

#15-459  
6/11/15

CITY OF FRESNO  
PROFESSIONAL AUDIT SERVICES RFP  
RFP No: 9317

CITY OF FRESNO  
City Clerk's Office (Original)

**AGREEMENT FOR PROFESSIONAL AUDIT SERVICES**

THIS AGREEMENT is made and entered into effective the 11 day of June , 2015, by and between the CITY OF FRESNO, a California municipal corporation (hereinafter referred to as "CITY"), and BROWN ARMSTRONG, CPAs (hereinafter referred to as "AUDITOR").

**RECITALS**

WHEREAS, CITY desires to obtain professional auditing services for the examination of its financial records and Comprehensive Annual Financial Report – CAFR and Single Audit and Other Compliance Reports (financial statements) pursuant to and in accordance with Section 1216 of the Charter of the City of Fresno and the Single Audit Act of 1984 as amended in 1996, and US. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations as revised in 2003 and 2007; and

WHEREAS, CITY desires to obtain professional auditing services for the examination of the financial records related to the Fresno City Employees' Health and Welfare Trust – Self-Insured Medical Plans, the results of which are include in the CAFR; and

WHEREAS, CITY desires to obtain professional services related to Applying Agreed-upon Procedures on compliance and internal control over reporting required data to the Federal Transit Administration (FTA) following standards as required for completion of the Funding Allocation Statistics form (FFA-10). – Fresno Area Express

WHEREAS, CITY desires to obtain professional auditing services for the examination of the financial records in accordance with and related to the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide) issued by the Federal Aviation Administration applicable to the Airport's Passenger Facility Charge (PFC) program; and

WHEREAS, CITY desires to obtain professional agreed-upon procedures applied to Appropriations Limit Worksheet as recommended by the League of California Cities (League) performed solely to assist the City in meeting requirements of Section 1.5 of Article XIII B of the California Constitution; and

WHEREAS, AUDITOR is a certified public accounting firm engaged in the business of examining financial statements in accordance with generally accepted auditing standards, and AUDITOR warrants and represents that the persons who will be performing the services required by this AGREEMENT are professionally and legally capable of performing such services, and that the partners of such firms responsible for the services hereunder, are certified public accountants, and that they are duly authorized to practice and are licensed in the State of California.

WHEREAS, AUDITOR acknowledges that this AGREEMENT is subject to the requirements of Fresno Municipal Code Section 4-107 and Administrative Order No. 6-19, and

WHEREAS, this AGREEMENT will be administered for the CITY by its Finance Directory/Controller (hereinafter referred to as "Administrator") or his/her designee.

## AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the covenants, conditions, and premises hereinafter contained, to be kept and performed by the respective parties, it is mutually agreed as follows:

### 1. Scope of Services.

(a) In accordance with generally accepted auditing standards, AUDITOR shall audit CITY'S Comprehensive Annual Financial Report ("CAFR"), perform a financial and compliance audit of federal assistance received by CITY, and prepare an audit report for each fiscal year beginning with FY2015 and ending with FY2019. It is the intent of the City to retain the audit firm for a period a four (4) years with three (3) optional one-year extensions. The contract will not exceed seven years and is subject to the review and recommendation of the Finance Director/City Controller, or his/her designee and the amount of the availability of an appropriation.

Whenever used in this AGREEMENT, "fiscal year" shall mean the twelve month fiscal period of CITY which commences on July 1 in every year and ends on the following June 30. AUDITOR shall conduct audits of the financial statements in accordance with generally accepted auditing standards, "Governmental Auditing Standards" issued by the Comptroller General of the United States and the provisions of the Single Audit Act of 1984 as amended in 1996, and US. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations as revised in 2003 and 2007. Such standards, circulars, supplements or guides require that the audits be planned and performed to obtain reasonable rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting or misappropriation of assets. Accordingly, a material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets, may remain undetected. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As a result, an audit is not designed to detect errors or fraud that is immaterial to the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. AUDITOR'S work shall provide a reasonable basis for its reports on the financial statements and on matters of compliance.

