

**PROPOSAL TO PROVIDE  
PROFESSIONAL AUDITING SERVICES**

**Malaga County Water District**



**Jaribu W. Nelson, CPA**

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**October 26, 2020**

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Jaribu W. Nelson, CPA

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October 26, 2020

Malaga County Water District  
1901 Park Street  
Arcata, CA 95521

I am pleased to provide this response to the Malaga County Water District (the "District"), request for proposal for an independent accounting firm to provide audit and related financial services for the year ended June 30, 2020. The all-inclusive fee for June 30, 2020 is \$12,250. (see Exhibit A for detail of all-inclusive fee).

I understand the scope of work will include Audited Financial Statements for the year ending June 30, 2020. I also understand the audit and reports are to be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance. Finally, I understand the objective of the services to be performed and commit to performing those services within the time period specified by Malaga County Water District.

I have audited special districts and non-profit Organizations and companies over the past 23 years and have performed over 100 such audits. My firm consists of a CPA and professional staff who have over 25 years combined auditing experience making us proficient auditors.

I seek to conduct the District audit because I feel my experience and expertise with auditing makes me a perfect fit for the engagement. I can provide value to the District through the quality of my work, the timeliness of my performance, my knowledge of special districts, team consistency, and, most important, a strong relationship among the people on our team.

In the following proposal, you will see that my firm is capable of consistently delivering high levels of value to the District. You will work with an auditor that is stable and responsive. You will receive accurate, reliable, and timely service that is fairly priced. And you will have continual access to myself and team members who are knowledgeable, qualified, and consistent. I will participate in all parts of the audit engagement.

Jaribu W. Nelson, CPA will serve as the principle contact authorized to make representations on behalf of this bid. This proposal is firm and an irrevocable offer for 60 days. He can be reached by phone at 559-286-7546, by e-mail at [jaribucpa@gmail.com](mailto:jaribucpa@gmail.com), or by mail at 264 Clovis Ave, Suite 102 Clovis, CA 93612.

I am eager to work with the District and look forward to demonstrating to your Board of Directors my commitment to providing a cost-effective, high-quality audit of the District. I look forward to your response. Thank you for your consideration.

Sincerely,

*Jaribu W. Nelson, CPA*

Jaribu W. Nelson

## TECHNICAL PROPOSAL

Our firm is independent of the Malaga County Water District as defined by the U.S. General Accounting Office's Government Auditing Standards. Our firm is licensed to operate as a certified public accounting firm by the State of California. All professional staff is properly licensed to practice in California.

Our firm consists of a CPA and two other professionals who have over twenty-seven years combined auditing experience making us premier auditors of special districts. Our firm performs approximately 30 audits annually. Because of the size of our firm and the experience of the individuals, all members of our firm will be involved in this engagement. Our office is located Clovis, CA and this office will be responsible for the audit.

Our firm is in compliance with all standards for continuing education and we recently completed a peer-review of our work, which included government and non-profit engagements, by an independent CPA firm (see page 12).

We highly emphasize senior level involvement because these are the team members who know the most about you and your operations. Their involvement assures quick resolution of issues, better job management, closer supervision, and expeditious review of work papers. These are the people who will remain consistently committed to your engagement. The following information outlines the qualifications and experience of the individuals who would be assigned to the engagement.

## QUALIFICATIONS OF YOUR AUDIT TEAM

### JARIBU NELSON, CPA

AUDIT ROLE: CLIENT SERVICE PARTNER/ENGAGEMENT REVIEWER

Jaribu Nelson, CPA is a graduate of Fresno State University with a B.S. in Business Administration with an emphasis in Accounting. He has a broad area of experience in accounting and auditing as he has serviced clients in a public accounting setting for over 13 years. He has also worked with private companies for 8 years providing technical and management services.

### VANESSA ELIZONDO

AUDIT ROLE: Staff Accountant

Vanessa Elizondo has worked in public accounting for the last three years and comes to our team in 2019. She has worked preparing financial statements and assisting on special engagements. She will graduate from Fresno State University in the spring of 2020.

### DONOVAN DIAS

AUDIT ROLE: Staff Accountant

Donovan Dias graduated from Fresno State University and worked for non-profit organizations for the last 5 years. He joined our team in 2019 and assist on audit engagements and prepares financial statements.

