



January 13, 2021

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COUNTY MEMBER

**STAFF**

**CAROLYN EMERY**  
EXECUTIVE OFFICER

**TO:** Local Agency Formation Commission

**FROM:** Executive Officer

**SUBJECT:** Professional Services Agreement – Davis Farr LLP

**BACKGROUND**

Since 2003, Orange County LAFCO has entered into agreements with independent auditing firms to prepare the agency's audited financial statements. The intent of the audited financial statements is to present the agency's financial performance and position through the conducting of an audit by an independent auditor. In 2016, Orange County LAFCO entered into an agreement with Davis Farr LLP to provide audit services for the fiscal years ending on June 30, 2016 through June 30, 2019. On January 8, 2020, the Commission approved the extension of the agreement with Davis Farr LLP for one additional fiscal year ending June 30, 2020. The extension represents the final year of the agency's contract with the firm.

In accordance with the Commission's Accounting and Financial Policies, a change in the auditor every six years should be considered to comply with State law and to ensure competitive pricing and a high quality of service. As the current agreement for auditing services has ended, a joint Request for Proposals ("RFP") process was conducted. This report provides an overview of the joint RFP process and a recommendation to enter into a new agreement with Davis Farr LLP for professional auditing services beginning with the fiscal year ending on June 30, 2021.

**Joint RFP Process**

For the past several years, Orange LAFCO has participated with four other LAFCOs (Imperial, Los Angeles, Riverside, and San Bernardino) in a joint RFP process for independent audit services. The joint RFP is included as Attachment 1 and represents the fifth joint proposal for auditing services with our southern region partners. It is the consensus of this group that the cooperative process has resulted in cost savings



and greater efficiency through the sharing and rotating of staff resources to coordinate the process for each participating LAFCO.

In September 2020, the RFP was distributed to over 60 independent firms located throughout California, and seven firms submitted proposals. Table A displays the quotes proposed by each of the firms to provide auditing services to Orange County LAFCO.

<i>Table A: Price Quotes for Audit Services to Orange County LAFCO</i>					
<b>Firm</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>	<b>2024-2025 (optional)</b>
<b>Brown Armstrong</b>	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
<b>CliftonLarsonAllen LLP</b>	\$14,784	\$15,099	\$15,476	\$15,673	\$15,983
<b>Davis Farr LLP</b>	\$7,405	\$7,485	\$7,635	\$7,765	\$7,920
<b>Jacobson Jarvis &amp; Co. PLLC</b>	\$11,500	\$11,500	\$11,500	\$11,845	\$11,845
<b>Nigro &amp; Nigro, PC</b>	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
<b>The Pun Group</b>	\$10,500	\$10,750	\$11,000	\$11,250	\$11,500
<b>Vasquez &amp; Company LLP</b>	\$9,180	\$9,180	\$9,455	\$9,721	\$10,043

Subsequent to the closing of the submittal period, staff representatives from Imperial, Los Angeles, Orange, Riverside and San Bernardino LAFCOs conducted a joint meeting to evaluate the proposals. Based on the criteria outlined in the RFP, Davis Farr LLP was unanimously selected by all five LAFCOs. In addition to past and current experience with multiple LAFCOs, Davis Farr has over 30 years of experience providing accounting and auditing services. With offices located in Orange and San Diego Counties, the firm is staffed with 52 employees and takes a proactive leadership role in local government accounting. Currently, the firm serves on the Government Accounting and Audit Committee of the California Society of CPAs and the California Society of Municipal Finance Officers Professional Standards Committee.

#### **Davis Farr LLP Professional Services Agreement**


The term of the proposed professional services agreement with Davis Farr LLP is four fiscal years (2021-2024) with an option to extend the contract for one additional year (Attachment 2). Should the Commission approve this agreement and in accordance with State law, a new Senior Lead Auditor from the firm will be assigned to oversee the provision of services to Orange County LAFCO. Assignment of a new firm lead strengthens the independent auditing process while maintaining the high quality of service received from Davis Farr LLP for the past five years.

**RECOMMENDATION:**

Staff recommends the Commission:

1. Approve the professional services agreement with Davis Farr LLP for professional auditing services.

Respectfully submitted,

  
\_\_\_\_\_  
CAROLYN EMERY

Attachments:

1. Joint Audit RFP
2. Professional Services Agreement – Davis Farr LLP

**IMPERIAL, LOS ANGELES, ORANGE, RIVERSIDE, AND SAN BERNARDINO LOCAL AGENCY  
FORMATION COMMISSIONS**

**REQUEST FOR PROPOSAL  
FOR AUDIT SERVICES  
~2020~**

**I. OBJECTIVE**

The Imperial, Los Angeles, Orange, Riverside, and San Bernardino Local Agency Formation Commissions (LAFCO) are seeking proposals from qualified independent Certified Public Accounting firms to audit the financial statements of each LAFCO for the fiscal years ending June 30, 2021, June 30, 2022, June 30, 2023, and June 30, 2024. An option to extend the contract for an additional one year will be considered for firms preparing a superior response. An individual audit report would be prepared for each of the four years – one for Imperial LAFCO, one for Los Angeles LAFCO, one for Orange LAFCO, one for Riverside LAFCO, and one for San Bernardino LAFCO.

**II. BACKGROUND**

Following the end of World War II, California entered a new era of demographic growth and diversity, and economic development. With this growth came the need for housing, jobs and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions (LAFCOs) to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a LAFCO. LAFCOs are charged with the responsibility of making difficult decisions on proposals for new cities and special districts, spheres of influence, consolidations, and annexations.

**A. LAFCO Commission Composition and Staffing**

Imperial, Orange, Riverside, and San Bernardino LAFCO have a similar composition of their commission, consisting of the following: two members are from the respective county's Board of Supervisors; two members are elected officials from cities within each county; two members are elected officials representing special districts located within each county; and one member is selected as a public at-large member. The Los Angeles LAFCO Commission composition consists of the following: two members are from the respective county's Board of Supervisors; two members are elected officials from cities within each county; one member is an elected official from the City of Los Angeles; two members are elected officials representing special districts located within each county; one member is selected as a public at-large member; and one

member is selected to represent the San Fernando Valley. Each LAFCO has a staff comprised of an Executive Officer, Assistant Executive Officer (except for Imperial LAFCO), project managers/analysts and support staff. Each of the LAFCOs employs between 4 to 8 full-time staff members. All five LAFCOs utilize consultant assistance on a limited basis to supplement staff efforts.

