audit	\$1,845
	State Controller’s Report	\$1,110
	Totaling	\$33,705
3.	Fiscal year 2024-2025	\$31,750
	Single use audit	\$1,765
	State Controller’s Report	\$1,185
	Totaling	\$34,700
4.	Fiscal year 2025-2026	\$32,715
	Single use audit	\$1,815
	State Controller’s Report	\$1,220
	Totaling	\$35,750
5.	Fiscal year 2026-2027	\$32,715
	Single use audit	\$1,815
	State Controller’s Report	\$1,220
	Totaling	\$35,750

Hours dedicated to SOCWA from Badawi & Associates:

Partners:	36
Managers:	62
Audit Senior:	97
Professional Staff:	137
Administrative Assistant:	23

Narrative from Advisory Group:

The Pun Group has a local office and has more experience with local agencies. They are also dedicating more hours to partners, managers, and seniors whereas Badawi has more hours to staff and clerical.

Recommended Action: Staff recommends that the Finance Committee make a recommendation to the Board of Directors that authorizes the General Manager to enter into a contract for up to four (4) years with one of the two firms.

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Submitted By:

Frances J. Kuo, CPA, CGMA

Partner

200 East Sandpointe Ave, Suite 600

Santa Ana, CA 92707

(949) 777-8805 | frances.kuo@pungroup.com

November 3, 2022

PROPOSAL

Professional Audit Services

RFP F-2022-01



**THE
PUN GROUP**
ACCOUNTANTS & ADVISORS



Kenneth H. Pun, CPA, CGMA
Founder & Managing Partner

WHY CHOOSE THE PUN GROUP LLP?

“ The Pun Group’s most valuable asset is our people, they and their deep experience drive our every interaction with clients. ”

- Big firm expertise, small firm values
- Personal attention meets technical expertise
- A unique firm culture
- Innovation embraced
- Achievable plans to move your organization forward

The Pun Group LLP is recognized for its professionalism and integrity and for providing clients with practical solutions unique to their circumstances and issues. You will receive a superior level of service and a quality audit.

Thank You!

Thank you for allowing us to submit our qualifications to provide you with Professional Auditing Services.

The Pun Group, LLP

The Pun Group LLP
Certified Public Accountants and Business Advisors

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The Pun Group Wins 2022 “Best of Accounting” Award



The Pun Group is proud to have won 2022’s Best of Accounting® award from ClearlyRated. ClearlyRated recognizes the best in staffing, accounting, and other professional services by recording Net Promoter Scores® (NPS) and reviews to measure client satisfaction.

This award is unique in the U.S. and Canada because it is the only accolade that relies solely on ratings submitted from third-party validated survey responses. Firms that receive a ClearlyRated award are recognized as “leading their industry through their ongoing commitment to service excellence.” The Pun Group received a positive 88.9% NPS, reflecting an exceptionally loyal and satisfied audience.

“Winners of the 2022 Best of Accounting award for client satisfaction have demonstrated their commitment to delivering exceptional client service, even as Covid-19 has forced them to reimagine and rebuild their approach to business,” said ClearlyRated’s CEO and Founder, Eric Gregg.

Our firm excelled in five key areas: Responsiveness, Quality, Value, Needs Understanding, and Proactive Approach.

About ClearlyRated

Rooted in satisfaction research for professional service firms, ClearlyRated utilizes a Net Promoter® Score survey program to help professional service firms measure their service experience, build an online reputation, and differentiate on service quality.



“The Pun Group is not there to judge if a finance team is underperforming; they have the attitude to partner with the client to resolve issues and to streamline processes for the next audit.”

Roger R.



“We’ve been working with The Pun Group for years and they’ve always been responsive. Their fees are also much more reasonable than most.”

Graciela S.



“The firm’s responsiveness and technical knowledge during the audit. My staff likes having Suralink (client’s portal) whereby prepared by client schedules and requests for additional information can be easily uploaded.”

State & Local Client



“The Pun Group provides exceptional service on a consistent basis.”

David W.



November 3, 2022

South Orange County Wastewater Authority
Mary Carey, CPA, MBA | Finance Controller
34156 Del Obispo Street
Dana Point, CA 92629

Re: Professional Auditing Services

Dear Mrs. Carey:

On behalf of The Pun Group LLP, we are pleased to present our proposal to continue to provide Professional Auditing Services to the South Orange County Wastewater Authority (the "SOCWA") for fiscal years ending June 30, 2023, through June 30, 2027. We sincerely appreciate the opportunity to have served as your auditor in the past, and we look forward to continuing to serve you well in the future.

Our Firm has developed an understanding of the SOCWA's operations which has aided us in delivering quality audit services. With the knowledge we gathered since we started providing services to the SOCWA, we have been able to expand our audit efforts and offer observations that have assisted the SOCWA's staff. We have also demonstrated our ability to respond to the SOCWA's requests and our ability to deliver quality services. It's our further understanding the SOCWA has been satisfied with our efforts.

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants and meet the Continuing Professional Education requirements under US GAO's Government Auditing Standards to perform the proposed audits.

In addition, to avoid the "familiarity threat" under the professional audit and independence standards that may exist in long-term relationships with audit firms, the Firm has selected Mrs. Frances Kuo, CPA, CGMA, as the new lead audit/engagement partner. Her qualifications are presented in the *Partner, Supervisory, and Staff Qualifications and Experience* section of this proposal.

This letter is an acknowledgment of the Firm's understanding of the work to be performed. We are offering our commitment to deliver all of the required work, complete the audit, and issue the necessary auditor's reports within the periods outlined by the SOCWA. No subcontractors will be utilized for this engagement.

The Pun Group is the right choice for the South Orange County Wastewater Authority because:



Strong California Footprint. The Pun Group is reputable for its governmental practice. We are the principal auditors for districts such as Alameda County Water District, Central Basin Water District, Marina Coast Water District, Olivenhain Municipal Water District, and Santa Fe Irrigation District. Accordingly, we have a deep understanding of the current issues special districts are facing, such as varying demographics, economic environments, and the constantly changing landscape of laws and regulations.



Recognized Leader in the Governmental Industry. We are a small national Firm with licenses in the States of California, Arizona, and Nevada and a proven leader in professional services to the government sector. The partners and all employees proposed to perform the requested services do not have a record of substandard audit work nor have any outstanding claim of substandard practice or unsatisfactory performance pending with the State Board of Accountancy or other professional organizations. In addition, we are members of the national AICPA Audit Quality Center.

The Firm is the recipient of several awards, including the *SARC's Award for Excellence in Knowledge, Value, and Overall Client Satisfaction (2021)*. This particular award results from positive feedback from our clients in an independent survey, demonstrating our Firm's highest commitment to Federal standards, quality, and client satisfaction.



Award for Excellence
Recipient



South Orange County Wastewater Authority



You'll Work with a Team that Embraces Innovation and Continuous Improvement. Our Firm is committed to continuous improvement as it relates to service delivery. We embrace innovation and identify areas of technological enhancements in our audit and project management approaches. For example:

Secure Data File Transfer System. In order to improve audit efficiency, workflow management software plays an essential role between your organization and our engagement team. We employ a secure data file transfer system called Suralink. Suralink's dynamic request list is integrated with our secure file hosting system for seamless document-request coordination, including the upload of large-size files. It means all our requests are in one place, updated in real-time, and accessible by everyone working on the engagement. Not only makes the operation more cost-efficient, but it also enables you and your team to spend your time getting the job done, not reconciling a messy list of outstanding items. In addition, Suralink's dashboard allows you to visualize the process of document-request fulfillment.

AI Auditor. The Pun Group leverages the technology and research tools required to provide excellent services to its clients. With the usage of Artificial Intelligence (AI) technology, the Firm is capable of issuing all reports requested faster than other audit firms without exposing the SOCWA to unnecessary risks.

Remote Auditing Capability. Remote working arrangements have suddenly become the "new normal" in these trying times. Our Firm has deployed top-notch technology and fully transitioned to "remote auditing," offering our clients the quality services they deserve while being fully "remote" or operating in a "hybrid" schedule. "On-site" audits are still the Firm's preferred method, and we'll continue to offer and promote those as well.



Knowledge is Shared with You. As part of our pledge to keep you updated on new technical accounting and financial issues, we implemented our 2022 *Virtual* Government Accounting Conference, which qualifies for up to 15 hours of CPE – nearly double what other firms offer. These online sessions are free of charge and part of the service package provided to you. More details and dates can be found on the "*Client Training Webinars*" topic under this proposal.

The Pun Group is proud of its inclusive values and is an avid promoter of equality and diversity. In addition, the Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. We're proud of supporting affirmative-action philosophies and work hard to provide opportunities for self-enhancement to members of disadvantaged groups.

This proposal is a firm and irrevocable offer valid for ninety (90) days following the closing date for the receipt of all proposals.

Finally, we would like to emphasize one additional point: **We want to keep your trust and your business!** We are confident that the energetic and experienced team we have assembled is the right one for the SOCWA.

Our commitment to continuing serving the South Orange County Wastewater Authority cannot be adequately conveyed in a letter, and I look forward to continuing the discussion with you. I'm assigned as your primary contact for contract negotiations and stand steadfastly to serve as your lead audit/engagement partner. I'm also authorized to legally bind the Firm. Should you have any questions or wish to discuss this proposal, please do not hesitate to contact me at (949) 777-8805 or by email at frances.kuo@pungroup.com.

Sincerely,

Frances J. Kuo, CPA, CGMA | Partner | The Pun Group LLP
200 E. Sandpointe Avenue, Suite 600, Santa Ana, CA 92707

Section B: Technical Proposal

QUALIFICATIONS, RELATED EXPERIENCE, AND REFERENCES OF PROPOSER

The Pun Group LLP, Certified Public Accountants, and Business Advisors, founded in 2012, is a limited liability partnership. We are a full-service accounting firm comprised of fifty professionals providing auditing, accounting, and advisory services to our clients. Our Governmental Division consists of fifty full-time individuals.

The Firm has become one of the “Top Accounting Firms” in Orange County according to the Orange County Business Journal and is also on the list of CalCPA Top 150 firms.

The combination of our hands-on experience and practical knowledge exercised by our audit professionals makes the Firm unique in our field. Our technical expertise and thorough understanding of current regulations and issues—along with the Firm’s commitment to hard work, integrity, and teamwork in every engagement—enable us to help our clients succeed.

Our Partners’ Group—which includes Kenneth Pun, Frances Kuo, Coley Delaney, Vanessa Burke, Andrew Roth, John Georger Jr., and Gary Caporicci — provides auditing, accounting, and advisory services to numerous governmental entities throughout the United States. With more than two hundred years of combined experience in the industry, we have become a trusted business partner and are well-respected as leaders in the industry in one of the fastest-growing firms. With nearly 100 government and not-for-profit audit clients, our Partners have a real passion for the industry and believe we are unmatched in our municipal experience. The firm also meets professional standards generally accepted in the United States of America and the standards applicable to financial audits contained in ‘*Government Auditing Standards*’ issued by the Comptroller General of the United States.

The Firm’s headquarters are located in Orange County, California, with four branches in San Diego, Walnut Creek/Sacramento (California), Las Vegas (Nevada), and Phoenix (Arizona).

Our *Orange County* office, located at 200 E. Sandpointe Avenue, Suite 600, Santa Ana, CA 92707, will perform the requested services for the SOCWA. However, we may assign additional staff from our other offices to the engagement at no extra cost to the SOCWA.

Global Capabilities

The Pun Group LLP is an independent member of Allinial Global, an association of over 100 independent accounting and consulting firms. Based in North America, Allinial Global offers international support by connecting its member firms to providers and global networks of accounting firms worldwide.

OUR FIRM AT A GLANCE



50 full-time auditing, accounting, tax and advisory professionals



One of the fastest growing firms serving California, Nevada and Arizona



Client retention rate: 90 – 95%



5 offices across 3 states



OUR AFFILIATIONS



South Orange County Wastewater Authority

Our Services

Our partners and seasoned professionals are always available, guiding clients through their periods of rapid growth as well as difficult times. We are able to do that by offering a portfolio of accounting services that are as diverse as the jurisdictions and entities themselves. The Pun Group ^{LLP} has successfully provided professional auditing, accounting, financial reporting, and management advisory/consulting services to a broad spectrum of governmental entities.



ASSURANCE

- Financial statements audits
- Compliance audits
- Performance audits
- Internal audits
- Service organization controls audits



ADVISORY

- Operational reviews/risk advisory services
- Forensic investigation
- Financial condition analysis
- Organizational structure review
- Cash flow analysis
- Debt restructuring consultation
- Litigation restructuring consultation



OTHER SERVICES

- Assistance with the preparation and review of the Annual Comprehensive Financial Report
- Government property lease excise tax compliance review
- Sub-recipient monitoring
- Implementation of new GASB pronouncements
- Audit readiness services
- Contract Finance Director/Accountant services

Federal or State Desk Review

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

Disciplinary Action

State regulatory bodies or professional organizations have taken no disciplinary action against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers, or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the South Orange County Wastewater Authority.

South Orange County Wastewater Authority

Peer Review

Being a member of the American Institute of Certified Public Accountants (AICPA), The Pun Group ^{LLP} is required to obtain an independent peer review of our audit and accounting practice every three (3) years. The peer reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complied with the AICPA's stringent standards for quality control and issued a peer review rating of "Pass."

A copy of our most recent peer review is presented.



8 Denison Parkway East, Suite 407
Coming, NY 14830

P 607.962.6891
TF 800.546.7556
F 607.973.2174
W EFPRgroup.com

Report on the Firm's System of Quality Control

February 14, 2022

To the Owners of
The Pun Group, LLP
And the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of The Pun Group, LLP (the firm) in effect for the year ended December 31, 2020. 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*, compliance audits under the Single Audit Act and an audit of an employee benefit plan.

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of The Pun Group, LLP in effect for the year ended December 31, 2020, 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*. The Pun Group, LLP has received a peer review rating of *pass*.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Coming, NY

South Orange County Wastewater Authority

Firm's Current and Past Experience with Special Districts and Authorities

Our Firm has provided professional services to several Districts and Authorities. Below is a representative listing of such engagements:

- Adelanto Public Utility Authority
- Alameda County Water District
- Arbuckle Public Utility District
- Bodega Bay Fire Protection District
- Casitas Municipal Water District
- Central Basin Municipal Water District
- Civic – Recreational – Industrial Authority
- City of Monterey Joint Powers Financing Authority
- Coachella Valley Resource Conservation District
- Coachella Fire Protection District
- Diablo Water District
- East Orange County Water District
- El Toro Water District
- Farm Mutual Water Company
- Las Virgenes Municipal Water District
- Las Virgenes – Triunfo Joint Powers Authority
- Los Angeles Waterkeeper
- Marina Coast Water District
- Menlo Park Fire Protection District
- Mountain Recreation Conservation Authority
- North County Dispatch Joint Powers Authority
- North County Fire Protection District
- Olivenhain Municipal Water District
- Orange County – City Hazardous Materials Emergency Response Authority
- Orange County Coastkeeper
- Palmdale Water District
- Perris Joint Powers Authority
- Presidio Municipal Services Agency
- Rancho Santa Fe Fire Protection District
- Riverside County Flood Control and Water Conservation District
- San Diego Coastkeeper
- San Bernardino County Fire District
- San Elijo Joint Powers Authority
- San Joaquin County Regional Fire Dispatch Authority
- South Bay Regional Public Communications Authority
- Santa Fe Irrigation District
- Sativa Los Angeles County Water District
- South Orange County Wastewater Authority
- Sweetwater Springs Water District
- Trabuco Canyon Water District
- Twentynine Palms Water District
- Valley Sanitary District
- Water Replenishment District of Southern California
- West County Wastewater District

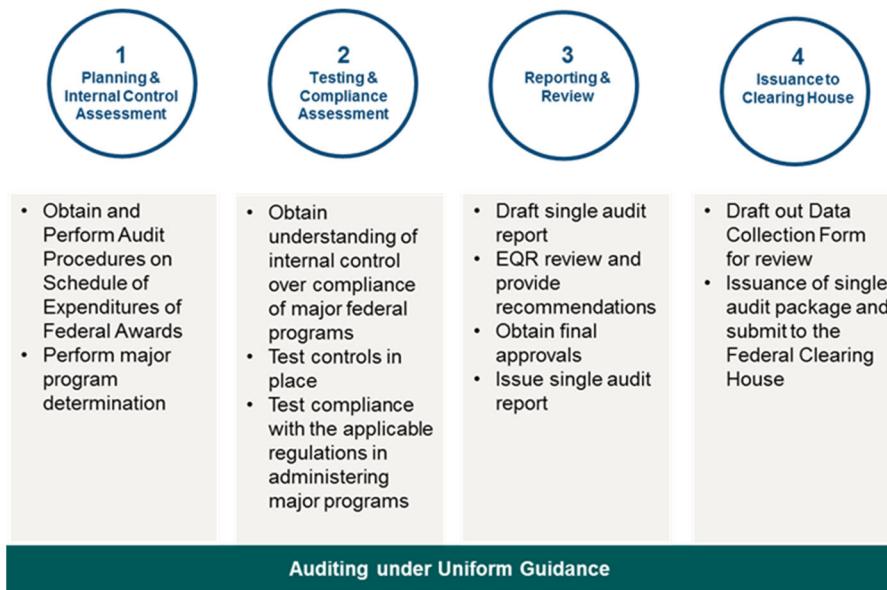
South Orange County Wastewater Authority

Firm's Experience with Single Audit and Grants

The Pun Group LLP works with numerous organizations that receive extensive governmental funding and are subject to auditing under Uniform Grant Guidance. This Firm's specialization helps our audit team understand the procedures' nuances and execute the engagement accordingly. We also assist in preparing the data collection form and preparing the reporting package for submission to the federal audit clearinghouse.

The Firm is a member of the AICPA Governmental Audit Quality Center and has demonstrated its commitment to audit quality, including those performed under Government Auditing Standards and Uniform Guidance. Also, we are a recipient of the *Single Audit Resource Center's Award for Excellence*. This award is based on the positive feedback result from our clients in an independent survey, demonstrating our Firm's highest commitment to quality and client satisfaction.

