

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Johnny Ea, Finance Director 

DATE: January 26, 2007 (City Council Meeting of February 7, 2007)

SUBJECT: Consider Award of Contract for Professional Services Agreement to Teaman, Ramirez & Smith, Inc. Certified Public Accountants for City and Redevelopment Agency Audit Services for Fiscal Years 2006-07, 2007-08 and 2008-09

BACKGROUND

For the past eight years the City of Moorpark has retained the accounting firm of Vavrinek, Trine, Day & Co., LLP, for auditing services for the City and the Redevelopment Agency. The current agreement with Vavrinek, Trine, Day & Co., LLP expired with the completion of the audit for fiscal year 2005-06.

DISCUSSION

On December 19, 2006 staff issued a Request for Proposal (RFP) that was sent to fourteen (14) qualified CPA firms to serve as the City's independent auditors. The proposal includes the City and Redevelopment Agency Audits, Federal Single Audit (if applicable), City of Moorpark State Controller's Report and Transit State Controller's Report. A total of five (5) well qualified proposals were received by the due date of January 19, 2007. The results are as follows:

**Proposed Fee Structures
(Not to Exceed Amounts)**

CPA Firm	FY 2006-07	FY 2007-08	FY 2008-09	3 Years Total
Teaman, Ramirez & Smith, Inc	\$31,000	\$32,500	\$33,500	\$97,000
Moss, Levy & Hartzheim, LLP	\$39,960	\$40,815	\$41,670	\$122,445
Rogers, Anderson, Malody & Scott, LLP	\$42,950	\$44,625	\$45,825	\$133,400
Mayer Hoffman McCann P.C.	\$47,500	\$48,690	\$49,900	\$146,090
Vavrinek, Trine, Day & Co., LLP	\$54,805	\$58,375	\$60,445	\$173,625

The Finance Director conducted interviews on January 24, 2007 with partners of the three firms that submitted the lower fee proposal and references were verified. After careful consideration staff recommends that the firm of Teaman, Ramirez & Smith, Inc. be awarded the contract to serve as the City's independent auditors.

The firm of Teaman, Ramirez & Smith, Inc. submitted the lowest priced proposal with total fees of \$97,000 for the three year period. The firm's practice has been active in the audit of governmental entities for over sixty (60) years. The audit partner assigned to this engagement will be on site for a much of the fieldwork which will ensure timely completion and delivery of quality audit reports. In addition to their competitive fees the firm's reputation for excellence combines to make Teaman, Ramirez & Smith, Inc.'s proposal the most attractive of the five (5) proposals received.

STAFF RECOMMENDATION

Authorize the City Manager to execute an agreement with Teaman, Ramirez & Smith, Inc., subject to final language approval of the City Manager and City Attorney.

Attachment: Teaman, Ramirez & Smith, Inc. Proposal for Professional Auditing Services for Fiscal Years Ending June 30, 2007, 2008, and 2009.

CITY OF MOORPARK
PROPOSAL TO PERFORM ANNUAL AUDITS

January 19, 2007

TRS TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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Proposal to Perform Annual Audits for the

CITY OF MOORPARK

Submitted by:

TEAMAN, RAMIREZ & SMITH, INC.

Certified Public Accountants
Fed. ID #: 95-3636462
CPA License Number: COR 1823

Contact – Greg Fankhanel, CPA, CFE
Alternate Contact – Rich Teaman, CPA
4201 Brockton Avenue, Suite 100
Riverside, California 92501
Telephone No. (951) 274-9500
e-mail: gfankhanel@trscpas.com

January 19, 2007

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January 19, 2007

Johnny Ea, Finance Director
City of Moorpark
799 Moorpark Avenue
Moorpark, California 93021

Dear Mr. Ea:

Thank you for inviting Teaman, Ramirez & Smith, Inc. to submit our proposal to perform professional services for the City of Moorpark (the "City"). We hope this proposal conveys our strong desire and qualifications to fulfill your requirements.

We understand this proposal is to audit the City's financial statements for the three fiscal years ending June 30, 2007 through June 30, 2009, with the option of extending the agreement for two additional one-year terms.

Teaman, Ramirez & Smith, Inc. is well qualified to provide these services for the following major reasons:

- 1) Commitment to deliver quality audit reports on time so requirements of the City can be met in a timely manner.
- 2) Significant Partner level involvement throughout the audit process, including fieldwork.
- 3) Local CPA firm responsiveness and attentiveness. The audit partners and staff will give your audit top priority.
- 4) Thorough understanding of the reporting requirements of the City, including recent GASB Statements. We will be glad to assist the City in the timely implementation of new accounting pronouncements. To date, all attempts of our clients to obtain the CSMFO and/or GFOA financial statement awards have been successful.

Teaman, Ramirez & Smith, Inc. will take a proactive role in providing professional services to the City of Moorpark. Not only will we respond to specific requests and needs in a timely manner, we also will take the initiative to assist you in planning and seeking out opportunities to improve overall efficiency and control. This will enable City staff to deliver the best and most cost effective service to the citizens of Moorpark.