## **B. Funding for LAFCOs**

In 2000, the State Legislature signed into a law the Cortese-Knox-Hertzberg Local Government Reorganization Act which provided more independence for LAFCOs and changed the way LAFCOs are funded. Previously, LAFCOs were entirely funded (staffing, facilities, etc.) through their respective counties. Beginning January 1, 2001, State Law requires that LAFCOs be independent of their respective counties, and requires that LAFCO's beneficiaries, the county, cities and special districts, equally share in the funding of LAFCO's budgetary costs.

### **1. Imperial, Los Angeles, Orange, Riverside, and San Bernardino LAFCO Budgets**

Operating budgets for the five LAFCOs range from approximately \$680,000 to \$1.6 million (Using FY 2019-20 Budgets). Funding for LAFCO operations is equally shared by the county, the cities and the independent special districts located in each county. Although the counties contribute one-third of the LAFCO funding, each LAFCO is an independent agency and its budget is not subject to their respective County's approval or oversight. Due to available cost saving opportunities, each LAFCO has entered into various contractual arrangements with their respective county as well as private vendors to provide certain services for LAFCO, including: office facilities, insurance, banking/investment, purchasing, internal auditing and employee benefits. LAFCO also participates in the following retirement systems for pension benefits: Imperial (Imperial County Employees' Retirement System-ICERS), Los Angeles (Los Angeles County Employees' Retirement Association-LACERA), Orange (Orange County Employees' Retirement System-OCERS), Riverside (California Public Employees' Retirement System-CalPERS), and San Bernardino (San Bernardino County Employees' Retirement Association-SBCERA).

## **III. CONTRACT SERVICES**

### **A. Contract Work**

The contract is described in the *Scope of Work* enclosed with this RFP as Exhibit A. The work includes completion of five individual audit reports for Imperial, Los Angeles, Orange, Riverside, and San Bernardino LAFCO (Participating LAFCOs) for FYs 2020-21, 2021-22, 2022-23, and 2023-24. The audits are to be conducted in accordance with audit standards generally accepted in the United States of America, Government Auditing

Standards, issued by the State Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**IV. COST**

Proposers shall complete the Pricing Sheet (Exhibit C) which identifies the total of all charges to complete each Task required under the Contract. LAFCO reserves the right to negotiate the terms, conditions, and prices of the final Contract, in its sole discretion, to achieve the most beneficial work plan and price. LAFCO may limit the negotiation, if any, to one or more responsive and responsible Proposers who receive the highest scores in a preliminary scoring of Proposers in accordance with the evaluation criteria set forth in Section IX.B. (pg. 8). The negotiation with the Proposer(s) will not result in a change in the rating of the Proposer, LAFCO may, at its sole discretion, begin Contract negotiations with the next highest rated Proposer who submitted a Proposal, as determined by LAFCO.

**V. PROJECT SCHEDULE**

Time is of essence. Proposers shall submit, as part of its Proposal, a timeline with completion dates, which includes time for review by the five participating LAFCOs for the Imperial, Los Angeles, Orange, Riverside, and San Bernardino counties, for each Task (Project Schedule). The final Project Schedule for the contract work may be negotiated with the Proposer prior to an agreement being recommended to each respective Commission for adoption. The enclosed Project Schedule (Exhibit B) must be completed and submitted with the response to this Proposal to be considered complete and responsive. The Project Schedule must identify all Tasks clearly; however it may be modified by Proposers only if needed to include the completion of more detailed subtasks.

**VI. PROPOSAL SUBMISSION**

**A. Acceptance or Rejection of Proposals**

The participating LAFCOs: Imperial, Los Angeles, Orange, Riverside, and San Bernardino reserve the right to reject any or all Proposals that are considered nonresponsive. The participating LAFCOs further reserve the right to cancel this Request for Proposals at any time. The participating LAFCOs will not be liable for any costs incurred by any proposers in connection with the preparation and submittal of their Proposal, including where a Proposal is rejected, or the solicitation is cancelled.

**B. Altering Solicitation Document**

The wording of the solicitation document shall not be changed. Any additions, conditions, limitations, or provisions inserted by the Proposer will render their Proposal irregular and may cause its rejection nonresponsive.



- C. Pass/Fall Review:** Proposals not meeting all of the requirements listed below may be rejected as nonresponsive:

Submit a Proposal by the deadline. The proposal must be time stamped by LAFCO no later than **Friday, October 9, 2020 at 5:00pm PST** and/or emailed by the deadline. Any Proposal without a LAFCO time stamp or email confirmation verifying that the deadline for submission has been met will be rejected.

Submit a Proposal in the form described in Paragraph D below, including but not limited to the Work Plan, Pricing Sheet, and Project Schedule.

Proposer meets all of the following Minimum Requirements to be considered:

1. The firm's licensing, independence with respect to LAFCO, and results of the most recent peer review.
2. Proposer or the Lead Professional(s) including Partner, Manager, and Senior Auditor assigned to manage the Contract work must demonstrate project oversight responsibilities for at least three audits performed for three different public agencies in the State of California, in the past seven years.
3. For those Proposers that have provided audit services to any of the participating LAFCOs, note that it is our general understanding that the same firm may continue providing audit services to the same public agency, as long as the firm rotates the Partner assigned to the agency, every six consecutive years.
4. Proposer or the Lead Professional(s) assigned to manage the Contract work must demonstrate familiarity with public agency audits, including cities, special districts, and other governments.
5. Prior experience of the engagement team in implementation of GASB pronouncements.
6. Proposer or the Lead Professional managing the Contract work must demonstrate experience presenting to governing bodies at public meetings in the past three years.