We utilize standardized audit programs from the federal government's Compliance Supplement to ensure that our procedures meet federal standards. Our audit programs are continually updated to reflect the revisions of OMB. Our Uniform Guidance risk-based approach focuses on areas of higher risk of noncompliance. Such an approach truly reflects the federal government's intent by concentrating on the following four steps:



- 1. Planning & Internal control assessment:** The engagement team will obtain an understanding of the SOCWA and its operating environment and its internal control over the Schedule of Expenditures of Federal Awards. The engagement team will perform the major program determination and communicate with the SOCWA's management before conducting major program testing.
- 2. Testing & compliance assessment:** The engagement team will obtain an understanding of internal control over compliance on the direct and material compliance requirements for each major program. The engagement will perform testing on internal controls over compliance to ensure the controls are in place, working effectively and properly and that the SOCWA is in compliance with the applicable regulations in administering major programs.
- 3. Reporting & Review:** The engagement team will review and prepare the single audit reports and perform quality control procedures following the Quality Control Standards issued by the AICPA. Any comments will be issued to the management or the Charge with Governance, depending on the magnitude of the issues. Upon obtaining the final approvals from management, the Single Audit report will be issued.
- 4. Issuance to Clearing House:** The engagement team will assist the SOCWA in drafting the data collection form and completing the final submission, including uploading the audit package to the Federal Clearing House.

South Orange County Wastewater Authority

Our Firm has audited hundreds of millions of dollars in federal expenditures, making our engagement team uniquely experienced in single audits. We are familiar with *grantors*, such as:



- Corporation for National and Community Services
- Department of Agriculture
- Department of Education
- Department of Health and Human Services
- Department of Housing and Urban Development
- Department of Transportation
- Environmental Protection Agency
- Department of Commerce
- Department of Labor
- Department of Homeland Security
- Department of Justice
- Department of Treasury
- Executive Office of the President

Following are a few examples of the types of federal programs our engagement team has experience auditing:

	CFDA
Child and Adult Care Food Program	10.558
Community Development Block Grants/Entitlement Grants	14.218
Home Investment Partnership	14.239
Housing Vouchers Cluster	14.871
Title XVI Water Reclamation and Reuse Program	15.504
Equitable Sharing Program	16.922
WIAWIOA Adult Program	17.258
WIAWIOA Youth Activities	17.259
WIAWIOA Dislocated Worker Formula Grants	17.278
Airport Improvement Program	20.106
Highway Planning and Construction	20.205
Federal Transit - Capital Investments Grants	20.500
Federal Transit - Formula Grants	20.507
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608
Capitalization Grants for Clean Water State Revolving Funds Cluster	66.458
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045
Nutrition Services Incentive Program	93.053
Temporary Assistance for Needy Families (TANF) State Programs	93.558
Community Service Block Grant	93.569
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714
National Urban Search and Rescue (US&R) Response System	97.025
Homeland Security Grant Program	97.067

South Orange County Wastewater Authority

Subcontractors

No subcontractors will be utilized to perform the requested services.

References

The following are some current engagements with similar requirements as the South Orange County Wastewater Authority's proposal. Please feel free to contact these agencies to learn more about their experiences working with us.

Name of Public Agency	Olivenhain Municipal Water District
Contact Info	Ms. Rainy Selamat RSelamat@olivenhain.com Phone: (760) 753-6466
Total Hours	200
Contract Price	\$25,500/year
Date of Services	2018 – Present
Scope of Work/Reports Prepared	Financial Statements Audit.

Name of Public Agency	Zone 7 Water Agency
Contact Info	Osborn Solitei, Treasurer/Assistant General Manager, Finance (925) 447-6704 osolitei@zone7water.com
Total Hours:	Approximately 400 hours
Contract Price	\$30,500/year
Date of Services	2020 - Present
Scope of Work/Reports Prepared	Financial Audit and Compliance Services: Annual Comprehensive Financial Report Audit, GFOA Award, Single Audit, OPEB Liability, SCO Report, Livermore Valley Water Financing Authority SCP, Debt Issues/Bond Covenants.

Name of Public Agency	Central Basin Municipal Water District
Contact Info	Peggy Williams, Accounting Manager (323) 201-5513 peggyw@centralbasin.org
Total Hours:	Approximately 300 hours
Contract Price	\$30,000/year
Date of Services	2018 - Present
Scope of Work/Reports Prepared	Basic financial statements audit, SCO Report.

Independence

The Pun Group LLP requires all employees to adhere to strict independence standards concerning the Firm's clients. These independence standards exceed, in many instances, the rules promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group LLP certifies that it is independent of the South Orange County Wastewater Authority. The Firm meets independence requirements defined by the United States Government Accountability Office's (US GAO's) Government Auditing Standards and the American Institute of Certified Public Accountants (AICPA). Based on that, we have not identified an instance that constitutes a conflict of interest relative to performing the services requested by the SOCWA.

The Firm will give the South Orange County Wastewater Authority written notice of any professional relationships entered into during the period of the engagement.

South Orange County Wastewater Authority

Firm's Experience Providing Similar Services

The Pun Group LLP has performed numerous audits of organizations subject to financial and compliance audits. These audits were performed under auditing standards generally accepted in the United States, Government Auditing Standards, Uniform Guidance (formerly known as OMB Circular A-133), and its Compliance Supplement (when applicable), Office of the State Controller's Minimum Audit Requirements and Reporting Guidelines. A representative list of our current clients is as follows:

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Total Hours
City of Adelanto	2021 – Present	Yes	Yes	Yes	700
City of Alameda	2019 – Present	Accounting and Consulting Services			150
City of Arvin	2013 – Present	Yes	Yes	N/A	400
City of Bell	2018 – Present	Yes	Yes	Yes	520
City of Bradbury	2012 – Present	Yes	N/A	N/A	150
City of Calexico	2007 – Present	Yes	Yes	N/A	750
City of Clovis	2006 – Present	Yes	Yes	Yes	500
City of Coachella	2017 – Present	Yes	Yes	Yes	410
City of Cottonwood, AZ	2007 – Present	Yes	Yes	Yes	400
City of Corona	2021 – Present	Yes	Yes	Yes	640
Town of Corte Madera	2022 – Present	Yes	Yes	N/A	400
Town of Danville	1999 – Present	Yes	Yes	Yes	400
City of Douglas, AZ	2020 – Present	Yes	Yes	Yes	300
City of Desert Hot Springs	2013 – Present	Yes	N/A	N/A	700
City of Gardena	2007 – Present	Yes	Yes	Yes	700
City of Gilroy	2020 – Present	Yes	Yes	Yes	640
City of Glendora	2017 – Present	Yes	Yes	Yes	430
City of Gustine	2017 – Present	Yes	N/A	N/A	400
City of Hemet	2015 – Present	Yes	Yes	N/A	380
City of Hercules	2020 – Present	Yes	Yes	Yes	450
City of Lakewood	2013 – Present	Yes	Yes	Yes	380
City of Lomita	2020 – Present	Accounting and Consulting Services			150
City of Lodi	2018 – Present	Yes	Yes	Yes	760
City of Lynwood	2016 – Present	Yes	Yes	Yes	585
City of Madera	2019 – Present	Yes	Yes	Yes	470

South Orange County Wastewater Authority

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Total Hours
City of Montebello	2022 – Present	Yes	Yes	Yes	600
City of Napa	2019 – Present	Yes	Yes	Yes	750
City of National City	2013 – Present	Yes	Yes	Yes	600
City of Palm Springs	2020 – Present	Yes	Yes	Yes	1,000
City of Patterson	2017 – Present	Yes	Yes	Yes	450
City of Placerville	2008 – Present	Yes	Yes	N/A	400
City of Redlands	2022 – Present	Yes	Yes	Yes	650
City of Ridgecrest	2009 – Present	Yes	Yes	Yes	300
City of Rohnert Park	2020 – Present	Yes	Yes	Yes	700
City of San Mateo	2021 – Present	Yes	Yes	Yes	900
City of Santa Clarita	2022 – Present	Yes	Yes	Yes	1,216
City of Seal Beach	2017 – Present	Yes	Yes	Yes	410
City of Shafter	2017 – Present	Yes	Yes	Yes	400
City of Stockton	2012 – Present	Yes	Yes	N/A	3,000
City of Tracy	2021 – Present	Yes	Yes	Yes	960
City of Visalia	2021 – Present	Yes	Yes	Yes	650
Imperial County Transportation Commission	2020 – Present	Yes	Yes	Yes	600
Nevada County Transportation Commission	2021 – Present	Compliance Services	450		
San Diego Metropolitan Transit System	2005 – Present	Yes	Yes	Yes	1,850
Shasta Regional Transportation Agency	2015 – Present	Yes	N/A	N/A	400
Alameda County Water District	2018 – Present	Yes	Yes	N/A	550
Carmel Area Wastewater District	2022 – Present	Yes	Yes	N/A	150
CAWD/PBSCD Wastewater Reclamation Project	2022 – Present	Yes	N/A	N/A	150
Central Basin Water District	2018 – Present	Yes	Yes	N/A	400
Las Virgenes Municipal Water District	2014 – Present	Yes	N/A	N/A	400
Los Angeles County Law Library	2020 – Present	Yes	N/A	N/A	180
Marina Coast Water District	2012 – Present	Yes	N/A	Yes	240
Menlo Park Fire Protection District	2015 – Present	Yes	Yes	Yes	240
NALEO Educational Fund and NALEO	2020 – Present	Yes	N/A	N/A	300
Olivenhain Municipal Water District	2019 – Present	Yes	Yes	Yes	200

South Orange County Wastewater Authority

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Total Hours
Padre Dam Municipal Water District	2020 – Present	Yes	Yes	Yes	250
Rancho Murieta Community Services District	2019 – Present	Accounting and Consulting Services			800
Rancho Santa Fe Fire Protection District	2015 – Present	Yes	N/A	N/A	120
San Bernardino County Emergency Training Center	2020 – Present	Yes	N/A	N/A	50
San Bernardino County Preschool Services Department	2020 – Present	Yes	Yes	N/A	150
San Bernardino County Fire Protection District	2016 – Present	Yes	N/A	N/A	200
San Elijo Joint Powers Authority	2016 – Present	Yes	N/A	N/A	146
Santa Fe Irrigation District	2019 – Present	Yes	N/A	N/A	250
Sweetwater Authority	2022 – Present	Yes	Yes	Yes	270
South Bay Cities Council of Governments	2020 – Present	Yes	N/A	N/A	100
South Orange County Water Authority	2017 – Present	Yes	Yes	Yes	240
South Bay Regional Public Communications Authority	2015 – Present	Yes	N/A	N/A	100
Southwestern Community College District	2009 – Present	Yes	Yes	N/A	720
Valley Sanitary District	2015 – Present	Yes	N/A	Yes	140
West Valley Mosquito and Vector Control District	2016 – Present	Yes	N/A	N/A	100
Zone 7 Water Agency	2020 – Present	Yes	Yes	Yes	400

GFOA Award Program

The Pun Group ^{LLP} realizes the importance of maintaining the Certificate for Excellence in Financial Reporting from the GFOA. Our professionals are exceptionally well qualified to assist governments in obtaining and maintaining their certificates.

The Firm's commitment and involvement in the development of auditing and accounting standards can be shown in our active participation in the GFOA's financial statements certificate programs. 100% of our current clients who submitted their Annual Comprehensive Financial Report to the GFOA received these awards.

Also, two of our senior partners, Mr. Gary Caporicci and Mr. John F. Georger, are members of the Government Finance Officers Association and participate in the GFOA Special Review Committee.

South Orange County Wastewater Authority

PROPOSED STAFFING AND PROJECT ORGANIZATION

The engagement team was carefully selected to provide the SOCWA with all the services needed to complete the audit successfully. Your assigned Engagement and Technical Partners will be personally involved in the project, leading a team that has significant experience in *governmental auditing*. You can be confident that our broad experience and technical capabilities will allow us to provide technical support, interpret findings, and offer practical solutions to any issues that may arise.

About Your Engagement Team

The personnel assigned to this engagement are fully qualified to perform an effective audit of the SOCWA, and their extensive experience will be critical to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to all GASB pronouncements, the Single Audit Act, Uniform Guidance (formerly known as OMB Circular A-133), and fund operations. They have held positions as professional certified public accountants, as well as held significant roles within and outside of government agencies. Such qualities will bring to an entity like the South Orange County Wastewater Authority the thought leadership, quality, and level of experience it requires.

Because of the “familiarity threat” under the professional audit and independence standards that may exist in long-term relationships with audit firms, the Firm is committed and has sufficient resources to rotate engagement partners, managers, and or supervisors assigned to the SOCWA’s audit with personnel with similar or higher qualifications and experience in order to overcome this threat.

If the Firm changes key personnel, we will provide the SOCWA with a written notification. **Engagement partners, managers, and specialists will only be changed with express prior written permission from the SOCWA.** Audit personnel may be replaced only by those with similar or better qualifications and experience.



Frances J. Kuo, CPA, CGMA | Lead Audit/Engagement Partner

Frances Kuo is an Assurance Services Partner. She has extensive experience in providing audit and advisory services to local government agencies, including public pension plans, cities, counties, special districts, community colleges, and joint powers authorities, as well as not-for-profit organizations. Ms. Kuo brings a wealth of experience from her background in audits and advisory services in areas such as internal controls, policy development, and accounting system implementation. She is a Certified Public Accountant and a Chartered Global Management Accountant.

Ms. Kuo will actively serve as the Engagement/Lead Partner overseeing the Engagement Team, developing the audit plan, reviewing fieldwork for quality, approving final reports, and communicating with the Finance Department. She will also be responsible for the timely delivery of all services for the SOCWA.



John (“Jack”) F. Georger, CPA, CIA, CGMA | Quality Control Reviewer

Throughout his forty years of experience, Mr. Georger has spent many years in the Big 4 and national firms. He worked diligently alongside numerous governmental municipalities, including cities, counties, and transportation agencies, as well as not-for-profit entities, providing clients with financial and compliance auditing as well as consultation services. Mr. Georger annually instructs over 300 hours in accounting and auditing subjects and has authored training material in governmental accounting and auditing for the AICPA. Mr. Georger is also the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits, GAAP Guide (FASB), and Governmental GAAP Guide (GASB), the gold standard for audit firms throughout the United States. As the Chief Quality Officer in our Firm, he advises clients with their complex accounting questions and supports the engagement team with audit issues. He is a Certified Public Accountant, a Certified Internal Auditor, and a Chartered Global Management Accountant.

Mr. Georger is responsible for reviewing all reports issued by the Firm to ensure the utmost quality and compliance with professional standards and the final quality-control assessment within the engagement.

South Orange County Wastewater Authority



Gary M. Caporicci, CPA, CGFM, CFF | GASB Implementation Specialist

Gary Caporicci is an appointed member of the State Controller's Retirement Advisory Committee. Mr. Caporicci is a leading expert and has authored and taught several courses for CalCPA and AICPA on GASB 68, *Accounting and Financial Reporting for Pensions*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As an assurance partner with over forty years of experience, Mr. Caporicci has performed financial, compliance audit, and consultation services to government clients, including cities, counties, transportation agencies, and school districts, as well as various not-for-profit entities. He is a Certified Public Accountant, a Certified Government Financial Manager, and Certified in Financial Forensics.

Mr. Caporicci will utilize his expertise in providing advice and consultation during the implementation of the new GASB standards.



Sophia Kuo, CPA, MBA | Engagement/Project Director

Sophia Kuo is an Assurance Services Director in the Firm who holds an Advanced Certification in Single Audits through the AICPA. She possesses extensive auditing experience, including cities, counties, special districts, and not-for-profit entities. She will work closely with the engagement partners directing and supervising the audit team in its daily activities and tasks. She is a Certified Public Accountant.

Ms. Kuo will serve as the primary point of contact for your team and will work to ensure the audit is conducted within the deadlines and will provide updates on our team's progress to the partners and you.

Staff Continuity

The Pun Group ^{LLP} is committed to maintaining staff continuity throughout audit engagements, and we can assure you that the partners assigned to this audit will be involved throughout the entire contract term.

While we cannot guarantee that our staff-level members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. Also, we offer benefits, including retirement plans, medical plans, profit-sharing programs, and continuing education.

Quality-Control System

Our Firm meticulously monitors the quality and contents of our reports. The Pun Group ^{LLP} is 100% committed to providing only the highest grade of work possible for our clients and for those who rely on our audits. The Firm strives to exceed professional industry standards because of the continuing respect for our clients and our emphasis on creating long-lasting relationships. The Pun Group ^{LLP} works exclusively with those who share the same moral integrity and values.

Our quality-control system has been crafted with excellence in mind. It not only meets AICPA standards but also matches our own elevated standards, which include following various professional development activities.

License to Practice in California

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants and meet the Continuing Professional Education requirements under US GAO's Government Auditing Standards to perform the proposed audits.

Firm Registration:

California State Board of Accountancy Number – PAR 7601
Federal Identification Number – 46-4016990

South Orange County Wastewater Authority

Continuing Education and Professional Development

Because of our commitment to providing the highest quality of services to the SOCWA, we provide our professionals with technical training to ensure our people stay current on topics within the industry sectors and better equip themselves to serve our clients.

All professionals are required to obtain continuing education that exceeds the requirements of the American Institute of Certified Public Accountants (AICPA) and, where applicable, *Government Auditing Standards*. Our professionals participate in continuing education programs through the following means:

- Governmental Accounting and Auditing Conference sponsored by AICPA.
- Webinar sponsored by AICPA Government Audit Quality Center.
- Annual Conference sponsored by California Society Municipal Finance Officers.
- Governmental Accounting and Auditing Conference sponsored by CalCPA.
- The Pun Group in-house training on government-specific topics, including but not limited to: GASB updates, Government Auditing Standards Revision, Fraud in State and Local Governments, COSO Internal Control-Integrated Framework, Audit of State and Local Governments, Single Audit, and Mindbridge AI Auditors™.