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We will provide an audit team to perform the audit at the City with a strong background in governmental accounting and auditing. Our audit team will be readily available all year to serve the City. Also, our proposed team will be committed to providing excellent service and quality reports within the time frame necessary for the City to meet its requirements.

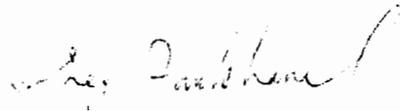
Quality communication is an integral part of our approach to the services we provide, as is committing to meet your deadlines. We will meet with the designated representatives of the City to assist in determining your specific needs and co-develop expectations in a measurable fashion. During the engagement we will remain in contact with the City's designated representatives to keep the City apprised of the status of the engagement. It will be our utmost priority to meet the City of Moorpark's needs and goals in the performance of these audits.

In summary, we are committed to provide the City of Moorpark with the highest level of year-round personal service and attention. With our broad experience, full dedication and large pool of resources, we feel that the services we can provide are unparalleled.

We certify that Greg Fankhanel is entitled to represent the firm, empowered to submit this bid and authorized to sign a contract with the City of Moorpark. Should you have any questions regarding our proposal or desire additional information, please call Greg Fankhanel, Partner, at (951) 274-9500.

Respectfully submitted,

TEAMAN, RAMIREZ & SMITH, INC.



Greg W. Fankhanel, CPA, CFE
Email: gfankhanel@trscpas.com

Firm Profile

Teaman, Ramirez & Smith, Inc. has specialized in auditing governmental agencies in excess of sixty years. The firm is a local firm based in Riverside, and totals twenty-five people, including 5 partners. The government audit staff consists of ten members who devote approximately 75% of their time to government audits. The audit for the City will be conducted by the following full-time audit staff:

- 1 - Municipal Audit Partner
- 1 - Municipal Senior Accountant
- 1 - Municipal Staff Accountant

License and Independence

Our firm, all partners and managers are licensed by the California State Board of Accountancy to practice in the State of California. Our firm is independent of the City and its component units in accordance with generally accepted auditing standards as promulgated by Rule 101 of the American Institute of Certified Public Accountants Code of Professional Ethics, generally accepted government auditing standards promulgated by the U.S. General Accounting Office (GAO), and the rules of the California State Board of Accountancy and Accounting Oversight Board.

As part of the firm's quality control system, the firm maintains a library which contains the authoritative rules on independence. All professional employees are required to review the firm's client list and sign a representation letter annually that acknowledges their familiarity and compliance with the firm's independence, integrity and objectivity policies and procedures. New clients are announced periodically as new clients are obtained.

Participation in Peer Review Program

Our firm underwent peer reviews by the American Institute of Certified Public Accountants in July 1990, August 1993, June 1996, July 1999, June 2002, and July 2005, and the State Controller's Office in August 1990 and received unqualified opinions on each review, which included government engagements. There have been no disciplinary or regulatory actions taken against our firm. A copy of our most recent peer review report is included in Appendix A. There are no pending lawsuits related to the quality of the firm's work product.

Range of Activities

The firm’s range of activities, besides municipal audits, includes municipal accounting services, commercial audits, reviews and compilations, all types of tax services, financial services, fraud investigations, and business consulting.

Current and Prior Municipal Audit Clients and References

The City of Moorpark understandably desires that its auditors have proven experience, in-depth knowledge and technical expertise in dealing with the unique issues facing governmental entities. Our practice has been active in the audit of governmental entities for over 60 years. The following is a partial list of current and prior municipal audit clients similar to the type of audit requested:

- | | |
|---|---|
| Town of Apple Valley* | City of Perris* |
| Apple Valley RDA | Perris Redevelopment Agency |
| City of Blythe* | Pine Cove Water District |
| Blythe Financing Authority | Riverside County Economic Development Agency |
| Blythe RDA | Riverside County Regional Park & Open Spaces District |
| Channel Islands Beach Community Services District | Saticoy Sanitary District* |
| Citrus Pest Control District | City of Solvang |
| City of Corona* | South Orange County Wastewater Authority |
| Coachella Valley Mosquito and Vector Control District | Southern Coachella Valley Community Services District |
| Coachella Valley Public Cemetery District | Triunfo Sanitation District |
| City of Dana Point* | Twentynine Palms Water District |
| City of El Segundo* | Valley Sanitary District |
| Elsinore Valley Municipal Water District* | Ventura Regional Sanitation District |
| Encina Wastewater Authority | Water Replenishment District of Southern California* |
| City of Escondido* | West Valley Mosquito and Vector Control District |
| Fern Valley Water District | Western Municipal Water District |
| City of Galt | Town of Yucca Valley* |
| Goleta Sanitary District | Yucca Valley Community Center Authority |
| City of Moorpark* | Yucca Valley Financing Authority |
| City of Lake Elsinore* | Yucca Valley Redevelopment Agency |
| Lake Elsinore Public Financing Authority | |
| Lake Elsinore Redevelopment Agency | |
| City of La Puente* | |
| La Puente Redevelopment Agency | |
| March Joint Powers Authority* | |
| March Joint Powers Redevelopment Agency | |