(b) AUDITOR shall audit the financial records of the Fresno City Employees' Health and Welfare Trust which are included in the CAFR for each fiscal year during the term of this AGREEMENT beginning with FY2015 and ending with FY2019. AUDITOR shall make the examination in accordance with generally accepted auditing standards.

(c) AUDITOR shall apply Agreed-upon Procedures on compliance and internal control over reporting required data to the Federal Transit Administration (FTA) following standards as required for completion of the Funding Allocation Statistics form (FFA-10) – Fresno Area Express (FAX) National Transit Data Base Report (NTD) for each fiscal year during the term of this AGREEMENT beginning with FY2015 and ending with FY2019.

(d) For each such fiscal year, AUDITOR shall perform compliance testing in accordance with and related to the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (Guide) issued by the Federal Aviation Administration applicable to the Airport's Passenger Facility Charge (PFC) program.

(e) It is understood that since AUDITOR'S examinations as described in Subsections 1(a) through 1(b), above, will be based on the concept of testing the data being examined, there is risk that material errors, irregularities, and illegal acts, if they exist, will not be detected. However, AUDITOR shall immediately notify CITY if any such matters are disclosed or come to AUDITOR'S attention during their examinations.

(f) AUDITOR represents and ensures that all financial statement and compliance audits performed pursuant to this AGREEMENT will meet the requirements of the Single Audit Act of 1984 as amended in 1996, and US. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations as revised in 2003 and 2007, and be acceptable to the U.S. Department of Transportation, Federal Transit Administration (FTA), assuming such acceptance is not unreasonably refused.

(g) AUDITOR shall comply with the Single Audit Act of 1984 as amended in 1996, and US. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations as revised in 2003 and 2007 in that any instances of defalcation or misuse of federal funds or instances of serious non-compliance with applicable statutes or regulations which come to the attention of AUDITOR during the performance of the services hereunder shall be reported to FTA and CITY'S Finance Director/Controller, Audit Committee and City Management.

(h) Upon request and written authorization of CITY'S Finance Director/Controller, AUDITOR shall provide assistance in the preparation of any report required by the State of California. Upon such request and prior to performing the work, AUDITOR shall provide Finance Director/Controller with its cost to prepare the report(s), including the hourly rates in accordance with Subsection 3(b), below. AUDITOR shall not perform the work unless Finance Director/Controller, after considering such cost, authorizes AUDITOR, in writing, to prepare the report(s).

(i) AUDITOR shall issue all reports pursuant to this AGREEMENT in accordance with laws, regulations, and professional standards applicable to the services hereunder.

(j) For each fiscal year hereunder, AUDITOR shall provide a Management Letter to CITY'S Mayor, Council, Audit Committee and City Manager advising the CITY of significant opportunities observed by AUDITOR for economies in operation, improvements in internal control, and effectiveness of CITY'S utilization of its resources. AUDITOR shall also make appropriate recommendations, if applicable, in a separate letter to CITY'S Finance Director/Controller for similar significant opportunities of improvement in the Finance Department. This letter is to be issued by March 31, or within 30 days of the issuance of the CAFR, immediately following the respective fiscal year.

(k) AUDITOR shall cause said auditing services to be performed by qualified persons having experience suitable to the positions and experience specified in Subsection 3(b), below.

## 2. Term.

The term of this AGREEMENT shall begin upon execution of this AGREEMENT by both parties and ends June 11, 2019 or as soon as all reports related to fiscal year 2018 are completed and issued, unless otherwise extended or terminated as provided for in this AGREEMENT. It is the intent of the City to retain the audit firm for a period a four (4) years with three (3) optional one-year extensions. The contract will not exceed seven years and is subject to the review and recommendation of the Finance Director/City Controller, or his/her designee and the amount of the availability of an appropriation.