In 2021, our government professionals received an average of 52 hours of continuing professional education, compared with the 40 hours of accounting industry requirement.

By expanding our knowledge through these seminars/conferences, we can provide the right solutions to our clients.

Engagement Team Resumes

The South Orange County Wastewater Authority deserves experienced professionals who work as a team. The Pun Group LLP will provide qualified professionals to perform the audit. No subcontractors will be utilized to perform the requested services. Resumes for key engagement team members are presented as follows:

South Orange County Wastewater Authority



Frances J. Kuo

CPA, CGMA

Lead Audit/
Engagement Partner



EMAIL

frances.kuo@pungroup.com



WEBSITE

www.pungroup.cpa

Expertise:



CITIES



COUNTIES



TRANSPORTATION
AGENCIES



ENTERPRISE
OPERATIONS



HIGHER
EDUCATION



NOT-FOR-PROFIT

Licensed to Practice in:
California
Arizona

EXPERIENCE

Frances Kuo is a Partner in The Pun Group, LLP's Assurance division. Frances has over sixteen (16) years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and employee benefit plans. Frances also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance, formerly known as OMB Circular A-133 standards.

Frances has performed audits and other attestation services for several municipalities throughout California, including cities, counties, successor agencies to former redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts. She has assisted these clients in publishing their Annual Comprehensive Financial Reports in compliance with GASB Statement No. 34.

Frances is the in-house instructor who provides training, both theoretical and on-the-job training, to lower-level staff. She has developed training materials on the risk-based audit approach, GASB Statement No. 34 reporting, Single Audits, and employee benefit plan audits.

EDUCATION

University of California, Riverside

B.S. Degree – Business Administration, Emphasis in Accounting

University of California, Riverside

B.A. Degree – Economics

LEADERSHIP & AFFILIATIONS

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

RELEVANT EXPERIENCE

- Marina Coast Water District
- Coachella Water Authority
- Las Virgenes Municipal Water District
- Yorba Linda Water District
- Water Replenishment District of SoCal
- City of Coachella
- City of Desert Hot Springs
- City of Palm Springs
- City of Lakewood
- City of Glendora

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thompson Reuters, AICPA, and CalCPA Education Foundation, including:

- Governmental and Nonprofit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.

South Orange County Wastewater Authority



John F. Georger, Jr.
CPA, CIA, CGMA
Quality Control
Reviewer



EMAIL

jack.georger@pungroup.com



WEBSITE

www.pungroup.cpa

Expertise:



CITIES



COUNTIES



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NOT-FOR-PROFIT

Licensed to Practice in:
California
Arizona
Nevada

EXPERIENCE

Jack Georger is the Chief Quality Officer within The Pun Group LLP's Assurance division. By leveraging more than forty (40) years of public accounting and auditing experience in the government, agribusiness, financial services, manufacturing, and nonprofit sectors, Mr. Georger brings in-depth knowledge and practical expertise to each engagement.

Jack coordinates, plans, and manages financial audit activities, consulting activities, federal and state compliance audit activities, performance audits, and numerous quality control and internal control reviews for a broad mix of governmental agencies and programs throughout the United States.

Mr. Georger leads our Peer Review department providing peer review services to other firms under the practice monitoring program of the AICPA.

Mr. Georger is a continuing professional education course instructor for the AICPA. Annually, he instructs over 300 hours in accounting and auditing subjects. Jack has authored training material in governmental accounting and auditing for the AICPA. He is the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits, GAAP Guide (FASB), and Governmental GAAP Guide (GASB).

Mr. Georger is licensed to practice as a certified public accountant in the states of California, New York, Virginia, Maryland, the District of Columbia, Missouri (inactive), Connecticut (inactive), and Wyoming (inactive). He is a Certified Internal Auditor (CIA).

EDUCATION

George Mason University Fairfax, Virginia

B.S. Degree – Accounting

LEADERSHIP & AFFILIATIONS

- Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- Member, Institute of Internal Auditors
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, New York Society of Certified Public Accountants (NYSSCPA)
- Chairman, NYSSCPA Government Accounting and Auditing Committee
- Member, NYSSCPA Auditing Standards Committee
- Member, NYSSCPA Sustainability Committee
- Member, NYSSCPA Not-for-Profit Committee
- Nevada Society of Certified Public Accountants (NSCPA)
- Member, Government Finance Officers Association (GFOA) – Reviewer
- Member, Institute of Internal Auditors

CONTINUING PROFESSIONAL EDUCATION

He has instructed over 300 hours of municipal accounting courses offered by the AICPA.

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.

South Orange County Wastewater Authority



Gary M. Caporicci
CPA, CGFM, CFF
GASB
Implementation
Specialist



EMAIL

gary.caporicci@pungroup.com



WEBSITE

www.pungroup.cpa

Expertise:



CITIES



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EDUCATION



NOT-FOR-PROFIT

Licensed to Practice in:
California

EXPERIENCE

Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. Also, he authors white papers for the California Committee on Municipal Accounting.

Before working with the Firm, Gary founded his accounting practice. He also spent eleven years with a "Big Eight" professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Gary has held a consultant position with a "Big Four" practice and was Vice President of a national insurance and financial services company.

In 2015 Gary Caporicci was appointed to the State Retirement Advisory Committee by the State Controller.

EDUCATION

Armstrong University

B.S. Degree – Accounting and Finance

LEADERSHIP & AFFILIATIONS

- Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- Member, Author, and Instructor, California Society of Certified Public Accountants (CalCPA)
- Past Chair, CalCPA Governmental Accounting and Auditing Committee
- Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- Member, CalCPA Council
- Chair, California Committee on Municipal Accounting (CCMA)
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Governmental Accounting Standards Board (GASB)
- Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- National Reviewer and Speaker, Government Finance Officers Association
- Adjunct Professor, National University
- Past Member, Texas Governmental Accounting and Auditing Committee
- GFOA Certificate for Excellence in Financial Reporting – Reviewer

CONTINUING PROFESSIONAL EDUCATION

Author and instructor of various municipal accounting courses offered by the AICPA, CalCPA Education Foundation, and local universities, including:

- Governmental and Non-profit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.

South Orange County Wastewater Authority



Sophia Kuo
CPA, MBA

Engagement/
Project Director



EMAIL
sophia.kuo@pungroup.com



WEBSITE
www.pungroup.com

Expertise:



CITIES



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AGENCIES



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EDUCATION



NOT-FOR-PROFIT

Licensed to Practice in:
California

EXPERIENCE

Sophia Kuo is a Director within The Pun Group, LLP's Assurance division. In her seven years of accounting and auditing experience, Sophia has worked with governmental agencies, not-for-profit entities, and private for-profit entities. She possesses governmental expertise that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting, Data Analysis, and Taxation.

Ms. Kuo has performed audits and other attestation services for several governmental agencies throughout California. Her portfolio includes cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts. Also, she has helped them publish their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

EDUCATION

Fu Jen Catholic University

B.A. Degree – International Trading and Finance, Emphasis in Finance

Idaho State University

Master of Accounting (MAcc)
Master of Business Administration (MBA)



LEADERSHIP & AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT EXPERIENCE

- City of Coachella
- City of Desert Hot Springs
- City of Laguna Niguel
- City of Monterey
- City of Perris
- City of Culver City
- City of Gardena
- City of Lakewood
- City of Monterey Park
- City of Pomona

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thompson Reuters, AICPA, and CalCPA Education Foundation, including:

- Governmental and Non-profit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.

South Orange County Wastewater Authority

WORK PLAN

The South Orange County Wastewater Authority is requesting the Firm to perform Professional Auditing Services and issue opinions on the SOCWA's financial statements. The audits are to be completed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA).
- US General Accounting Office's (GAO) Standard for Audit of Governmental Organizations, Programs, Activities, and Functions.
- Local Governments and Governmental Accounting Standards Board (GASB) Pronouncements.
- The standards applicable to financial audits are contained in the most current version of the Generally Accepted *Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act as amended in 1996.
- The provisions of the US Office of Management and Budget (OMB) Uniform Guidance (formerly known as Circular A-133), Audits of State and Local Governments and Non-profit Organizations, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The Firm will perform the following services:

- ✓ Financial Statement Audits and issuance of an opinion statement on the **Annual Comprehensive Financial Report** of the South Orange County Wastewater Authority. The audit will be conducted in accordance with Generally Accepted Government Auditing Standards. The report will be in full compliance with all current GASB pronouncements.

In addition, the Firm will assist in meeting the requirements for the Government Finance Officers Association (GFOA) "**Certificate of Achievement for Excellence in Financial Reporting.**"

- ✓ If needed, prepare a **Single Audit Report** which will include the following:
 - Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
 - Report on compliance with requirements applicable to each major program, internal control over compliance, and on the schedule of expenditures of federal awards in accordance with Uniform Guidance, "Audits of State and Local Governments," and the Single Audit Act of 1984 (Public Law 98-502).
 - Schedule of Expenditures of Federal Awards.
 - Notes to Schedule of Expenditures of Federal Awards.
 - Schedule of Findings and Questioned Costs.
 - Any other required schedules or reports.
 - Prepare the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.
- ✓ Issue an **Auditor's Communication Letter** with any reportable conditions found during the audit. A reportable condition will be defined as a material weakness or significant deficiency.
- ✓ Issue a separate "**Management Letter**" that includes recommendations for improvements on internal control, accounting procedures, and other significant observations that are considered to be no reportable conditions.

South Orange County Wastewater Authority

Provided By Client (PBC) Lists: They will be provided for both interim and final audits according to an agreed-upon timeline between the engagement team and the SOCWA in order to be reasonably prepared for a field audit. The engagement team will meet with the SOCWA's management during the initial planning stage to discuss audit schedules and review the prior year's audit findings (if any). We will deliver a list of all documents to be provided by the SOCWA's staff. Once such materials are agreed upon by the engagement team and SOCWA's finance personnel, no other schedules will be requested unless new information comes to light in the course of test work.

Attendance at Meetings and Hearings: The engagement team will participate in as many meetings with staff as needed to perform the work scope tasks, present the audit plan prior to beginning fieldwork, and discuss the draft audit reports. The team will attend public meetings to present and discuss its findings and recommendations. Once all issues of discussion are resolved, the completed Financial Reports, Single Audit report (if applicable), and other reports will be delivered to the SOCWA according to the agreed-upon schedule.

Proposed Audit Adjustments: All proposed adjusting journal entries by the Firm will be discussed and explained in a timely manner with the designated Finance Department personnel. Such proposed adjustments will be in a format that shows the lowest level of posting detail needed for data entry in the general ledger systems.

Supplemental Reports, Audits, or Agreed-Upon Procedures: Other services, such as agreed-upon procedures, may be deemed necessary. These services will be performed at agreed-upon rates and will be added to a written agreement before commencing audit work. The Firm and the South Orange County Wastewater Authority will discuss and approve the scope and associated costs of these tasks.

Advice and Consultation: Will be provided throughout the year on matters relating to accounting and financial reporting. Such services do not include any task that entails significant research or a formal report.

GASB Implementation: The Firm will provide technical assistance and training in the implementation of applicable GASB pronouncements not yet in effect. We have a dedicated partner, Mr. Gary Caporicci, who will be responsible for providing advice and consultation for the implementation of these new standards. The Firm will advise the SOCWA on the applicability of accounting and reporting standards and other accounting issues and provide guidance on new note disclosures, GASB implementations, and other reporting requirements. We will also provide training, resources, and information on topics relevant to SOCWA's financial reporting and operations. *(Based on the scope, additional charges may apply.)*

Report of all Irregularities and Illegal Acts: The Firm will make an immediate written report of all irregularities and illegal acts or indications of illegal actions of which we may become aware to the (1) SOCWA's Board Chairperson; (2) SOCWA's General Manager; (3) SOCWA's Finance Committee; and (4) SOCWA's Finance Controller.

The engagement team will also make all communications to the SOCWA required by the audit standards under which the engagement is performed.

Working Paper Retention and Access to Working Papers: The Firm will retain, at its own expense, all working papers and reports for a minimum of seven (7) years unless the South Orange County Wastewater Authority notifies the Firm in writing of the need to extend the retention period. The Firm will make working papers available upon request by the SOCWA.

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

South Orange County Wastewater Authority

Methodology and Segmentation of Engagement

The Firm's audit approach consists of six phases: Engagement Acceptance and General Planning, Planning and Internal Control Evaluation, Fieldwork, Post-Fieldwork, Report Preparation and Review, and Final Production.



Benefits

- Client tailored approach emphasizing careful planning, open communication, proper assignment of responsibilities
- An efficient and effective audit, so disruption to office operations is kept to a minimum
- Offer beneficial observations and recommendation about policies and procedures for accounting and operating controls
- Opportunities to make operations more efficient and reduce costs
- Provide advisory services so recommendations can be implemented
- Meet objectives at no additional cost

- 1. Engagement Acceptance and General Planning:** The engagement partner and manager will meet with SOCWA's management to obtain an update on current SOCWA policies and procedures, help identify risk areas and new operations, and establish any specific requirements they may have. Our team will work on the identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.
- 2. Planning and Internal Control Evaluation:** The engagement team, including the engagement partner, will assess accounting policies adopted by the SOCWA in order to obtain an understanding of its structure and its operating environment. Also, our team will review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal controls, perform preliminary analytical procedures, develop an initial risk assessment, evaluate Single Audit compliance, identify any audit issues, and prepare confirmation correspondence. The engagement team and SOCWA's Management will establish expectations, including responsibilities and assignments for the year-end fieldwork, and will hold a progress status meeting at the end of the interim phase.
- 3. Fieldwork:** The engagement team, including the engagement partner, will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform data analysis using our AI tools, search for unrecorded liabilities, perform substantial analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The engagement team and SOCWA's Management will hold an exit conference at year-end. Periodic update meetings will be held to communicate audit progress to management.
- 4. Post Fieldwork:** During the phase, the engagement team, including the engagement partner, will review all documents and evaluate commitments and contingencies. The team will perform an assessment of the going concern and jointly plan for the next steps.
- 5. Report Preparation and Review:** The Firm will review and prepare audit reports and perform quality control procedures following the Quality Control Standards issued by the AICPA. We will also examine reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be recorded in a letter to management. At the SOCWA's request, the engagement partner and manager will present the audit to SOCWA's Management and other governing bodies.
- 6. Final Production:** The final phase of our approach entails obtaining the management representation letter and final financial statement report, which may include a final presentation to the SOCWA's Management and other governing bodies (if applicable).

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

South Orange County Wastewater Authority

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

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

Estimated Total Hours*:

	Partner(s)	Manager(s)	Senior(s)	Staff	Clerical	Total
Engagement Acceptance & General Planning	1	2	3	4	0	10
Planning & Internal Control Evaluation	1	2	5	6	0	15
Fieldwork	6	12	24	30	2	74
Post Fieldwork	4	8	16	20	2	50
Report Preparation & Review	6	12	24	30	2	74
Final Production	2	4	8	10	1	25
Total*	46	93	80	100	8	248

*Does not include CPE hours related to Governmental Webinars and/or optional services.

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

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

Enhancing Auditing Quality with Artificial Intelligence

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



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

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

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

South Orange County Wastewater Authority

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

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

Type and Extent of Analytical Procedures to be used in the Engagement

Analytical procedures are one of many financial audit processes that help an auditor understand the client's operation and changes in the environment and identify potential risk areas to plan other audit procedures. Such procedures include a comparison of financial information on prior periods, budgets, forecasts, and industry benchmarks. We use trend and ratio analysis to identify any uncertain or unusual events. To perform these analyses, our Firm surveys cities and counties and develops benchmarks on specific vital financial indicators, such as the cost of services to tax revenues ratios, average general fund balance, capital assets, debt-to-capital, and general fund unassigned fund balance to total general fund expenditures, etc. Our engagement members have extensive experience in successfully implanting analytical procedures to the SOCWA's benefit.

Our analytical procedures process is performed during three stages of the audit: (a) at the start, (b) in the middle, and (c) at the end. These three stages are risk assessment procedures, substantive analytical procedures, and final analytical procedures:

- **Risk assessment procedures** are used to assist the auditor in understanding the business better and in planning the nature, timing, and extent of audit procedures.
- **Substantive analytical procedures** are used to obtain evidential matters about particular assertions related to the account balances or classes of transactions. During the interim phase, our engagement team will set up expectations for the year-to-date results and balances and compare them with budgeted and prior-year amounts. This process allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.
- **Final analytical procedures** are used as an overall review of the financial information in the last review stage of the audit. The Engagement Partner(s) and Manager(s) will perform a high-level analytical analysis of the financial information, comparing its data both quantitatively and qualitatively to ensure the amounts are fairly presented in all material respect in the financial statements.

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

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

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

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

South Orange County Wastewater Authority

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

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

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

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

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

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

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

Audit Firm's Expectations of the Role and Participation of SOCWA's Staff in the Audit Process

The engagement team will meet with the SOCWA's management during the initial planning stage to discuss audit schedules and review the prior year's audit findings (if any). We will deliver a list of all documents to be provided by the SOCWA's staff. Once such materials are agreed upon by the engagement team and SOCWA's finance personnel, no other schedules will be requested unless new information comes to light in the course of test work.

Our goal is to cause the least amount of interruptions to the SOCWA's daily operations; therefore, to the extent possible, we will use information in the form available from the SOCWA's records.

We believe client/engagement team communication is vital to perform results satisfactorily. With that sentiment in mind, we will hold regular meetings with the SOCWA's management to determine the status of the audit as well as any items which will require special attention. **Open and frequent communication is critical.**

Objectives of Our Services

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

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

The Engagement Team will perform the audit abiding by the Firm's quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work. In other words, our client-tailored approach emphasizes careful planning, open communication, and proper assignment of responsibilities.

The Firm will supply portable computers to the on-site staff members.