* Single Audit Procedures Performed (in accordance with OMB Circular A-133)

Following is a list of five significant engagements performed in the last five years that are similar to the engagement described in the RFP:

1) Town of Apple Valley

Client Contact: Kaye Reynolds, Accounting Manager
14955 Dale Evans Parkway
Apple Valley, CA 92307
(760) 240-7000
kreynolds@applevalley.org

Engagement Partner: Greg Fankhanel
Total Hours: 700

- a) The Town of Apple Valley was incorporated in 1988 as a General Law City and provides the following services: public safety, streets, planning, waste management, and general administrative services. Our firm conducted the annual audit of the Town and its Redevelopment Agency for the years ended June 30, 2003 through 2006 (including single audit) and provided assistance with the implementation of GASB 34. We also prepared the State Controller's Reports and provided assistance in submitting for the GFOA and CSMFO financial statement awards.
- b) We performed the audit of the Apple Valley Redevelopment Agency for the years ended June 30, 2003 through 2006, including preparation of the State Controller's Report and GASB 34 implementation.

2) City of Corona

Client Contact: Pat Moeder, Finance Manager
400 S. Vicentia Avenue
Corona, CA 92882
(951) 736-2327

Engagement Partner: Greg Fankhanel
Total Hours: 620

The City of Corona is a full-service City located in the Inland Empire. The City's operations include the normal governmental activities. Included in its business-type activities are electric, water, sewer and transit enterprises, among others. Our firm conducted the annual audit for the City, its Redevelopment agency, the Corona Utility Authority, and the Trip Reduction Fund for the fiscal years ended June 30, 2005 and 2006. Our services included a Single Audit, assistance in obtaining the CSMFO and GFOA financial statement awards, assistance with the implementation of new GASB standards, and additional agreed-upon procedures engagements.

3) City of Santa Paula

Client Contact: Tom Gardner, Interim Finance Director
970 Ventura Street
Santa Paula, CA 93061
(805) 933-4204

Engagement Partner: Greg Fankhanel
Total Hours: 510

The City of Santa Paula provides the following services: public safety (police and fire), highways and streets, water, sanitation, health and social services, culture-recreation, public improvements, community development (planning, building, zoning) and general administrative services. Our firm conducted the audit of the City and RDA for the year ended June 30, 2006. Our services included assistance with preparation of the financial statements and State Controller's Reports.

4) City of La Puente

Client Contact: Young Kim, Finance Director
Finance Director
15900 E. Main Street
La Puente, CA 91774-4719
(626) 855-1500
ykim@lapuente.org

Engagement Partner: Greg Fankhanel
Total Hours: 360

a) The City of La Puente was incorporated in 1956 as a General Law City and provides the following services: public safety, transportation, health and social services, culture-recreation, public improvements, community development and general administrative services. Our firm conducted the annual audit of the City of La Puente for the years ended June 30, 2002 through 2006 (including Single Audit). Our services included assistance in obtaining the CSMFO and GFOA financial reporting awards, preparation of the State Controller's Report and Annual Street Report, and assistance with the GASB 34 implementation process.

b) We performed the audit of the La Puente Redevelopment Agency for the years ended June 30, 2002 through 2006, including preparation of the Annual Report of Financial Transactions to the State Controller (State Controller's Report).

5) City of Perris

Client Contact: Ron Carr, Finance Director
101 North D Street
Perris, CA 92570
(951) 943-2906

Engagement Partner: Rich Teaman
Total Hours: 800

- a) The City of Perris incorporated in 1911 as a General Law City and provides the following services: general administrative services, public safety (police and fire), highways and streets, culture-recreation, community development (planning, building, zoning), water, sewer and sanitation. Our firm conducted the annual audit of the City of Perris for the years ended June 30, 1998 through 2006 (including Single Audit in each of those years except 2005), and provided assistance with the State Controller's Report preparation, Street Report preparation, implementation of GASB 34, Conversion to a full CAFR format, assistance in obtaining the CSMFO award of excellence in financial reporting and other areas as requested by the City.
- b) The Perris Redevelopment Agency consists of three project areas and a budget of approximately \$3 million. We performed the audit of the Agency for the years ended June 30, 1998 through 2006 including preparation of the Annual Report of Financial Transactions to the State Controller (State Controller's Report), Statement of Indebtedness preparation and implementation of GASB 34.
- c) We have audited the Perris Public Financing Authority since 1998. Our services included preparation of the Annual Report of Financial Transactions to the State Controller (State Controller's Report) and implementation of GASB 34.

Single Audits (in accordance with OMB Circular A-133)

As indicated in the above list of clients, our firm performs single audits in accordance with OMB Circular A-133 for several clients each year. In addition to the above list, our firm has performed single audits for numerous other clients, involving many different federal programs. The Partner in charge of the City's audits has 18 years' experience performing single audits.