- D. Proposal Format and Content:** The Proposal must contain the following information and be presented in an organized fashion.

- a. A Work Plan that describes how the Proposer will meet the requirements of the Scope of Services (Exhibit A). The Work Plan shall include a staffing plan that clearly identifies the Lead Professional(s) responsible for managing the

Contract work and any additional staff who will be performing the day-to-day work, including subcontractors and the estimated work hours for each. Note that the Work Plan may identify potential time and cost saving measure(s) proposed to complete the work.

- b. Experience – The Proposal must also describe relevant experience and/or familiarity with local governments’ financial statements. The Experience section of the Proposal should describe the Proposer’s history as well as the competencies and resumes of the Lead Professionals, staff and subcontractors, who will be involved in the Contract work. This section of the Proposal should include the following:
  - i. Experience of the firm auditing California agencies;
  - ii. Experience performing governmental financial statements and audits;
  - iii. Familiarity with California Annual Financial Reports (CAFRs);
  - iv. Ability to facilitate and synthesize input from various stakeholders;
  - v. Ability to interpret various budget documents;
  - vi. Ability to interpret various pension documents, including by not limited to Alternative Measurement Methods and Actuarial Valuation Reports;
  - vii. Familiarity with public input processes and experience handling the presentation and dissemination of public information for review and comment;
  - viii. Experience presenting to governing bodies at public meetings.
- c. Subcontracting – LAFCO seeks diverse, broad-based participation in its contracting. Subcontractors, if any, shall be subject to all requirements set forth in the RFP that are applicable to the Contractor. If Subcontractors are to be employed, Proposer must submit a statement of their proposed assignments, qualifications, experience, staffing, and availability.
- d. References –Provide a list of at least three (3) client references, preferable from government agencies. The reference list should include the client’s/agency’s name, address, telephone, email address, and location.
- e. Prior Audits Performed – Provide any relevant website links for audits prepared by the Proposer and Lead Professional(s) (i.e.: Partner, Manager, and Senior Auditor) to include:
  - i. The date and agency the Audited Financial Statements were prepared for;
  - ii. The affected agency and fiscal year financial statements were reviewed;
  - iii. The outcome of the Audited Financial Statements (Firm’s recommendation).



- f. Project Schedule – Proposals shall contain the Project Schedule (Exhibit B), which shows the overall timeline for completion of each work Task.
- g. Cost/Pricing –The Proposal must include a Pricing Sheet (Exhibit C) that lists each firm professional working on the Contract work, the estimated number of work hours corresponding to each professional, and the billable hourly rate.
- h. The Pricing Sheet (Exhibit C), must include all costs required for a complete product, including all administrative costs and out of pocket expenses incurred by the firm, if any (i.e.: mileage, copies, postage, etc.)

**VII. Notice to Proposers Regarding the Public Records Act**

- 1. Responses to this solicitation shall become the exclusive property of each respective LAFCO participating in this RFP process. Absent extraordinary circumstances, the recommended Proposer's Proposal will become a matter of public record, when the Proposer recommendation appears on each respective LAFCO's agenda. Exceptions to disclosure are those parts or portions of the Proposals that are justifiably defined as business or trade secrets, and plainly marked by the Proposer as "Trade Secret," "Confidential," or "Proprietary."
- 2. LAFCO shall not, in any way, be liable or responsible for the disclosure of any such record or any parts thereof, if disclosure is required or permitted under the California Public Records Act or otherwise by law. A blanket statement of confidentiality or the marking of each page of the Proposal as confidential shall not be deemed a sufficient of exemption. The Proposers must specifically label only those provisions of their respective Proposal submission may be accepted.

**VIII. Conflict of Interest**

There shall be no Conflict of Interest with the Contractor firm selected. Proposers warrant and covenant that no official or employee of LAFCO, nor any business entity in which an official of any of the participating LAFCOs has an interest, has been employed or retained to solicit or aid in the procuring of the resulting contract, nor that any such person will be employed in the performance of such contract without immediate divulgence of such fact to LAFCO. Proposers will notify LAFCO of any potential conflict of interest regarding or work or third-party contracts.

**IX. Submission**

**QUESTIONS:**

Questions to the RFP should be directed to Adriana Romo at [aromo@lalafco.org](mailto:aromo@lalafco.org). To ensure a response, questions must be received no later than **Friday, September 25, 2020 (5:00pm PST)**. All questions and responses will be posted to Los Angeles LAFCO's website at:

Los Angeles LAFCO: <https://lalafo.org/>

**SUBMISSION:**

Responses to this RFP must be received no later than the date and time specified below. Proposals received after the due date will not be accepted. No additional time will be granted to any Proposer to submit a Proposal unless the time is extended by LAFCO through an addendum to this RFP.

**DEADLINE:**

On or before **Friday, October 9, 2020 (5:00pm PST).**

**NUMBER OF COPIES:**

1 complete reproducible copy

**EMAIL TO:**

Adriana Romo, Deputy Executive Officer, LAFCO for the County of Los Angeles  
aromo@lalafo.org

**Note:** Due to the COVID-19 pandemic as well as state and local guidelines, proposals must be submitted electronically. Please provide a complete reproducible copy by the due date and time. *Cost for the preparation of Proposals shall be borne by the proposers.*

**Selection Process**

LAFCO reserves the sole right to judge the contents of the Proposals submitted pursuant to this RFP and to review, evaluate and select the successful Proposal(s). Each responsive Proposal will be evaluated and scored by an evaluation committee selected by LAFCO. A final interview may be required. **Final selection by each respective Commission is anticipated by December 14, 2020.**

**A. Award of Contract**

Subject to the right of each respective Commission to make the ultimate decision concerning the award of contracts, LAFCO intends to award a Contract to the highest-rated Proposer, based on the criteria identified in the following Paragraph B. The Proposal presenting the most qualified firm and at the most reasonable price with all other factors evaluated, will be considered the most viable Proposer. LAFCOs retain the right to select a Proposal other than the Proposal receiving the highest number of points, if the participating LAFCOs determine in their sole discretion, another Proposal is the most qualified, cost-effective, responsive, responsible, and in the best interest of the respective LAFCOs. The recommended awardee shall submit copies of its proof of insurance coverage, within 14 days after Commission approval of the proposed Contract or at least

14 days prior to the proposed Contract's start date, whichever occurs last. Work under the proposed Contract cannot begin before proof of valid insurance coverage is submitted to LAFCO.