Section C: Procedural or Technical Enhancements

Full-Time Government Auditors

As full-time government auditors, we understand that governmental entities do not operate independently but in an increasingly complex web of local, state, and federal relationships. We know how these relationships work, what they mean at the local level, and how every public organization's focus on resource management is critical to success.

Also, while many accounting Firms can provide services, not all can build an excellent working relationships with their clients. The Pun Group LLP prides itself on developing lasting, personal relationships with our clients. Our hands-on partner involvement and low personnel turnover are crucial tools to our success and are highly beneficial to the SOCWA.

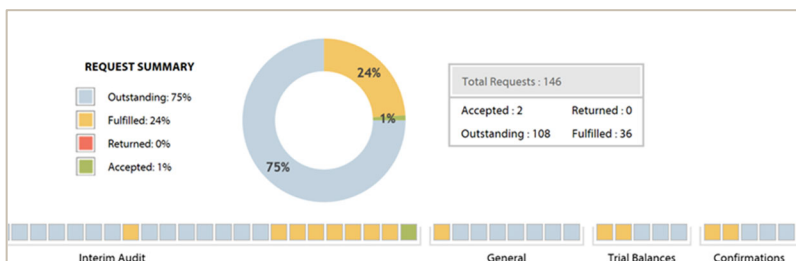
Local Office's Information Technology (IT) Audit Capabilities

The Pun Group LLP continues our efforts to invest in our IT system to enhance our security further and promote audit efficiency.

Top security for your data is the key to our success. When we have your data virtualized, our Firm takes all the preventive steps to avoid putting your information at risk. Our In-House IT administrator maintains our server to ensure our IT environment is continuously updated with the latest security fixes. Through VPN and Microsoft Remote Desktop, our In-House network administrator can lockdown files and system access from a single point, limiting the ability of remote sites to take data from our server.

Access to systems from anywhere and anytime. With more mobility being the norm rather than the exception, our engagement team needs robust access to the engagement files when they are working in your office. Accounting and Auditing Software applications are installed in our "Private" server and can be securely accessed through VPN and Microsoft Remote Desktop. The Firm uses CCH ProSystem fx® Engagement for audit documentation, which allows real-time synchronization of the work papers and instant collaboration quality control review.

Secure Data File Transfer System. In order to improve audit efficiency, workflow management software plays an essential role between your organization and our engagement team. We employ a secure data file transfer system called *Suralink*. *Suralink*'s dynamic request list is integrated with our secure file-hosting system for seamless document-request coordination. It means all our requests are in one place, updated in real-time, and accessible by everyone working on the engagement. As a client, you no longer have to manually maintain a spreadsheet amongst several people, only to repeat the process in a day or two. Not only makes the operation more cost-efficient, but it also enables you and your team to spend your time getting the job done, not reconciling a messy list of outstanding items. The *Suralink* dashboard, as shown below, allows you to visualize the process of document-request fulfillment.



BIG FIRM EXPERTISE. SMALL FIRM VALUES.

Our professional backgrounds at major national firms showed us how to solve complicated business and accounting challenges, but the sense of personal connection was missing.

We launched The Pun Group because we believe every client deserves to work with experienced business advisors and CPAs who have the time – and take the time – to create an authentic connection. Every client is our top priority!



A UNIQUE CULTURE.

"Personalization" is not just a buzzword – it's part of our firm's culture. We take a personal approach to everything we do. We collaborate with our clients, so they're always part of the process. We listen to our staff to make sure they have the right support and resources to do a great job. Getting to know others and discovering how we can serve them better is not just a sign of good business practices; it's a sign of good people.



INNOVATION EMBRACED.

New ideas keep you ahead of the game. From leveraging the value of emerging technologies to further refining trusted processes, we adopt proven solutions to meet your needs.



WHERE YOU GO, WE GO. WHERE YOU GROW, WE GROW.

Our success is defined by how you achieve yours. Partner with accomplished accounting and financial professionals who are laser-focused on taking your business to the next level.

Section D: Technical Exceptions/Deviations

The Firm has no exceptions to or deviations from the technical requirements of SOCWA’s RFP.

Section E: Contractual Exceptions/Deviations

The Firm has no any exceptions to or deviations from the Contractual requirements of SOCWA’s RFP.

Let's Get to Work!

Benefits of Choosing The Pun Group LLP

The Pun Group LLP is recognized for its professionalism and integrity and for providing clients with practical solutions unique to their circumstances and issues. Our Firm prides itself on being able to provide personalized client services, and with that sentiment in mind, we have carefully chosen our engagement teams. The Pun Group's primary objective is to continue offering the South Orange County Wastewater Authority solutions and directions led by highly experienced and capable partners who can successfully implement the work and produce the results you expect. This philosophy and mindset allow us to provide a superior level of service and a quality audit.

We trust that this proposal has given you the information needed about the Firm, the engagement team members, the overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to continuing to bring our experience and expertise to the South Orange County Wastewater Authority while providing you with the excellent level of service that you expect and deserve.

Thank You

Thank you for allowing us to submit our qualifications to continue providing you with Professional Auditing Services. Please direct inquiries to:

Frances J. Kuo, CPA, CGMA
Partner
Email: frances.kuo@pungroup.com
Phone: (949) 777-8805 | Fax: (949) 777-8850

Sincerely,



The Pun Group LLP
Certified Public Accountants and Business Advisors

Appendix A – Available Training

Strengthen Your Accounting Knowledge: TPG Client Training Webinars

We pride ourselves in leading the governmental auditing profession nationwide and statewide. Members of our team have been assigned to the AICPA and State Government Accounting and Audit committees. Our membership with these two levels of government keeps us current, and such involvement helps our Firm with the constant changes in accounting and auditing standards, laws and regulations, and compliance provisions, which have created an unprecedented complexity in public accounting for state and local governments.

Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues. Since last year, by implementing “Webinars,” we’ve been expanding our horizons and offering our clients 15 hours of Continuing Professional Education (CPE). These sessions are **free of charge** and part of the service package provided to our clients.

CPE courses we offer:





ACKNOWLEDGMENT OF INSURANCE REQUIREMENTS* AND CERTIFICATION OF ABILITY TO PROVIDE AND MAINTAIN COVERAGES SPECIFIED

I, Frances J .Kuo, the Partner of The Pun Group, LLP certify that the Specifications and (Name of Company, Corporation or Owner)

General Provisions regarding insurance requirements as stated below, for the Financial Auditing Services RFP F-2021-01 have been read and understood and that our firm, as proposer on this project, is able to provide and maintain the coverage as specified below. If the awarded proposer fails to provide said coverage, this shall be sufficient cause for contract termination. Failure to maintain said coverage shall result in termination of the awarded proposer's contract.

Handwritten signature of Frances J. Kuo

Date: 11/03/2022

(Signature of President, Owner or Authorized Company Representative)

Return the signed Acknowledgement with the Bid/Proposal.

INSURANCE REQUIREMENTS

*WE STRONGLY RECOMMEND THIS SHEET BE GIVEN TO YOUR INSURANCE AGENT/BROKER IMMEDIATELY TO ENSURE YOUR FIRM CAN COMPLY WITH OUR REQUIREMENTS IN THE EVENT YOUR FIRM IS AWARDED THE CONTRACT

Once you have been awarded the contract, please provide us with a certificate of insurance and supporting endorsements as described below. The actual endorsements (see Contract for specific form numbers) must be provided - a statement on an insurance certificate will not be accepted in lieu of the actual endorsement. We prefer to receive original electronic documents in PDF format via e-mail to jcotinola@socwa.com. Only if you cannot send electronic certs and endorsements will we accept hard copies sent to Jeanette Cotinola, South Orange County Wastewater Authority, 34156 Del Obispo St.; Dana Point, CA 92629

Faxed copies are not considered original documents; your insurance is not considered in compliance until all originals are received.

1. WORKER'S COMPENSATION INSURANCE:

The Vendor shall provide such Worker's Compensation Insurance as required by the Labor Code of the State of California, including Employer's Liability Insurance with a minimum limit of \$1,000,000.00. Such Worker's Compensation Insurance shall be endorsed to provide for a waiver of subrogation in favor of SOCWA. A statement on an insurance certificate will not be accepted in lieu of the actual endorsements unless your insurance carrier is State of California Insurance Fund (SCIF and the endorsement numbers 2570 and 2065 are referenced on the certificate of insurance.

2. GENERAL LIABILITY INSURANCE:

The Vendor shall maintain during the life of this contract, including the period of warranty, Commercial General Liability Insurance written on an occurrence basis providing the following minimum limits of liability coverage: \$1.0 million per occurrence with \$2.0 million aggregate separate for this contract. Said insurance shall include coverage for the following hazards: Premises-Operations, blanket contractual liability (for this Agreement), products liability/completed operations (including any product manufactured or assembled), broad form property damage, blanket contractual liability, independent contractors liability, personal and advertising injury, mobile equipment, cross liability and severability of interest clauses. A statement on an insurance certificate will not be accepted in lieu of the actual additional insured endorsement(s). If requested by SOCWA and applicable, XCU coverage (Explosion, Collapse and Underground) and Riggers Liability must be included in the General Liability policy and coverage must be reflected on submitted Certificate of Insurance.



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www.pungroup.cpa

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Submitted By:

Frances J. Kuo, CPA, CGMA

Partner

200 East Sandpointe Ave, Suite 600

Santa Ana, CA 92707

(949) 777-8805 | frances.kuo@pungroup.com

November 3, 2022

COST FILE

PROPOSAL

Professional Audit Services

RFP F-2022-01



**THE
PUN GROUP**
ACCOUNTANTS & ADVISORS



Kenneth H. Pun, CPA, CGMA
Founder & Managing Partner

WHY CHOOSE THE PUN GROUP LLP?

“ The Pun Group’s most valuable asset is our people, they and their deep experience drive our every interaction with clients. ”

- Big firm expertise, small firm values
- Personal attention meets technical expertise
- A unique firm culture
- Innovation embraced
- Achievable plans to move your organization forward

The Pun Group LLP is recognized for its professionalism, integrity, and for providing clients with practical solutions unique to their circumstances and issues.
You will receive a superior level of service and a quality audit.

Thank You!

Thank you for allowing us to submit our qualifications to provide you with Professional Auditing Services.

The Pun Group LLP
Certified Public Accountants and Business Advisors

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The Pun Group Wins 2022 “Best of Accounting” Award



The Pun Group is proud to have won 2022’s Best of Accounting® award from ClearlyRated. ClearlyRated recognizes the best in staffing, accounting, and other professional services by recording Net Promoter Scores® (NPS) and reviews to measure client satisfaction.

This award is unique in the U.S. and Canada because it is the only accolade that relies solely on ratings submitted from third-party validated survey responses. Firms that receive a ClearlyRated award are recognized as “leading their industry through their ongoing commitment to service excellence.” The Pun Group received a positive 88.9% NPS, reflecting an exceptionally loyal and satisfied audience.

“Winners of 2022 Best of Accounting award for client satisfaction have demonstrated their commitment to delivering exceptional client service, even as Covid-19 has forced them to reimagine and rebuild their approach to business,” said ClearlyRated’s CEO and Founder, Eric Gregg.

Our firm excelled in five key areas: Responsiveness, Quality, Value, Needs Understanding, and Proactive Approach.

About ClearlyRated

Rooted in satisfaction research for professional service firms, ClearlyRated utilizes a Net Promoter® Score survey program to help professional service firms measure their service experience, build an online reputation, and differentiate on service quality.



“The Pun Group is not there to judge if a finance team is underperforming; they have the attitude to partner with the client to resolve issues and to streamline processes for the next audit.”

Roger R.



“We’ve been working with The Pun Group for years and they’ve always been responsive. Their fees are also much more reasonable than most.”

Graciela S.



“The firm’s responsiveness and technical knowledge during the audit. My staff likes having Suralink (client’s portal) whereby prepared by client schedules and requests for additional information can be easily uploaded.”

State & Local Client



“The Pun Group provides exceptional service on a consistent basis.”

David W.

Total All-Inclusive Maximum Price

Certification

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

Name of Firm: The Pun Group, LLP
Certified Public Accountants and Business Advisors
200 Sandpointe Avenue, Suite 600
Santa Ana, California 92707

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 SOCWA for the services identified in the Request for Proposals.

Signature:



Printed Name: Frances J. Kuo, CPA, CGMA
Title: Partner
Date: November 3, 2022

Attachment B – Cost Proposal Form



**ATTACHMENT B COST
PROPOSAL FORM
FINANCIAL AUDITING
SERVICES**

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

FOR THE AUDIT OF THE FISCAL YEAR 2022-2023 FINANCIAL
STATEMENTS

	Task(s)	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	Audit	20	\$ 275	\$ 275	\$ 5,500
Director & Managers	Audit	40	\$ 200	\$ 200	\$ 8,000
Supervisory Staff	Audit	80	\$ 150	\$ 150	\$ 12,000
Staff	Audit	100	\$ 125	\$ 125	\$ 12,500
Clerical	Clerical	8	\$ 75	\$ 75	\$ 600
Less: Professional Discount					\$ (8,600)
Subtotal					\$ 30,000

*Total for services Described in RFP and SOW
(Detail on separate paper if need be)

Out-of-Pocket Expenses: Included

Meals and Lodging: Included

Transportation: Included

Other (specify): Included

Total all-inclusive maximum price for fiscal year 2022-2023 audit*: \$ 30,000

Total all-inclusive maximum price for fiscal year 2023-2024 audit*: \$ 30,000

Total all-inclusive maximum price for fiscal year 2024-2025 audit*: \$ 30,900

Total all-inclusive maximum price for fiscal year 2025-2026 audit*: \$ 31,827

Total all-inclusive maximum price for fiscal year 2026-2027 audit*: \$ 32,782

(*) If the SOCWA is required to undergo a single audit in accordance with the Federal Single Audit Act and the Uniform Guidance, there will be an additional fee of \$3,000 for each major program in excess of two (2). The Engagement Team will discuss this with the South Orange County Wastewater Authority’s Management before starting Single Audit work.

Rates for Additional Professional Services

Out of Pocket Expenses Included in the Total All-Inclusive Maximum Price and Reimbursement Rates

The Firm's policy is to maintain flexible billing rates to meet the needs of clients and help them control costs. In the interest of continuing our long-term relationship, we will absorb expenses such as travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the South Orange County Wastewater Authority. The Firm will also absorb these costs.

Rates for Additional Professional Services

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

Hourly Billing Rates	
Partner(s)	\$ 275
Director(s)	\$ 250
Senior Manager(s)	\$ 225
Manager(s)	\$ 200
Supervisor(s)	\$ 175
Senior Accountant(s)	\$ 150
Staff Accountant(s)	\$ 125
Clerical	\$ 100

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

Manner of Payment

Manner of Payment

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

Work Performed	% of Proposal Amount
Planning	10%
Interim	40%
Fieldwork	40%
Presentation and Acceptance of Reports	10%



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www.pungroup.cpa

South Orange County Wastewater Authority

TECHNICAL PROPOSAL

***For Professional Auditing Services for
the South Orange County Wastewater Authority
For fiscal year ending June 30, 2023, with the option
of extending the contract for each of the four (4)
subsequent fiscal years.***

November 3, 2022

Contact Person:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
2855 Telegraph Avenue, Suite 312
Berkeley, CA 94705
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com



South Orange County Wastewater Authority

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A. Letter of Offer



November 3, 2022

Jeanette Cotinola
Procurement and Contracts Administrator
South Orange County Wastewater Authority
34156 Del Obispo Street
Dana Point, CA 92629

Dear Jeanette Cotinola:

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the South Orange County Wastewater Authority (the "Authority") for the fiscal year ending June 30, 2023, with the option of extending the contract for each of the four (4) subsequent fiscal years. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the Authority in accordance with generally accepted accounting principles. These audits are to be performed in accordance with the standards set forth for financial audits in the Government Accountability Office's (GAO) Government Auditing Standards, with the *Minimum Audit Requirements and Reporting Guidelines for California Special Districts* as required by the State Controller's Office and with Generally Accepted Auditing Standards (GAAS), as well as any other applicable federal, state, local or programmatic audit requirements.

We will also perform the following as part of our engagement:

- Single Audit (if required)
- State Controller's Report

We will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information. In addition, we will prepare the management letter containing comments and recommendations regarding our review and evaluation of the systems of internal control and accounting procedures.

This proposal will 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 Authority.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the Authority 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:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
2855 Telegraph Avenue, Suite 312
Berkeley, CA 94705
Telephone: (510)768-8244
E-mail: abadawi@b-acpa.com

Jeanette Cotinola
Procurement and Contracts Administrator
South Orange County Wastewater Authority
Page 2

We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports.

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 special districts and cities throughout California. We will be responsive to the needs of the Authority, we understand the Authority's operational environment, and pledge to you our complete commitment to providing a quality product that meets the Authority's requirements.

The approach to the audit has been designed to meet the audit requirements of the various Authority's with the least disruption to the Authority's office operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of Authority operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and Authority Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies and disruptions are kept to a minimum. In addition, we perform almost half of the audit tasks during the interim phase to minimize any unforeseen delays during the year-end phase and to ensure a smooth and timely audit process.

The Firm maintains liability insurance coverage for professional liability, Workers' Compensation, Comprehensive General Liability and Auto as part of our comprehensive insurance policy.

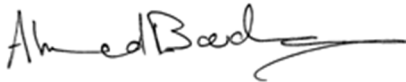
The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

This proposal is a firm and irrevocable offer for 180 days.

We are confident that you will find our organization offers the required expertise, technical knowledge, and business understanding to perform an audit of the Authority. Our past experience provides us with a thorough understanding of the needs and requirements of the Authority, 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 inquiries and look forward to further discussions with you.

Sincerely,



Ahmed Badawi
Partner
Badawi & Associates
Certified Public Accountants

B. Technical Proposal

**B.1
Qualifications,
Related
Experience and
References of
Proposer****Independence**

The Firm is independent of the South Orange County Wastewater Authority as defined by the GAO's Standards for Audit of Governmental Organizations, Programs, Activities and Functions, and the AICPA and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards.