Audit Staff Technical Qualifications and Experience

We plan to provide continuity of audit staff from year to year, which is in the best interest of the City and is most efficient from our firm's perspective. Additionally, the audit partner assigned to this engagement is a working partner and therefore will be involved with much of the engagement each year, including fieldwork. It should be noted that the Partner in charge of this engagement will be the main contact person for the City throughout the audits – he will be supervising staff throughout the audit process, including fieldwork.

Brief resumes of the key individuals serving your City are listed at Appendix B.

Knowledge of Governmental Accounting, Auditing and Financial Reporting

The key individuals assigned to this engagement have approximately 40 years' combined experience auditing California governments. All staff are required to complete at least 80 hours of continuing education every 2 years, with a majority of these hours relating specifically to government accounting and auditing subjects. Continuing education requirements are met through classes put on by professional organizations, such as the CSCPA, GFOA, the AICPA, along with an intensive in-house training program devoted to government accounting and auditing subjects.

Our firm has significant experience and training relating to GASB Statement No. 34, which the City has already implemented, and also with the GFOA and CSMFO financial statement award programs. To date, all attempts of our clients to obtain these financial statement awards have been successful. One of the audit partners is a member of the Professional and Technical Standards Committee of the California Society of Municipal Finance Officers. He is part of a five-person final review board which evaluates financial statements under the CSMFO award program.

In addition, over the years, our firm has advised local governments on various issues including real estate transactions, self-insurance reserves, bond issues and the implementation of new accounting standards. We have provided a wide variety of consulting services to our clients, including the following:

- Audit of contract refuse hauler companies seeking rate increases.
- Special gross receipts audits for compliance with City business license tax.
- Special audits of motels and hotels for compliance with payment of transient occupancy tax.
- Assistance with payroll tax related matters.
- Assistance with recording activities resulting from the issuance of bonds.

Audit Approach

The engagement partner is a working partner and will be involved in much of the audit, including fieldwork. The audit staff will perform audit fieldwork under the supervision of the engagement partner.

Our past experience, relating to our approach to the audits, has indicated that the most important service that can be rendered to clients is to be available at all times during the year. This approach allows the

clients the opportunity to consult with the auditors about technical problems and alternative approaches to accounting issues that arise during the year.

We utilize general audit programs developed by authoritative and nonauthoritative sources, for example, the AICPA, United States General Accounting Office (GAO), State Controller's Office, Practitioner's Publishing Company (PPC) as well as those tailor-made for specific areas of the audit.

Additionally, we have incorporated the recently adopted SAS (Statement on Auditing Standard) No. 99, Consideration of Fraud in a Financial Statement Audit, into our audit process. As a result, we will specifically: 1) evaluate whether programs and controls address identified fraud risks and whether the controls are suitably designed and placed in operation and; 2) Assess the fraud risks, taking into account your evaluation, to determine whether an audit response is required. As part of this assessment we will discuss how fraud could possibly occur and be prevented with various City personnel. Additionally, we will examine adjusting journal entries as part of our assessment. With this new standard we are required to review and assess the City's operations with regard to fraud. Realizing the sensitivity of such a subject, we will conduct our procedures in such a way as to not cause alarm. We will take the time to explain the reasoning of why we are asking such questions and that they are not meant to be accusatory but rather are necessary for us to complete our assignment. This requirement applies to all financial statement auditors but we believe our communicative approach is superior to others. In addition, the partner in charge of the audit is a **Certified Fraud Examiner**, and as a member of the Association of Certified Fraud Examiners, has extensive resources available relating to fraud.

Shortly after our appointment as auditors, we will schedule a preaudit planning meeting during which we will discuss any special concerns, needs and the timing of the audit with appropriate members of the City's staff. We will also schedule audit progress meetings and an exit conference with the appropriate City staff during our engagement to discuss any findings and issues we encountered during the audit. All of our recommendations will be discussed with appropriate personnel in a timely manner. Drafts of all financial reports and management letters will be submitted prior to the issuance of final reports.

We are aware of the amount of additional work and inconvenience the annual audit brings to the City's staff. However, we feel our service approach, and the experience level of the Partner and staff assigned to your audit, will eliminate many of the common problems experienced during an audit, such as:

management letter recommendations made without a thorough understanding of the feasibility of the recommendation;

“year-end surprises;”

new and inexperienced staff each year.

The field work will normally be coordinated with City staff and begin as soon as the City’s books and records are in auditable form. This normally takes place in two stages. Each year we will update our knowledge of your major internal accounting control systems and test such systems. We will also perform various analytical procedures. At the same time, City staff will be interviewed in order to assist in resolving any shortcomings before performing the field work portion of the audit. This generally is completed prior to year-end and often leads to worthwhile suggestions for improving internal controls as well as the efficiency and effectiveness of accounting operations and procedures. All of our recommendations will be discussed with appropriate City personnel in a timely manner, and if appropriate, in a formal written management letter at the conclusion of each stage of the audit. In addition, we will complete as much of the single audit compliance, if applicable, as possible in this stage of the audit. This allows as much time as possible to make corrections and adjustments, as necessary, prior to year-end. We will review the minutes of the City Council meetings during both stages of the audit.

