

**MOORPARK CITY COUNCIL  
AGENDA REPORT**

**TO:** Honorable City Council  
**FROM:** Ron Ahlers, Finance Director *RA*  
**DATE:** May 25, 2016 (City Council meeting of June 1, 2016)  
**SUBJECT:** Consider Engagement Letter from External Auditors for Fiscal Year (FY) 2015/16 Audit

**BACKGROUND**

Annually the City of Moorpark engages the services of a CPA firm to perform an audit of the financial statements of the City. The City contracts with the firm of Rogers, Anderson, Malody & Scott, LLP Certified Public Accountants (RAMS) for these services for a five year period. The attached letter specifies the performance of the audit in regards to: Audit Objectives, Management Responsibilities, Auditing Procedures, Internal Controls and Compliance, Fees charged and a peer performance review.

**DISCUSSION**

Auditing standards (SAS 114) require that communications from the audit firm be sent to the governing board of the corporation. The attached engagement letter requires the signature of a City official. Staff recommends that the City Council authorize the City Manager to sign the engagement letter.

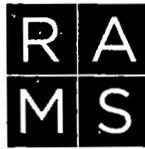
**FISCAL IMPACT**

The FY 2015/16 audit shall cost a maximum of \$34,700. This amount is included in the proposed budget for FY 2016/17.

**STAFF RECOMMENDATION**

Authorize the City Manager to sign the engagement letter, subject to the final language approval by the City Manager.

Attachment: RAMS Engagement Letter regarding the Fiscal Year 2015/16 Audit



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

May 25, 2016

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To the Honorable City Council  
City of Moorpark  
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Ryan Smith, CPA

The following represents our understanding of the services we will provide the City of Moorpark (the City). You have requested that we audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and for the year then ended and the related notes to the financial statements, which collectively comprise the City's basic financial statements. In addition, we will audit the City's compliance over major federal award programs for the period ended June 30, 2016, if applicable. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objective of our expressing an opinion on each opinion unit and an opinion on compliance regarding the City's major federal award programs, if applicable.

Accounting principles generally accepted in the United States of America require that supplementary information, such as management's discussion and analysis (MD&A) and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Budgetary Comparison Schedules-General Fund
- 3) Budgetary Comparison Schedules-Major Special Revenue Funds
- 4) Schedule of Funding Progress-OPEB
- 5) Schedule of the Proportionate Share of the Plans Net Pension Liability and Related Ratios as of the Measurement Date
- 6) Schedule of Plan Contributions

**MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

Supplementary information other than RSI will accompany the City's basic financial statements. The supplementary information will be presented for purposes of additional analysis and is not a required part of the financial statements. Such information will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our auditor's report will provide an opinion on the supplementary information in relation to the financial statements as a whole:

- 1) Combining Schedules of Non-Major Funds
- 2) Budgetary Comparison Schedules of Non-Major Funds
- 3) Budgetary Comparison Schedules of Major Non-Special Revenue Funds

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements:

- 1) Transmittal Letter
- 2) Statistical Section

**Schedule of Expenditures of Federal Awards, if applicable**

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

**Data Collection Form, if applicable**

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

## **The Objective of an Audit**

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

## **General Audit Procedures**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and any state or regulatory audit requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## **Internal Control Audit Procedures**

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America, and any state or regulatory audit requirements.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

### **Audit of Major Program Compliance, if applicable**

Our audit of the City's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal award programs. Our procedures will consist of determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of those procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the City's major federal award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the City's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

### **Compliance with Laws and Regulations**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

### **Management Responsibilities**

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;

- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;
- c. For safeguarding assets;
- d. For identifying all federal awards expended during the period including federal awards and funding increments received prior to June 30, 2016, and those received in accordance with the Uniform Guidance generally received after June 30, 2016, if required;
- e. For preparing the schedule of expenses of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance requirements, if required;
- f. For the design, implementation, and maintenance of internal control over compliance;
- g. For identifying and ensuring that the City complies with laws, regulations, grants, and contracts applicable to its activities and its federal award programs, if applicable;
- h. For following up and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings, if applicable;
- i. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings, if applicable;
- j. For submitting the reporting package and data collection form to the appropriate parties, if required;
- k. For making the auditor aware of any significant vendor relationships where the vendor is responsible for program compliance, if required;
- l. To provide us with:
  - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - ii. Additional information that we may request from management for the purpose of the audit; and
  - iii. Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.
- m. For including the auditor's report in any document containing financial statements that indicates that such financial statements have been audited by the City's auditor;

- n. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole; and
- o. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

### **Reporting**

We will issue a written report upon completion of our audit of the City's basic financial statements. Our report will be addressed to the governing body of the City. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed upon completion of our audit.

### **Other**

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

### **Provisions of Engagement Administration, Timing and Fees**

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Terry Shea, CPA, is the engagement partner for the audit services specified in this letter. His responsibilities include supervising services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees for these services are detailed in Attachment "A" to this agreement. Our standard hourly rates vary according to your audit. Our invoices for these services will be rendered each month and are payable upon presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will still be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Whenever possible, we will attempt to use the City's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

With respect to any non-attest services we perform, City's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities. *Government Auditing Standards* require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the City's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;

Honorable City Council  
City of Moorpark

- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Rogers, Anderson, Malody & Scott, LLP (RAMS) and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulators and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of RAMS personnel. Furthermore, upon request, we may provide copies of selected audit documentation to regulators. The regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the original of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements and compliance over major federal award programs including our respective responsibilities. Please keep the copy for your records.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

Rogers, Anderson, Malody & Scott, LLP

  
\_\_\_\_\_  
Terry Shea, CPA  
Partner

RESPONSE:

This letter correctly sets forth our understanding of the City of Moorpark.

\_\_\_\_\_

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

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

**CITY OF MOORPARK  
SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
FOR THE AUDIT OF THE JUNE 30, 2016 FINANCIAL STATEMENTS**

| <b><i>Base Services:</i></b>                                     | <u>Total</u>                   |
|--|--------------------------------|
| City Audit & Related Reports                                     | \$ 23,000                      |
| Successor Agency Audit   | 5,000                          |
| Single Audit & Related Reports (if applicable)                   | <u>3,500</u>                   |
| Sub-total Base Costs   | <u>31,500</u>                  |
| <br><b><i>Optional Services:</i></b>                             |                                |
| State Controller's Report - Cities Financial Transactions Report | <u>3,200</u>                   |
| Sub-total Optional Costs   | <u>3,200</u>                   |
| <b>Annual Maximum Fees</b>                                       | <b><u><u>\$ 34,700</u></u></b> |

# Grant Bennett Associates

A PROFESSIONAL CORPORATION



## SYSTEM REVIEW REPORT

June 30, 2015

To the owners of Rogers, Anderson, Malody & Scott, LLP and the Peer Review Committee of the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP (the firm) in effect for the year ended November 30, 2014. 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. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP in effect for the year ended November 30, 2014, 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*. Rogers, Anderson, Malody & Scott, LLP received a peer review rating of *pass*.

GRANT BENNETT ASSOCIATES  
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