Insurance

The Firm maintains professional liability insurance and other coverage as part of our comprehensive insurance policy. Upon selection as Authority's independent auditor, the Firm and our insurance provider will provide a certificate of insurance to Authority which shows the minimum requirements identified by Authority have been met.

License to Practice in California

The Firm and all key professional staff assigned to Authority's audit are properly licensed to practice as Certified Public Accountants in the State of California and comply with GAO Government Auditing Standards.

The Firm is registered with the California State Board of Accountancy. Its State number is COR6823.

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

Firm Qualifications

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 20 years of experience working with state and local government. Prior to founding B&A, Mr. Badawi was a partner with several local and national firms, where he headed their government practice in Northern California. Mr. Badawi founded Badawi & Associates to serve the fast-paced needs of California's local governments. The goal is to build a proactive, client-focused culture from the ground up and to eliminate the entrenched bureaucratic culture and intrinsic limitations of the big audit firms.

Located in Berkeley, CA, the Firm serves a variety of municipalities throughout California. Names and phone numbers of several of our current and past 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 Berkeley office will be the Engagement Office assigned to the Authority.

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

The Engagement Partner assigned to the Authority, Mr. Ahmed Badawi. Mr. Badawi has over 20 years of government audit and accounting experience. He is a member of various governmental committees, has actively participated in the development of accounting and audit guidelines for the governmental sector, and is an instructor for the California Society of Municipal Finance Officers.

The professional staffs 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 governmental 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 Authority's finance department.

Technical Approach

The approach to the audit has been designed to meet the audit requirements of various agencies with the least disruption to the Authority's operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of Authority operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and Authority Management and staff throughout the engagement eliminate "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:

1. **Initial Planning Meeting:**

The Engagement Partner and Manager will meet with Authority Management to discuss the audit approach, identify specific needs of Authority Management, and familiarize themselves with Authority policies and practices.

2. **Interim:**

The Engagement Team members including the Engagement Team Partner will perform the internal control reviews, test transactions, and identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and Authority Management of the year-end audit responsibilities and assignments. **In addition, we strive to complete many of the year-end audit tasks during the interim phase to ensure a smoother audit process. We will work with the Authority on providing a list of those tasks that we will target to complete during interim and work with the Authority on how to complete them to minimize the amount of effort and time needed at year-end which in turn will assist the Authority in meeting its goal of issuing the report by the desired deadline.**

3. **Year end:**

The Engagement Team members including the Engagement Team Partner will conduct validation procedures on general ledger account balances, 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.

4. **Reporting:**

Auditor's reports for all Authority reporting entities and compliance requirements will be finalized along with the Management Letter comments. The Partner and Manager will be available to make presentations to the Board and/or designated bodies.

Firm Experience

The Firm is located in Berkeley, and provides a full range of accounting services to governmental agencies throughout California, including audit, tax and accounting. The Firm’s professional staff members provide the financial background and specific experience to meet the Authority’s operational needs. Additionally, this situation provides the Authority with an auditing firm that has depth in capabilities to address any financial issue the Authority may need assistance with, and the quality audit approach that you expect.

Our Berkeley office will be the Engagement Office assigned to the Authority.

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 Authority that Mr. Badawi will actually be on-site during the audit coordinating the audit process, supervising the audit staff, gaining a hands-on understanding of Authority processes, and benefiting the Authority with his broad municipal experience. We have found that this effort benefits the Authority and the Firm through developing a thorough knowledge of the Authority’s practices and issues and establishing a close working relationship with the Authority’s Management. Additionally, continuity of audit personnel is assured because of the hands on involvement of the 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.

The Firm provides financial and compliance auditing services to governmental agencies throughout California. We are a governmental agency auditing firm and our professional staff members have been performing these services for many years. As a result, we have performed financial and compliance audits on most, if not all, types of governmental agencies and operations including:

- | | | |
|--------------------------|---|-----------------------------|
| • Cities | • Waste Management Authorities and Operations | • Investment Activities |
| • Redevelopment Agencies | • Pension Plans | • Landfills |
| • Financing Authorities | • Child Care Operations | • Enterprise Funds |
| • Housing Authorities | • Joint Power Authorities | • Airports |
| • Special Districts | | • Transportation Operations |
| • Water Districts | | • Federal and State Grants |

Additional Activities

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

- | | |
|---|---|
| • Financial audits | • Operational reviews |
| • Compliance audits | • Technical guidance on existing and upcoming accounting issues |
| • Tax advice | • Training seminars |
| • Development of financial and accounting policies and procedures | • Pension/profit-sharing plans |
| • Investment review and compliance evaluation | • Performance audits |
| | • Business consulting |

Consequently, Firm personnel are well qualified to perform the services expected by the Authority.

Client Training Seminar

The Firm hosts an annual update on recent technical accounting and finance issues affecting the governmental area. This all day session reviews new and anticipated pronouncements from GASB, discusses future issues under consideration by GASB, reviews accounting treatment of various transactions where issues may arise, and provides a general overview of state and federal compliance issues. All of our clients are invited to attend, free of charge. The one day session qualifies for CPE under the rules of the State Board of Accountancy and is held in the Bay Area.

GASB 68 Firm Developed Tools and Assistance

The Firm has developed tools to assist our clients with preparation of GASB 68 journal entries for the CalPERS' Cost Sharing Plans (for which individualized actuarial valuations are no longer prepared) and the CalPERS' Agent Multiple Employer Plans. In addition to providing our clients with these tools and instructions on how to use them, we are available to answer any questions on how to prepare and complete the GASB 68 journal entries.

Flowcharting Documentation

As part of our risk assessment procedures, we prepare flowcharts for documenting our understanding of the Authority's significant accounting and financial processes. Flowcharts are updated annually for any changes in the Authority's processes and copies can be provided upon request for the Authority's internal use. Flowcharted processes may include:

- Financial Reporting, Closing, and Manual Journal Entries
- Cash Receipts, Billing, and Accounts Receivable/Revenues
- Cash Disbursements, Purchasing, and Accounts Payable/Expenditures
- Payroll and Human Resources

Quality Control Review

According to Government Auditing Standards, firms who perform audits under the Yellow Book are required to have a peer review once every three years. We received a report with a rating of pass with no deficiencies which we attached for your review.



Report on the Firm's System of Quality Control

Badawi & Associates

Berkeley, California;
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 Badawi & Associates (the firm) in effect for the year ended February 28, 2022. 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 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.

CPAs ■ Advisors

 4120 Concoors, Suite 100, Ontario, CA 91764
 909.948.9990 / 800.644.0696 / FAX 909.948.9633
 gyl@gylcpa.com
 www.gylcpa.com

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Peer Review Report
Page 2 of 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 28, 2022, 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*. Badawi & Associates has received a peer review rating of *pass*.

GYL LLP

Ontario, California
June 14, 2022



The Firm has policies and procedures 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. All members of the Firm are very familiar with the stringent quality control standards established by the AICPA.

The Firm is a member of the AICPA Government Audit Quality Center.

The Firm is a member of the AICPA Private Companies Practice Section.

Federal or State Desk Reviews

The Firm has had no negative federal or state reviews in the past three (3) years.

Disciplinary Action

There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

Litigations

The Firm has not experienced any lawsuits or legal actions that have been resolved or are currently pending in the prior five years.

References

- 1) Florin Resource Conservation District/ Elk Grove Water District
 - Scope of Work: Annual Comprehensive Financial Report
 - Date of Service: Fiscal years ended June 30, 2015 - Present
 - Engagement Partner: Ahmed Badawi (2015 – 2019), Mitesh Desai (2020 - Present)
 - Address: 9257 Elk Grove Boulevard, Elk Grove, CA 95624
 - Principal Contact:
Patrick Lee
Finance Manager / Treasurer
(916) 685-3556
plee@egwd.org

- 2) Solano County Water Agency
 - Scope of Work: Annual Comprehensive Financial Report
 - Date of Service: Fiscal years ended June 30, 2020 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 810 Vaca Valley Parkway, Suite 203, Vacaville, CA 95688
 - Principal Contact:
Roland Sanford
General Manager
(707) 455-1103
rsanford@scwa2.com

- 3) Hayward Area Recreation and Park District
 - Scope of Work: Annual Financial Report, Measure F1
 - Date of Service: Fiscal years ended June 30, 2017 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 1099 E Street, Hayward, CA 94541
 - Principal Contact:
Janelle Cameron
Administrative Services Director
(510) 881-6707
camj@haywardrec.org

- 4) Port of San Luis Harbor District
 - Scope of Work: Annual Comprehensive Financial Report, SAS114.
 - Date of Service: Fiscal years ended June 30, 2017 - Present
 - Engagement Partner: Mitesh Desai
 - Address: 3950 Avila Beach Drive, Avila Beach, CA 93424
 - Principal Contact:
Kristen Stout
Business Manager
(805) 595-5413
kristens@portsanluis.com

- 5) Southern Marin Fire Protection District
 - Scope of Work: Annual Financial Report, SAS114, SAS115
 - Date of Service: Fiscal years ended June 30, 2020 - Present
 - Engagement Partner: Ahmed Badawi
 - Address: 28 Libertyship Way, Suite 2800, Sausalito, CA 94965
 - Principal Contact:
Alyssa Schiffmann
Finance Manager
(415) 388-8182
aschiffmann@smfd.org

Similar Engagements with Other Governmental Entities

The table below lists all special district engagements (in order of audit hours):

Special District	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	Single Audit	Enterprise Funds
Florin Resource Conservation District/ Elk Grove Water District	2015	350	Mitesh Desai	Patrick Lee Finance Manager / Treasurer (916)685-3556 plee@egwd.org	Yes	Yes		X
Solano County Water Agency	2020	243	Ahmed Badawi	Roland Sanford General Manager (707) 455-1103 rsanford@scwa2.com	No	N/A		
Alameda County Waste Management Authority (StopWaste)	2018	154	Ahmed Badawi	Jennifer Luong Finance Services Manager (510)891-6500 jluong@stopwaste.org	No	N/A		
San Gabriel Valley Council of Governments	2021	618	Ahmed Badawi	Rey Alimoren, Director of Finance (626) 962-9292 ralimoren@sbgvcog.org	No	N/A	X	X
County of Contra Costa Community Services Bureau Child Development Program	2013	450	Mitesh Desai	Nancy Benavides Fiscal Officer (925)681-4268 nbenavidas@ehsd.cccounty.us	No	N/A		
Hayward Area Recreation and Park District	2017	350	Ahmed Badawi	Anne Maze Interim Finance Manager (510)881-6707 maza@haywardrec.org	No	N/A		
Amador County Transportation Commission	2019	260	Ahmed Badawi	John Gedney Executive Director (209)267-2282 john@actc-amador.org	No	N/A		
San Mateo Mosquito and Vector Control District	2018	228	Ahmed Badawi	Richard Arrow Finance Director (650)344-8592 rarrow@smcmvcd.org	Yes	Yes		
Monterey Bay Unified Air Pollution Control District	2016	200	Mitesh Desai	Rosa Rosales Administrative Services Manager (831)718-8019 rrosales@mbard.org	No	N/A		
Southern Marin Fire Protection District	2020	160	Ahmed Badawi	Alyssa Schiffmann Finance Manager (415)388-8182 aschiffmann@smfd.org	No	N/A		
Port of San Luis Harbor District	2017	150	Ahmed Badawi	Kristen Stout Business Manager (805)595-5413 kristens@portsanluis.com	Yes	Yes		X
Aptos La Selva Fire District	2016	150	Mitesh Desai	Nancy Dannhauser Finance Director (831)685-6690 nancyd@centralfpd.com	No	N/A		
Central County Fire Department	2012	150	Mitesh Desai	Jan Cooke Finance Director (650)375-7408 jcooke@hillsborough.net	Yes	Yes		
Central Fire Protection District of Santa Cruz County	2018	150	Mitesh Desai	Nancy Dannhauser Finance Director (831)479-6842 nancyd@centralfpd.com	No	N/A		

Special District	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	Single Audit	Enterprise Funds
Resource Conservation District of Santa Cruz County	2017	150	Mitesh Desai	Sharon Corkrean Director of Finance scorkrean@rdsantacruz.org	No	N/A	X	
Santa Cruz Regional 9 - 1 - 1	2016	150	Mitesh Desai	Dennis Kidd General Manager (831)471-1038 dennis.kidd@scr911.org	No	N/A		
Zayante Fire Protection District	2017	150	Mitesh Desai	John Stipes Fire Chief (831) 335-5100 chief2401@cwncast.net	No	N/A		

The table below and on the following page lists City engagements that encompassed issuing a Annual Comprehensive Financial Report (resulting in a GFOA award), audit of enterprise activities, or encompassed performance of a Single Audit.

* Indicates cities with population over 50,000

** Indicates cities with governmental revenues over \$100 million and population over 50,000

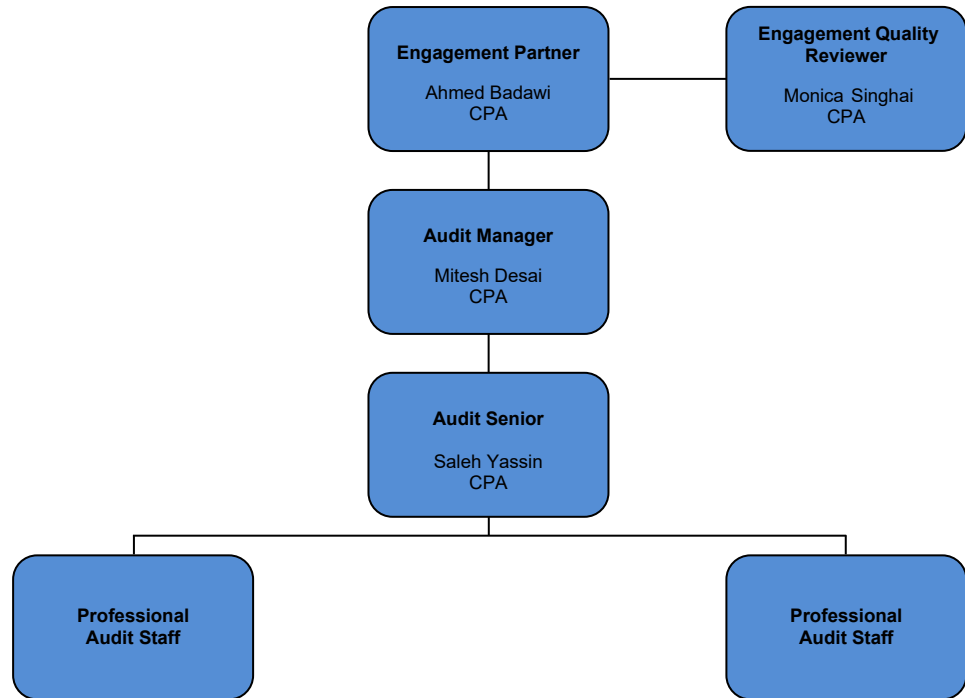
	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	Child Care Audit	Housing Authority	Enterprise Funds	Pension Trust Fund
**	Richmond	2020	3,160	Ahmed Badawi	Delmy Cuellar Finance Manager (510)620-6790 Delmy_Cuellar@ci.richmond.ca.us	X		X	X	X		X		X	X	X
**	Berkeley	2008	1,850	Mitesh Desai	Henry Oyekanmi Finance Director (510)981-7300 hoyekanmi@ci.berkeley.ca.us	X	X	X	X	X		X			X	X
**	Ontario	2021	1,012	Ahmed Badawi	Jialuan Ning Acting Accounting Manager (909) 395-2096 JNing@ontarioca.gov	X	X		X		X	X		X	X	
*	Union City	2006	850	Mitesh Desai	Jackie Acosta Finance Director (510)675-5345 jackiea@unioncity.org	X	X	X	X	X					X	
**	Folsom	2019	807	Ahmed Badawi	Stacey Tamagni Finance Director (916)461-6712 stamagni@folsom.ca.us	X	X		X		X	X			X	
*	Petaluma	2019	691	Ahmed Badawi	Corey Garberolio Finance Director (707)778-4357 cgarbero@cityofpetaluma.org	X	X		X	X	X	X	X			
*	San Luis Obispo	2019	638	Ahmed Badawi	Brigitte Elke Finance Director (805)781-7125 belke@slcity.org	X	X		X	X	X	X				
*	Antioch	2005	586	Mitesh Desai	Dawn Merchant Finance Director (925)779-6135 dmerchant@ci.antioch.ca.us	X	X	X	X	X	X	X			X	
	Lafayette	2020	586	Ahmed Badawi	Tracy Robinson Administrative Services Director (925)299-3227 trobinson@lovelafayette.org	X	X	X							X	
	East Palo Alto	2014	560	Mitesh Desai	Tomohito Oku Finance Director (650)853-3122 toku@cityofepa.org	X	X	X	X		X				X	
**	Dublin	2018	546	Ahmed Badawi	Lisa Hisatomi Director of Finance & Admin. Services (925)833-6640 Lisa.Hisatomi@dublin.ca.gov	X	X		X	X						

City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	Child Care Audit	Housing Authority	Enterprise Funds	Pension Trust Fund
Azusa	2017	540	Ahmed Badawi	Talika Johnson Administrative Services Director (626)812-5202 tjohnson@AzusaCa.Gov	X	X	X	X		X	X			X	
Millbrae	2015	524	Ahmed Badawi	Mike Sung Finance Director (650)259-2433 msung@ci.millbrae.ca.us	X	X	X	X		X	X			X	
* Yuba City	2017	450	Ahmed Badawi	Spencer Morrison Finance Director (530)822-4615 smorrison@yubacity.net	X	X	X	X		X	X			X	
Wasco	2021	428	Ahmed Badawi	Isarel Perez-Hernandez Finance Director (661)758-7230 isperez@cityofwasco.org			X	X	X	X	X				
Pinole	2018	419	Ahmed Badawi	Markisha Guillory Finance Director (510)724-9823 MGuillory@ci.pinole.ca.us	X	X	X				X			X	
Larkspur	2019	382	Ahmed Badawi	Cathy Orme Administrative Services Director (415) 927-5019 Finance@cityoflarkspur.org				X					X	X	
Atwater	2021	380	Ahmed Badawi	Kellie Jacobs-Hunter Finance Director (209)357-6347 kjacobshunter@atwater.org			X	X		X	X		X		
Waterford	2018	311	Ahmed Badawi	Tina Envia Finance Manager (209)874-2328 Ext: 104 tenvia@cityofwaterford.org			X			X	X			X	
Solvang	2019	308	Ahmed Badawi	Xenia Bradford City Manager (805)688-5575 xeniab@cityofsolvang.com	X	X				X	X				
Oakdale	2016	306	Ahmed Badawi	Albert Avila Finance Director (209)845-3584 aavila@ci.oakdale.ca.us			X	X	X	X	X			X	
Guadalupe	2017	303	Ahmed Badawi	Lorena Zarate Finance Director (805)356-3895 ccooper@ci.guadalupe.ca.us			X	X		X	X			X	
Sebastopol	2017	275	Mitesh Desai	Ana Kwong Finance Director (707)824-4879 akwong@cityofsebastopol.org	X	X	X			X	X			X	

City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	Child Care Audit	Housing Authority	Enterprise Funds	Pension Trust Fund
Cotati	2020	265	Ahmed Badawi	Angela Courter Director of Administrative Services 707-665-4236 acourter@cotaticity.org	X	X				X	X			X	
Crescent City	2014	227	Mitesh Desai	Linda Leaver Finance Director (707)464-7483 x224 lleaver@crescentcity.org			X	X		X	X		X	X	
Scotts Valley	2019	202	Ahmed Badawi	Casey Estorga Administrative Services Director (831) 440-5615 cestorga@scottsvally.org	X	X	X							X	
Calimesa	2013	193	Mitesh Desai	Bonnie Johnson City Manager (909)795-9801 ext 231 bjohnson@cityofcalimesa.net			X								

B.2 Proposed Staffing and Project Organization

The Engagement Team will normally consist of six individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities which will provide the Authority 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 Engagement and Compliance Partners of the Firm.