Analytical procedures will be performed in the preliminary review stage of the audit to identify potential problem areas and in the final review stages to identify any possible misclassification. These procedures will include comparing account balances to the prior year and to the current period's budget, and consideration of expected relationships among the accounts and periods. Analytical procedures will also be used in the overall review stages and to assist in our substantive testing as appropriate.

Our review of the internal control will be by questionnaire and procedural write-up of your accounting system. Each of the approaches requires inquiry and observation of City personnel. Comments and recommendations relating to the accounting system will be discussed with appropriate City personnel and where appropriate they may be included in our management letter. Our recommendations will be directed at safeguarding City assets, improving the effectiveness of City procedures, and improving the reporting of financial information.

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

The terms and provisions of grant agreements and contracts.

State and federal restrictions affecting funding received by the City; i.e., gas tax law, etc.

The Municipal Code of the City of Moorpark.

State laws regarding authorized investments, spending limits, debt limits, etc.

City policies regarding investments, purchasing, budgets, and the establishment of funds.

Bond documents.

Personnel Policies adopted by the City.

Other laws and regulations as appropriate in the circumstances.

The second stage of the audit is primarily concerned with auditing the final numbers that will appear in the City's financial statements and will begin as soon as the City's books and records are ready for audit. Drafts of all financial reports and management letters will be submitted prior to the issuance of final reports. We have a proven track record of delivering reports on time. Each year we will initiate an exit conference to discuss any suggestions, which either of us may have for improving the conduct of the annual audit process, management letters, or any other matters of interest. Throughout the year we are always available for meetings or discussions in order to meet your needs. Findings and reports shall be kept confidential and reported only to the City.

In the event that any irregularity in records indicates the City may have suffered or will suffer a monetary loss, we will report such loss to the appropriate City personnel immediately upon discovery in the form of a written report.

Responses to City notifications will be prompt and all reports will be remitted in a timely manner to meet your needs. We do not anticipate any unusual audit issues or problems. Should any significant issues arise we will discuss them with appropriate City staff immediately.

Scope of Services

The scope of the audits will be to perform the audits in accordance with generally accepted auditing standards; the A.I.C.P.A. industry audit guide, Audits of State and Local Governmental Units, as amended; the Government Finance Officers Publication, Governmental Accounting, Auditing and Financial Reporting, as amended; the standards for financial audits contained in the U.S. General Accounting Office publication Government Auditing Standards, the applicable State audit guidelines, the Single Audit Act, as amended, and the Office of Management and Budget Circular A-133.

The audit will include Appropriations Limit Annual Review Compliance Letters in order to assist the City meeting the requirements of Section 1.5 Article XIII B of the California Constitution.

Year-End Reports

The year-end audit reports will consist of the following:

- A) Audit report on the financial statements of the City and Redevelopment Agency that includes acceptance of supplementary data on an "in relation to" basis;
- B) Report on Compliance and on Internal Control based on an audit of Financial Statements performed in accordance with Government Auditing Standards;
- C) A management letter that will include recommendations for strengthening internal control, and streamlining accounting procedures, if necessary;
- D) Appropriations Limit Annual Review Compliance Letter pursuant to the California Constitution;
- E) 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 OMB Circular A-133, and data collection form, as needed; Compliance Report for the RDA;
- F) Report on fraud, abuse, illegal acts or indications of such acts including questioned costs, if necessary.

Additionally, we will complete form SF-SAC (OMB #0348-0057) for the City as a result of the single audit. Our audit team is committed to the delivery of the aforementioned reports, as applicable, within the time frame necessary to enable the City to meet its requirements.

Audit Fees

Our audit fees for services described in this proposal are presented at Appendix C.

APPENDIX A



C.G. Johnson & Company
- Certified Public Accountants -

*American Institute of Certified Public Accountants
California Society of Certified Public Accountants*

To the Shareholders
Teaman, Ramirez & Smith, Inc.

We have reviewed the system of quality control for the accounting and auditing practice of Teaman, Ramirez & Smith, Inc. (the firm) in effect for the year ended May 31, 2005. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

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

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of

that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Teaman, Ramirez & Smith, Inc. in effect for the year ended May 31, 2005, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

C. G. Johnson & Company

C.G. Johnson & Company
Certified Public Accountants

July 12, 2005

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APPENDIX B

Audit Team Resumes

Greg W. Fankhanel, CPA, CFE, Municipal Audit Partner

Mr. Fankhanel has seventeen years' experience auditing California governmental agencies. He is a member of the American Institute of Certified Public Accountants, the Government Finance Officers Association, the California Society of Municipal Finance Officers, the Association of Government Accountants, the California Society of Certified Public Accountants, the Association of Certified Fraud Examiners, and is currently the chairman of the Governmental Accounting and Auditing Committee of the Inland Empire Chapter of the California Society of Certified Public Accountants.

