

TO: James L. App, City Manager
FROM: James Throop, Director of Administrative Services
SUBJECT: Professional Auditing Services and Related Reporting
DATE: July 20, 2010

Needs:

For the City Council to consider approval of a contract for professional auditing services and related reporting.

Facts:

1. City policy is to distribute a Request for Proposal (RFP) for professional auditing services and related reporting every five years. The last RFP was distributed in 2003.
2. Staff distributed letters soliciting proposals to sixty six accounting firms, posted the RFP on both the City's website and the California Society of Municipal Finance Officers website.
3. The RFP for professional auditing services was also noticed in The Tribune on April 23 and 27, 2010.
4. Most of the firms either did not respond or declined to bid. The following ten firms submitted proposals:

Caporicci & Larson, Inc.
Collins Accountancy Co.
Diehl, Evans & Company LLP
Glenn, Burdette, Phillips & Bryson
Moss, Levy & Hartzheim LLP
Odenberg, Ullakko, Muranishi & Co. LLP
R. J. Ricciardi, Inc.
Rogers, Anderson, Malody & Scott LLP
Sotomayor CPAs
Teaman, Ramirez & Smith, Inc.

5. Staff, consisting of the Director of Administrative Services, Finance Manager, Accounting Assistant II, and the City Treasurer undertook an objective review of each proposal using a predetermined reviewer checklist (copy attached as Exhibit "A").
6. The staff review was undertaken independently of each other. Only after compilation of the results did one staff person know how the other rated each firm.

7. The reviewers did not know the firms' quoted prices during their reviews. The cost rating was factored in after their review. This was done to insure that the initial ratings were based solely upon quality, experience and skills.
8. The results of the evaluation are attached as Exhibit "B." Moss, Levy & Hartzheim LLP was rated the highest overall.
9. Moss, Levy & Hartzheim LLP proposal was the second lowest cost to the City for all of the work to be performed. The audit proposal included a component for preparation of the State Controller's Report of Annual Financial Transactions. This is not a new factor. The auditor has prepared this report for many years. See attached cost summary Exhibit "C."

Analysis and Conclusion:

While the audit proposals were rated on many factors, greater consideration was given to firms which highlighted the following points:

- a. Experience and track record with clients receiving either the financial reporting award issued by the California Society of Municipal Finance Officers or the Government Finance Officers Association of the United States and Canada.
- b. Specific auditing experience with City municipal clients.
- c. Manpower resources available to perform the required financial auditing services and the longevity of staff to be assigned to the City's audit.
- d. Audit approach and the firm's indication whether or not it may meet required deadlines.

Normally, staff would undertake interviews with the two or three top finishers. However, given staff's familiarity with Moss, Levy and Harztheim LLP and their prior work with the City, it would be an unnecessary use of time and effort for both staff and the proposer to schedule and undertake interviews.

It should be noted that if the audit cost component is removed from the evaluation scoring, the Moss, Levy & Hartzheim proposal is still ranked highest along with one other proposal.

Policy Reference:

City of Paso Robles Purchasing and Payment Procedures Manual.

Fiscal Impact:

Moss, Levy & Hartzheim's proposal to undertake the audit, which includes City's annual financial audit, Redevelopment Agency audit including a separately issued report, a Transportation Development Act audit including a separately issued report, a Singe Audit Act report relative to federal compliance

requirements and the State Controller's Report of Annual Financial Transactions at a cost of \$ 25,700 for Fiscal Year 2011, with less than a 1% increase in Fiscal Years 2012 through 2013, represents the second lowest cost with the lowest proposal being \$24,331. While cost should not be a determining factor, it is always a plus when the highest-ranking proposal is nearly the lowest cost proposal as well.

Options:

- a. Adopt Resolution No. 10-XXX approving a three year contract with a two year extension and authorize the Director of Administrative Services to execute said contract with Moss, Levy & Hartzheim LLP, to undertake the scope of annual financial auditing and reporting work as identified in their proposal for Fiscal Years 2011, 2012 and 2013 or;
- b. Amend, modify or reject the above option.

PRELIMINARY EVALUATION OF PROPOSALS FOR AUDIT SERVICES

Three sets of criteria are to be used:

- Mandatory elements
- Technical Qualifications
- Price

Firms meeting the mandatory elements will be evaluated and scored for both technical qualifications and price. A total of 100 points will be possible, with a maximum of 75 points possible for technical qualifications, and 25 points for price.

1. Mandatory Elements:

This section of the evaluation will be on a pass/fail basis

- a. The audit firm is licensed to practice in California.
- b. The firm's professional personnel have received the required continuing professional education with the preceding two years, in accordance with the GAO's "Government Auditing Standards.
- c. The firm is independent and has no conflict of interest with regard to any other work performed by the firm for the City of Paso Robles. The GAO independence standards will apply, in addition to any other professional standards applicable.
- d. The firm has undergone a recent external quality control review.

Firms which do not meet all of the above basic requirements will be eliminated from further consideration. These are considered essential qualifications which cannot be overcome by other considerations or credentials.

2. Technical Qualifications:

Points for technical qualifications will be awarded as follows:

	<u>Point Range</u>
a. Expertise and experience. (maximum 45 points)	
1. Past experience and performance on comparable governmental engagements.	0 – 15
2. The quality and experience of the professional staff to be assigned to this engagement and the quality of personnel to be available for technical support.	0 - 15
3. Experience with additional state and federal audits, such as Single Audit, Redevelopment Agencies, and Transportation Development Act.	0 - 10
4. Experience with GASB 34 statement implementation, CAFR award program	0 - 5
TOTAL – expertise and experience:	<u>0 - 45</u>
b. Audit approach	
1. Adequacy of proposed staffing plan (hours and level) for the various segments of the engagement.	0 - 15
2. Adequacy of sampling techniques and analytical procedures.	0 - 15
TOTAL – audit approach	<u>0 - 30</u>
TOTAL TECHNICAL QUALIFICATIONS SCORE:	<u>0 - 75</u>

3. Price

Firms will be awarded points for all-inclusive price, based on the following formula:

$$\frac{\text{Lowest Bid Price}}{\text{Individual Firm's Bid Price}} \times 25 = \text{Price Score}$$

This formula gives the highest score for price to the lowest bidder, but allows all firms to receive a percentage of the possible points.

CITY OF PASO ROBLES
EXTERNAL AUDITING SERVICES, 2003 RFP
PROPOSAL REVIEW WORKSHEET

FIRM: _____

1. Does the firm meet the following minimum qualifications:

a. License to Practice in California?	YES	NO
b. Does staff meet CPE Requirements for Government Audits?	YES	NO
c. Does firm meet independence standards/requirements?	YES	NO
d. External Quality Review (Does review show acceptable quality work?)	YES	NO

2. Technical qualifications for financial statement audits using the following criteria:

a. Expertise and Experience

1) Relevant experience on comparable city audits	0-15 pts	_____
2) Quality and experience of personnel	0-15 pts	_____
3) Experience with additional audit reports	0-10 pts	_____
4) Experience with GASB34, CAFR awards, etc.	0- 5 pts	_____

Total points Expertise and Experience: 0-45 pts _____

b. Audit Approach

1) Adequacy of proposed staffing plan	0-15 pts	_____
2) Adequacy of sampling techniques and analytical procedures	0-15 pts	_____

Total points Audit Approach 0-30 pts _____

TECHNICAL QUALIFICATIONS SCORE: 0-75 pts _____

3. Pricing Score: (\$LOW PRICE/\$FIRM PRICE x 25): _____

TOTAL SCORE _____

PREPARED BY: _____

EXHIBIT "B"

City of Paso Robles

2010 Audit RFP

Summary of Technical Qualification and Price Ranking

	Tech Total	Price Points	Total	Rank
Moss, Levy & Hartzheim LLP	280	23.7	303.7	1
Caporicci & Larson Inc	277	23.0	300.0	2
Diehl, Evans & Company LLP	280	19.2	299.2	3
Teaman, Ramirez & Smith Inc	277	16.2	293.2	4
Collins Accountancy Co	259	25.0	284.0	5
Rogers, Anderson, Malody & Scott LLP	256	21.4	277.4	6
Glenn, Burdette, Phillips & Bryson	242	15.3	257.3	7
R.J. Ricciardi Inc	243	12.4	255.4	8
Odenberg, Ullakko, Muranishi & Co LLP	215	23.1	238.1	9
Sotomayor CPA's	197	14.9	211.9	10

EXHIBIT "C"

City of Paso Robles
2010 Audit RFP
Summary of Price Proposals

	Audit	Add'l Projects	Total
Collins Accountancy Co	\$ 23,201	\$ 1,130	\$ 24,331
Moss, Levy & Hartzheim LLP	\$ 22,200	\$ 3,500	\$ 25,700
Odenberg, Ullakko, Muranishi & Co LLP	\$ 24,875	\$ 1,500	\$ 26,375
Caporicci & Larson Inc	\$ 25,000	\$ 1,500	\$ 26,500
Rogers, Anderson, Malody & Scott LLP	\$ 25,365	\$ 3,000	\$ 28,365
Diehl, Evans & Company LLP	\$ 28,840	\$ 2,875	\$ 31,715
Teaman, Ramirez & Smith Inc	\$ 34,700	\$ 2,900	\$ 37,600
Glenn, Burdette, Phillips & Bryson	\$ 38,750	\$ 1,000	\$ 39,750
Sotomayor CPA's	\$ 38,355	\$ 2,460	\$ 40,815
R.J. Ricciardi Inc	\$ 44,000	\$ 5,000	\$ 49,000

CITY OF PASO ROBLES
Administrative Services Department
821 Pine Street, Suite A
Paso Robles, CA 93446

AGREEMENT FOR PROFESSIONAL AUDITING SERVICES

THIS AGREEMENT (hereinafter referred to as "Agreement") is made by and between the **City of El Paso de Robles**, a public body, corporate and politic, (herein "CITY") and **Moss, Levy & Hartzheim LLP**, a California entity, (herein "Consultant"), wherein Consultant agrees to provide the City and City agrees to accept the services specified herein in connection with Professional Auditing Services (the "Project").