## 3. Compensation.

(a) AUDITOR'S sole compensation for satisfactory performance of all services required or rendered pursuant to this AGREEMENT for each fiscal year shall be a total fee not to exceed the respective "All-inclusive Professional Fee" amount set forth in Subsection 3(c), below, paid in accordance with the hourly rates set forth in Subsection 3(b), below, and limited by the amounts set forth for the respective service in Subsection 3(c). Such total fee amount includes all expenses incurred by AUDITOR in performance of such services.

(b) Except for FY2016 through FY2019 services performed pursuant to Subsection 1(h) of this AGREEMENT, all services shall be paid at the following hourly rates:

	<u>Rate Per Hour</u>
Partner	<u>\$182.95</u>
Manager	<u>\$152.95</u>
Supervisory staff	<u>\$102.95</u>
Staff	<u>\$ 72.95</u>
Support Staff	<u>\$ 47.95</u>

Services performed pursuant to Subsection 1(h) for FY2015 shall be paid at the preceding hourly rates. Any increase to the hourly rates for such services for subsequent fiscal years shall not exceed five percent (5%) of the hourly rates for the immediately preceding fiscal year.

(c) In no event, shall the fee and expenses for the respective audit service(s) exceed the amounts indicated below:

**Services**

	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>
• CAFR & Letters*	\$ 129,745	\$ 132,350	\$ 135,050	\$ 137,675
• Single Audit	\$ 19,410	\$ 19,875	\$ 20,300	\$ 20,700
• Health & Welfare (no standalone report)	\$ 6,835	\$ 6,985	\$ 7,125	\$ 7,295
• Fresno Area Express (FAX) NTD Report	\$ 5,295	\$ 5,425	\$ 5,510	\$ 5,595
• Passenger Facility Charges (PFC) Airports – billed to Airports	\$ 5,665	\$ 5,740	\$ 5,865	\$ 5,950
• Out of Pocket Expenses**	\$ 3,050	\$ 3,110	\$ 3,120	\$ 3,325
Total Professional Fees	<u>\$170,000</u>	<u>\$173,485</u>	<u>\$176,970</u>	<u>\$180,540</u>

\*Letters - Subsection 1(j) herein.

\*\* Meals & Lodging, Transportation, Mail/Courier/Delivery Charges.

(d) Statements may be rendered not more than once per month, as the work progresses. Such statements shall be payable by CITY within 45 days of receipt. CITY shall not be obligated to reimburse any expense for which it has not received a detailed invoice with applicable copies of representative and identifiable receipts or records substantiating such expense.

(e) The parties may modify this AGREEMENT to increase the scope of services or provide for the rendition of services not required by this AGREEMENT, which modification shall include an agreed upon increase in AUDITOR'S compensation. Any increase or change in the scope of services must be made by written amendment to the AGREEMENT signed by an authorized representative for each party. AUDITOR shall not be entitled to any additional compensation if work is performed prior to a signed written amendment.

**4. Additional Work or Extraordinary Services.**

The maximum annual "All-inclusive Professional Fee" in Section 3, above, contemplates that conditions satisfactory to the normal progress and completion of the examinations will be encountered and CITY accounting personnel will furnish assistance in connection with the preparation of necessary detail schedules and the production of documents for AUDITOR'S inspection. In the event that extraordinary circumstances are encountered making it necessary for AUDITOR to do additional work, AUDITOR shall report such conditions immediately to CITY'S Finance Director/Controller, prior to performing the additional work, for Finance Director/Controller's written directions. AUDITOR shall not be entitled to any additional compensation if work is performed prior to CITY'S Finance Director/Controller providing written authorization for such work and compliance with Subsection 3(e), above. All AUDITOR'S requests for authorization to perform additional work shall be submitted to the Finance Director/Controller. Any approved additional work shall be compensated based on the hourly rates in Subsection 3(b), above.