The Engagement Team will be led by Ahmed Badawi, CPA. Mr. Badawi’s background includes over twenty years of municipal auditing experience. He is the instructor of the CSMFO “Introduction to Governmental Accounting” training classes. Mr. Badawi is a member of the Government Accounting and Auditing Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous city, county and special district governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations.

The second member of the Engagement Team will be Mitesh Desai, CPA. Mr. Desai’s background includes fourteen years of experience in municipal auditing. Mr. Desai has participated in the audits of numerous governmental agencies, assisted in their efforts to publish their Annual Comprehensive Financial Reports in compliance with GASB 34, and a volunteer member of the GFOA Special Review Committee. Mr. Desai has also achieved the Advanced Single Audit Certificate offered by the AICPA. He will serve as the Audit Manager.

The third member of the Engagement Team will be Saleh Yassin, CPA. Mr. Yassin’s background includes ten years of accounting and auditing experience. He has participated in the audits of numerous governmental entities and assisted in their efforts to publish their financial statements in compliance with various regulations, and is a volunteer member of the GFOA Special Review Committee. Mr. Yassin will be the Audit Senior of this engagement.

The fourth member of the Engagement Team will be Monica Singhai, CPA. Mrs. Singhai's background includes over seventeen years of experience in municipal auditing. She has participated in the audits of numerous governmental agencies and assisted in their efforts to publish their financial statements in compliance with various regulations. Mrs. Singhai will be the Engagement Quality Reviewer of this engagement.

Each member of the Engagement Team participates in continuing education programs offered by the AICPA and California State Society of Certified Public Accountants, and each has met the continuing education requirements for municipalities. In addition, the firm offers at least 60 hours of in-house CPE annually focused mainly on municipal audits.

Professional Development:

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

The Firm's annual training schedule which officially begins in April for all professional staff and administrative staff includes comprehensive in-house training sessions on such topics as:

- Review of principles of accounting and financial reporting for state and local governments
- Review of governmental fund types and account groups
- Review of newly issued generally accepted auditing standards and GAO auditing standards
- Review of Internal Control evaluation approaches including COSO principles
- 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 work paper techniques
- Review of GASB reporting requirements
- Review of current issues facing the governmental community

During the year, professional staff members 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 Authority.

The Team members will continue their professional development efforts.

Staff Retention and Continuity:

The Firm's policy on providing service to our clients includes a commitment to maintaining continuity of audit personnel. We cannot 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 and excellent working conditions; and offer 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 Authority in subsequent years if he or she is still with the Firm. We can also guarantee that the partner 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 partner; we can assure you that future years' audits will be conducted in an efficient and effective manner with qualified and experienced professionals.

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.

Ahmed Badawi, Certified Public Accountant – Engagement Partner

Length of Career

- Twenty years of experience in municipal auditing and accounting
- Certified Public Accountant for the State of California

Professional Experience

- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Water Enterprise	Other
Special Districts and Other:						
Alameda County Water District	X				X	X
Elk Grove Water District	X				X	
Marin Municipal Water District	X				X	X
Solano County Water Agency	X					
Castro Valley Sanitary District	X					
West County Wastewater District	X					X
Aptos/La Selva Fire Protection District	X					
Central County Fire District	X					
Coastside Fire Protection District	X					X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
Sanitary District No. 5	X					
South Bayside System Authority	X					X
Southern Marin Fire Protection District	X					
Stanislaus County Childcare	X					X
Cities:						
Antioch	X	X		X	X	X
Azusa	X	X		X	X	
Burlingame	X				X	X
Cotati	X				X	X
Folsom	X	X			X	X
Millbrae	X				X	X
Oakdale	X	X	X		X	X
Petaluma	X				X	X
Redwood City	X	X			X	X
San Bruno	X	X	X		X	X
San Luis Obispo	X				X	X
Sebastopol	X				X	X
Turlock	X	X	X	X	X	X
Yuba City	X	X			X	X
Counties:						
Santa Cruz County	X	X	X	X		X
Contra Costa County	X	X	X	X		X

- Has performed numerous financial audits, Single Audits, Transportation Development Act audits, housing audits, electrical utility audits, RDA audits, PFA audits, and Trust Fund audits, and has prepared numerous Annual Comprehensive Financial Reports

Education

- BS Degree in Accounting from the University of Alexandria, Egypt

Professional Activities

- Instructor, CSMFO’s “Introduction to Governmental Accounting” training class
- Member, CALCPA Government Accounting and Auditing Committee
- Member, American Institute of Certified Public Accountants
- Member, California Society of Certified Public Accountants
- Member, Government Finance Officers Association
- Member, California Society of Municipal Finance Officers

Continuing Education

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

Mitesh Desai, Certified Public Accountant – Professional Audit Manager

Length of Career

- Fourteen years of experience in municipal auditing
- Certified Public Accountant for the State of California

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Water Enterprise	Other
Special Districts and Other:						
Alameda County Water District	X				X	X
Elk Grove Water District	X				X	
Marin Municipal Water District	X				X	X
Castro Valley Sanitary District	X					
West County Wastewater District	X					X
Coastside Fire Protection District	X					X
Cosumnes Community Services District	X					X
East Bay Regional Park District	X	X				X
Metropolitan Transportation Commission						X
Monterey Bay Unified Air Pollution Control District	X					
Sanitary District No. 5	X					
South Bayside System Authority	X					X
Stanislaus County Childcare	X					X
Cities:						
Antioch	X	X		X	X	X
Azusa	X	X		X	X	
Burlingame	X				X	X
Cotai	X				X	X
Folsom	X	X			X	X
Millbrae	X				X	X
Oakdale	X	X	X		X	X
Petaluma	X				X	X
Redwood City	X	X			X	X
San Bruno	X	X	X		X	X
San Luis Obispo	X				X	X
Sebastopol	X				X	X
Turlock	X	X	X	X	X	X
Yuba City	X	X			X	X
Counties:						
Santa Cruz County	X	X	X	X		X
Contra Costa County	X	X	X	X		X

Education

- BS Degree in Business Economics with an emphasis in Accounting from University of California, Santa Barbara

Professional Activities

- Member, American Institute of Certified Public Accountants
- Member, California Society of Certified Public Accountants
- Volunteer Member, GFOA Special Review Committee

Continuing Education

- Various municipal accounting courses offered by the California 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

Saleh Yassin, Certified Public Accountant – Professional Audit Senior

Length of Career

- Ten years of experience in auditing
- Certified Public Accountant for the State of California

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development audits, and housing audits

	Services Provided					
	Financial Audit	SCO Report	Single Audit	PFA Audit	Enterprise Fund	Other
Special Districts and Other:						
Central County Fire District	X					
Hayward Area Recreation and Park District	X	X	X			
Regional Government Services Authority	X					
San Mateo Mosquito District	X	X				
Sutter Animal Services Authority	X					
Sutter Butte Flood Control Agency	X					
Zayante Fire Protection District	X					
Housing Endowment and Regional Trsut	X					
Newark Betterment Corporation	X					
Cities:						
Albany	X				X	X
Antioch	X				X	X
Azusa	X				X	X
Berkeley	X				X	X
El Cerrito	X					
East Palo Alto	X				X	
Larkspur	X				X	X
Newark	X				X	X
Oakdale	X				X	X
Petaluma	X	X		X	X	
Pinole	X				X	X
San Luis Obispo	X				X	
San Mateo	X				X	
Sebastopol	X	X			X	
Solvang	X				X	
Vacaville	X	X	X		X	X
Yountville	X				X	
Yuba City	X				X	X

Education

- BA Degree in Accounting from University of Asmara, Eritrea

Professional Activities

- Member, American Institute of Certified Public Accountants
- Member of the Association of Chartered Certified Accountants
- Volunteer Member, GFOA Special Review Committee

Continuing Education

- Various municipal accounting courses offered by the California 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

Monica Singhai, Certified Public Accountant – Engagement Quality Reviewer

Length of Career

- Seventeen years' of experience in auditing with special focus on municipalities
- Certified Public Accountant for the State of California

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits and PFA audits

	Services Provided					
	Financial Audit	Single Audit	RDA Audit	PFA Audit	Enterprise Fund	Other
Special District:						
Alameda County Fire District	X					
Alameda County Law Library	X					
Burbank Sanitary District	X				X	
Lions Gate Community Service District	X					
Los Medanos Community Health Care District	X					
Oakland-Alameda County Coliseum Authority	X					
Bayshore Elementary School District	X					
Belmont-Redwood Shores School District	X	X		X		
Brisbane School District	X					
Jefferson Elementary School District	X	X				
La Honda-Pescadero Unified School District	X	X		X		
Pacifica School District	X	X				
Ravenswood City School District	X	X			X	
Redwood City School District	X	X				
San Mateo-Foster City School District	X	X			X	
Cities:						
Berkeley	X	X			X	
East Palo Alto	X				X	
Menlo Park	X	X			X	
Redwood City	X	X			X	
Charter schools:						
Oakland Military Institute College Preparatory Academy	X	X				
Sacramento Valley Charter School	X					
West Sacramento College Prep Charter School	X					
First 5:						
First 5 Alameda County	X	X				
First 5 Inyo County	X					
First 5 Marin County	X					
First 5 Monterey County	X					
First 5 Santa Cruz County	X					
Others:						
Alameda County Housing Community Development Agency	X	X			X	
Alameda County Redevelopment Agency	X		X			
Alameda County Successor Agency	X					
City of Oakland - Measure C	X					
City of Oakland - Measure Y	X					
City of Oakland - Child Care and Development Program	X					
City of Oakland - Wildfire Prevention Assessment District	X					

Education

- Bachelor of Science in Accounting from Jabalpur University, India

Professional Activities

- Member, California Society of Certified Public Accountants
- Member, Institute of Chartered Accountants of India

Continuing Education

- Various local governments and not for profit accounting courses offered by the California Society of CPAs and AICPA including:
 - Governmental Financial Reporting Standards and Practices
 - Yellow Book: Government Auditing Standards
 - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies.

B.3 Work Plan Understanding of Services to be Provided

The Authority desires an audit of the financial records for the Authority and an expression of an opinion in accordance with generally accepted accounting principles on the fairness of presentation of financial statements for the fiscal year ending June 30, 2023, with the option of extending the contract for each of the four (4) subsequent fiscal years.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles in the United States of America
- Express an "in-relation-to" opinion on the fair presentation of any supplementary information in conformity with generally accepted accounting principles. The Firm will provide an "in-relation-to" report on the supporting schedules contained in the Annual Comprehensive Financial Report based on the auditing procedures applied during the audit of the basic financial statements and schedules
- Express an opinion on the fair presentation of the schedule of expenditures of federal awards in relation to the basic financial statements (if required)
- Perform limited procedures on supplementary information required by the Government Accounting Standards Board
- Issue the following reports, following the completion of the audit of the fiscal year's financial statements:
 - Independent Auditor's Report on Financial Statements
 - Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statement Performed in Accordance with *Government Auditing Standards*
 - Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance (if required)
 - Schedule of Findings and Questioned Costs (if required)
 - Auditor's Communication with Those Charged with Governance
 - State Controller's Report
- Provide special assistance to the Authority as needed
- Retain all working papers and reports at the audit firm's expense for a minimum of 7 years. In addition, make working papers available to the Authority and/or any government agency as appropriate

Should any conditions be discovered requiring corrective action, the Firm will provide a detailed description of the findings and recommended actions as to their resolution.

The Firm will submit a report to the Authority's Board and management detailing auditor's responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting statements, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention, difficulties encountered during the audit, and any significant deficiencies or material weaknesses found during the audit. Non-material instances of noncompliance will be reported in a separate management letter, if appropriate, along with any other observations or recommendations determined to be informative to Authority Management.

The Firm will be available to provide advice and counsel regarding significant matters during the year.

The Firm's Partner and Staff welcome the opportunity to make presentations to the Board and will be ready to respond to questions from the Board and any other interested parties.

Specific Audit Approach

Objectives of Our Services

The basic objective of our audit of the Authority 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 Authority:

- 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 and documentation software, and objective review procedures. On-site staff will use Firm supplied portable computers and printers.

Audit Approach

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

The audit will be conducted in accordance with:

- 1) Generally accepted auditing standards established by the AICPA
- 2) The standards contained in Government Auditing Standards issued by the GAO
- 3) Provisions of the Single Audit Act and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). (if required)
- 4) Requirements issued by the California State Controller's office
- 5) Other requirements as required

We will conduct the necessary audit steps to perform:

- Planning of the engagement
- Evaluation of the existing internal control environment to determine degree of risk of material misstatement
- Determination of degree of compliance with laws, regulations, grant provisions, and Authority approved policies
- Assessment of potential fraudulent issues
- Validation of account balances
- Verification of reasonableness of management estimates

Technical Approach

We use an industry specific audit approach tailored to governmental entities. Our governmental audit approach addresses the special risks and circumstances of local governments. As a result, the audit is conducted efficiently and effectively with minimal disruption to your staff.

The core of our governmental technical audit approach can be summarized as follows:

1. Planning, Understanding and Communication:

Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments work, we will obtain an insight to the specific concerns and sensitivities of the Authority. Our understanding is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback.

2. In-Depth Review of Systems and Controls:

We have developed diagnostic reviews which enable us to evaluate your systems and controls, and to provide management with constructive feedback. Combined with our knowledge of the Authority and understanding and experience with the Authority's accounting software, our control review will form the basis of our audit risk assessment. We will utilize the COSO approach in our evaluation of the Authority's internal processes to identify potential control deficiencies. In future years, we will update our understanding through similar procedures.

3. Risk-Based Customized Testing Program:

Our audit approach is tailored to governmental applications. We will use audit programs specifically designed to address the operational environment of governmental entities. Our approach will identify potential control risks and the opportunities for risk of material misstatements and fraud. We will evaluate the various risk assessments and identify the potential risks relating to the:

- Balance Sheets / Statement of Net Position
- Statement of Revenues and Expenditures / Statement of Activities
- Presentation
- Disclosure

Our audit procedures will then be developed to address these risk areas.

4. Expanded Interim Fieldwork:

Timeliness and audit efficiency is enhanced by performing extensive interim work. Partners, managers and senior staff work with Authority staff to identify and resolve potential audit issues early. Accordingly, the amount of audit work to perform at year end is minimized. Because our audit staff is familiar with the operations before year-end fieldwork begins, disruption of accounting staff is minimized

5. Smooth Transition:

Our testing program focuses on audit risks identified by our understanding of the Authority's operations. We will work with the accounting staff to identify the most effective ways to address our objectives. Communication between the members of the audit engagement team and Authority staff will be fluid and continuous.

6. Sample Size and Sampling Techniques:

Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. Our sample size will range normally from 25 to 60 items.

7. Automated Systems:

We will evaluate controls over the IT functions to assess control risk. We intend to test controls for purposes of reliance. Our review procedures will evaluate controls over:

- Security Management
- Logical and Physical Access
- Configuration Management
- Segregation of Duties
- Contingency Planning

In addition, we will review controls over:

- Input, processing, output, master data
- Application interface
- Data management system interface

8. Analytical Procedures:

We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the Authority to benefit from these procedures.

9. Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work:

We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the Authority are the requirements of the California Public Utilities Commission, Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, requirements of local measures, etc.

10. Report Format:

We will meet with Authority Management to review report formats. Any report format changes will be made in conjunction with approval from the Authority's management.

11. Work Plans:

The detailed work plans will be designed to efficiently and effectively address the audit requirements of the Authority in accordance with generally accepted auditing standards, to perform the audit of the Authority's financial records in a timely manner with minimal disruptions to office operations, and to meet the Authority's timeline.

12. Adjusting Journal Entries:

We will discuss and explain proposed audit adjusting entries with the Authority's designated Finance Department personnel prior to recording. Audit adjusting entries will be provided in a format showing the lowest level of posting detail needed for data entry on the Authority's general ledger system.