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the parties agree as follows:

1. CONTRACT ADMINISTRATOR. James Throop will administer this Agreement on behalf of City (herein "Contract Administrator"). **Ron Levy** is the authorized representative for Consultant. Changes in designated representatives shall be made only after advance written notices to the other party.

2. NOTICES. Any notice or consent required or permitted to be given under this Agreement shall be given to the respective parties in writing, by first-class mail, postage prepaid, or otherwise delivered as follows:

CITY:
City of El Paso de Robles
Attn: James Throop
821 Pine Street, Suite A
Paso Robles, CA 93446
Phone: (805) 237-3999
Facsimile: (805) 237-6565

CONSULTANT:
Moss, Levy & Hartzheim, LLP
Attn: Ron Levy
802 E. Main Street
Santa Maria, CA 93454
Phone: (805) 925-2579
Facsimile: (805) 925-2147

or at such other address or to such other person the parties may from time to time designate. Notices and consents under this section, which are sent by mail or facsimile, shall be deemed to be received five (5) days following their deposit in the U.S. mail or upon receipt if sent by facsimile.

3. EXHIBITS. Attached to this Agreement are the following Exhibits, which are incorporated herein by reference:

- Exhibit 1. Description of Scope of Services to be performed by Consultant ("Services") and Schedule of Performance.
- Exhibit 2. Audit work cost proposal and a listing of hourly rates of Consultant's personnel allocated to the various Tasks Consultant will perform.
- Exhibit 3. Insurance Requirements.

4. SCOPE OF SERVICES. Consultant shall provide the Services, and make submittals to City in accordance with Exhibit "1", subject to the direction of the City Contract Administrator, as provided from time to time. The Services are generally described as follows:

5. TERM. Consultant has agreed to diligently prosecute the Services for a term of three (3) years. The City reserves the right to extend the term of this contract for two (2) additional years, unless otherwise directed by City or unless earlier terminated.

6. COMPENSATION OF CONSULTANT.

A. The Consultant will be paid for performance of the Services on a time and material basis in accordance with the payment schedule set forth in Exhibit "1".

B. Payment of undisputed amounts is due within thirty (30) days of receipt of invoices. Invoices shall reflect the phase or task to which the request for payment is being invoiced in accordance with Exhibit "2" and the percentage of completion of each phase or task.

C. The City shall not pay Consultant more than the sum of Twenty-Five Thousand Seven Hundred Dollars (\$ 25,700) without the written authorization of the City's Contract Administrator.

D. Consultant shall be reimbursed at cost for the reimbursable out of pocket costs as detailed in Exhibit A.

E. Payment to Consultant shall be considered as full compensation for all personnel, materials, supplies, and equipment used in performing the Services.

F. City's failure to discover or object to any unsatisfactory work or billing prior to payment will not constitute a waiver of City's right to: (1) Request Consultant to correct such work or billings; or (2) Seek any other legal remedy.

G. 1. Consultant shall not provide services beyond those identified in Exhibit A (hereafter referred to as "Additional Services") until Consultant has received written approval from the City Contract Administrator to perform same. Should the Consultant elect to proceed prior to receiving written approval by the City or Additional Services, the Consultant does so at Consultant's own risk.

2. City shall pay Consultant for authorized Additional Services on an hourly basis, in accordance with the schedule of fees attached hereto as Exhibit 2. City shall pay only for Additional Services authorized by the City Contract Administrator in writing or requested verbally by City and confirmed in writing by Consultant within five (5) working days.

7. SCHEDULE FOR PERFORMANCE OF SERVICES.

A. Consultant's Services under this agreement will be performed in accordance with the schedule in Exhibit 1, as that schedule may be adjusted by mutual agreement.

B. Time is of the essence in the performance of this Agreement.

C. The foregoing notwithstanding, neither party shall be liable for damages or delays arising out of circumstances beyond its reasonable control.

8. INDEPENDENT CONTRACTOR. Consultant shall perform the Services as an independent contractor as defined in Labor Code 3353, and nothing herein contained shall be construed to make

Consultant an agent or employee of the City while providing the Services. Consultant shall be entitled to no other benefits or compensation except as provided in this Agreement.

9. PERFORMANCE STANDARDS.

A. Compliance with laws.

(1) Consultant shall, at its sole cost and expense, to comply with all City, County, State and Federal ordinances, regulations and statutes now in force or which may hereafter be in force with regard to the Services and this Agreement. Any corrections to Consultant's reports or other Documents (as defined in Section 13) that become necessary as a result of the Consultant's failure to comply with these requirements shall be made at the Consultant's expense.

(2) Should Consultant become aware that the requirements referenced in subparagraph 1 above change after the date of a report or other Document is prepared, Consultant shall be responsible for notifying City of such change in requirements. Consultant will bring the Documents into conformance with the newly issued requirements at the written direction of City. Consultant's costs for providing services pursuant to this paragraph shall be submitted to City as Additional Services.

(3) Consultant certifies that it is aware of and has complied with the provisions of California Labor Code Section 6401.7, which requires every employer to adopt a written injury and illness prevention program.

B. Consultant represents that it has the skills, expertise, licenses and permits necessary to perform the Services. Consultant shall perform all such Services in the manner and according to the standards observed by a competent practitioner of the same profession in which Consultant is engaged. All products of whatsoever nature which Consultant delivers to City pursuant to this Agreement shall conform to the standards of quality normally observed by a person practicing in Consultant's profession. Permits and/or licenses shall be obtained and maintained by Consultant without additional compensation throughout the term of this Agreement.

10. TAXES. Consultant shall pay all taxes, assessments and premiums under the federal Social Security Act, any applicable unemployment insurance contributions, Workers Compensation insurance premiums, sales taxes, use taxes, personal property taxes, or other taxes or assessments now or hereafter in effect and payable by reason of or in connection with the Services.

11. CONFLICT OF INTEREST.

A. Consultant understands that its professional responsibility is solely to City. Consultant warrants that it presently has no interest, and will not acquire any direct or indirect interest, that would conflict with its performance of this Agreement. Consultant shall not knowingly, and shall take reasonable steps to ensure that it does not, employ a person having such an interest in the performance of this Agreement. If Consultant discovers that it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly disclose the relationship to the City and take such action as the CITY may direct to remedy the conflict.

B. Consultant (including principals, associates and professional employees) covenants and represents that it does not now have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the area covered by this contract or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of Consultant's Services hereunder. Consultant further covenants and represents that in the performance of its duties hereunder no person having any such interest shall perform any services under this contract.

C. Consultant is not a designated employee within the meaning of the Political Reform Act because Consultant:

1. Will conduct research and arrive at conclusions with respect to his/her rendition of information, advice, recommendation or counsel independent of the control and direction of the City or of any City official other than normal contract monitoring; and

2. Possesses no authority with respect to any City decision beyond the rendition of information, advice, recommendation or counsel (FPPC Reg. 18700(a)(2)).

12. RESPONSIBILITIES OF CITY. City shall provide all information requested by Consultant that is reasonably necessary in performing the Services provided herein.

13. OWNERSHIP OF DOCUMENTS.

A. The plans, specifications, estimates, programs, reports, models, and other material prepared by or on behalf of Consultant under this Agreement including all drafts and working documents, and including electronic and paper forms (collectively the "Documents"), shall be and remain the property of the City, whether the Services are completed or not. Consultant shall deliver all Documents to City upon request at (1) the completion of the Services, (2) the date of termination of this Agreement for any reason, or (3) any time requested by City, upon five (5) days written notice.

B. The Documents may be used by City and its agents, employees, representatives, and assigns, in whole or in part, or in modified form, for all purposes City may deem advisable without further employment of or payment of any compensation to Consultant.

C. Consultant retains the copyright in and to the intellectual property depicted in the Documents subject to Consultant's limitations and City's rights and licenses set forth in this Agreement. City's ownership interest in the Documents includes the following single, exclusive license from Consultant: Consultant, for itself, its employees, heirs, successors and assigns, hereby grants (and if any subsequent grant is necessary, agrees to grant) to City an irrevocable, perpetual, royalty-free, fully paid-up, sole and exclusive license and right to use and exercise any and all of the copyrights or other intellectual property rights that Consultant may author or create, alone or jointly with others, in or with respect to the Documents, including without limitation all analysis, reports, designs and graphic representations. City's license shall include the right to sublicense, shall be for all purposes with respect to each right of copyright, and shall be without restriction.

D. Consultant shall include in all subcontracts and agreements with respect to the Services that Consultant negotiates, language which is consistent with this Section 13.

E. All reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of its Services pursuant to this Agreement are confidential until released by the City to the public, and the Consultant shall not make any of these documents or information available to any individual or organization not employed by the Consultant or the City without the written consent of the City before any such release.

14. RECORDS, AUDIT AND REVIEW.

A. Consultant shall establish and maintain records pertaining to this Agreement. Consultant's accounting systems shall conform to generally accepted accounting principles and all records shall provide a breakdown of total costs charged under this Agreement, including properly executed payrolls, time records, utility bills, invoices and vouchers.

B. Consultant shall permit City and its authorized representatives to inspect and examine Consultant's books, records, accounts, and any and all data relevant to this Agreement at any reasonable time for the purpose of auditing and verifying statements, invoices, or bills submitted by Consultant pursuant to this Agreement and shall provide such assistance as may be reasonably required in the course of such inspection. City further reserves the right to examine and re-examine said books, records, accounts, and data during the three (3) year period following the termination of this Agreement; and Consultant shall in no event dispose of, destroy, alter, or mutilate said books, records, accounts, and data in any manner whatever for three (3) years after the termination of this Agreement.