**5. Completion and Number of Audit Reports.**

(a) AUDITOR shall issue one original report on the combined general purpose financial statements to be included in the CAFR. AUDITOR shall issue thirty (30) copies of the single audit reports and twenty-five (25) copies of all other financial statements and audit reports to be issued in accordance with Section 1 of this AGREEMENT. AUDITOR agrees to complete and provide all reports for the respective fiscal year no later than March 28, immediately following, provided that the books and records are closed for audit, and all account analyses and requested schedule preparation is completed by the dates, or any extensions, agreed upon by CITY and AUDITOR.

(b) It is agreed that AUDITOR shall be liable for and shall pay to CITY, as fixed, and agreed, liquidated damages, and not as a penalty, the sum of \$500 per CITY work week for each CITY work week of delay in providing the reports from the date for completion as specified in Subsection 5(a), above, or in any written extension of time granted by CITY. CITY may withhold such sum accrued from any payment due AUDITOR pursuant to this AGREEMENT. For purposes of this subsection, "CITY work week" shall mean five (5) CITY business days. If AUDITOR is delayed in performing due to a cause(s) not within its control, AUDITOR will not be liable for such delay in its performance and the period for performance will be extended by the same period of such delay. AUDITOR shall notify CITY within 24 hours of any delay of the cause(s) for such delay. If CITY and AUDITOR are unable to agree as to the cause of AUDITOR'S delay herein, the parties agree to submit to non-binding arbitration, before an arbitrator and at a location agreed upon by both parties, at the earliest practicable date. The cost of arbitration will be shared equally by both parties.

(c) CITY Finance Director/Controller and his/her staff will provide a minimum of 400 hours of combined staff support time during the period of June through December of each calendar year of this AGREEMENT. A Principal Accountant/Senior Accountant-Auditor and/or an Accountant-Auditor and all other staff as necessary shall be assigned to the audit during such period. Audit schedules to be prepared by CITY will be provided, following request by AUDITOR, by the date(s) mutually agreed upon by the parties. Any extensions of time for providing such audit schedules will be mutually agreed upon by the parties.

(d) Time is of the essence in the performance of this AGREEMENT by both parties.

**6. Detection of Irregularities and Illegal Acts.**

CITY and AUDITOR acknowledge that the financial statement audits covered by the AGREEMENT shall be conducted in accordance with generally accepted auditing standards, "Governmental Auditing Standards" issued by the Comptroller General of the United States and the provisions of the Single Audit Act, and the OMB Circular A-133 and "OMB's Compliance Supplement published by the U.S. Office of Management and Budget." Such standards, circulars, supplements or

guides require that the audits be planned and performed to obtain reasonable rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting or misappropriation of assets. According, a material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets, may remain undetected.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As a result, an audit is not designed to detect errors or fraud immaterial to the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. AUDITOR'S work shall provide a reasonable basis for its reports on the financial statements and on matters of compliance.

#### **7. Notification to City of Irregularities / Illegal Acts.**

AUDITOR shall make an immediate, written report of any and all irregularities and illegal acts or indications of illegal acts of which they become aware. Such reports shall be addressed to the following persons.

(a) If committed by an agent or employee of, or by, CITY Finance Director/Controller; direct notification to the City Manager, Audit Committee and the City Attorney.

(b) If committed by an agent or employee of, or by, CITY Chief Administrative Officer(s), i.e., City Managers or Deputy City Manager; direct notification to the City Council, Audit Committee and City Attorney.

(c) If committed by an agent or employee of, or by, the Mayor and/or any Council Members; direct notification to the City Council, Audit Committee the City Attorney and any other person or entity as identified under applicable law.