13. Listing of Schedules and Tables (anticipated to be prepared by the Authority):

Based on preliminary inquiries made with management and Authority staff and review of documents, we will tailor a list of schedules, tables, and other reconciliations required for the audit. We will take into account as much as possible reconciliations already prepared by the Authority for day to day operations and reporting, as well as any reports that are system generated to limit the need for additional Authority staff hours.

The following is a listing of significant reconciliations and schedules that we would normally expect the Authority to provide to us in assisting us in conducting our fieldwork.

- Trial Balance
- Annual Comprehensive Financial Report/BFS Account Roll Up Schedule
- Budget to Actual Reports
- Bank Reconciliations
- Listing of manually prepared journal entries posted
- Summary of Investments held by the Authority
- Capital Asset Schedules
- Long Term Debt Schedules
- Debt amortization schedules & Calculations of deferred amounts
- Calculations of any debt covenants amounts or percentages
- Schedule of Leases
- Analysis of Deferred Inflows of Resources and Deferred Outflows of Resources
- Reconciliation of Receivables to subsidiary ledgers
- Calculations for estimate of allowance for uncollectible accounts
- Loans Receivable Schedules
- Reconciliation of Significant Revenue Accounts
- Fee schedules
- Compensated Absences Schedules and Copies of Related Policies
- Claims Payable schedules
- Pension and OPEB Roll Forward & Supporting Schedules
- Supporting schedules for the Authority's significant cost allocations
- Interfund Transaction Schedules

Use of Technology in the Audit

The Firm maintains a variety of specialized software packages during the audit that enable us to perform an efficient, thorough, and timely audit and keeping time demands on Authority staff to a minimum.

Trial Balance Management and Financial Statement Preparation

ProSystem Fx Engagement allows us to import and manage multiple years of trial balance data including budgetary information, create multiple account groupings, generate reports, post journal entries proposed during the audit (including GASB 34 conversion entries), and link information directly to the financial statements. This gives us the ability to:

- Generate immediate trend and other comparative analysis of trial balance and budget data prior to the start of the audit. This allows us to identify potential issues and make inquiries early in the audit
- Link the financial statements and footnotes prior to the start of the audit allowing us to have majority of the financial statements (including budgetary comparison schedules and other supplementary information) prepared at the time the trial balance is uploaded
- Audit adjustments or Authority adjustments provided during the audit are automatically reflected in the financial statements

Audit Request Management and Document Exchange

CCH Engagement Organizer (“Organizer”) is a virtual “Prepared by Client (PBC) List” that streamlines the process of requesting, receiving, and keeping track of documents. The Organizer is an integrated cloud-based request list that helps to facilitate the engagement through more seamless collaboration between the Firm and our clients. By utilizing the Organizer, the Authority can do all of the following in one secure virtual environment:

- Attach files of any type to document requests
- Easily track the status of document requests that are either pending, completed by the Authority, accepted by us, or rejected by us
- Access templates and documents from us that require completion
- Have multiple Authority staff get involved and assist in the audit process
- Participate in a dialog with us for questions and notes

Especially with having to perform a large part of the audit remotely in 2020, and anticipated for the upcoming year, we have found that the use of the Organizer has helped our clients be always informed as to the status of their audit, and not be surprised with new requests or follow up on outstanding requests previously provided.

Computer Aided Audit Tools (CAATs)

The Firm’s data analytics software enables our Engagement Team to perform more than 150 Computer Aided Audit Tools (or “CAATs”). CCH Teammate Analytics gives us the ability to perform advanced data analysis and increase efficiency. By utilizing this software, we can:

- Immediately visualize and analyze 100% of account populations with graphs, charts and statistics to identify anomalies
- Make fewer sample selections that are targeted to problematic areas
- Quickly analyze transactional data for:
 - Duplicate records
 - Missing transactions
 - Transaction sequence
 - Unusual items
- Compare excel worksheets for changes or differences
- Generate immediate testing samples
- Perform regression analysis
- Filter and extract data from Authority reports

Audit Planning, Risk Assessment, and Audit Programs

Our firm utilizes CCH Knowledge Coach, which is an expert system that adapts and customizes our audit approach specifically based on the Authority's structure, operating environment, specific transactions, and identified risks or matters to be addressed in the audit. The software is frequently updated for new industry trends and audit requirements. Included in the software is a continuous diagnosis of audit forms that identifies missing information, procedures, or any conflicts that need to be addressed prior to issuance of the audit report. We have found that this audit tool greatly benefits our audit clients in the following ways:

- Removal of standardized audit steps and procedures that do not add value to the audit
- Targeted audit procedures focusing on risks and accounts specific to the Authority's operations
- Audit is always performed in accordance with audit standards especially the risk assessment standards
- Maximizing audit efficiency having less Authority staff time dedicated to gathering information or responding to inquiries by focusing on material issues
- Automatic self-diagnostics ensure no audit steps are missed, guaranteeing a quality audit

Research Tools

We maintain multiple research software packages that are always kept up to date to ensure compliance with accounting and auditing standards, and are also a resources for us to provide guidance to our clients. In addition to accounting and audit literature, we have access to interactive disclosure checklists that include sample footnote disclosures and financial statements.

Firm's Capability to Work Remotely

Due to the COVID-19 pandemic, we have had to adapt to a new environment that had brought on challenges for both our clients and our firm, which we were able to overcome successfully and continue to discuss with our clients on improvements we can make for addressing any concerns. Remote auditing has not been new to our firm, as we had already implemented remote auditing procedures for a few of our distant clients. Below are the policies and methods we used to address limitations created by the pandemic, which we plan to continue to incorporate partially or completely in future contract periods, if these are preferred to the traditional audit process:

- Staff Interviews and Meetings are conducted via video conferencing software (either Zoom or other software used by the Authority).
- Earlier transmission of documents needed for the audit – We have always provided our request list for the audit timely, however we have found that additional time may be needed by Authority staff in gathering documents necessary for the audit; so we plan on providing the Authority with a complete list of documents for all phases of the audit no later than one month prior to the start of the interim fieldwork.
- More frequent and timelier communication – We have found that due to not having on-site presence, communication for the audit needs to be more intentional:
 - We request that certain documents that will be used to make samples (expenditure reports, census data, revenue detail, journal entry listings, other) be provided one week prior to our fieldwork start date. This allows more time for testing selections that we will need to be provided to us during our fieldwork time.
 - The CCH Organizer that we use for exchanging files described in detail on page 26, is updated frequently and displays the status of all requests during the audit. Documents will either be classified as pending, completed, accepted, or rejected.
 - As needed status meetings by video conference
 - Phone calls and/or emails can be made anytime to the audit team
 - After the end of interim and year end fieldwork, we will conduct an exit meeting to discuss the status of the audit, audit findings, new accounting pronouncements and any other topic significant to the audit to keep you informed as to what was accomplished and what are the pending matters.
- We understand that every agency operates differently and being flexible is important. With regard to reviewing documents for testing, we can review documents electronically if they can be scanned and uploaded, alternatively we can schedule a day visit to review them on-site provided there are mandates restricting a site visit and safety precautions are followed. If a site visit is needed, we would request documents be gathered for our review in advance to minimize our time needed to mitigate transmission risk.

If possible, we have found that being provided read-only access to the financial system and any other financial system used to store information relevant to the audit reducing Authority staff time needs, as the audit team is able to run reports and obtain information independently.

Audit Schedule

2023 Period	Audit Tasks
May	<p>- Planning and Administration</p> <ul style="list-style-type: none"> ▶ Review and obtain copies of key work papers of prior audit firm ▶ Entrance conference with Authority Management to discuss audit approach, timing, assistance, and issues ▶ Review and evaluate the Authority's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements ▶ Prepare overall memo to Authority confirming audit procedures, timing, and assistance ▶ Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by Authority staff, and provide it to Authority Management ▶ Send the Organizer to the Authority that will include all request items considered to be necessary for the audit
June - July	<p>- Internal Control Evaluation</p> <ul style="list-style-type: none"> ▶ Meeting with General Manager ▶ Attending Board of Authority meetings. ▶ Meeting with off-site locations (if any) ▶ 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 <ul style="list-style-type: none"> ○ General ledger system ○ Budgeting system ○ Revenue, accounts receivable, and cash collections ○ Purchasing, expenditures, accounts payable, and cash disbursements ○ Payroll ○ Federal Financial Assistance ○ Other systems ▶ Identify control risks ▶ Evaluate IT control environment ▶ Perform testing of the internal control system and evaluate the effectiveness of the Authority'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 Authority policies ▶ Conduct fraud assessment procedures ▶ Assess degree of risk for material misstatement ▶ Provide to the Authority's management a memo concerning management letter points and identify issues, if any ▶ Interim exit conference with Authority Management

2023 Period	Audit Tasks
June - July	<p>- Other Tasks</p> <ul style="list-style-type: none"> ▶ Review minutes of Board meetings and other key committees. ▶ Perform preliminary substantive procedures, which would include tests of: <ul style="list-style-type: none"> ○ Vendor and contractor payments ○ Payroll expense ○ Pension and OPEB testing ○ Capital asset acquisitions ○ Journal entries ○ Retrospective review of accounting estimates ▶ Financial statement database management and other setup, in addition to drafting of all necessary report templates ▶ Coordinate with Authority staff and prepare of all appropriate confirmation requests including: <ul style="list-style-type: none"> ○ Bank accounts ○ Investment pool accounts ○ Accounts receivable ○ Federal grants ○ Revenue from governmental agencies ○ Bond and other debts ○ Pension plan ○ Attorney letters ○ Others, as required
September	<p>- Final Fieldwork</p> <ul style="list-style-type: none"> ▶ Entrance conference with Authority Management ▶ Follow-up on all outstanding confirmations ▶ Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, board 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 Authority staff ▶ Perform review of subsequent events by discussions with Authority Management and update all minutes of Authority Board and key committees ▶ Exit conference with Authority Management

2023 Period	Audit Tasks
October	<p>- Audit Reports</p> <ul style="list-style-type: none"> ▶ Complete preliminary drafts of financial statements ▶ Prepare other reports as required ▶ Provide drafts of reports to Authority Management for review ▶ Presentation to Board of Directors ▶ Provide revised final drafts of all required reports to the Authority for approval
November	<p>- Final Audit Reports and Financial Statements delivered by no later than November 15th 2023</p>
December	<p>- State Controller's Report delivered and submitted.</p>

Estimated Hours by Audit Phase

Position	Planning	Interim Fieldwork	Year End Fieldwork	Reporting	Total
Partner	6	16	11	3	36
Audit Manager	5	25	28	4	62
Audit Senior	11	39	42	5	97
Professional Audit Staff	-	67	62	8	137
Administrative Assistant	5	9	-	9	23
Total	27	156	143	29	355

Discussion of Relevant Accounting Issues**Identification of Anticipated Potential Audit Problems**

We do not anticipate that there will be any audit problems at the Authority. However, the following are some areas that we will carefully investigate and monitor during our audit procedures:

- Financial Reporting:
 - Review and evaluate that the Authority's Annual Comprehensive Financial Report are in compliance with current reporting and disclosures requirements issued by the GASB and GFOA
 - Review the Annual Comprehensive Financial Report for financial reporting conformance awards issued by CSMFO and GFOA
 - Review and evaluate degree of compliance with the various GASBs in effect.
 - Review degree of compliance with infrastructure obligations and regulatory provisions
- Internal Control Structure:
 - Review and evaluate the Authority's internal control functions and ascertain compliance with proper internal control philosophies
 - Review computer system processes and controls and evaluate adequacy of the control environment

Several new GASB pronouncements will become effective over the time period of this proposal. As such, specific attention will be provided to determine the proper implementation of these new pronouncements. A list of known new pronouncements with implementation dates that fall within this proposal period are as follows:

2023

- Statement 91 – Conduit Debt
- Statement 94 – Public-private Partnerships
- Statement 96 – Subscription-Based Information Technology Arrangements

2024

- Statement 100 – Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62

2025

- Statement 101 – Compensated Absences

Conclusion

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

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

We have the technical qualifications and experience to provide the level of service desired and expected by the Authority and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the Authority 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.

Appendix 1. Exceptions to the Contract

With regard to the sample contract, we would like the following items to be edited:

Attachment D, sample contract for Financial Auditing Services, Section 9. Keeping and Status of Records, we would like to edit the paragraph as follows:

Records Created as Part of Auditor's Performance. Unless such property is proprietary in nature, all reports, data, charts, records, files, or any other documents or materials, in electronic or any other form, that Auditor prepares or obtains pursuant to this Agreement and that relate to the matters covered hereunder shall be the property of SOCWA. Auditor hereby agrees to deliver those documents to SOCWA upon termination of the Agreement. It is understood and agreed that the documents and other materials, including but not limited to those described above, prepared pursuant to this Agreement are prepared specifically for SOCWA and are not necessarily suitable for any future or other use. SOCWA and Auditor agree that, until final approval by SOCWA, all data, reports and other documents are confidential and will not be released to third parties without prior written consent of both parties.

2. RFP Attachment C. Acknowledgement of Insurance



ACKNOWLEDGMENT OF INSURANCE REQUIREMENTS* AND CERTIFICATION OF ABILITY TO PROVIDE AND MAINTAIN COVERAGES SPECIFIED

I, Ahmed Badawi, the President of Badawi & Associates, CPAs, (Name of Company, Corporation or Owner) certify that the Specifications and

General Provisions regarding insurance requirements as stated below, for the Financial Auditing Services RFP F-2021-01 have been read and understood and that our firm, as proposer on this project, is able to provide and maintain the coverage as specified below. If the awarded proposer fails to provide said coverage, this shall be sufficient cause for contract termination. Failure to maintain said coverage shall result in termination of the awarded proposer's contract.

Ahmed Badawi
(Signature of President, Owner or Authorized Company Representative)

Date: 11/3/2022

Return the signed Acknowledgement with the Bid/Proposal.

INSURANCE REQUIREMENTS

***WE STRONGLY RECOMMEND THIS SHEET BE GIVEN TO YOUR INSURANCE AGENT/BROKER IMMEDIATELY TO ENSURE YOUR FIRM CAN COMPLY WITH OUR REQUIREMENTS IN THE EVENT YOUR FIRM IS AWARDED THE CONTRACT**

Once you have been awarded the contract, please provide us with a certificate of insurance and supporting endorsements as described below. The actual endorsements (see Contract for specific form numbers) must be provided - a statement on an insurance certificate will not be accepted in lieu of the actual endorsement. We prefer to receive original electronic documents in PDF format via e-mail to jcotinola@socwa.com. Only if you cannot send electronic certs and endorsements will we accept hard copies sent to Jeanette Cotinola, South Orange County Wastewater Authority, 34156 Del Obispo St.; Dana Point, CA 92629

Faxed copies are not considered original documents; your insurance is not considered in compliance until all originals are received.

1. **WORKER'S COMPENSATION INSURANCE:**

The Vendor shall provide such Worker's Compensation Insurance as required by the Labor Code of the State of California, including Employer's Liability Insurance with a minimum limit of \$1,000,000.00. Such Worker's Compensation Insurance shall be endorsed to provide for a waiver of subrogation in favor of SOCWA. **A statement on an insurance certificate will not be accepted in lieu of the actual endorsements unless your insurance carrier is State of California Insurance Fund (SCIF and the endorsement numbers 2570 and 2065 are referenced on the certificate of insurance.**

2. **GENERAL LIABILITY INSURANCE:**

The Vendor shall maintain during the life of this contract, including the period of warranty, Commercial General Liability Insurance written on an **occurrence basis** providing the following minimum limits of liability coverage: \$1.0 million per occurrence with \$2.0 million aggregate separate for this contract. Said insurance shall include coverage for the following hazards: Premises-Operations, blanket contractual liability (for this Agreement), products liability/completed operations (including any product manufactured or assembled), broad form property damage, blanket contractual liability, independent contractors liability, personal and advertising injury, mobile equipment, cross liability and severability of interest clauses. **A statement on an insurance certificate will not be accepted in lieu of the actual additional insured endorsement(s). If requested by SOCWA and applicable, XCU coverage (Explosion, Collapse and Underground) and Riggers Liability must be included in the General Liability policy and coverage must be reflected on submitted Certificate of Insurance.**

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3. **AUTOMOTIVE / VEHICLE LIABILITY INSURANCE:**

The Vendor shall maintain a policy of Automotive Liability insurance on a comprehensive form covering all owned, non-owned, and hired automobiles, trucks, and other vehicles providing the following minimum limits of liability coverage: Combined single limit of \$1.0 million or alternatively, \$1.0 million per person for bodily injury and \$1.0 million per accident for property damage. **A statement on an insurance certificate will not be accepted in lieu of the actual additional insured endorsement.**

4. **ERRORS and OMISSIONS:**

The Vendor must maintain Errors and Omissions Coverage (professional liability coverage) in an amount of not less than \$1.0 (one) million per claim or occurrence throughout the term of this Agreement.

5. **UMBRELLA EXCESS LIABILITY:**

The minimum limits of general liability and automotive liability insurance required, as set forth above, shall be provided for either a single policy of primary insurance, or a combination of policies of primary and umbrella excess coverage. Umbrella excess liability coverage shall be issued with limits of liability which, when combined with the primary insurance, will equal the minimum limits for general liability and automotive liability.

6. **ADDITIONAL INSURED ENDORSEMENTS:**

Each policy of insurance obtained, except Worker's Compensation Coverage and Errors and Omissions Coverage, shall name SOCWA, its Directors, officers, agents, consultants, and employees for this contract, and all public agencies from whom permits will be obtained (if any) and their Directors, officers, agents and employees, as determined by SOCWA, as additional insured on said policies. No exclusionary language or limitations shall be applicable to any additional insured that are not applicable to the named insured. In addition, insurance afforded by the additional insured endorsement shall apply as primary insurance, and other insurance maintained by SOCWA shall be excess only and not contributing with insurance provided under said policies. If this coverage is not provided within the coverage form (insurance policy) it shall also be endorsed as primary and non-contributory coverage.