C. Pursuant to California Government Code Section 10527, the parties to this Agreement shall be subject to the examination and audit of representative of the Auditor General of the State of California for a period of three (3) years after final payment under the Agreement. The examination and audit shall be confined to those matters connected with the performance of this Agreement including, but not limited to, the cost of administering the Agreement.

15. INDEMNIFICATION.

A. To the fullest extent permitted by law (including, without limitation, California Civil Code Sections 2782 and 2782.8), Consultant shall protect, defend (with legal counsel reasonably acceptable to the City), indemnify and hold harmless City and its officers, agents, departments, officials, representatives and employees (collectively "Indemnitees") from and against any and all claims, loss, cost, damage, injury (including, without limitation, injury to or death of an employee of Consultant or its subconsultants), expense and liability of every kind, nature and description (including, without limitation, fines, penalties, incidental and consequential damages, court costs, attorneys fees, litigation expenses and fees of expert consultants or expert witnesses incurred in connection therewith, and costs of investigation), that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of Consultant, any subconsultant, anyone directly or indirectly employed by them, or anyone that they control (collectively "Liabilities"). Such obligations to defend, hold harmless and indemnify any Indemnitee shall not apply to the extent that such Liabilities are caused by the sole negligence, active negligence, or willful misconduct of such Indemnitee.

B. Neither termination of this Agreement nor completion of the Services shall release Consultant from its obligations under this Section 15, as long as the event giving rise to the claim, loss, cost, damage, injury, expense or liability occurred prior to the effective date of any such termination or completion.

C. Consultant agrees to obtain executed indemnity agreements with provisions identical to those set forth in this section from each and every subconsultant or any other person or entity involved by, for, with or on behalf of Consultant in the performance of this Agreement. If Consultant fails to obtain such indemnity obligations from others as required, Consultant shall be fully responsible for all obligations under this Section. City's failure to monitor compliance with this requirement imposes no additional obligations on City and will in no way act as a waiver of any rights hereunder. The obligation to indemnify and defend City as set forth herein is binding on the successors, assigns or heirs of Consultant and shall survive the termination of this Agreement or this section.

D. Consultant's compliance with the insurance requirements does not relieve Consultant from the obligations described in this Section 15, which shall apply whether or not such insurance policies are applicable to a claim or damages.

16. INSURANCE. Consultant shall provide insurance in accordance with the requirements of Exhibit 3.

17. PERSONNEL.

A. The Consultant represents that it has, or will secure at its own expense, all personnel required in performing the Services. All of the Services required hereunder will be performed by the Consultant or under Consultant's supervision, and all personnel engaged in the work shall be qualified to perform such services.

B. Consultant shall make every reasonable effort to maintain stability and continuity of Consultant's Key Personnel assigned to perform the Services. Key Personnel for this contract are as follows:

Consultant shall provide City with a minimum twenty (20) days prior written notice of any changes in Consultant's Key Personnel, provided that Consultant receives such notice, and shall not replace any Key Personnel with anyone to whom the City has a reasonable objection.

Consultant will not utilize subconsultants without advance written notice to the City. Consultant will not utilize a subconsultant to whom the City has a reasonable objection. Subconsultants providing professional services will provide professional liability insurance as required in Exhibit 3 unless the City waives this requirement, in writing.

18. NONEXCLUSIVE AGREEMENT. Consultant understands that this is not an exclusive Agreement and that City shall have the right to negotiate with and enter into contracts with others providing the same or similar services as those provided by Consultant as the City desires.

19. ASSIGNMENT. Consultant shall not assign any of its rights nor transfer any of its obligations under this Agreement without the prior written consent of City and any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination.

20. SUSPENSION AND TERMINATION.

A. The City may suspend this Agreement and Consultant's performance of the Services, wholly or in part, for such period as it deems necessary due to unfavorable conditions or to the failure on the part of the Consultant to perform any provision of this Agreement. Consultant will be paid for satisfactory services performed through the date of temporary suspension. In the event that Consultant's services hereunder are delayed for a period in excess of six (6) months due to causes beyond Consultant's reasonable control, Consultant's compensation shall be subject to renegotiation.

B. If Consultant at any time refuses or neglects to prosecute its Services in a timely fashion or in accordance with the schedule, or is adjudicated a bankrupt, or commits any act of insolvency, or makes an assignment for the benefit of creditors without City's consent, or fails to make prompt payment to persons furnishing labor, equipment, materials or services, or fails in any respect to properly and diligently prosecute its Services, or otherwise fails to perform fully any and all of the agreements herein contained, Consultant shall be in default.

C. If Consultant fails to cure the default within seven (7) days after written notice thereof, City may, at its sole option, take possession of any Documents or other materials (in paper and electronic form) prepared or used by Consultant and (1) provide any such work, labor, materials or services as may be necessary to overcome the default and deduct the cost thereof from any money then due or thereafter to become due to Consultant under this Agreement; or (2) terminate Consultant's right to proceed with this Agreement.

D. In the event City elects to terminate, City shall have the right to immediate possession of all Documents and work in progress prepared by Consultant, whether located at Consultant's place of business, or at the offices of a subconsultant, and may employ any other person or persons to finish the

Services and provide the materials therefore. In case of such default termination, Consultant shall not be entitled to receive any further payment under this Agreement until the Services are completely finished.

E. In addition to the foregoing right to terminate for default, City reserves the absolute right to terminate this Agreement without cause, upon 72-hours' written notice to Consultant. In the event of termination without cause, Consultant shall be entitled to payment in an amount not to exceed the Not-To-Exceed Amount which shall be calculated as follows: (1) Payment for Services then satisfactorily completed and accepted by City, plus (2) Payment for Additional Services satisfactorily completed and accepted by City, plus (3) Reimbursable Expenses actually incurred by Consultant, as approved by City. The amount of any payment made to Consultant prior to the date of termination of this Agreement shall be deducted from the amounts described in (1), (2) and (3) above. Consultant shall not be entitled to any claim or lien against City for any additional compensation or damages in the event of such termination and payment. In addition, the City's right to withhold funds under Section 6(E) shall be applicable in the event of a termination for convenience.

F. If this Agreement is terminated by City for default and it is later determined that the default termination was wrongful, such termination automatically shall be converted to and treated as a termination for convenience under this Section 20 and Consultant shall be entitled to receive only the amounts payable hereunder in the event of a termination for convenience.

21. DISPUTE RESOLUTION.

A. Should any dispute arise out of this Agreement, either party may request that it be submitted to mediation. The cost of mediation shall be borne equally by the parties. Neither party shall be deemed the prevailing party. No party shall be permitted to file a legal action without first requesting mediation and making a good faith attempt to reach a mediated settlement. Upon the written request of either party, the parties shall exchange documents reasonably necessary to a resolution of the dispute prior to the mediation. The mediation process, once commenced by a meeting with the mediator shall last until agreement is reached by the parties but not more than 60 days, unless the maximum time is extended by the parties.

B. The prevailing party in any action between the parties to this Agreement brought to enforce the terms of this Agreement or arising out of this Agreement may recover its reasonable costs (including expert witness fees and expenses) and attorney's fees expended in connection with such an action from the other party.

22. CITY NOT OBLIGATED TO THIRD PARTIES. City shall not be obligated or liable for payment hereunder to any party other than the Consultant.

23. NON-DISCRIMINATION. Consultant shall not discriminate in any way against any person on the basis of race, color, religious creed, national origin, ancestry, sex, sexual orientation, age, physical handicap, medical condition or marital status in connection with, or related to, the performance of this Agreement.

24. UNAUTHORIZED ALIENS. Consultant hereby promises and agrees to comply with all the provisions of the Federal Immigration and Nationality Act, 8 U.S.C.A. § 1101, et seq., as amended, and in connection therewith, shall not employ unauthorized aliens as defined therein. Should Consultant so employ such unauthorized aliens for performance of work and/or services covered by this Agreement, and should any liability or sanctions be imposed against City for such use of unauthorized aliens, Consultant hereby agrees to and shall reimburse City for the cost of all such liabilities or sanctions imposed, together with any and all costs, including attorneys' fees, incurred by City.

25. SECTION HEADINGS. The headings of the several sections, and any table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof.

26. SEVERABILITY. If any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions hereof, and such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

27. REMEDIES NOT EXCLUSIVE. No remedy herein conferred upon or reserved to City is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

28. NO WAIVER OF DEFAULT. No delay or omission of City to exercise any right or power arising upon the occurrence of any event of default shall impair any such right or power or shall be construed to be a waiver of any such default of an acquiescence therein; and every power and remedy given by this Agreement to City shall be exercised from time to time and as often as may be deemed expedient in the sole discretion of City.

29. ENTIRE AGREEMENT AND AMENDMENT.

A. This document represents the entire and integrated agreement between City and Consultant and supersedes all prior negotiations, representations, and agreements, either written or oral.

B. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the parties shall preserve undestroyed, shall together constitute one and the same instrument.

C. This document may be amended only by written instrument signed by both City and Consultant.

30. SUCCESSORS AND ASSIGNS. All representations, covenants and warranties set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto, shall be binding upon and inure to the benefit of such party, its successors and assigns.

31. APPLICABLE LAW; VENUE. This Agreement shall be governed by the laws of the State of California. Any litigation regarding this Agreement or its contents shall be filed in the County of San Luis Obispo, if in state court, or in the federal court with jurisdiction over to San Luis Obispo County, if in federal court.

32. EXECUTION OF COUNTERPARTS. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the parties shall preserve undestroyed, shall together constitute one and the same instrument.