#### **8. Engagement Letter**

At the beginning of each engagement year, the CITY will sign an engagement letter, as required by industry standards, which summarizes and reaffirms the aspects of the written contract between the AUDITOR and the CITY, stating both parties' understanding of the professional relationship. The letter allocates, in the same limiting language as the contract, the responsibilities of the engagement for the AUDITOR and the CITY, and it's a communication link, providing both parties with a focus and an opportunity to recall the specifics of the contract.

The letter restates what the engagement entails, ensuring that the AUDITOR and the CITY have the same point of view as to the intent of the engagement.

#### **The engagement letter will cover:**

- the purpose of the engagement;
- specifically what the AUDITOR "will and won't do" (the scope);
- CITY instructions and responsibilities;
- reliance on facts the CITY gives the AUDITOR;
- known adverse or negative conditions or circumstances;
- billing rates and estimates;
- request for the CITY'S signature; and
- instructions to return the signed engagement letter.

**In addition, engagement letters may include:**

- warnings about inadequate internal control;
- limitations on distribution of financial statements (what the CITY intends to do with them);
- record retention policy.

Any discrepancies and/or inconsistencies between the Engagement Letter and the AGREEMENT will be superseded by the AGREEMENT.

**9. Audit Representation Letter.**

During the course of the audit engagement, the parties acknowledge that CITY personnel will make a variety of oral representations in response to questions raised by AUDITOR. CITY also acknowledges that Statement of Auditing Standard No. 19 requires that written representation must be obtained by AUDITOR which confirms the oral representations. While there is no comprehensive list of items that must be included in a representation letter, SAS No. 19 identifies the following items that will ordinarily be included:

- (a) The City's statement of responsibility for the financial statements
- (b) The availability of all records including minutes of Council meetings and/or other meetings as may be appropriate
- (c) Statement that there are no significant misstatements in the statements and no unrecorded transactions.
- (d) Related party disclosures
- (e) The City's noncompliance with any contracts
- (f) Subsequent events
- (g) Irregularities
- (h) Restrictive Covenants
- (i) Noncompliance with reporting requirements of regulatory agencies
- (j) Plans and intentions that affect amounts on the financial statements
- (k) Inventory representations
- (l) Losses from sales commitments
- (m) Title to assets, liens, or pledges as collateral
- (n) Repurchase agreements
- (o) Losses from purchase commitments
- (p) Illegal acts and related loss contingencies
- (q) Other liabilities and gain or loss contingencies
- (r) Unasserted claims or assessments that counsel feels are likely to be asserted
- (s) Options, agreements and restrictions on assets
- (t) Statement that the representation letter pertains to the financial statements

**10. Responsibilities of Each Party to the AGREEMENT.**

AUDITOR will advise CITY of generally accepted accounting principles applicable to its activities as a local government unit. However, management of CITY remains responsible for (a) preparation of accurate financial statements prepared in accordance with generally accepted accounting principles applicable to governmental units such as CITY; (b) establishing and maintaining effective internal control over financial reporting and safeguarding of assets; (c) properly recording transactions in the records; and (d) identifying and ensuring that CITY complies with the laws, regulations and generally accepted accounting principles applicable to its activities.

**11. Reports on Compliance and Internal Control.**

AUDITOR shall issue all reports pursuant to AGREEMENT in accordance with applicable laws, regulations, and professional standards. AUDITOR's reports on compliance will address material errors; fraud; violations of compliance requirements and other responsibilities imposed by state and federal statutes and regulations and assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which AUDITOR becomes aware, consistent with requirements of the standards and circulars identified in AGREEMENT. AUDITOR's reports on internal control shall include any reportable conditions and material structural or operational weaknesses in systems of CITY of which AUDITOR becomes aware as a result of obtaining an understanding of internal control consistent with requirements of the standards and circulars identified in the AGREEMENT.

**12. Circumstances Leading to Termination of AGREEMENT.**

If circumstances arise relating to the conditions of CITY records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, misappropriation of assets or noncompliance which are not curable within seven (7) calendar days and which in AUDITOR's professional judgment prevents AUDITOR from completing the audits; AUDITOR retains the right, upon not less than seven (7) calendar days written notice to CITY, to take a course of action permitted by professional standards, law, and in accordance with provisions contained in Subsection 12 (c) of this AGREEMENT.