## OUR EXPERIENCE AUDITING ENTITIES

### **Second Harvest Food Bank Santa Cruz County**

**Principal Contacts:** Donna Sheppard, Chief Financial Officer (831-498-4113)

**Engagement Dates:** June 30, 2018

**Approximate Staff Hours Expended:** 100 hours

**Scope of Work:** Audited Financial Statements

### **Riverdale Public Utility District**

**Principal Contacts:** Vincent Romero, General Manager (559-852-3727)

**Engagement Dates:** June 30, 2020

**Approximate Staff Hours Expended:** 60 hours

**Scope of Work:** Audited Financial Statements, Special District's Report

### **City of Orange Cove**

**Principal Contacts:** Victor Lopez, Mayor (559-626-4488)

**Engagement Dates:** June 30, 2018

**Approximate Staff Hours Expended:** 120 hours

**Scope of Work:** Audited Financial Statements

### **Firebaugh Canal Water District**

**Principal Contacts:** Jeff Bryant (559-655-4761)

**Engagement Dates:** December 31, 2018

**Approximate Staff Hours Expended:** 50 hours

**Scope of Work:** Audited Financial Statements

### **Root Creek Water District**

**Principal Contacts:** Julia Berry, General Manager (559-326-222)

**Engagement Dates:** December 31, 2018

**Approximate Staff Hours Expended:** 50 hours

**Scope of Work:** Audited Financial Statements

## HOW WE APPROACH YOUR AUDIT

My effective and efficient audit approach combines knowledge of governmental accounting and auditing with an understanding of the associated risks. We are value-driven and seek to maximize the return on your investment in the audit process through in-depth analysis of your financial statements and your internal controls. Throughout the engagement, our team will collaborate with your staff whenever possible to minimize costs and improve efficiencies. Of course, we will need assistance with preparing schedules, finding documents, explaining processes, and providing sample documentation, budget related materials, organizational charts, and manuals.

## Audit Standards

The auditor's opinion will be directed toward the fairness of presentation of the financial statements in accordance with Generally Accepted Auditing Standards (GAAS), and if necessary generally accepted government auditing standards (GAGAS), and U.S. Office of Management and Budget Uniform Guidance, Audits of State, Local Governments, and Non-Profit Organizations. We will prepare the Annual Financial Report in conformity with Government Code Section 26909, Generally Accepted Accounting Principles (GAAP), and if necessary, Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States General Accounting Office.

## Pre-Audit

We are very familiar with the audit issues facing your District. We have adjusted our audit services to incorporate these specialized areas and approach the audit from the following aspects:

- ◆ Where are the District's greatest exposures?
- ◆ How does the District safeguard against risks?
- ◆ How does the District internally evaluate itself?
- ◆ What are the controls used by the Organization to measure accountability?

Our approach to the District audit is truly a design that will be as unique as the entity itself and is based on the areas we find to be the most vulnerable. Our focus includes evaluating internal controls that ensure adherence to applicable federal and state laws and regulations. We place a substantial amount of our time reviewing and assessing such high-risk areas during our evaluation. This risk-based approach focuses our efforts on what is important to you and your stakeholders and enables us to present you with meaningful suggestions.

We monitor our performance using a variety of qualitative and quantitative measures. First and foremost, we honor our agreement with you, completing the engagement on-time and on-budget. When you talk to our references, you will find that this sets us apart from most regional and national CPA firms. Typically, in a first-year audit engagement, we invest additional time in your audit, which is **not** billed to you as cost over-runs. Rather, we view it as an investment in our long-term professional relationship.

We measure our audit performance in the response we receive from the entity and its staff. In addition, we report directly to management and the Board in face-to-face meetings, providing meaningful information and answering questions directly.

## Segmentation of the Audit

Our audit involves a logical sequence of five steps that ensures compliance with the applicable professional standards and the expeditious completion of the audit. We will tailor our audit to the needs and complexity of the District.

1. **Planning** – First, we learn everything we can about the District and its related organizations - from Districtal structure to policies and procedures. We read meeting minutes, review budgets, assess manuals and programs, hold discussions with key

management staff, and evaluate management information systems. Based on what we learn, we develop our expectations regarding current year results, and then compare our expectations to actual results. This helps us develop risk assessments for each audit segment to determine what level of control testing and/or substantive testing is necessary to address the assessed risk. We then design our audit program accordingly.

2. **Control Testing** – Depending on our risk assessments, we determine specific audit cycles to test for internal controls and we evaluate the results. Based on the results against our expectations, we then determine if any modification is necessary to our planned substantive audit procedures on ending account balances and transactions. Based on the information we have obtained to date, we plan to test controls to obtain moderate to substantial reliance over cash and investments, revenues and related receivables, expenses and related payables, capital outlay, and long-term debt. This is subject to change once we gather more information as part of our audit planning procedures.

3. **Substantive Testing** – Our overall objective is to achieve a low level of risk of error in ending account balances. After we have performed our preliminary analytical and internal control tests and evaluated the results, we determine the nature, timing, and extent of detailed audit procedures on ending account balances and transactions necessary to achieve a low level of risk that errors could be present without detection.

4. **Compliance Testing** – The State requires testing organizational compliance with certain laws and regulations. In addition, we will test your compliance with federal laws. We have specially designed audit programs that ensure we adequately address both areas.

5. **Report Writing and Review** – After all the fieldwork is complete, we draft our opinions and other reports. As part of our firm’s quality control process, Jaribu W. Nelson is required to review our audit files and audit report to improve the quality of our audits and to ensure optimum quality. We have a requirement that only personnel involved in our audit service team can be involved in the review of our work. This ensures that our clients are served with professionals trained in auditing and accounting standards.

6. **Statistical Sampling** - Sampling to be used during our audit will include random sampling methods for tests of controls and for substantive tests of details. Sampling will be used throughout the engagement to test most financial statement balances.

We will select the most appropriate sampling technique for a given compliance test, tailored to the type and nature of the test.