33. AUTHORITY. All parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement in the names, titles, and capacities herein stated and on behalf of any entities, persons, or firms represented or purported to be represented by such entity(ies), person(s), or firm(s) and that all formal requirements necessary or required by any state and/or federal law in order to enter into this Agreement have been fully complied with. Furthermore, by entering into this Agreement, Consultant hereby warrants that it shall not have breached the terms or conditions of any other contract or agreement to which Consultant is obligated, which breach would have a material effect hereon.

IN WITNESS WHEREOF, the parties have executed this Agreement, which shall be effective on the date executed by City.

CONSULTANT:

By: _____
Ron A. Levy, Partner

Date: _____

CITY OF EL PASO DE ROBLES

James Throop, Director of Administrative Services

Date: _____

Approved as to Form:

City Attorney

Attest:

**EXHIBIT 1: SCOPE OF SERVICES
AND
SCHEDULE OF PERFORMANCE**

The proposal dated June 4, 2010 as submitted by Moss, Levy & Hartzheim LLP is attached to and referenced herewith to the Agreement for Professional Auditing Services.

CITY OF PASO ROBLES

AUDIT PROPOSAL

For Fiscal Years 2010-2011, 2011-12, and 2012-13

Submitted By:

Moss, Levy & Hartzheim LLP
802 E. Main Street
Santa Maria, CA 93454
(805) 925-2579

Submitted On:

June 4, 2010

Contact Person:

Ron A. Levy, CPA

CITY OF PASO ROBLES
AUDIT PROPOSAL
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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

802 EAST MAIN
SANTA MARIA, CA 93454
TEL: 805.925.2579
FAX: 805.925.2147
www.mlhcpas.com

Jennifer Sorenson
Finance Manager
Administrative Services Department
City of Paso Robles
821 Pine Street, Suite A
Paso Robles, CA 93446

We are pleased to respond to the City of Paso Robles' Request for Proposal for independent auditing services. We have prepared our proposal to address each specification included in the City of Paso Robles' Request for Proposal.

After 58 years in public accounting and more than 33 years of performing local governmental audits, it is extremely gratifying to witness the continued growth of Moss, Levy & Hartzheim LLP. The firm has evolved from a one-person operation to a regional public accounting firm with offices in Beverly Hills and Santa Maria with clients throughout the State of California, as well as thirty-one other states. We and the entire staff are pleased with not only the continuing development of the firm, but also the progress and economic health of our clients. We understand that governmental accounting is a specialized industry with its own accounting standards and requirements and that is why we strive to constantly improve the quality of our professional services. This degree of dedication coupled with our ability to inform our clients of any new accounting and auditing issues is paramount to our success.

We feel that our size is such that we are large enough to provide a broad spectrum of services and experience backed by an in-house training program, professional development courses, and an extensive professional library, yet not so large as to become impersonal and rigid. Our informal style allows us to be flexible enough to complete our audits in a timely manner that is the most convenient for each client. Also, this style allows us to be more accessible to our clients when our clients have questions or concerns.

It is our understanding that we will be responsible for expressing opinions on the City of Paso Robles' basic financial statements in conformity with accounting principles generally accepted in the United States of America. In addition to those procedures deemed necessary to express our opinions on the basic financial statements, we understand that we will also be responsible for performing certain limited procedures involving supplementary information required by the Governmental Accounting Standards Board (Management's Discussion and Analysis, Statistical Section, and Supplementary Information).

Our audit would be made in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Nonprofit Organizations*; and *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller, Division of Local Government Fiscal Affairs. As part of performing our audits in accordance with these standards, we understand that we will be required to audit the Schedule of Expenditures of Federal Awards.

It is also our understanding that we will be responsible for issuing the following:

1. Reports on the fair presentation of the financial statements in accordance with auditing standards generally accepted in the United States of America as listed below:
 - a) Basic Financial Statements for the City of Paso Robles
 - b) Basic Financial Statements for the Redevelopment Agency of the City of Paso Robles
 - c) Audit Report for the City of Paso Robles in accordance with the Single Audit Act

OFFICES: BEVERLY HILLS - SANTA MARIA

MEMBER AMERICAN INSTITUTE OF C.P.A.'S CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS CALIFORNIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

2. Financial and compliance audit of Transportation Development Act funds.
3. A report based on the auditor's understanding of the internal control structure and assessment of control risk. In this report, we will communicate any reportable conditions found during the audit and indicate whether they are also material weaknesses.
4. A separate report on our analysis of the internal control structure used in the administration of federal financial assistance programs.
5. Test compliance with Proposition 111, Article XIII.B – Review of Appropriation Limit Calculations
6. A report on the City's compliance with laws and regulations, related to "major" federal awards including an opinion on compliance with specific requirements applicable to "major" federal awards programs. This report on compliance will include all instances of non-compliance.
7. A Management Letter addressed to the City Council of the City of Paso Robles setting forth recommendations for improvements in the City's accounting systems.
8. We will communicate in a letter to the Mayor, Treasurer, City Manager, and Finance Manager any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. "Nonreportable conditions" discovered by us will also be communicated in the "Management Letter".
9. We will make immediate, written notification to the City Manager, Finance Manager, and the City Attorney of all irregularities and illegal acts or indications of illegal acts of which we become aware.

We will make all communications to the City as required by the audit standards under which the engagement is performed. Those communications include, but are not limited to:

1. The auditor's responsibility under auditing standards generally accepted in the United States of America.
2. Significant accounting policies.
3. Management's judgment and accounting estimates.
4. Significant audit adjustments.
5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.
10. Errors, irregularities, and illegal acts.

We will be available to present our audit plan prior to beginning field work.

All work papers and reports will be retained, at our expense, for a minimum of seven years (or the retention timeframe established by the professional standards, whichever is longer) unless the firm is notified in writing by the City of the need to extend the retention period. The work papers are subject to review by federal and state agencies and other individuals designated by the City. Accordingly, the work papers will be made available upon request.

In addition, we will respond to the reasonable inquiries of successor auditors and allow successor auditors to review work papers.

All adjusting journal entries made by us will be discussed and explained to the designated Finance Department personnel prior to

recording. They will be in a format that shows the lowest level of posting detail needed for data entry in the general ledger systems. If convenient for the City's staff, the approximate target dates for an audit would be as follows:

- (1) Preliminary audit entrance conference with staff – June 14
- (2) Detailed audit plan - June 14
- (3) Interim field work – Week of June 14
- (4) Year-end field work – October 18-20
- (5) Exit conference with staff – October 20
- (6) Draft of Management Letter – November 15
- (7) Issue other audit reports and final management letter – November 30 (or within three days of the City's final approval)

Minimal assistance of the City's staff is required during the course of the audit, however, we do ask that the City provide the following: cooperation in answering questions, requested confirmations, bank reconciliations, a general ledger, and other miscellaneous items. Also, with the City's approval, our audit team can pull and file appropriate supporting documents, which includes invoices. We feel this approach minimizes the disruption of the City's routine.

The percentage of the audit work we expect to accomplish in each month is shown below:

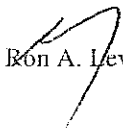
June	July	September	October	November	Total
20%	5%	10%	50%	15%	100%

This proposal is a firm and irrevocable offer until September 4, 2010.

Thank you for your consideration and please do not hesitate to contact the authorized representative listed below with any questions, problems, or concerns.

Ron A. Levy, CPA
Partner
802 E. Main Street
Santa Maria, CA 93454
(805) 925-2579

Sincerely,


Ron A. Levy, CPA

LICENSE TO PRACTICE IN CALIFORNIA

Moss, Levy & Hartzheim LLP is a properly licensed certified public accounting firm in the State of California, license # 5863. All certified public accountants engaged in the audit of the City are licensed to practice in the State of California and have received at least the minimum number of governmental continuing professional education hours required by the State Board of Accountancy to perform a governmental audit.

INDEPENDENCE

Moss, Levy & Hartzheim LLP is independent of the City of Paso Robles and its component units as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's *Governmental Auditing Standards (2003)*.

BUSINESS LICENSE

If selected, Moss, Levy & Hartzheim LLP will obtain a business license from the City of Paso Robles.

FIRM QUALIFICATIONS AND EXPERIENCE

Moss, Levy & Hartzheim LLP is a minority owned regional firm that performs audits of governmental entities from the Oregon to the Mexican border. The firm currently employs 33 professionals and has annual gross revenues between 3 and 3.5 million dollars. The firm has two offices in California: Beverly Hills and Santa Maria.

The audit work will be completed by staff from our Santa Maria office.

The Santa Maria office is currently staffed by five certified public accountants (two partners, two managers, and a senior accountant). In addition, the office employs three senior accountants and five staff accountants.

The City of Paso Robles will have one partner and one alternate partner assigned to the audit at all times. In addition, one manager, one senior accountant, and two or three staff accountants will be assigned on a full-time basis to the audit from the Santa Maria office. The City of Paso Robles will also have a computer specialist assigned to the audit on a full-time basis. This individual assists the audit team in documenting the computer system internal control structure.

Our firm has never been the object of any disciplinary action from any federal or state regulatory body or professional organization, nor is there any disciplinary action pending.

Please see *Appendix A - Peer Quality Review Report* for a copy of our firm's most recent quality review report, which includes a review of local governmental engagements.

Please see *Appendix C - Current and/or Recently Completed Governmental Audits*.

PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE

It is the firm's policy to have our partners and audit manager involved in the managing function of our governmental audits. Having both the partner and audit manager involved in the engagement allows the City to receive immediate response to questions about accounting and audit topics, concerns, and findings.

It is expected that Mr. Ron Levy would be the partner in-charge of the City's audit. Mr. Levy would have primary responsibility for the audit. Mr. Levy would also be responsible for assisting in the preparation of the City's CAFR. Mr. Levy has assisted numerous cities and has prepared award winning CAFRs. Mr. Levy will also be responsible for addressing any City's questions or concerns that arise during the year. It is the firm's policy to have a partner on site for a majority of the field work. This policy enables the partner to become acquainted with the City's daily operations and key personnel.