Mr. Fankhanel performs reviews of financial statements under the CSMFO Award Program and also serves as an instructor for our in-house continuing education program. He is also a **Certified Fraud Examiner**, which involved passing a four-part exam covering various fraud issues, and demonstrating sufficient education and professional experience. As a member of the Association of Certified Fraud Examiners, he has access to extensive resources relating to fraud. Mr. Fankhanel received his Bachelor of Business Administration Degree from the University of Hawaii in 1986.

The following is a partial list of Mr. Fankhanel's governmental auditing experience:

<u>Client Name</u>	<u>Fiscal Year(s)</u>	<u>Client Name</u>	<u>Fiscal Year(s)</u>
Town of Apple Valley*	02-03 thru 05-06	City of La Puente*	01-02 thru 05-06
Apple Valley Redevelopment Agency	02-03 thru 05-06	La Puente Redevelopment Agency	01-02 thru 05-06
City of Banning*	94-95 thru 96-97	City of Loma Linda*	88-89 thru 90-91
Banning Redevelopment Agency	94-95 thru 96-97	Loma Linda Redevelopment Senior Program	1990
City of Big Bear Lake*	88-89 thru 89-90	Riverside Civic Center Authority	89-90
Big Bear Lake Improvement Agency	88-89 thru 89-90	Riverside County Assessment Districts 159 & 161	94-95
City of Capitola	05-06	Riverside County Community Facilities Districts 87-1 & 88-8	94-95
Citrus Pest Control District No. 2	95-96	Riverside County Economic Development Corporation	1990
Coachella Valley Mosquito Abatement District	89-90 thru 92-93	Riverside County Regional Park & Open Space District	91-92 thru 93-94
Coachella Valley Mosquito & Vector Control District	02-03 thru 05-06	City of San Jacinto*	88-89 thru 89-90
Coachella Valley Public Cemetery District	93-94 thru 95-96		

Coachella Valley Recreation and Park District	88-89 thru 90-91	San Jacinto Redevelopment Agency	88-89 thru 89-90
Coachella Valley Resource Conservation District	90-91 thru 93-94	City of Santa Paula	05-06
City of Corona*	88-89 thru 89-90	Saticoy Sanitary District*	95-96 thru 01-02
Corona Redevelopment Agency	88-89 thru 89-90	City of Solvang	97-98 thru 04-05
Cove Communities Public Safety Commission	89-90	South Orange County Wastewater Authority	02-03 thru 04-05
City of Dana Point*	96-97 thru 05-06	Southern Coachella Valley Community Services District	90-91 thru 93-94
City of Diamond Bar*	89-90 thru 93-94	Thermal Sanitary District	95-96
Encina Wastewater Authority	00-01 thru 02-03	Triunfo Sanitation District	99-00 thru 01-02
City of Escondido*	98-99 thru 99-00	Valley Sanitary District	91-92 thru 94-95
Escondido Community Development Commission	98-99 thru 99-00	Ventura Regional Sanitation District	94-95 thru 01-02
City of Galt	97-98 thru 99-00	Victor Valley Wastewater Reclamation Authority*	89-90 thru 95-96
Galt Redevelopment Agency	97-98 thru 99-00	Water Replenishment District of Southern California*	01-02 thru 02-03
City of Grand Terrace*	92-93 thru 95-96	West Valley Mosquito & Vector Control District	02-03 thru 05-06
Grand Terrace Redevelopment Agency	92-93 thru 95-96	Western Municipal Water District	96-97 thru 05-06
City of Indian Wells	89-90		
Indian Wells Redevelopment Agency	89-90		
City of Indio*	88-89 thru 91-92		
Indio Civic Center Authority	89-90		
Indio Redevelopment Agency	88-89 thru 91-92		

* Single Audit Procedures performed

Mr. Fankhanel has for the CPA licensing period ending January 31, 2006, 84 total hours of CPE with 60 hours in governmental training. Included in this training is continuing education provided by the AICPA, GFOA, and the Accountants Education Group.

Mr. Fankhanel had for the CPA licensing period ending January 31, 2004, 98 total hours CPE with 74 hours in governmental training. Included in this training is continuing education provided by the AICPA, GFOA and CSMFO. More detailed information can be provided upon request.