7. **PROOF OF COVERAGE:**

The Vendor shall furnish SOCWA with original certificates and amendatory endorsements effecting coverage. Said policies and endorsements shall conform to the requirements herein stated. All certificates and endorsements are to be received and approved by SOCWA before work commences. SOCWA reserves the right to require complete, certified copies of all required insurance policies, including endorsements, affecting the coverage required, at any time. The following are approved forms that must be submitted as proof of coverage:

- Certificate of Insurance ACORD Form 25 or other equivalent Certificate of Insurance form.
- Additional Insured (General Liability) (ISO Form) CG2010 11 85 or
The combination of (ISO Forms) CG 2010 10 01 and CG 2037 10 01
All other Additional Insured endorsements must be submitted for approval by SOCWA, and SOCWA may reject alternatives that provide different or less coverage to SOCWA.
- Additional Insured Submit endorsement provided by carrier for SOCWA approval. (Auto Liability)
- Waiver of Subrogation State Compensation Insurance Fund Endorsement No. 2570 or equivalent.
- Cancellation Notice State Compensation Insurance Fund Endorsement No. 2065 or equivalent.

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8. **PERIOD OF COVERAGE:**

Insurance coverage is required for the period when Vendor has entered onto SOCWA's property as pertaining to services pursuant to contract, until completion of all work or service required by the contract.

9. **CANCELLATION NOTICE:**

Each insurance policy required herein shall be endorsed to state that coverage shall not be cancelled by either party, except after thirty (30) days' prior written notice. The ACORD Form shall state the required thirty (30) days' written notification. **Policy shall not terminate, nor shall it be cancelled nor the coverage reduced, until thirty (30) days after written notice is given to SOCWA except for non-payment of premium which shall require not less than ten (10) days written notice to SOCWA. Should there be changes in coverage or an increase in deductible or SIR amounts, the Vendor and its insurance broker/agent shall send to SOCWA a certified letter which includes a description of the changes in coverage and/or any increase in deductible or SIR amounts.** The certified letter must be sent to the attention Jeanette Cotinola, Contract Administrator, and shall be received by SOCWA not less than thirty (30) days prior to the effective date of the change(s) if the change would reduce coverage or increase deductibles or SIR amounts or otherwise reduce or limit the scope of insurance coverage provided to the SOCWA.

10. **INSURANCE CARRIER RATING:**

The insurers must have an **A- (A minus)**, or better, policyholder's rating, and a financial rating of **Class VIII**, or better, in accordance with the most current A.M. Best Rating. SOCWA recognizes that State Compensation Insurance Fund has withdrawn from participation in the A.M. Best's rating process. Nevertheless, SOCWA will accept State Compensation Insurance Fund for the required policy of Worker's Compensation Insurance, subject to SOCWA's option, at any time during the term of this contract, to require a change in insurer, upon twenty (20) days written notice. SOCWA will also require Vendor to substitute any insurer whose rating drops below levels herein specified. Said substitution shall occur within twenty (20) days of written notice to Vendor by SOCWA or its agent.

11. **PRIMARY INSURANCE:**

All liability policies shall contain a Primary and Non Contributory Clause. Any other insurance maintained by SOCWA shall be excess and not contributing with the insurance provided by Vendor.

12. **SEPARATION OF INSURED:**

All liability policies shall contain a "Separation of Insured" clause.

13. **NON-LIMITING (if applicable):**

Nothing in this document shall be construed as limiting in any way, nor shall it limit the indemnification provision contained in the Agreement, or the extent to which Vendor may be held responsible for payments of damages to persons or property.

13. **DEDUCTIBLES AND SELF INSURED RETENTIONS:**

Any deductible and/or self-insured retention must be declared to SOCWA on the Certificate of Insurance. All deductible and/or self-insured retentions require approval by SOCWA. At the option of SOCWA, either: the insurer shall reduce or eliminate such deductible or self-insured retention as respects SOCWA; or the Vendor shall provide a financial guarantee satisfactory to SOCWA guaranteeing payment of losses and related investigations, claim administration and defense expenses.

14. **DEFENSE COSTS:**

Liability policies, except for Errors and Omissions Coverage, shall have a provision that defense costs for all insureds and additional insureds are paid in addition to and do not deplete any policy limits.

15. **LIMITS ARE MINIMUMS:**

If Vendor maintains higher limits than any minimums shown above, SOCWA requires and shall be entitled to coverage for the higher limits maintained by Vendor.

Rev. 011416rk

INSURANCE SUBMITTAL CHECKLIST The purpose of this checklist is to help you to submit the right documents to SOCWA.	
Insurance Policies	<p>SOCWA needs information about your <i>insurance policies</i>. This is done by having your broker give SOCWA a "Certificate of Liability Insurance" on an "ACORD" form that shows all the policies that you are required to submit proof of coverage for.</p> <p>1. <input checked="" type="checkbox"/> Certificate of Liability Insurance ACORD 25 (5-2010) or equivalent form</p> <p>Notes: (a) The ACORD form must specify the ISO form number for each policy. ISO forms are standardized forms – if you have a non-ISO form, then the ACORD form must specify the carrier's form number and we may need to see the form in order to verify if it is equivalent to the form you are required to submit. (b) The ACORD form must specify the deductible/SIR for each policy. (c) The ACORD form must state that the policies contain a "Separation of Insured" clause and a "Primary and Non Contributory" clause.</p> <p>A. <input type="checkbox"/> Certificate of Worker's Compensation Insurance, see form 7 (if not included on Certificate of Liability Insurance)</p>
Endorsements	<p>SOCWA requires <i>specific endorsements</i>. For these endorsements, a statement on a Certificate of Liability Insurance WILL NOT BE accepted in lieu of the original Endorsement Form(s). A statement on a Certificate of Liability Insurance form is a matter of information only; it does not amend, extend or alter coverage. Original Endorsement Form(s) must be provided to SOCWA in PDF format via e-mail or by U.S. Mail, overnight carrier, or courier service.</p> <p>The following information <u>MUST</u> be referenced on all submitted applicable Endorsement forms:</p> <ul style="list-style-type: none"> • Policy Number • Name of Person or Organization • Project Description, Number, and/or All Operations
Commercial General Liability (CGL) Additional Insured Endorsement – Owners, Lessees, Contractors, Scheduled Person, Organization or Completed Operations.	<p><i>Note: Various alternatives are acceptable, as described below. SOCWA WILL NOT accept ISO Forms CG 2010 07 04 and/or CG 2037 07 04. All other Additional Insured Endorsement Form(s) MUST be submitted for approval by SOCWA. SOCWA may reject alternatives that provide different or less coverage to SOCWA.</i></p> <p>2. <input type="checkbox"/> CGL Additional Insured Endorsement - ISO Form CG 2010 11 85</p> <p>3A. <input type="checkbox"/> CGL Additional Insured Endorsement – Both ISO Form CG 2010 10 01</p> <p><i>and</i></p> <p>3B. <input type="checkbox"/> CGL Additional Insured Endorsement - ISO Form CG 2037 10 01</p>
Automobile Insurance Additional Insured Endorsement	<p>4. <input type="checkbox"/> Automobile Liability Additional Insured Endorsement</p> <p>Note: Carrier-provided form must be provided to SOCWA for approval.</p>
Worker's Compensation Insurance Endorsements	<p>5. <input type="checkbox"/> State Compensation Insurance Fund- Certificate of Workers' Compensation on the Certificate of Workers Compensation Insurance. (NOTE: 5A and 5B are included on Form 5 on the bottom portion of form)</p> <p>5A. <input type="checkbox"/> Cancellation Notice- Must ADD Endorsement #2065 language on Certificate of Workers' Compensation Form Insurance Form.</p> <p>5B. <input type="checkbox"/> Waiver of Subrogation- Must ADD Endorsement #2570 language on Certificate of Workers' Compensation Insurance Form.</p> <p>or 6. <input type="checkbox"/> Equivalent Waiver of Subrogation Form</p>
Other Coverage (if applicable): no sample forms	<p>7. <input type="checkbox"/> Pollution, Errors & Omissions, Marine insurance or other required insurance coverages.</p> <p>8. <input type="checkbox"/> Capital Improvement Project (CIP) Additional requirements as included in "Agreement"</p>

South Orange County Wastewater Authority

SEALED DOLLAR COST BID PROPOSAL

***For Professional Auditing Services for
the South Orange County Wastewater Authority
For fiscal year ending June 30, 2023, with the option
of extending the contract for each of the four (4)
subsequent fiscal years.***

November 3, 2022

Contact Person:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
2855 Telegraph Avenue, Suite 312
Berkeley, CA 94705
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com



Name of Firm and Certification

Name of Firm: Badawi & Associates

Address: 2855 Telegraph Avenue, Suite 312

City, State, Zip: Berkeley, CA 94705

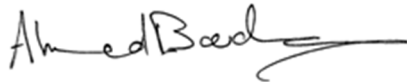
Contact Name: Ahmed Badawi

Contact Telephone Number(s): 510-768-8244

Contact Fax Number(s): 510-768-8249

Contact E-mail Address: abadawi@b-acpa.com

I, the undersigned, certify I am duly authorized to represent the above named firm and am empowered to submit this bid. In addition, I certify I am authorized to contract with the South Orange County Wastewater Authority on behalf of the above named firm. The Firm will honor the prices listed in this proposal for 180 days from the submittal deadline.



Signature

President
Title

November 3, 2022
Date

Ahmed Badawi

Name (print)

Schedule of Professional Fees

Service	2023 Hours	2023	2024 Optional Year	2025 Optional Year	2026 Optional Year	2027 Optional Year
Financial Statements Audit	325	\$29,990	\$30,750	\$31,750	\$32,715	\$32,715
Single Audit	18	1,670	1,845	1,765	1,815	1,815
Subtotal	343	31,660	32,595	33,515	34,530	34,530
Optional Service:						
State Controller's Report	12	1,080	1,110	1,185	1,220	1,220
Total	355	\$32,740	\$33,705	\$34,700	\$35,750	\$35,750

Position	2023		2024 Optional Year		2025 Optional Year		2026 Optional Year		2027 Optional Year	
	Hours	Rates	Hours	Rates	Hours	Rates	Hours	Rates	Hours	Rates
Partner	36	\$ 150	33	\$ 150	32	\$ 150	32	\$150	32	\$150
Audit Manager	62	120	58	130	56	130	56	130	56	130
Audit Senior	97	85	91	100	87	110	87	115	87	115
Professional Audit Staff	137	75	127	85	123	95	123	100	123	100
Administrative Assistant	23	60	22	60	21	65	21	65	21	65
Total Hours	355		331		319		319		319	
Total Cost		\$ 32,740		\$ 33,705		\$ 34,700		\$ 35,750		\$ 35,750

In accordance with the RFP, the "Attachment B Cost Proposal Form" has also been included on the next page.

**RFP ATTACHMENT B
COST PROPOSAL FORM FINANCIAL AUDITING SERVICES**

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE FISCAL YEAR 2022-2023 FINANCIAL STATEMENTS

Position	Hours	Standard Hourly Rates	Quoted Hourly Rates	Quoted Fee
Partner	33	\$ 200	\$ 150	\$ 4,950
Audit Manager	57	150	120	6,840
Audit Senior	89	125	85	7,565
Professional Audit Staff	125	100	75	9,375
Administrative Assistant	21	75	60	1,260
Subtotal	325			\$ 29,990
Out-of-Pocket expenses				-
Meals and lodging				-
Transportation				-
Total all-inclusive maximum price for fiscal year 2022-2023 audit				\$ 29,990

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE FISCAL YEAR 2022-2023 SINGLE AUDIT

Position	Hours	Standard Hourly Rates	Quoted Hourly Rates	Quoted Fee
Partner	2	\$ 200	\$ 150	\$ 300
Audit Manager	3	150	120	360
Audit Senior	5	125	85	425
Professional Audit Staff	7	100	75	525
Administrative Assistant	1	75	60	60
Subtotal	18			\$ 1,670
Out-of-Pocket expenses				-
Meals and lodging				-
Transportation				-
Total all-inclusive maximum price for fiscal year 2022-2023 audit				\$ 1,670

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE FISCAL YEAR 2022-2023 STATE CONTROLLER'S REPORT
(OPTIONAL SERVICE)

Position	Hours	Standard Hourly Rates	Quoted Hourly Rates	Quoted Fee
Partner	1	\$ 200	\$ 150	\$ 150
Audit Manager	2	150	120	240
Audit Senior	3	125	85	255
Professional Audit Staff	5	100	75	375
Administrative Assistant	1	75	60	60
Subtotal	12			\$ 1,080
Out-of-Pocket expenses				-
Meals and lodging				-
Transportation				-
Total all-inclusive maximum price for fiscal year 2022-2023 audit				\$ 1,080

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 bill the Authority after completion of each phase of the audit and bill the Authority 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 Authority.. The Authority can anticipate three billings as follows:

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

Rates for Additional Professional Services:

Any services outside the scope of our engagement will be promptly identified before the services are rendered. Upon mutual agreement, the out-of-scope services will be separately billed at our standard hourly rates. While it can be difficult 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 want to provide the following information regarding our published billing rates:

Position	Hourly Rate
Partner	\$ 200
EQR	200
Manager	150
Senior	125
Staff	100
Admin.	75

Our Standard Hourly Rates are adjusted annually by 3% for Cost of Living and Inflation Adjustments


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

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

We have the technical qualifications and experience to provide the level of service desired and expected by the Authority and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the Authority 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.

 <small>South Orange County Waterworks Authority</small>	POLICY NUMBER: Administration 1.725
Authority Policy	Title: External Auditor Policy
May 3, 2018	Path: SOCWA Managed/SOCWA Policies/1.725 External Auditor Policy

External Auditor Policy

May 3, 2018


 South Orange County Watermaster Authority	POLICY NUMBER: Administration 1.725
Authority Policy	Title: External Auditor Policy
May 3, 2018	Path: SOCWA Managed/SOCWA Policies/1.725 External Auditor Policy

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	POLICY NUMBER: Administration 1.725
Authority Policy	Title: External Auditor Policy
May 3, 2018	Path: SOCWA Managed/SOCWA Policies/1.725 External Auditor Policy

Purpose of Policy

The purpose of the External Auditor Policy is to set forth the procedures and guidelines for the selection of an external audit firm to provide audit services for the Authority annual independent audits.

General Policy

It is the policy of the South Orange County Wastewater Authority (“Authority”) to comply with all financial audit requirements and to present financial statements in accordance with generally accepted accounting principles. The Authority is committed to obtaining independent audits of its financial statements performed with the appropriate professional auditing standards. Audits play a vital role in the public sector by helping to preserve the integrity of public finance functions.

When hiring an external audit firm, it is the policy of the Authority to require in the contract that the auditor conform to the independence standard promulgated in the General Accounting Offices Government Auditing Standards even for audit engagements that are not otherwise subject to generally accepted government auditing standards.

The Authority will consider entering into multiyear agreements of up to five years in duration when obtaining the services of independent auditors with its competitively procured external audit firms. (Except as set forth in this Policy, the Authority will utilize its procurement of Professional Services Policy in selecting an external auditor.) Such agreements allow for greater continuity and help to minimize the potential for disruption in connections with an independent audit. Multiyear agreements can also help to reduce audit costs. However, contract duration may be set with potential for yearly, or multi-year renewed options based on qualifications, experience, and overall satisfaction with performance. Provided however, that Authority shall direct its counsel to make recommendations for revision to Audit service based on changes in law or recommended standards.


The Authority shall not employ a public accounting firm to provide audit services if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for the Authority for six (6) consecutive years. Government Code §12410.6.

The attached contract procurement procedures will apply to the selection of the Authority’s independent auditors.

It is the Policy of the Authority that audit issued internal control deficiencies shall be corrected within six (6) months of the audit being received and filed by the Board of Directors and following consideration of appropriate actions and as directed by the Authority Board.

Policy Revisions

This document may be revised upon approval by the Board. Revisions will be recommended whenever applicable Federal, State or Local Regulations change or otherwise as the need arises. The General Manager is authorized to implement any

 <small>South Orange County Wastewater Authority</small>	POLICY NUMBER: Administration 1.725
Authority Policy	Title: External Auditor Policy
May 3, 2018	Path: SOCWA Managed/SOCWA Policies/1.725 External Auditor Policy

procedure under this Policy so as to comply with law and the State Guidelines, with any change to this Policy necessitated thereby to be ratified by the Board on a timely basis.

Policy Approval and Adoption

This Policy has been reviewed by the SOCWA Board of Directors and adopted by Resolution No. 2018-02 on May 3, 2018.

Procedure for Procurement of External Auditors

1. Prepare RFP-Criteria to be included
 - a. Experience of the firm, size, location, area of expertise and public agencies.
 - b. Transition expertise-transitioning from prior auditors.
 - c. Approach-Overall audit approach; Specific audit approach and Audit effort.
 - d. Technical experience in performing work of a closely similar nature.
 - e. Strength and stability of the firm.
 - f. Client references.
 - g. Knowledge of applicable laws.
 - h. Qualification of project staff, particularly key personnel and especially the Audit Manager.
 - i. Logic of project organization.
 - j. Adequacy of labor commitment.
 - k. Concurrence in the restrictions on changes in key personnel.
 - l. Ability to meet the project deadline.
2. Provide previous period audited financials to potential candidates.
3. Identify firms to receive the RFP.
 - a. Recommendations from water and sewer agency partners.
 - b. Recommendations from current/past auditing firms.
 - c. External market research of Accountancy firms to determine qualifications for an invitation to propose.
4. Publish RFP on Planet Bids, other electronic procurement site or via email.
5. Have a Fact-Finding Meeting with interested firms.
6. Send review team proposals with score sheet.
 - a. Consider criteria for scoring, including:
 - i. a-l listed in Item 1.
 - ii. Ability to comply with SOCWA schedule to completion of audit by close of December each year, weighted heavily.
 - iii. Ability to perform quality audit.
 - b. Schedule Review Team meeting.
 - i. Tally scores
 - ii. Hand out fee proposal
 - iii. Discussion and final scoring
7. Review references.
8. Verify insurance.
9. Set up interviews with highest ranked firms and Review Team.
10. Take recommendation to the board for consideration.