Mr. Craig Hartzheim will be the alternate partner assigned to the audit. As alternate partner, it is his responsibility to be familiar with the City, its staff, the audit, and any special problem areas of the City in the event that Mr. Levy is unavailable. Mr. Hartzheim has assisted numerous cities and prepared award winning CAFRs. Mr. Hartzheim has also assisted cities in preparing the State Controller's reports.

PARTNER, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE-continued

Mr. Brad Silva will be the manager assigned to the audit. As manager, Mr. Silva will oversee the day to day operations of the audit and will review all audit areas. Mr. Silva will be at the City for 100% of the fieldwork. He performs in house training for governmental auditing staff members and is in charge of keeping the firm updated on aspects of governmental accounting and auditing issues.

Mr. Ryan Cornell will be the senior accountant assigned to the audit. As senior accountant, it will be Mr. Cornell responsibility to oversee the staff accountants, do preliminary reviews of audit sections, and to perform more difficult audit sections.

Mr. David Ortiz will be the Information Technology Director assigned to the audit. Mr. Ortiz has extensive knowledge in auditing EDP functions. Mr. Ortiz will also perform the statistical sampling procedures for the audit. Also, he will document and test the internal control structure of the computer systems.

Please see *Appendix B - Resumes* for each individual's resume.

In addition to the supervisory staff listed above, two or three staff accountants will be assigned to the audit. All staff accountants have degrees from accredited colleges or universities, have received in-house governmental audit training, and at present have at least one year of governmental auditing experience. All staff accountants will be directly supervised by the senior accountant and/or manager assigned to the audit at all times. All partners, managers, and staff members have worked on numerous governmental engagements together. Consistently working together will provide the City with a knowledgeable and efficient audit team.

The firm will maintain staff continuity on the engagement throughout the term of the contract, barring any terminations, illnesses, or other unforeseen circumstances. At the request of the City, any Moss, Levy and Hartzheim LLP employee assigned to the audit can be removed and replaced by another qualified employee. Moss, Levy & Hartzheim LLP has an advantage in that there is relatively low turnover in employees as can be seen on individual resumes and therefore, the firm will not use the City as a training ground for its employees.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES

Moss, Levy & Hartzheim LLP has an extensive background in auditing cities with over twenty-nine years of experience in this specialized field. We currently perform over thirty city audits and numerous other governmental audits.

Please see *Appendix D –References*

Recent local auditing experiences include the following:

1. CSMFO and GFOA Award Programs

The firm currently audits the following ten cities that participate in either or both of the CSMFO and GFOA Award Programs. (Each city has received the awards it has participated in)

City of Bellflower	City of Paso Robles
City of Capitola	City of Santa Maria
City of Lathrop	City of Sonoma
City of Lompoc	City of Watsonville
City of Morgan Hill	City of Whittier

2. OMB Circular A-133

We have performed compliance audits in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments and Nonprofit Organizations*, for each of our thirty municipal clients.

3. Special Districts

Currently, our firm audits sixty-two special districts including recreation districts, utility districts, cemetery districts, community services districts, sanitary districts, water districts, fire districts, an ambulance services district, and an airport district.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES-continued

4. Redevelopment Agencies

We have performed audits of fifteen redevelopment agencies. Each redevelopment agency audit is conducted in accordance with *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller, Division of Local Government Fiscal Affairs and Section 33080.1(a) of the Health and Safety Code and Title 2.5, Chapter 6 of the California Administrative Code.

5. State Controller's Report and Street Report

We have prepared State Controller's reports and street reports for numerous cities, redevelopment agencies, and special districts. We feel this experience allows us to help assist our clients in their preparation of the state controller's reports or prepare the reports as a separate engagement for our clients.

6. Federal and State Grant Programs and the Single Audit

Each of our municipal clients, the majority of our special district clients, and all of our school district clients receive federal and state grants which require compliance audits. Some of our most commonly audited federal programs are as follows:

Municipal Major Programs:

- Community Development Block Grant Funds (CDBG)
- HOME Program
- Airport Improvement Program
- Federal Emergency Management Act Funds (FEMA)
- Section 8 Housing Assistance Payments
- Urban Mass Transportation Act Funds (UMTA)
- Highway Planning and Construction

Other Common Municipal Programs:

- COPS Fast grants
- COPS More grants
- Asset Seizure funds
- Retired Senior Volunteer Program
- Enterprise Community Grants
- Economic Development Administration

7. Franchise Audits

The firm has assisted several cities in reviewing franchise financial statements as part of reviewing franchise requests for rate increases. In addition, the firm has performed transient occupancy audits for five cities and has performed various audits of operating lease charges (such as use of a sewage treatment plant based on percentage of use by our client and actual expenses as recorded by the treatment plant operator).

SPECIFIC AUDIT APPROACH

The main extent of our work would be what is required to enable us to express an opinion on the financial statements in accordance with:

1. *AICPA Industry Audit Guide for State and Local Governmental Units*
2. *AICPA Audit Standards*
3. *National Committee on Governmental Accounting, Auditing and Financial Reporting (Amended) Publication*
4. *Laws of the State of California*
5. *Requirements of Office of Management and Budget Circular A -133, Audits of State, Local Governments, and Nonprofit Organizations*
6. *GAO Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, the Guidelines for Financial and Compliance Audits of Federally Assisted Programs*
7. Our firm's own additional standards and procedures

The audit will be made in accordance with auditing standards generally accepted in the United States of America.

The primary purpose of the audit is to express an opinion on the basic financial statements, and such an audit is subject to the inherent risk that material errors or fraud may exist and not be detected by us. If conditions are discovered which lead to the belief that material errors, defalcations, or fraud may exist or if any other circumstances are encountered that require extended services, we will promptly advise the City.

Our audit would begin when it is convenient for City staff. We estimate this to be around June to perform interim work. During May or June each fiscal year, the partner or manager of the firm will contact the Finance Department personnel. The purpose of this contact will be to discuss the scope and timing of the annual audit, to review any accounting issues known at that time, and to address any City personnel's concerns about the impending audit.

We will schedule approximately one to two weeks of interim work each fiscal year. During the first fiscal year, we will prepare narrative flow charts and other documentation of the internal control structure and of the major systems, such as revenue and cash receipts, purchasing and cash disbursements, payroll and personnel, inventory, property and equipment, grant compliance, investment activities, and the budget process. We will gain this information through discussions with appropriate City staff and the review of available documented policies, organizational charts, manuals, programs, and procedures. Once we obtain this information, we will evaluate the systems of internal controls and revise our standard governmental audit programs. During the interim work in subsequent fiscal years, we will note changes in the system, if any.

For our first year of engagement, we will utilize the prior fiscal year's financial statements, the current fiscal year budget and our knowledge of your systems to determine materiality for the different audit sections. Each fiscal year, we will select a sample of transactions to determine to what extent the systems are functioning as described to us. The extent of our sample size will depend upon our assessment of the internal control structure. The selection of transactions for testing will be made using a combination of random, systematic, and haphazard sampling techniques. We will identify the strength of the systems upon which we can rely in planning our substantive tests. Our internal control review will meet all the requirements of the AICPA Statement on Auditing Standards (SAS) No. 55, Consideration of the Internal Control Structure in a Financial Statement Audit, as amended by Statement on Auditing Standards No. 78 and SAS 99 Consideration of Fraud in a Financial Statement Audit. We will also perform preliminary analytical review procedures using prior fiscal years' audited statements and current budget.

It is estimated that the sampling size for transaction testing for compliance with systems as actually implemented would be as follows:

- I. 25/40/60 disbursement items, including automatic and manual checks
- II. 25/40/60 payroll checks
- III. 25/40/60 receipt items, including but not limited to utility billings, business licenses, recreation programs, building fees, franchise fees and other miscellaneous receipts

SPECIFIC AUDIT APPROACH-continued

We will also review the following documents in order to determine compliance with laws and regulations:

- (a) Minutes of the governing body with special attention to: indications of new revenue sources, including federal and state grants; expenditure authorizations and related appropriations, including any special or restrictive provisions; appropriation transfers; authorization for bank or other debt incurred; awards to successful bidders; authorization for new leases entered into; changes in licenses, fines or fees; authorization for fund balances designations or reservations; and authorization for significant new employees hired
- (b) New agreements and amendments to new agreements including but not limited to: grant agreements; debt and lease agreements; labor agreements; joint venture agreements; and other miscellaneous agreements
- (c) Administrative Code
- (d) Investment Policy

Before April 1 of each fiscal year, we will contact you to provide our detailed audit plan for the fiscal year end fieldwork. We will also discuss with you any matters that may impact our audit procedures or your financial reporting. Also, we will discuss with you any assistance the City may need with the fiscal year-end closing.

Our fiscal year-end fieldwork would begin after the City has closed its books which we estimate to be the second week of September. The fiscal year end audit work will begin with an analytical review of all significant balance sheet and revenues and expenditures/expense accounts for each fund group, which includes a comparison of prior fiscal year financial statements and current fiscal year budget to the fiscal year-end trial balance. The primary objective of the fiscal year end audit work is to audit the final numbers that will appear in the City's CAFR.

The primary objective of the fiscal year end audit work is to audit the final numbers that will appear in the City's financial statements. Our fieldwork would also consist of procedures required under SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*. We will also be maintaining compliance with SAS Nos. 103-112, during each fiscal year. These procedures significantly changed the way auditors approach audits and are required for audits with a fiscal year ended beginning after December 31, 2006. This will entail a risk-based audit approach which will significantly increase the time spent between the City's staff and the audit staff. Also, this will require additional meetings with an audit committee or similar governing body representative.