**B. Evaluation of Proposal**

1. LAFCOs in their sole discretion, may elect to waive any error or informalities in the form of a Proposal or any other disparity, if, as a whole, the Proposal substantially complies with the RFP's requirements.
2. LAFCOs may utilize the services of appropriate experts to assist in the evaluation process.

**3. EVALUATION CRITERIA (MAXIMUM 20 POINTS)**

*(Rating Scale of 1 to 5, 5 being the highest. Sections i. Cost and iii. Qualifications will represent 80% of the weight of the evaluation criteria. The Project Schedule and Cost will be assigned the remaining 20%, equally).*

**i. COST (5 POINTS):**

The proposed cost in the Pricing Sheet (Exhibit C) should accurately reflect the Proposer's cost of providing the required products and services. The maximum fee for the audit of each LAFCO should be provided in the Pricing Sheet format.

Evaluators may provide higher points based on the following criteria:

- a. Completion of the Pricing Sheet (Exhibit C).
- b. Most economical service.
- c. Potential cost saving alternatives.
- d. Maximum Contract Sum.

**ii. WORK PLAN (5 POINTS):**

Proposers will be evaluated on the Work Plan submitted. The evaluators may give reduced scores to any Work Plan that omits or fails to sufficiently address any of the items specified Section VI.D. of the RFP (pg. 4 ), or that fails to clearly identify the Lead Professionals: Partner, Manager, Senior Auditor, and/or subcontractors and the number of estimated work hours for the Lead Professional(s). Evaluation and scoring of the Proposer's Work Plan will be based on the extent to which it demonstrates the Proposer is likely to meet or exceed the performance requirements set forth in Exhibit A, Scope of Services, to demonstrate creativity and innovation that exceed the minimum requirements of the Scopes of Services; to render timely and responsive service to the participating LAFCOs; and to provide a professional level of quality in the services and work product. The

highest scores will be awarded to the most comprehensive and detailed Work Plans that are likely to lead the Proposer to exceed minimum requirements.

The evaluators will award higher scores to Work Plans to commit to specific staffing levels that exceed the requirements of the work. Evaluators may provide higher points based on the following criteria:

- a. Availability of Lead Professional(s) including Partner, Manager, and Senior Auditor as well as other staff, and subcontractors, if any.
- b. Organization of Work Plan and Proposal.
- c. Thoroughness of approach to conducting the audit of LAFCO.
- d. Demonstration of understanding of the objectives and scope of the audit.

**iii. QUALIFICATIONS AND EXPERIENCE OF PROPOSER, LEAD PROFESSIONAL(S) AND STAFF (5 POINTS):**

Proposers will be evaluated on the Experience submitted as part of their Proposal. The evaluators may give reduced scores to any Proposer that omits or fails to sufficiently address any of these items specified in Section IV.D. (pg. 4) of the RFP. Failure to demonstrate the minimum lengths of experience performing the service, as indicated in the Minimum Requirements, may result in rejection of the Proposal as nonresponsive.

The evaluators may award higher points for the higher quality and quantity of experience of the Proposer, its Lead Professional(s), manager, staff, and subcontractors, if any, in providing the required services. Greater weight will be given to services provided to agencies of similar size and nature. Evaluators may provide higher points base on the following criteria:

- a. The firms' licensing, independence with respect to LAFCO and results of the most recent peer review (mandatory requirement).
- b. Qualifications of key staff, including the Lead Professional (i.e.: Partner, Manager, Senior Auditor) who will serve LAFCO.
- c. Familiarity with the implementation of current General Accounting Standards Boards (GASB) procurements.
- d. Experience preparing audits for local municipalities.
- e. Reference of local government clients. A minimum of three client references was provided. Proposer listing government agencies as references may be rated higher.
- f. Capabilities in general consulting and compliance auditing.
- g. Experience presenting to governing bodies.

**iv. PROJECT SCHEDULE (5 POINTS):**

Evaluators may provide higher points based on the following criteria:



- a. Completion of Project Schedule (Exhibit B).
- b. Approach, Scope and Timing of the Audit.
- c. Provide sufficient detail to the firm's approach to the LAFCO audit.
- d. Provide sufficient information of firm's understanding of the objective and scope of the engagement.

**v. LAFCO Contact**

Firms are encouraged to contact Adriana Romo, Deputy Executive Officer, LAFCO for the County of Los Angeles, with any questions relating to this RFP or for copies of the LAFCOs' previous audits. Ms. Romo may be reached most easily by email at [aromo@lalafo.org](mailto:aromo@lalafo.org).

**vi. LAFCO Information**

For general information about each participating LAFCO, refer to the following websites:

Imperial LAFCO: <https://www.iclafco.com/>

Los Angeles LAFCO: <https://lalafo.org/>

Orange LAFCO: <http://oclafco.org/>

Riverside LAFCO: <https://lafco.org/>

San Bernardino LAFCO: <http://www.sbclafco.org/>

**EXHIBIT A**  
**SCOPE OF WORK**

**I. SCOPE OF THE WORK TO BE PERFORMED AND STANDARDS TO BE FOLLOWED**

Imperial, Los Angeles, Orange, Riverside, and San Bernardino LAFCO desire its General Purpose Financial Statements (GPFS) to be prepared by Independent Auditors and be fully compliant for GASB pronouncements and then-current accounting/audit requirements and standards for the fiscal years ending June 30, 2021, 2022, 2023, and 2024.

The following is a summary of the scope of the audit of LAFCO for the previous fiscal years:

1. The audit firm will perform an audit of all funds of LAFCO. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. The Audit will be in full compliance with GASB pronouncements and then-current accounting/audit requirements and standards for the fiscal year being audited. The audit firm will render their auditors' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the agency.
2. The audit firm shall issue a separate "management letter" that includes recommendations for improvements in internal control that are considered to be non-reportable conditions.