**13. Termination of AGREEMENT.**

(a) During any fiscal year, either party may terminate this AGREEMENT without cause, upon at least one hundred and twenty (120) calendar days prior written notice of termination to the other party before the end of such fiscal year.

(b) If, for any reason, CITY determines there is insufficient funding available for any fiscal year(s) and the City Council fails to appropriate funds for payment of AUDITOR hereunder, then CITY may terminate this AGREEMENT immediately without any liability whatsoever of CITY to AUDITOR for breach of contract, default, detrimental reliance or any other basis in law or equity, upon written notice of termination to AUDITOR in the manner provided herein.

(c) This AGREEMENT may be terminated immediately by either party upon sixty (60) calendar days prior written notice should the other party fail substantially to observe, fulfill or perform any obligation, covenant, term or condition in accordance with this AGREEMENT. A party will have failed substantially to observe, fulfill or perform any obligation, covenant, term or condition of this AGREEMENT, if such failure is not cured within such sixty (60) calendar days prior written notice and this shall constitute a material default and breach of this AGREEMENT.

(d) In the event of termination not due to the material default of AUDITOR, AUDITOR shall be paid compensation for services satisfactorily performed prior to the effective date of the notice of termination. In the event of termination due to the material default of AUDITOR, CITY may withhold an amount that would otherwise be payable as an offset to, but not in excess of, CITY damages caused by such failure.

(e) This AGREEMENT shall terminate without any liability of CITY to AUDITOR upon the AUDITOR'S filing for protection under the federal bankruptcy laws, or any bankruptcy petition or petition for receiver commenced by a third party against AUDITOR.

(f) Immediately upon any termination or expiration of this AGREEMENT, AUDITOR shall (i) immediately stop all work hereunder, (ii) immediately cause any and all of its subcontractors to cease work; and (iii) return to CITY any and all unearned payments, if any, and all properties and materials in the possession of AUDITOR that are owned by CITY. Subject to the terms of this AGREEMENT,

AUDITOR shall be paid compensation for services satisfactorily performed prior to the effective date of termination. AUDITOR shall not be paid for any work or services performed or costs incurred which reasonably could have been avoided.

(g) In the event of termination due to failure of AUDITOR to satisfactorily perform in accordance with the terms of this AGREEMENT, CITY may withhold an amount that would otherwise be payable as an offset to, but not in excess of, CITY's damages caused by such failure. In no event shall any payment impair or prejudice any remedy available to the CITY with respect to breach.

(h) In the event CITY terminates the AGREEMENT pursuant to Subsection 12(c), above, or upon any breach of the AGREEMENT by AUDITOR, CITY may (i) exercise any right, remedy (in contract, law or equity), or privilege which may be available to it under applicable laws of the State of California or any other applicable law; (ii) proceed by appropriate court action to enforce the terms of the AGREEMENT; and/or (iii) recover all direct, indirect, consequential, economic or incidental damages for the breach of the AGREEMENT. If it is determined that CITY improperly terminated this AGREEMENT for default, such termination shall be deemed a termination for convenience.

(i) AUDITOR shall provide CITY with adequate written assurance of future performance, upon Administrator's request, in the event AUDITOR fails to comply with any terms or conditions in this AGREEMENT.

(j) AUDITOR shall be liable for default unless nonperformance is caused by an occurrence beyond the reasonable control of AUDITOR and without its fault or negligence such as, acts of God or the public enemy, acts of CITY in its contractual capacity, fire, floods, epidemics, quarantine restrictions, strikes, unusually severe weather, and delays of common carriers. AUDITOR shall notify Administrator in writing as soon as it is reasonable possible after the commencement of any excusable delay, setting forth the full particulars in connection therewith, and shall remedy such occurrence with all reasonable dispatch, and shall promptly give written notice to Administrator of the cessation of such occurrence.