We will also perform procedures such as:

- (a) Confirmations by positive and negative circularizations including but not limited to all cash and investment accounts; selected receivable and revenue balances; all bonds, loans, notes payable, and capital leases; all notes receivable; all insurance carriers; all legal firms employed on the City's business; and other miscellaneous confirmations as deemed necessary
- (b) Physical verifications and observations
- (c) Analysis and review of evidential materials
- (d) Interviews and investigative efforts
- (e) Electronic data processing testing for computer and software reliability
- (f) Numerous other procedures

During the entire engagement, our audit team will be determining the risk assessment of federal programs to be audited in compliance with *OMB Circular A-133*. We will perform tests of: general requirements; specific requirements; claims for advances and reimbursements; and amounts claimed or used for matching in compliance with the Single Audit Act. Also we will obtain an understanding of the internal control structure of each program tested. The compliance audit will be made in accordance with auditing standards generally accepted in the United States of America and the *GAO Standards for Audits of Governmental Organizations, Programs, Activities, and Functions*, and the *GAO Guidelines for Financial and Compliance Audits of Federally Assisted Programs*.

The objective in testing transactions for compliance with laws, regulations, the provisions of contracts, and grant agreements is to express an opinion on whether the governmental unit has complied in all material respects, with applicable compliance requirements, noncompliance with which could have a material effect on each major program. In drawing audit samples for purposes of tests of compliance, we will plan our tests to support a low assessed level of control risk. We will select transactions from each program or area which requires testing. The selection of transactions to test would be based on auditor's professional judgment. We use the *PPC Guide to Audits of Local Governments* and the *PPC Guide to Single Audits* for guidance in determining the number of transactions to test.

SPECIFIC AUDIT APPROACH – continued

SAS No. 99, *Considerations of Fraud in a Financial Statement Audit* impacts both the planning and the performance of the audit. In planning, the audit team will discuss how and where the financial statements might be susceptible to material misstatement due to fraud. To determine this we will inquire of management, consider results of analytical procedures, and consider other fraud risk factors. We will review the results of our inquiries and identification of potential fraud areas on a daily basis to achieve a high level of compliance with SAS No. 99.

We have extensive knowledge in auditing computer systems. We have assisted numerous clients with the implementation of accounting software and database business systems. This assistance has provided our firm with a thorough background in computer systems in both the software applications aspect and also the insight into auditing such systems. It is our policy to have a computer specialist as part of the audit team. This individual assists the audit team in documenting the computer system internal control structure and highlighting strengths and weaknesses relating to the computer structure of the City.

Moss, Levy & Hartzheim LLP has many networked desktop PCs and many notebook computers which are used on site. Some of the software used includes Word, Excel, TASC Force, PPC, and AuditWare as our trial balance/financial statement preparation software.

As part of our audit engagements, we issue our clients management letters if we note certain observations or recommendations that we feel need to be disclosed. Our firm's philosophy regarding the management letter is that the management letter is to help management improve its internal control and accounting procedures and not to criticize the management in charge. This is why we present our management letters to management in draft form for open discussion prior to issuance.

The firm uses PPC audit programs, checklists, and questionnaires in conjunction with client specific audit program procedures. In addition to our PPC checklists, the firm uses GFOA and CSMFO Award Program Reviewer's Checklists as an additional guide for CAFRs.

The *Governmental Accounting, Auditing and Financial Reporting* (GAAFR), issued by the Government Finance Officers Association (the "Blue Book") and other GFOA publications are often used as additional tools when preparing the financial statements of our governmental clients. The firm has and uses its extensive library of current AICPA, GFOA, and GASB publications and pronouncements.

We will retain working papers and reports at our expense for a period of seven years. In addition, we will make our working papers available, upon request, to any oversight agency and successor auditors.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

We do not anticipate any additional problems with the audit except for items listed in past management representation letters. In the event of a problem, the City Attorney, City Manager, and the Finance Manager will be immediately notified in writing of any fraud, other illegal acts or indications of illegal acts found during the course of our work. All other discrepancies or weaknesses in the internal control system will be communicated to management through discussion, the management recommendation letter and/or if it is a reportable condition, as part of the single audit report.

The City of Paso Robles will be informed of: the auditor's responsibility under generally accepted auditing standards; significant accounting policies; management judgments and accounting estimates; significant audit adjustments; other information in documents containing audited financial statements; disagreements with management; management consultation with other accountants; major issues discussed with management prior to retention; and difficulties encountered in performing the audit.

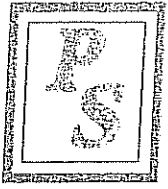
Respectfully submitted,

MOSS, LEVY & HARTZHEIM LLP


Ron A. Levy, CPA

Moss, Levy & Hartzheim LLP is an Equal Opportunity Employer

APPENDICES



POWELL & SCAFFORD, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy
Members: American Institute of Certified Public Accountants

System Review Report

To the Partners of
Moss, Levy & Hartzheim, LLP
and the Peer Review Committee of the State of California

We have reviewed the system of quality control for the accounting and auditing practice of Moss, Levy & Hartzheim, LLP (the firm) in effect for the year ended December 31, 2008. Our review was conducted in accordance with standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. 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.

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

In our opinion, the system of quality control for the accounting and auditing practice of Moss, Levy & Hartzheim, LLP in effect for the year ended December 31, 2008, 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*. Moss, Levy & Hartzheim, LLP has received a peer review rating of *pass*.

Powell & Spafford, LLP

July 24, 2009

RON A. LEVY, CPA - PARTNER

- California licensed CPA with 33 years of audit experience with governmental entities.
- Partner in charge of all governmental audits, currently including 30 municipal audits (including Redevelopment Agency & Single Audits), 28 school district audits, and 62 special district audits.
- Has assisted governmental clients with year end closings, key position interviews, preparation of award winning CAFR's, and preparation of State Controller's Reports.
- Honored as CPA of the year (2006) by the Santa Barbara Chapter of the California Special Districts Association.
- Has met or exceeded all continuing education requirements, including recent courses in:
 - 2010, 2009, and 2008 Governmental Accounting Conferences*
 - GASB Statement No.34 Training Conference*
 - Compliance Auditing, Audit Sampling and Concluding the Audit*
 - Audits of State and Local Governments*
 - Governmental Accounting Update*
 - The Single Audit Act*
 - 2010, 2009, and 2008 School District Conferences*
 - Auditor's Reports on Audits of Local Governments*
 - Planning a Governmental Audit Engagement*
- Member of the following:
 - California Society of Municipal Finance Officers
 - American Institute of Certified Public Accountants
 - California Society of Certified Public Accountants
 - California Association of School Business Officials
 - Kiwanis Club
- A Bachelor of Science degree from Oregon State University conferred in 1977.
- Taught accounting courses at a branch of LaVerne College and Chapman College.
- Knowledgeable about all areas of tax law.

CRAIG HARTZHEIM, CPA – PARTNER (ALTERNATE)

- California licensed CPA with 24 years of audit experience with governmental entities.
- Alternate partner (manager) for all governmental audits, currently including 28 school district audits, 30 municipal audits, and 62 special districts.
- Has assisted governmental clients with year end closings, key position interviews, preparation of award winning CAFRs, and preparation of State Controller's Reports.
- Has met or exceeded all continuing education requirements, including recent courses in the following:

2010, 2009, and 2008 School District Conferences
2010, 2009, and 2008 Governmental Accounting Conferences
A-133 Compliance Supplement Review
Preparing Governmental Financial Statements
The New Yellow Book
Planning, Sampling, Internal Control, Compliance &
Program Specific Audits
Concluding the Audit, Reporting, Follow-up, & Indirect Cost
Considerations During Single Audits
Cost Allocations and Indirect Costs
GASB Statement No. 34 Training Conference
2003 Audit Planning: A Practical Guide

- A Bachelor of Science degree in Accounting from Marquette University conferred in 1982.
- Member of the following:
 - American Institute of Certified Public Accountants
 - California Society of Certified Public Accountants
- Knowledgeable about all areas of tax law.

BRAD SILVA, CPA – MANAGER

- California licensed CPA with 7 years of audit experience with governmental entities.
- Manager for governmental audits, currently including 22 municipal audits (including Redevelopment Agency & Single Audits), 8 school district audits, 14 special districts, and 5 non-profits.
- Has assisted governmental clients with year end closings, preparation of award winning CAFRs, and preparation of State Controller's Reports.
- Has met or exceeded all continuing education requirements, including recent courses in the following:
 - 2009, 2008, and 2007 School District Conferences*
 - 2010, 2008, and 2007 Governmental Accounting Conferences*
- A Bachelor of Arts degree in Business Economics with an emphasis in accounting from University of California Santa Barbara conferred in 2003.

RYAN CORNELL – SENIOR ACCOUNTANT

- A Bachelor of Science degree in Business Administration with a concentration in public accounting from California Polytechnic State University, San Luis Obispo.
- Senior Auditor for 15 school district audits, 14 special districts, and 4 non-profits.
- Has assisted governmental clients with year end closings, preparation of award winning CAFRs, and preparation of State Controller's Reports.
- Has attended recent courses in the following:

2010, 2009, and 2008 School District Conferences
2010, 2009, and 2008 Governmental Accounting Conferences
- Expects to receive CPA license in December 2010.

DAVID ORTIZ – INFORMATION TECHNOLOGY DIRECTOR

- Fifteen years of audit and computer experience with governmental entities.
- Extensive knowledge of:
 - Network design and implementation
 - Network maintenance and troubleshooting
 - Network security
 - Microsoft, Mac, and Linux operating systems
 - Database systems
 - Various accounting programs
- A Bachelor of Science degree in Business Administration with an emphasis in Accounting from California Polytechnic State University, San Luis Obispo.
- Expected to receive CCNA (Cisco Certified Network Associate) in December 2010.