Each LAFCO staff will provide normal cooperation and assistance during the audit including the distribution of audit confirmation letter requests, referral to the appropriate person and/or department for supporting documents and reconciliations of major asset and liability balances. Each LAFCO will have the option to prepare the MD&A and transmittal letters based on a template supplied by the audit firm or have the audit firm prepare the MD&A on behalf of management. The cost of the word processing the MD&A shall be included in the cost proposal. The format of supporting documents provided by LAFCO is at the discretion of each LAFCO. All other information and financial statements are the responsibility of the audit firm.

All working papers and reports are to be retained at the auditors' expense for a minimum of three years. The audit firm will be responsible for making working papers available to each LAFCO or any other appropriate government agency.

**II. TIMETABLE OF DELIVERABLE REPORTS**

The audit firm shall be responsible for the preparation and word processing of the following financial statements:

<u>Report Description</u>	<u>Number of Copies</u>	<u>Deadline</u>
General Purpose		By January 24 <sup>th</sup> of
Financial Statements (GPFS)	1 photo ready	every year

A draft copy of each financial statement should be delivered to the LAFCO Executive Officer for review approximately 21 days prior to the deadlines noted above. Deadlines for delivery of draft and final financials statements may vary for each LAFCO referenced in this request for proposal and would be specified in the contract between the firm selected and each LAFCO.

This information should be included in Exhibit B, Project Schedule.

### **III. TIMETABLE OF AUDIT WORK TO BE PERFORMED**

It is expected that LAFCO's books will be closed and ready for audit between August 1-November 1 of each year depending on practices of each LAFCO for that year. The audit fieldwork should begin no earlier than the date of the closing of the books and be complete in time to meet the January 24 deadline of each year. At the discretion of each LAFCO, the appropriate staff from the audit firm may be requested to present audit report to the Commission during a public meeting.

A few of the participating LAFCOs have the same meeting schedule. Please describe your best approach to address the time conflict.

### **IV. PROPOSAL CONTENT REQUIREMENTS**

The following material is requested to be received by the proposal due date or the firm will not be considered:

1. **Title Page** - The title page shall show the proposal subject, the firm's name and contact person and the firm's California CPA License Number and firm's Federal Identification Number.
2. **Cover Letter** - The cover letter should briefly state the proposer's understanding of the work to be performed, the commitment to perform the work in the required time frame and statements as to why the firm believes it is best qualified to perform the engagement. The cover letter should also make a statement that the firm's offer is a firm, irrevocable offer for 60 days. The cover letter should indicate whether the firm is independent with respect to LAFCO and that the firm is an Equal Opportunity Employer.
3. **Table of Contents**

**4. Proposer's Qualifications** - The audit firm should set forth the following:

- A. Qualifications and Related Experience of the Personnel Who Will Serve LAFCO** - Resumes of the Partner, Manager and Senior Auditor should be included. Resumes should include all relevant experience, education and CPA licenses and continuing education of the individuals over the past 3 years.
- B. Prior Experience Auditing Cities, Independent Special Districts and Other Local Governments** - Sufficient information should be provided regarding current local government audit clients, and date that the client has been served. Information should be provided regarding clients that the firm serves that have received the CSMFO and GFOA awards.
- C. Assistance in Implementation of GASB No. 34 and Other GASB Pronouncements** - Set forth your understanding of this accounting pronouncement and provide information on clients that you have assisted to date in implementing GASB No. 34 and other GASB Pronouncements.
- D. References of Local Government Clients** - Provide a listing of at least five municipal clients for which the firm's local office serves.
- E. Capabilities in General Consulting and Compliance Auditing** - Provide any other information regarding general consulting and special audits provided by the firm.

**5. Approach, Scope and Timing of the Audit**

- A. Provide in sufficient detail the firm's approach to LAFCO's audit**, including procedures to be performed, tasks to be accomplished under GASB No. 34 and other GASB pronouncements, tasks required as a part of the A-133 single audit, extent to which statistical sampling is to be used in the engagement, type and extent of use of software in the audit engagement, analytical procedures that may be used, the approach to be taken to gain and document an understanding of LAFCO's internal control structure, the approach to be taken in drawing audit samples for purposes of compliance testing, the consideration of laws and regulations, assistance required from LAFCO staff and proposed segmentation of the audit. Segmentation of the audit should include breakdown of hours required to perform the audit by classification and in total for the planning and interim, GASB #34 and other GASB pronouncements implementation, final audit procedures including CAFR and reports preparation.
- B. Provide sufficient information of your firm's understanding of the Objectives and Scope of the Engagement** - Specifics should be provided of the auditing standards to be followed and reports to be issued by the audit firm.



**6. Hourly Rates**

Hourly Rates of the Firm's Employees should be provided by the firm for services which may be requested outside the scope of the audits in Exhibit C, Pricing Sheet.

**7. Maximum Fee**

The maximum fee for the audit of each LAFCO should be provided in the Pricing Sheet format. The fees should be inclusive of any out of pocket expenses incurred by the audit firm. All proposals shall contain provisions to the effect that in the event that extraordinary circumstances warrant more intensive and detailed services beyond those in the contractual agreement, the firm shall provide in writing and in advance, reasons for the additional services together with the firm's estimate of costs, as a statement that no work will be performed without advance approval by each individual LAFCO. Any and all additional work as agreed to in advance by LAFCO shall be compensated at the same rate quoted in the schedule submitted in the proposal.

**8. Other Information Required in Proposal**

The Auditing Firm shall provide a copy of its most recent Peer Review together with the California Society of CPA's acceptance of such peer review. The auditing firm shall make a positive statement that it has the required insurance policies in force in amounts of coverage for not less than \$1,000,000 per occurrence or accident for each of the following: Professional Liability (Errors & Omissions), Workers Compensation and Employer's Liability, Comprehensive General Liability and Bodily Injury Insurance, and Automobile Liability (Owned and Non-Owned) and Property Damage Insurance. Prior to any commencement of audit services, the auditor will be required to provide certificates of insurance coverage to LAFCO.