7. **Analytical Procedures** - Analytical procedures are generally performed throughout the audit engagement, and result in substantial discussion with management. Initially, at the planning phase of the audit, comparisons are made between current and prior year results, actual and budgetary information, and to industry benchmarks. We use common size financial statements and trend and ratio analyses to aid us in developing our audit plan and programs. Non-financial data and external information are incorporated in our procedures to enhance their validity, and information is disaggregated as much as possible to improve precision.

During our substantive testing of balances, we typically analyze the detail of changes to certain accounts. For example, this approach is often used with sampling in our testing of capital asset, long-term debt and investment accounts.

At the conclusion of the audit, we again employ analytical procedures similar to those used at the planning phase. The audit team takes a holistic view of the financial statements in light of the results of all other auditing procedures performed. We discuss our observations



with management and provide information to the Board as part of our audit result presentation. Our clients find this to be the most important value of their annual audit process. It produces beneficial information far beyond the audit of the financial statements they initially expect.

#### **AUDIT: Documenting internal control structure**

- ◆ Obtain copies of all available system and policy/procedure documentation from the District finance, treasury, human resources, information technology, grant management, budget department, and personnel. This will include organization charts, narratives and flowcharts. Copies will be retained in our permanent working paper file. This documentation will be updated annually for any changes.
- ◆ Review the above-described documentation and meet with the District personnel to make inquiries about, and discuss questions that arise from, our review.
- ◆ Document and assess the adequacy of internal controls over the various systems, and develop preliminary risk assessments for each of them. As mentioned earlier in our discussion of audit approach, the framework of this system incorporates the requirements of auditing standards related to internal control and fraud detection.

At the planning phase of our audit and in accordance with Statement on Auditing Standards (SAS) 99, *Consideration of Fraud in a Financial Statement Audit*, we will hold a brainstorming meeting to discuss fraud risks related to the District and design the audit to take those risks into account. Provisions of this new and important auditing standard will be incorporated throughout our audit.

**EXHIBIT A**  
**TOTAL MAXIMUM PRICE – RESPONSE TO**  
**DISTRICT RFP**

	2020	2021	2022
Organizational Audit	\$ 11,750	\$ 12,000	\$ 12,250
Financial Transactions Report	<u>500</u>	<u>500</u>	<u>500</u>
Grand Total	<u>\$ 12,250</u>	<u>\$ 12,500</u>	<u>\$ 12,750</u>

**\*\*There will be no additional out-of-pocket expenses. Total all-inclusive hours is expected to be approximately 101 hours.**

Submitted By:

Firm Name: Jaribu W. Nelson, CPA

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

*Jaribu W. Nelson, CPA*

Signature: \_\_\_\_\_

Printed Name: Jaribu W. Nelson

Date: October 26, 2020

## EXHIBIT B

### SUPPLEMENTAL DETAILED SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE FINANCIAL AUDIT OF THE JUNE 30, 2020 FINANCIAL STATEMENTS

	Hours		Hourly Rates		Total
Partner	55	\$	150	\$	8,250
Staff Accountant	30	\$	90	\$	2,700
Administrative Staff	<u>16</u>	\$	50	\$	<u>800</u>
<b>Grand Total</b>	<u>101</u>			\$	<u>11,750</u>

Submitted By: Jaribu W. Nelson, CPA

Firm Name: Jaribu W. Nelson, CPA

# Grant Bennett Associates

A PROFESSIONAL CORPORATION

## Report on the Firm's System of Quality Control

February 26, 2019

To the Proprietor of Jaribu W. Nelson, CPA 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 Jaribu W. Nelson, CPA (the firm) in effect for the year ended March 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

### Firm's Responsibility

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

### Peer Reviewer's Responsibility

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

### Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, and an audit of an employee benefit plan.

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



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## Deficiency Identified in the Firm's System of Quality Control

We noted the following deficiency during our review:

1. The firm's quality control policies and procedures addressing engagement performance were not complied with. The firm's quality control policies and procedures require that all audit engagements be properly planned, performed, documented, and reported or communicated in accordance with the requirements of professional standards and applicable legal and regulatory requirements. During our review we noted instances where risks and controls associated with the role of Information Technology were not identified; there was not a proper linkage between the risk assessment and the further audit procedures, there was no documentation of the understanding with the attest client with respect to non-attest services and there was no documentation of the firm's safeguards to mitigate a significant threat to independence in an audit using governmental auditing standards. Additionally, there were certain elements in a financial statement that were not consistent with regulatory requirements. In our opinion, this contributed to an audit engagement that did not conform to professional standards in all material respects, and an audit engagement performed under *Government Auditing Standards* that did not conform to professional standards in all material respects.

## Opinion

In our opinion, except for the deficiency previously described, the system of quality control for the accounting and auditing practice of Jaribu W. Nelson, CPA in effect for the year ended March 31, 2018, 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*. Jaribu W. Nelson, CPA has received a peer review rating of *pass with deficiency*.

*Grant Bennett Associates*

GRANT BENNETT ASSOCIATES  
A PROFESSIONAL CORPORATION  
Certified Public Accountants



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