(k) No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

#### **14. Confidential Information.**

Any reports, information, or other data prepared or assembled by AUDITOR pursuant to this AGREEMENT shall not be made available to any individual or organization by AUDITOR without the prior written approval of CITY. During the term of this AGREEMENT, and thereafter, AUDITOR shall not, without the prior written consent of CITY, disclose to anyone any Confidential Information. AUDITOR agrees to comply with Rule 301 of the American Institute of Certified Public Accounts Code of Professional Conduct, *Confidential Client Information*:

*A member in public practice shall not disclose any confidential client information without the specific consent of the client.*

*This rule shall not be construed (1) to relieve a member of his or her professional obligations under rules 202 [ET Section 202.01] and 203 [ET Section 203.01], (2) to affect in any way the member's obligation to comply with a validly issued and enforceable subpoena or summons, or prohibit a member's compliance with applicable laws and government regulations' (3) to prohibit review of a member's professional practice under AICPA or state CPA society or Board of Accountancy authorization, or (4) to preclude a member from initiating a complaint with, or responding to any inquiry made by, the professional ethics divisions or trial board of the Institute or a duly constituted investigative or disciplinary body of a state CPA society or Board of Accountancy.*

*Members of any bodies identified in (4) above and members involved with professional practice reviews identified in (3) above shall not use to their own advantage or disclose any member's confidential client information that comes to their attention in carrying out those activities. This prohibition shall not restrict members' exchange of information in connection with the investigative or disciplinary proceedings described in (4) above or the professional practice reviews described in (3) above.*

The term Confidential Information for the purposes of this AGREEMENT shall include all proprietary and confidential information of CITY, including but not limited to business plans, marketing plans, financial information, designs, drawings, specifications, materials, compilations, documents, instruments, models, source or object codes and other information disclosed or submitted, orally, in writing, or by any other medium or media. All Confidential Information shall be and remain confidential and proprietary in CITY.

**15. Ownership of Documents.**

All work papers of AUDITOR shall remain the property of AUDITOR. In addition, to the extent that AUDITOR utilizes any of its property (including, without limitation, any hardware or software of AUDITOR or any proprietary or confidential information or trade secrets of AUDITOR) in performing the services hereunder, such property shall remain the property of AUDITOR and CITY shall acquire no right or interest in such property.

**16. Use of Auditor's Report for Other Purposes.**

AUDITOR's reports on the financial statements will not be included in an official statement or other document involved with the sale of debt instruments without AUDITOR's prior consent. Such consent by AUDITOR will not be required in the event such reports, financial statements and references to AUDITOR or its audit are a part of any litigation or disclosed by CITY as required by law or order of a court of competent jurisdiction.

**17. Professional Skill.**

It is mutually understood and agreed by and between the parties hereto that inasmuch as AUDITOR and its subcontractors, if any, represents to CITY that AUDITOR is skilled in the profession and shall perform in accordance with the standards of said profession necessary to perform the work agreed to be done by it under this AGREEMENT, CITY relies upon the skill of AUDITOR and any subcontractors to do and perform its work in a skillful manner and AUDITOR agrees to thus perform its work and require the same of any subcontractors. Acceptance of its work by CITY shall not operate as a release of AUDITOR or any subcontractors from said standard of care and workmanship.

**18. Indemnification.**

To the furthest extent allowed by law, AUDITOR shall indemnify, hold harmless and defend CITY and each of its officers, officials, employees, agents and volunteers from any and all loss, liability, fines, penalties, forfeitures, costs and damages (whether in contract, tort or strict liability, including, but not limited to personal injury, death at any time and property damage) and from any and all claims, demands and actions in law or equity (including reasonable attorney's fees and litigation expenses) that arise out of, pertain to, or relate to the negligence, recklessness or willful misconduct of AUDITOR, its principals, officers, employees, agents or volunteers in the performance of this AGREEMENT.