Richard A. Teaman, CPA, CGFM, Concurring Partner

Rich Teaman has twenty two years' experience auditing California governmental agencies. Mr. Teaman is a member of the American Institute of Certified Public Accountants, the Association of Government Accountants, the California Society of Municipal Finance Officers, the California Special Districts Association, the Government Finance Officers Association, the National Association of Local Government Auditors, the Association of Certified Fraud Examiners, the Professional and Technical Standards Committee of the California Society of Municipal Finance Officers and was the chairman of the Governmental Accounting and Auditing Committee of the Citrus Belt Chapter of the California Society of Certified Public Accountants from 1991 to April 1997. He is part of a five-person final review board which evaluates financial statements under the California Award Program of the Professional and Technical Standards Committee of CSMFO and, as such, has been responsible for the revision of the current reviewer's checklist since 1993. He was also the President for the Citrus Belt Chapter of the California Society of Certified Public Accountant for the 1999-00 fiscal year, Vice President during the 1997-98 and 1998-99 fiscal years, Treasurer during the 1996-97 fiscal year and Board Member during the 1995-96 fiscal year. Mr. Teaman is also an instructor for our in-house continuing education program and has been an instructor for the California Society of Certified Public Accountants.

Mr. Teaman received his Bachelor of Science Degree in Business Administration with a concentration in Accounting from California State University, San Bernardino. He is currently licensed to practice as a CPA in California.

Mr. Teaman's governmental auditing experience, includes the following cities, redevelopment agencies and special districts:

<u>Client Name</u>	<u>Fiscal Year(s)</u>	<u>Client Name</u>	<u>Fiscal Year(s)</u>
City of Banning*	94-95 thru 96-97	March Joint Powers - RDA	96-97 thru 05-06
Banning Redevelopment Agency	94-95 thru 96-97	City of Needles*	88-89 thru 92-93
Agency		Needles Public Financing Authority	91-92 thru 92-93
City of Big Bear Lake*	83-84 thru 89-90	Needles Redevelopment Agency	88-89 thru 92-93
Big Bear Lake Fire Protection District	83-84 thru 89-90	City of Ontario*	94-95 thru 96-97
Big Bear Lake Improvement Agency	83-84 thru 89-90	Ontario Industrial Development Authority	94-95 thru 96-97

City of Blythe	92-93 thru 03-04	Ontario Redevelopment Agency	94-95 thru 96-97
Blythe Public Finance Authority	97-98 thru 03-04	Ontario Redevelopment	
Blythe Redevelopment Agency	92-93 thru 03-04	Financing Authority	94-95 thru 96-97
Channel Islands Beach		City of Palm Desert*	84-85 thru 90-91
Community Services District	00-01 thru 05-06	Palm Desert Redevelopment	
City of Coachella	83-84	Agency	84-85 thru 90-91
Coachella Valley Association of		Palm Springs Civic Center	
Governments	83-84 thru 87-88	Authority	84-85 thru 88-89
Coachella Valley Joint Powers		Palo Verde Cemetery District	02-03
Insurance Authority	85-86 thru 88-89	Palo Verdes Peninsula Transit	
Coachella Valley Mosquito		Authority	92-93 thru 93-94
Abatement District	84-85 thru 92-93	City of Perris*	97-98 thru 05-06
Coachella Valley Mosquito and		Perris Public Financing	
Vector Control District	96-97 thru 97-98	Authority	97-98 thru 05-06
Coachella Valley Public		Perris Redevelopment Agency	97-98 thru 05-06
Cemetery District	93-94 thru 05-06	Pine Cove Water District	83-84 thru 03-04
Coachella Valley Recreation and		City of Rancho Mirage*	88-89 thru 90-91
Park District*	84-85 thru 90-91	Rancho Mirage Parkview Villas	90-91 thru 94-95
City of Colton*	84-85 thru 87-88	Rancho Mirage	
Colton Redevelopment Agency	84-85 thru 87-88	Redevelopment Agency	88-89 thru 90-91
City of Corona*	83-84 thru 89-90	Retired Senior Volunteer	
Corona Redevelopment Agency	83-84 thru 89-90	Program	1985 thru 1991
Agency		City of Riverside*	83-84 thru 86-87
City of Moorpark	97-98 thru 99-00	Riverside Civic Center	
Desert Resorts Regional Airport		Authority	96-97 thru 01-02
Authority	98-00 thru 01-02	Riverside County Desert	
City of Diamond Bar	89-90 thru 93-94	Judicial District	87-88 thru 88-89
East Valley Resource		Riverside County	
Conservation District	97-98 thru 99-00	Redevelopment Agency	91-92 thru 05-06
City of El Segundo	96-97 thru 98-99	Riverside County Judicial	
Elsinore Valley Municipal		District	88-89 thru 89-90
Water District	95-96 thru 02-03	Riverside County Regional	
City of Escondido	98-99	Park & Open Space District	91-92 thru 05-06
Escondido Community		Riverside County	
Development Commission	98-99	Transportation Commission	84-85
Fern Valley Water District	02-03	Riverside Parking Authority	84-85 thru 85-86
City of Galt	97-98	Riverside-San Bernardino	
Galt Redevelopment Agency	97-98	Housing & Finance Agency	02-03
Goleta Sanitary District	97-98 thru 02-03	Riverside Transit Agency*	84-85 thru 85-86
City of Grand Terrace	92-93 thru 94-95	City of San Bernardino*	83-84 thru 84-85
Grand Terrace		San Bernardino County	
Redevelopment Agency	92-93 thru 94-95	Chino Civic Center Authority	84-85 thru 00-01
City of Hemet*	84-85 thru 85-86	San Bernardino Associated	
Hemet Redevelopment Agency	84-85 thru 85-86	Governments	83-84 thru 85-86
Home Gardens Sanitary District	84-85 thru 86-87	City of San Jacinto*	83-84 thru 87-88
Idyllwild Water District	84-85 thru 88-89	San Jacinto Redevelopment	
City of Indian Wells	83-84 thru 86-87	Agency	83-84 thru 87-88