The auditing firm shall make a positive statement that it will not delegate or subcontract its responsibilities without prior written consent of LAFCO.

**EXHIBIT B  
PROJECT SCHEDULE**

**IMPERIAL**

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	
Kickoff Meeting	Intro. Firm staff to LAFCO	
Management Engagement Letters	Made available to LAFCO Staff	
PBC List Distribution	Made available to LAFCO Staff	
Fieldwork	On-site/Remote	
Draft Audit for Staff		
Auditor revising document		
Final Audit for Commission		
Commission Meeting		

**LOS ANGELES**

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	
Kickoff Meeting	Intro. Firm staff to LAFCO	
Management Engagement Letters	Made available to LAFCO Staff	
PBC List Distribution	Made available to LAFCO Staff	
Fieldwork	On-site/Remote	
Draft Audit for Staff		
Auditor revising document		
Final Audit for Commission		
Commission Meeting		

**ORANGE**

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	
Kickoff Meeting	Intro. Firm staff to LAFCO	
Management Engagement Letters	Made available to LAFCO Staff	
PBC List Distribution	Made available to LAFCO Staff	
Fieldwork	On-site/Remote	
Draft Audit for Staff		
Auditor revising document		
Final Audit for Commission		
Commission Meeting		

**RIVERSIDE**

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	
Kickoff Meeting	Intro. Firm staff to LAFCO	
Management Engagement Letters	Made available to LAFCO Staff	
PBC List Distribution	Made available to LAFCO Staff	
Fieldwork	On-site/Remote	
Draft Audit for Staff		
Auditor revising document		
Final Audit for Commission		
Commission Meeting		

**SAN BERNARDINO**

Project Schedule		
Tasks	Projection Description	Target Completion Date
Contract Execution	Include Certificates of Insurance	
Kickoff Meeting	Intro. Firm staff to LAFCO	
Management Engagement Letters	Made available to LAFCO Staff	
PBC List Distribution	Made available to LAFCO Staff	
Fieldwork	On-site/Remote	
Draft Audit for Staff		
Auditor revising document		
Final Audit for Commission		
Commission Meeting		

**\*Include any additional tasks, as you feel appropriate and necessary.**  
***These schedules are subject to negotiation with each respective LAFCO.***



**EXHIBIT C  
PRICING SHEET**

LAFCO	Description of Services	Estimated Hours	Year Ended June 30				1-yr option to extend
			2021	2022	2023	2024	
<b><u>1. Imperial</u></b>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.						
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.						
<b>Maximum Not to Exceed Amount</b>							
<b><u>2. Los Angeles</u></b>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.						
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.						
<b>Maximum Not to Exceed Amount</b>							
<b><u>3. Orange</u></b>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.						
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.						
<b>Maximum Not to Exceed Amount</b>							



# ATTACHMENT 1

LAFCO	Description of Services	Estimated Hours	Year Ended June 30				1-yr option to extend
			2021	2022	2023	2024	
<b><u>4. Riverside</u></b>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.						
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.						
<b>Maximum Not to Exceed Amount</b>							
<b><u>5. San Bernardino</u></b>	Audit of LAFCO, including the implementation of the GASB pronouncements and ongoing audit procedures of GASB, audit preparation and management letter.						
	Option to prepare the Management and Discussion Analysis (MD&A) on behalf of management.						
<b>Maximum Not to Exceed Amount</b>							

## Hourly Rates:

Classification	Hourly Rate	Estimated No. of Hours
Partner		
Manager		
Senior Auditor		
Senior Accountant		
Staff Accountant		

**AGREEMENT FOR SERVICES BETWEEN  
ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION  
AND  
DAVIS FARR LLP**

This Agreement is made and entered into as of July 1, 2021 (“Effective Date”) by and between ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION (hereinafter referred to as “LAFCO”), organized and operating pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Section 56000 *et seq.* Davis Farr LLP (hereinafter referred to as “Consultant”).

**RECITALS**

A. LAFCO is a public agency of the State of California and is in need of the following professional services: Audit Services for the fiscal years ending on June 30, 2021, June 30, 2022, June 30, 2023 and June 30, 2024, as more particularly described herein (hereinafter referred to as “the Project”).

B. Consultant is a qualified independent Certified Public Accounting firm.

C. The parties desire by this Agreement to establish the terms for LAFCO to retain Consultant to provide the services described herein.

**AGREEMENT**

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide LAFCO with the services described in the Scope of Services attached hereto as Exhibit “A.” Should LAFCO determine, in its sole discretion, to exercise its option to renew this Agreement for an additional year as set forth in Section 5 of this Agreement, such renewed services shall be performed as described in the Scope of Services attached hereto as Exhibit “A.”

2. Compensation.

a. The total amount paid for services rendered by Consultant pursuant to Exhibit “A” for the audit of the fiscal year ending on June 30, 2021 shall not exceed \$7,405 without prior written approval by LAFCO. For the fiscal years ending on June 30, 2022, and June 30, 2023, and June 30, 2024, the total annual amount paid for services shall not exceed \$7,485, \$7,635, and \$7,765 respectively without prior written approval by LAFCO. Should LAFCO, in its sole discretion, exercise its option to renew this Agreement for an additional year as set forth in Section 5 of this Agreement, the total amount paid for services rendered by Consultant for audit services

for the fiscal year ending on June 30, 2025 shall not exceed \$7,920 without prior written approval by LAFCO. Periodic payments shall be made within 30 days of receipt of a statement for services rendered. Payments to Consultant for work performed will be made on a monthly billing basis.

b. Subject to paragraph 2(a) above, LAFCO shall pay for additional consulting services in accordance with the Schedule of Additional Charges set forth in Exhibit "B."

c. LAFCO shall reimburse costs advanced by Consultant on LAFCO's behalf, as well as other expenses, in addition to the amount billed for fees. These currently include, but are not limited to, automobile mileage and actual expenses away from Consultant's offices on LAFCO business, extraordinary photocopy charges and any costs of producing or reproducing photographs, documents and other things necessary for the preparation or presentation of LAFCO business. All costs will be itemized on LAFCO's monthly statement. LAFCO shall not pay fees for travel to or from LAFCO's offices in the ordinary course of business or reimburse mileage to Consultant.