CITY OF PASO ROBLES

APPENDIX C - CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS

CITIES

Adelanto	Holtville
Angels	Lathrop
Arroyo Grande	Lemon Grove
Atascadero	Lompoc
Beaumont	Lynwood
Bellflower	Morgan Hill
Brawley	Ojai
Buellton	Paradise
Calabasas	Paso Robles
Calexico	Santa Maria
Campell	Sonoma
Capitola	Susanville
Dinuba	Tracy
Discovery Bay	Watsonville
El Cerrito	Whittier
Eureka	Windsor
Grover Beach	Winters

GRANTS AND AID PROGRAMS

Allan Hancock Community College Student
Financial Aid Programs

TRANSIENT OCCUPANCY TAX

Represented the following cities in the audit
of hotel "bed tax" records:

Arroyo Grande	Pismo Beach
Bellflower	Santa Maria
Carmel	Whittier
Calexico	

UTILITY DISTRICT

Georgetown Divide Public Utility District

CEMETERY DISTRICTS

Arroyo Grande Cemetery District
Atascadero Cemetery District
Santa Maria Cemetery District
San Miguel Cemetery District

OTHER SCHOOL ENTITIES

Academia Semillas Del Pueblo Charter School
Antelope Valley Schools Transportation District
Family Partnership Home Study Charter School
Pacoima Charter School
Santa Ynez Valley Charter School
Southern California Regional Occupational Center
Stella Academy
Synergy Charter School

SCHOOL DISTRICTS

Acton-Agua Dulce Unified School District
Ballard School District
Blochman Union School District
Bradley Elementary School District
Brawley Union School District
Buellton Union School District
Calipatria Unified School District
Carpinteria Unified School District
Casmalia School District
Castaic Union School District
Cayucos Elementary School District
Coast Unified School District
Cold Spring School District
College Elementary School District
Cuyama Joint Unified School District
Eastside School District
El Segundo Unified School District
Goleta Union School District
Graves School District
Guadalupe Union School District
Hope Elementary School District
Hughes-Elizabeth Lakes Union School District
Keppel Union School District
Lancaster School District
Los Alamos Elementary School District
Los Olivos School District
Magnolia Union School District
Manhattan Beach Unified School District
Meadows Union School District
Mission Elementary School District
Montecito Union School District
Mulberry School District
Orcutt Union School District
Pacific Elementary School District
Palmdale School District
Pittsburg Unified School District
Pleasant Valley School District
San Ardo Elementary School District
San Lucas Elementary School District
San Miguel School District
Santa Maria High School District
Shandon Unified School District
Solvang Elementary School District
Temple City Unified School District
Templeton Unified School District
Torrance Unified School District
Vista Del Mar School District
Washington Union School District
Wilsona School District

CITY OF PASO ROBLES

APPENDIX C - CURRENT AND/OR RECENTLY COMPLETED GOVERNMENTAL AUDITS

COUNCIL OF GOVERNMENTS

Association of Monterey Bay Area Governments
 San Luis Obispo Council of Governments
 Transportation Agency for Monterey County
 Santa Cruz County Regional Transportation
 Commission
 Santa Barbara County Association of Governments

TRANSPORTATION DEVELOPMENT ACT FINANCIAL AUDITS

Arroyo Grande
 Brawley
 Calxico
 Grover Beach
 Holtville
 Paso Robles
 San Luis Obispo Council of Governments
 Santa Cruz County Regional Transportation
 Commission
 South County /San Luis Obispo Transit
 South County Area Transit
 Transportation Agency for Monterey County
 Local Transportation Fund
 State Transit Assistance Fund

OTHER DISTRICTS

Beach Cities Health District
 Cachuma Resource Conservation District
 County of Los Angeles - Delta Sigma Theta
 County of San Diego - Emergency Services
 Organization
 County of San Diego - In Home Supportive Services
 Public Authority
 County of San Diego - MIOCR Grant
 County of San Diego - RLETC Grant
 County of San Diego District Attorney's Office of
 Auto Insurance Fraud Grant, Urban Auto Fraud
 Grant and WC Insurance Fraud Grant
 Mosquito and Vector Management District
 of Santa Barbara County
 Port San Luis Harbor District
 Pajaro River Watershed Flood Prevention Authority
 Santa Maria Valley Water Conservation District

PUBLIC FINANCING AUTHORITY

Bellflower	Waterford
Gonzales	Santa Maria

RECREATION DISTRICTS

Isla Vista Recreation and Park District
 Rancho Simi Park and Recreation District

COUNTIES

Los Angeles County (Master list)
 San Diego County (Master list)

COMMUNITY SERVICES DISTRICTS

Cambria CSD
 Cuyama CSD
 Heritage Ranch CSD
 Independence Ranch CSD
 Los Alamos CSD
 Nice CSD
 Oceano CSD
 Rancho Murieta CSD
 Santa Ynez CSD
 Templeton CSD
 Vandenberg Village CSD

AMBULANCE SERVICES DISTRICT

Cambria Community Healthcare District

FIRE DISTRICTS

Cayucos Fire Protection District
 Orcutt Fire Protection District
 Lakeport Fire Protection District

REDEVELOPMENT AGENCIES

Adelanto	Lompoc
Arroyo Grande	Morgan Hill
Atascadero	Paso Robles
Beaumont	Santa Maria
Buellton	Soledad
Bellflower	Watsonville
Grover Beach	Whittier
Holtville	

SANITATION AND WATER DISTRICTS

Aldercroft Heights County Water District
 Amador Water District
 Carpinteria Sanitary District
 Cayucos Sanitary District
 County Sanitation Districts of LA County - All
 25 Districts
 Encina Wastewater Authority
 Montecito Sanitary District
 Marina Water District
 North Marin Water District
 Orange County Sanitation District - Internal Audits
 Soquel Creek Water District

CITY OF PASO ROBLES

APPENDIX D - REFERENCES

CITY OF SANTA MARIA

Contact: Rene Vise (805) 925-0951
Administrative Services Director
110 E. Cook Street
Santa Maria, CA 93454
2005 - Present

CAFR prepared in conformance with GASB 34, Single Audit, and Redevelopment Agency Audit
650 audit hours

CITY OF WATSONVILLE

Contact: William P. Hays, CPA, (831) 728-6148
Assistant Finance Director
250 Main Street
Watsonville, CA 95077
1999 - Present

CAFR prepared in conformance with GASB 34, Single Audit, and Redevelopment Agency Audit
650 Audit Hours

CITY OF MORGAN HILL

Contact: Kevin Riper (408) 779-7271
Finance Director
17555 Peak Avenue
Morgan Hill, CA 95037
2004 - Present

CAFR prepared in conformance with GASB 34, Single Audit,
TDA Audit and Redevelopment Agency Audit
450 audit hours

CITY OF ATASCADERO

Contact: Jeri Rangel, (805) 470-3430
Deputy Director of Administrative Services
6907 El Camino Real
Atascadero, CA 93422
2009 - Present

CAFR prepared in conformance with GASB 34, Single Audit, and Redevelopment Agency Audit
400 audit hours

CITY OF ARROYO GRANDE

Contact: Angela Kraetsch, (805) 473-5400
Director of Administrative Services
214 E. Branch Street
Arroyo Grande, CA 93421
2007 - Present

CAFR prepared in conformance with GASB 34, TDA Audit, and Redevelopment Agency Audit
400 audit hours

**EXHIBIT 2: AUDIT WORK COST PROPOSAL
AND
STANDARD HOURLY BILLING RATES**

The cost proposal dated June 4, 2010 as submitted by Moss, Levy & Hartzheim LLP is attached to and referenced herewith to the Agreement for Professional Auditing Services.

CITY OF PASO ROBLES
DOLLAR COST BID FOR FISCAL YEARS
2010-2011, 2011-2012, and 2012-2013

Submitted By:

Moss, Levy & Hartzheim LLP
802 East Main Street
Santa Maria, CA 93454
(805) 925-2579

Submitted On:

June 4, 2010

Contact Person:

Ron A. Levy, CPA

Certification:

Ron A. Levy, CPA, is entitled to represent the firm, is empowered to submit the bid, and is authorized to contract with the City of Paso Robles.

Attachment A

AUDIT WORK COST PROPOSAL FORM

Service	2010/11	2011/12	2012/13
City Audit and Related Reports	\$ 9,500	\$ 9,500	\$ 9,500
GANN Limit Review Report	\$ 1,000	\$ 1,000	\$ 1,000
Single Audit and Related Reports	\$ 4,000	\$ 4,000	\$ 4,000
Redevelopment Audit and Related Reports	\$ 3,600	\$ 3,650	\$ 3,650
Transportation Development Act Audit and Related Reports	\$ 4,100	\$ 4,200	\$ 4,300
Out of Pocket Expenses	-	-	-
Total for Fiscal Year	\$ 22,200	\$ 22,350	\$ 22,450
Annual State Controller's Cities Financial Transaction Report - Additional Projects	\$ 3,500	\$ 3,600	\$ 3,700

Attachment B

ESTIMATE OF COST

Name of Firm: Moss, Levy & Hartzheim LLP

Address: 802 E Main St
Santa Maria, CA 93454

Contact Name: Ron Levy, CPA

Contact Phone #: (805) 925-2579 Fax #: (805) 925-2147

Contact Email: rlevy@mlhcpas.com

Auditors Standard Hourly Billing Rates			
POSITION	2010/11	2011/12	2012/13
Partner	\$ 100	\$ 100	\$ 100
Manager	\$ 80	\$ 80	\$ 80
Senior Accountant	\$ 65	\$ 65	\$ 65
Staff Accountant	\$ 50	\$ 50	\$ 50
Clerical	\$ 35	\$ 35	\$ 35

**EXHIBIT 3: INSURANCE REQUIREMENTS
TO
PROFESSIONAL SERVICES AGREEMENT**

Consultant shall, at all times it is performing services under this Agreement, provide and maintain insurance in the following types and with limits in conformance with the requirements set forth below. Consultant will use existing coverage to comply with these requirements. If that existing coverage does not meet the requirements set forth here, Consultant agrees to amend, supplement or endorse the existing coverage to do so. Consultant acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amount of coverage required. Any insurance proceeds available to Consultant in excess of the limits and coverage required in this agreement and that is applicable to a given loss will be available to City.