Indian Wells Redevelopment Agency	83-84 thru 86-87	San Jacinto Mountain Area Water Study Agency *	83-84 thru 88-89
City of Indio	84-85 thru 90-91	City of Solvang	97-98
Indio Civic Center Authority	84-85 thru 88-89	Southern Coachella Valley Community Services District	87-88 thru 05-06
Indio Redevelopment Agency	84-85 thru 90-91	Sunline Transit Agency *	84-85 thru 87-88
City of Lake Elsinore*	93-94 thru 03-04	Twentynine Palms Water District	96-97 thru 05-06
Lake Elsinore Redevelopment Agency	93-94 thru 03-04	Valley Sanitary District	91-92 thru 05-06
Lake Elsinore Public Financing Authority	93-94 thru 03-04	Ventura Regional Sanitation District	94-95 thru 00-01
Lake Elsinore Recreation Authority	96-97 thru 03-04	Victor Valley Wastewater Reclamation Authority	89-90 thru 95-96
City of Loma Linda*	83-84 thru 89-90	Western Municipal Water District	96-97 thru 98-99
Loma Linda Redevelopment Agency	83-84 thru 89-90	Town of Yucca Valley	95-96 thru 00-01
March Inland Port Airport Authority	97-98 thru 03-04	Yucca Valley Community Center Authority	95-96 thru 00-01
March Joint Powers Authority	94-95 thru 05-06	Yucca Valley Financing Authority	95-96 thru 00-01
March Joint Powers – Caretaker	96-97 thru 05-06	Yucca Valley Redevelopment Agency	95-96 thru 00-01

* Single Audit Procedures Performed

Mr. Teaman has for the licensing period (licenses are renewed every two years) beginning September 1, 2004, 57 hours of continuing professional education (CPE) with 36 hours in government training. Included in this training were the GFOA's Annual Governmental GAAP Update and California Society of Certified Public Accountants classes, Governmental Audit Skills, and Searching for Fraud: Assessing Risk and Addressing Red Flags.

During the prior licensing period Mr. Teaman had 97 hours of continuing professional education (CPE) with 38 hours in governmental training. Included in this training was the CSMFO Annual conference in Long Beach, California, the CSMFO Annual conference in Sacramento, California, the GFOA Annual Conference in New York, New York, GFOA'S Annual Governmental GAAP Update and California Society of Certified Public Accountants classes, Compilation and Review - Current Issues, Audits of Employee Benefit Plans, Effective Financial Statement Analysis, New Financial Accounting Standards; and Audit Planning: Integrating Fraud.

More detailed information can be provided upon request.

APPENDIX C

CITY OF MOORPARK

SCHEDULE OF PROFESSIONAL AUDIT FEES

FOR THE AUDIT OF THE JUNE 30, 2007, 2008, & 2009 FINANCIAL STATEMENTS

<u>Service to be Provided</u>	<u>Not to Exceed Amounts</u>		
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
City Audit and Related Reports	\$ 18,200	\$ 18,900	\$ 19,000
City State Controller's Report	2,500	2,700	2,800
Transit State Controller's Report	800	900	900
Single Audit and Related Reports*	2,500	2,500	2,800
RDA Audit and Related Reports	<u>7,000</u>	<u>7,500</u>	<u>8,000</u>
Total all-inclusive maximum price	<u>\$ 31,000</u>	<u>\$ 32,500</u>	<u>\$ 33,500</u>

*Assuming one major program.

<u>Position</u>	<u>Auditors Standard Hourly Billing Rates</u>		
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Partner	\$ 200	\$ 200	\$ 200
Manager	110	110	120
Supervisor	100	100	110
Senior Accountant	85	85	90
Staff Accountant	75	80	85
Paraprofessional/Administrative Assistant	0	0	0

**CITY OF MOORPARK
COST PROPOSAL**

This proposal is made with the assumption that the City's books and records will be in a reasonably balanced condition and reconciled at the start of the audit and that representations made to us during this proposal process will remain effective throughout our engagement. We agree the City may broaden the scope of our engagement and we agree to hold ourselves available to perform such additional work as the City may desire. Progress billings covering a period not less than a month will be submitted. A final billing will be submitted upon delivery of all required reports. No billings will be made for out-of-pocket expenses or any other expenses such as typing, clerical, printing or travel costs.