3. Additional Work.

If changes in the work seems merited by Consultant or LAFCO, and informal consultations with the other party indicate that a change is warranted, it shall be processed by LAFCO in the following manner: a letter outlining the changes shall be forwarded to LAFCO by Consultant with a statement of estimated changes in fee or time schedule. An amendment to the Agreement shall be prepared by LAFCO and executed by both parties before performance of such services or LAFCO will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the Agreement period and for seven (7) years from the date of final payment under the contract for inspection by LAFCO or any government agencies included in the audit of federal grants.

5. Term and Time of Performance.

The term of this Agreement shall be from July 1, 2021 to June 30, 2024. In its sole discretion, LAFCO may extend the Services required hereunder to include audit services related to the fiscal year ending on June 30, 2025, in writing providing notice to Consultant that such Services shall be extended for an additional year. Consultant shall perform its services hereunder in a prompt and timely manner, in accordance with the Activity Schedule shown in Exhibit "C" and shall commence performance upon the execution of this Agreement.

6. Delays in Performance.

Neither LAFCO nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns and other labor disturbances; sabotage or judicial restraint.

Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government.

b. Consultant shall assist LAFCO in obtaining and maintaining all permits required of Consultant by Federal, State and local regulatory agencies.

c. Consultant certifies by executing this Agreement that, on the Effective Date and for the duration of this Agreement, neither Consultant nor its employees assigned to perform services hereunder shall have any prohibited conflict of interest as defined under the California Political Reform Act or conflicting financial interest in this Agreement as defined under California Government Code Section 1090.

d. Consultant agrees that in the event an administrative agency or court of competent jurisdiction finds this Agreement to have been executed or administered in violation of Government Code Section 1090 or any other applicable law, that disgorgement of profits or anything received by Consultant may be required as a consequence of both civil and criminal liability. In such a case, payments made by LAFCO to the Consultant must be returned to LAFCO by the Consultant and no claim for future payments under this Agreement may be made, and LAFCO shall be entitled to retain any benefits which it receives under this Agreement.

8. Standard of Care.

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.



9. Assignment and Subconsultant.

Consultant shall not assign, sublet or transfer this Agreement or any rights under or interest in this Agreement without the written consent of LAFCO, which may be withheld for any reason. Nothing contained herein shall prevent Consultant from employing independent associates and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Contractor.

Consultant is retained as an independent contractor and is not an employee of LAFCO. No employee or agent of Consultant shall become an employee of LAFCO. The work to be performed shall be in accordance with the work described in Exhibit "A," subject to such directions and amendments from LAFCO as herein provided.

11. Integration.

This Agreement represents the entire understanding of LAFCO and Consultant as to those matters contained herein, and supersedes and cancels any prior oral or written understanding, promises or representations with respect to those matters covered hereunder. This Agreement may not be modified or altered except in writing signed by both parties hereto. This is an integrated Agreement.

12. Insurance.

a. Commercial General Liability

(1) Consultant shall maintain occurrence version Commercial General Liability Insurance or equivalent form with a combined single limit of not less than \$1,000,000 per occurrence. If such insurance contains a general aggregate limit, it shall apply separately to this Agreement or be no less than twice the occurrence limit.

(2) All such policies shall name Orange County Local Agency Formation Commission, the Commission and each member of the Commission, its officers, employees, agents and LAFCO designated volunteers as Additional Insureds under the policy.

(3) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by LAFCO.

b. Automobile Liability

(1) At all times during the performance of the work under this Agreement the Consultant shall maintain Automobile Liability Insurance for bodily injury and

property damage including coverage for non-owned and hired vehicles, in a form and with insurance companies acceptable to LAFCO.

(2) Coverage for Automobile Liability Insurance shall be at least as broad as Insurance Services Office Form Number CA 0001 (ed. 6/92) covering automobile liability, Code 1.

(3) The automobile liability program may utilize deductibles, but not a self-insured retention, subject to written approval by LAFCO.

(4) All such policies shall name LAFCO, the Commission and each member of the Commission, its officers, employees, agents and designated volunteers as Additional Insureds under the policies.

c. Workers' Compensation/Employer's Liability

(1) At all times during the performance of the work under this Agreement and for 24 months following the date of Project completion and acceptance by LAFCO, the Consultant shall maintain workers' compensation in compliance with applicable statutory requirements and Employer's Liability Coverage in amounts indicated herein.

(2) Such insurance shall include an insurer's Waiver of Subrogation in favor of LAFCO and will be in a form and with insurance companies acceptable to LAFCO

(3) If insurance is maintained, the workers' compensation and employer's liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by LAFCO.

(4) Before beginning work, the Consultant shall furnish to LAFCO satisfactory proof that Consultant has taken out, for the period covered by the work under this Agreement, full compensation insurance for all persons employed directly by Consultant to carry out the work contemplated under this Agreement, all in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof. Consultant shall require all subconsultants to obtain and maintain, for the period covered by the work under this Agreement, workers' compensation of the same type and limits as specified in this Section.

d. Professional Liability (Errors and Omissions).

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability insurance, in a form and with insurance companies acceptable to LAFCO and in an amount indicated herein.

e. Minimum Policy Limits Required

(1) The following insurance limits are required for the Contract:

	<u>Combined Single Limit</u>
Commercial General Liability	\$1,000,000 per occurrence/aggregate for bodily injury, personal injury and property damage
Automobile Liability	\$1,000,000 per occurrence for bodily injury and property damage
Employer's Liability	\$1,000,000 per occurrence
Professional Liability (errors and omissions)	\$1,000,000 per claim and aggregate

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with LAFCO evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 2010 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (ACORD Form 25-S or equivalent). All evidence of insurance shall be signed by a properly authorized officer, agent or qualified representative of the insurer and shall certify the names of the insured, any additional primary insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies and the expiration date of such insurance.

g. Policy Provisions Required

(1) All policies shall contain a provision for 30 days advance written notice by the insurer(s) to LAFCO of any cancellation. Statements that the carrier "will endeavor" and "that failure to mail such notice shall impose no obligation and liability upon the company, its agents or representatives," will not be acceptable on certificates.