1. Commercial General Liability Insurance, occurrence form, using Insurance Services Office ("ISO") "Commercial General Liability" policy form CG 00 01 or an approved equivalent. Defense costs must be paid in addition to limits. There shall be no cross liability exclusion for claims or suits by one insured against another. Limits are subject to review, but in no event shall be less than \$1,000,000 each occurrence;

2. Business Auto Coverage on ISO Business Automobile Coverage form CA 00 01 including symbol 1 (Any Auto) or an approved equivalent. Limits are subject to review, but in no event shall be less than \$1,000,000 each occurrence. If Consultant or its employees will use personal autos in any way in connection with performance of the Services, Consultant shall provide evidence of personal auto liability coverage for each such person.

3. Workers Compensation on a state-approved policy form providing statutory benefits as required by law with employers liability insurance, with minimum limits of \$1 million per occurrence.

4. Excess or Umbrella Liability Insurance (Over Primary) if used to meet limit requirements shall provide coverage at least as broad as specified for the underlying coverages. Any such coverage provided under an umbrella liability policy shall include a drop down provision providing primary coverage above a maximum self-insured retention for liability not covered by primary but covered by the umbrella. Coverage shall be provided on a "pay on behalf of" basis, with defense costs payable in addition to policy limits. Policy shall contain a provision obligating insurer at the time insured's liability is determined, not requiring actual payment by insured first. There shall be no cross-liability exclusion precluding coverage for claims or suits by one insured against another. Coverage shall be applicable to City for injury to employees of Consultant, subconsultants or others involved in performance of the Services. The scope of coverage provided is subject to approval of City following receipt of proof of insurance as required herein. Limits are subject to review but in no event less than \$1,000,000 per occurrence.

5. Professional Liability or Errors and Omissions Insurance as appropriate shall be written on a policy form coverage specifically designed to protect against acts, errors or omissions of the Consultant and "Covered Professional Services" as designated in the policy must include the type of work performed under this Agreement. The policy limit shall be no less than \$1,000,000 per claim and in the aggregate.

6. Insurance procured pursuant to these requirements shall be written by insurers that are authorized to transact the relevant type of insurance business in the State of California and with an A.M. Bests rating of A- or better and a minimum financial size VII.

7. General conditions pertaining to provision of insurance coverage by Consultant. Consultant and City agree to the following with respect to insurance provided by Consultant :

- a. Consultant agrees to have its insurer endorse the third party general liability coverage required herein to include as additional insured City, its officials, employees and agents, using standard ISO endorsement No. CG 2010 with an edition prior to 1992, or an equivalent. Consultant also agrees to require all contractors, and subcontractors to do likewise.
- b. No liability insurance coverage provided to comply with this Agreement, except the Business Auto Coverage policy, shall prohibit Consultant, or Consultant's employees, or agents, from waiving the right of subrogation prior to a loss. Consultant agrees to waive subrogation rights against City regardless of the applicability of any insurance proceeds, and to require all contractors and subcontractors to do likewise.
- c. All insurance coverage and limits provided by Consultant and available or applicable to this Agreement are intended to apply to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to the City or its operations limits the application of such insurance coverage.
- d. None of the coverages required herein will be in compliance with these requirements if they include any limiting endorsement of any kind that has not been first submitted to City and approved of in writing.
- e. No liability policy shall contain any provision or definition that would serve to eliminate so-called "third party action over" claims, including any exclusion for bodily injury to an employee of the insured or of any contractor or subcontractor.
- f. All coverage types and limits required are subject to approval, modification and additional requirements by the City, as the need arises, and City shall be responsible for the cost of any additional insurance required. Consultant shall not make any reductions in scope of coverage (e.g. elimination of contractual liability or reduction of discovery period) that may affect City's protection without City's prior written consent.
- g. Proof of compliance with these insurance requirements, consisting of certificates of insurance evidencing all of the coverages required and an additional insured endorsement to Consultant's general liability policy, shall be delivered to City at or prior to the execution of this Agreement. In the event such proof of any insurance is not delivered as required, or in the event such insurance is canceled at any time and no replacement coverage is provided, City may terminate this agreement in accordance with Section 22 of the Agreement.
- h. Certificate(s) are to reflect that the insurer will provide 30 days notice to City of any cancellation of coverage. Consultant agrees to require its insurer to modify such certificates to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, or that any party will "endeavor" (as opposed to being required) to comply with the requirements of the certificate.
- i. It is acknowledged by the parties of this agreement that all insurance coverage required to be provided by Consultant or any subcontractor, is intended to apply first and on a primary, noncontributing basis in relation to any other insurance or self insurance available to City.
- j. Consultant agrees to ensure that subconsultants, and any other party involved with the Services who is brought onto or involved in the Services by Consultant, provide the same minimum insurance coverage required of Consultant; provided, however that only subconsultants performing professional services will be required to provide professional liability insurance. Consultant agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Consultant agrees that upon request, all agreements with subcontractors and others engaged in the Services will be submitted to City for review.

- k. Consultant agrees not to self-insure or to use any self-insured retentions or deductibles on any portion of the insurance required herein and further agrees that it will not allow any contractor, subcontractor, Architect, Consultant or other entity or person in any way involved in the performance of work on the Services contemplated by this agreement to self-insure its obligations to City. If Consultant's existing coverage includes a deductible or self-insured retention, the deductible or self-insured retention must be declared to the City. At that time the City shall review options with the Consultant, which may include reduction or elimination of the deductible or self-insured retention, substitution of other coverage, or other solutions.
- l. The City reserves the right at any time during the term of the contract to change the amounts and types of insurance required by giving the Consultant ninety (90) days advance written notice of such change. If such change results in additional cost to the Consultant, and the City requires Consultant to obtain the additional coverage, the City will pay Consultant the additional cost of the insurance.
- m. For purposes of applying insurance coverage only, this Agreement will be deemed to have been executed immediately upon any party hereto taking any steps that can be deemed to be in furtherance of or towards performance of this Agreement.
- n. Consultant acknowledges and agrees that any actual or alleged failure on the part of City to inform Consultant of non-compliance with any insurance requirement in no way imposes any additional obligations on City nor does it waive any rights hereunder in this or any other regard.
- o. Consultant will endeavor to renew the required coverages for a minimum of three years following completion of the Services or termination of this agreement and, if Consultant is unable to do so, Consultant will notify City at least thirty days prior to the cancellation or expiration of the policy or policies.
- p. Consultant shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Proof that such coverage has been ordered shall be submitted prior to expiration. A coverage binder or letter from Consultant's insurance agent to this effect is acceptable. A certificate of insurance and/or additional insured endorsement as required in these specifications applicable to the renewing or new coverage must be provided to City within five days of the expiration of the coverages.
- q. The provisions of any workers' compensation or similar act will not limit the obligations of Consultant under this agreement. Consultant expressly agrees that any statutory immunity defenses under such laws do not apply with respect to City, its employees, officials and agents.
- r. Requirements of specific coverage features or limits contained in this section are not intended as limitations on coverage, limits or other requirements nor as a waiver of any coverage normally provided by any given policy. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue, and is not intended by any party or insured to be limiting or all-inclusive.
- s. These insurance requirements are intended to be separate and distinct from any other provision in this agreement and are intended by the parties here to be interpreted as such.
- t. The requirements in this Section supersede all other sections and provisions of this Agreement to the extent that any other section or provision conflicts with or impairs the provisions of this Section.
- u. Consultant agrees to be responsible for ensuring that no contract entered into by Consultant in connection with the Services authorizes, or purports to authorize, any third party to charge City an

amount in excess of the fee set forth in the agreement on account of insurance coverage required by this agreement. Any such provisions are to be deleted with reference to City. It is not the intent of City to reimburse any third party for the cost of complying with these requirements. There shall be no recourse against City for payment of premiums or other amounts with respect thereto.

v. Consultant agrees to provide immediate notice to City of any claim or loss against Consultant arising out of the work performed under this agreement. City assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City.

RESOLUTION NO. 10-XXX

A RESOLUTION OF THE CITY OF EL PASO DE ROBLES
APPROVING A CONTRACT FOR AUDITING AND REPORTING
SERVICES TO MOSS, LEVY & HARTZHEIM LLP, CERTIFIED PUBLIC
ACCOUNTING FIRM

WHEREAS, City policy is to distribute a Request for Proposal for professional auditing services and related reporting every five years; the last Request for Proposal was distributed in 2003; and

WHEREAS, Requests for Proposals were widely distributed; and

WHEREAS, the City received ten responses that were fairly evaluated; and

WHEREAS, the proposal response received from Moss, Levy & Hartzheim LLP was rated as the highest and best proposal; and

WHEREAS, the Moss, Levy & Hartzheim's cost to undertake both the audit and the preparation of the State Controller's Annual Report of Financial Transactions was the lowest.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that the audit and related reporting work be awarded to Moss, Levy & Hartzheim LLP, a certified public accounting firm.

BE IT FURTHER RESOLVED that the Director of Administrative Services is hereby authorized to execute a contract with Moss, Levy & Hartzheim LLP for the engagement (attached herewith).

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 20th day of July 2010 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Duane Picanco, Mayor

ATTEST:

Caryn Jackson, Deputy City Clerk