(2) All policies shall contain a provision stating that the Consultant's policies are primary insurance and that the insurance of LAFCO or any Additional Insured shall not be called upon to contribute to any loss.

h. Additional Insurance Provisions

(1) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by LAFCO, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise

assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(2) If at any time during the life of the Agreement the Consultant fails to maintain in full force any insurance required by the Agreement documents, LAFCO may terminate the Agreement.

(3) The Consultant shall include all subconsultants as insureds under its policies or shall furnish separate certificates and endorsements for each subconsultant. All coverages for subconsultants shall be subject to all of the requirements stated herein.

(4) LAFCO may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(5) Neither LAFCO nor the Commission, nor any member of the Commission, nor any of the directors, officers, employees, agents or volunteers of LAFCO or the Commission shall be personally responsible for any liability arising under or by virtue of this Agreement.

13. Indemnification.

Consultant agrees to protect, save, defend and hold harmless LAFCO and its Commission and each member of the Commission, officers, agents and employees from any and all claims, liabilities, expenses or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of or in any way connected with the alleged acts, errors or omissions or willful misconduct by Consultant, Consultant's agents, officers, employees, subconsultants or independent consultants hired by Consultant under this Agreement. This hold harmless Agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification, etc. to be provided by Consultant.

14. Laws, Venue and Attorneys' Fees.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Orange, State of California. In the event of any such litigation between the parties, the prevailing party shall be entitled to recover all reasonable costs incurred, including reasonable attorneys' fees, as determined by the court.

15. Termination or Abandonment.

a. LAFCO has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, LAFCO shall be immediately given title and possession to all original field notes, drawings and



specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. LAFCO shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by LAFCO and Consultant of the portion of such task completed but not paid prior to said termination. LAFCO shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to LAFCO only in the event of substantial failure by LAFCO to perform in accordance with the terms of this Agreement through no fault of Consultant.

16. Organization.

Consultant shall assign Jamie Gardner as the Audit Manager. The Audit Manager shall not be removed from the Project or reassigned without the prior written consent of LAFCO.

17. Notice.

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

LAFCO:  
2677 North Main Suite 1050  
Santa Ana, CA 92705  
Attn: Executive Officer

Consultant:  
Davis Farr LLP  
2301 DuPont Drive, Suite 200  
Irvine, CA 92612  
Attn: Shannon Ayala

and shall be effective upon receipt thereof.

18. Third Party Rights.

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than LAFCO and the Consultant.

19. Severability.

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**ORANGE COUNTY LOCAL AGENCY  
FORMATION COMMISSION**

**DAVIS FARR, LLP**

By: \_\_\_\_\_  
Carolyn Emery, Executive Officer

By: \_\_\_\_\_  
Shannon Ayala, Partner

Approved as to Form:

\_\_\_\_\_  
General Counsel  
Orange County Local Agency  
Formation Commission

**EXHIBIT A**

**Scope of Services**

**Consultant shall provide the following services:**

**1) Audit**

- a) Consultant will perform an independent audit of all funds of LAFCO. The audit will be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States.
- b) The Commission's Basic Financial Statements will be prepared and word-processed by the Consultant in full compliance with generally accepted accounting principles.
- c) The Consultant will render their auditors' report on the Basic Financial Statements that will include both Government-Wide Financial Statements and Fund Financial Statements.
- d) The Consultant will also apply limited audit procedures to Management's Discussion and Analysis ("MD&A"), consisting of the control environment, accounting systems and control procedures, and required supplementary information pertaining to the General Fund and each major fund of the Commission.

**2) Management Letter**

- a) The Consultant will issue a separate "management letter" that includes recommendations to the governing board for improvements in internal control that are considered to be nonreportable conditions.

**LAFCO will provide the following services:**

The LAFCO staff will provide normal cooperation and assistance during the audit including typing of confirmation requests, referral to the appropriate person and/or department for supporting documents and reconciliations of major asset and liability balances. LAFCO staff will prepare the MD&A based on a template supplied by the Consultant. All other information and financial statements are the responsibility of the Consultant. All working papers and reports are to be retained at the Consultant's sole expense for a minimum of seven (7) years. Consultant will be responsible for making working papers available to LAFCO or any other appropriate government agency.

**EXHIBIT B****Schedule of Additional Charges/Payments**

Fee Schedule  
for  
DAVIS FARR, LLP.

The following fee schedule shall apply for additional consulting services over the term of the Agreement:

<b>Professional Services Classification</b>	<b>Hourly Rates</b>
Partners	\$165
Managers	\$130
Senior (in-Charge) Auditors	\$105
Staff Auditor	\$95

Consultant shall bill LAFCO only for the actual hours incurred in performing the services required under this Agreement, in accordance with the fee schedule set forth above, and subject to the provisions of Section 2 of this Agreement.



**EXHIBIT C****Activity Schedule**

**Timetable of Audit Work and Deliverable Reports to be performed for the Fiscal Years ending on June 30, 2021, June 30, 2022, June 30, 2023, June 30, 2024 and June 30, 2025, if LAFCO exercises its option to renew the Agreement :**

Consultant shall be responsible for performing the audit at the end of each fiscal year over the term of the Agreement in accordance with Exhibit "A" and preparation and word processing of the following financial statements:

<b><u>Report Description</u></b>	<b><u>Number of Copies</u></b>	<b><u>Due Date of Each Audit Year</u></b>
Basic Financial Statements	1 photo ready 3 hard copies (Final audit)	Timeline established by LAFCO for the audit of each fiscal year.

A draft copy of the Basic Financial Statements should be delivered to the LAFCO Executive Officer for review approximately 10 days prior to the deadline noted above.

The audit shall begin no earlier than August 1 of each year and be completed in time to meet the deadline established by LAFCO for the audit of each fiscal year.