If AUDITOR should subcontract all or any portion of the work to be performed under this AGREEMENT, AUDITOR shall require each subcontractor to indemnify, hold harmless and defend CITY and each of its officers, officials, employees, agents and volunteers in accordance with the terms of the preceding paragraph.

This section shall survive termination or expiration of this AGREEMENT.

**19. Insurance.**

Throughout the life of this AGREEMENT, AUDITOR shall pay for and maintain in full force and effect all insurance as required in Exhibit B which is incorporated into and part of this AGREEMENT, with an insurance company(ies) either (i) admitted by the California Insurance Commissioner to do business in the State of California and rated no less than "A-VII" in the Best's Insurance Rating Guide, or (ii) as may be authorized in writing by CITY's Risk Manager or his/her designee at any time and in his/her sole discretion. The required policies of insurance as stated in Exhibit B shall maintain limits of liability of not less than those amounts stated therein. However, the insurance limits available to CITY, its officials, employees, agent and volunteers as additional insured's, shall be the greater of the minimum limits specified therein or the full limit of any insurance proceeds to the named insured.

If at any time during the life of the AGREEMENT or any extension, AUDITOR or any of its subcontractors fail to maintain any required insurance in full force and effect, all services and work under this AGREEMENT shall be discontinued immediately, and all payments due or that become due to AUDITOR shall be withheld until notice is received by CITY that the required insurance has been restored to full force and effect and that the premiums therefore have been paid for a period satisfactory to CITY. Any failure to maintain the required insurance shall be sufficient cause for CITY to terminate this AGREEMENT. No action taken by CITY pursuant to this section shall in any way relieve AUDITOR of its responsibilities under this AGREEMENT. The phrase "fail to maintain any required insurance" shall include, without limitation, notification received by CITY that an insurer has commenced proceedings, or has had proceedings commenced against it, indicating that the insurer is insolvent.

The fact that insurance is obtained by AUDITOR shall not be deemed to release or diminish the liability of AUDITOR, including, without limitation, liability under the indemnity provisions of this AGREEMENT. The duty to indemnify CITY shall apply to all claims and liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by AUDITOR. Approval or purchase of any insurance contracts or policies shall in no way relieve from liability nor limit the liability of AUDITOR, its principals, officers, agents, employees, persons under the supervision of AUDITOR, vendors, suppliers, invitees, consultants, sub-consultants, subcontractors, or anyone employed directly or indirectly by any of them.

Upon request of CITY, AUDITOR shall immediately furnish CITY with a complete copy of any insurance policy required under this AGREEMENT, including all endorsements, with said copy certified by the underwriter to be a true and correct copy of the original policy. This requirement shall survive expiration or termination of this AGREEMENT.

If AUDITOR should subcontract all or any portion of the work or services to be performed under this AGREEMENT, AUDITOR shall require each subcontractor to provide insurance protection in favor of CITY and each of its officers, officials, employees, agents and volunteers in accordance with the terms of this section, except that any required certificates and applicable endorsements shall be on file with AUDITOR and CITY prior to the commencement of any work or services by the subcontractor. AUDITOR and any subcontractors shall establish additional insured status for CITY, its officers, officials, employees, agents and volunteers by using Insurance Service Office (ISO) Form CG 20 10 11 85 or both CG 20 10 10 01 and CG 20 37 10 01 or by an executed manuscript company endorsement providing additional insured status as broad as that contained in ISO Form CG 20 10 11 85.

**20. General Terms.**

(a) Except as otherwise provided by law, all notices expressly required of CITY within the body of this AGREEMENT, and not otherwise specifically provided for, shall be effective only if signed by CITY'S Finance Director/Controller.

(b) In performing the work or services to be provided hereunder, AUDITOR shall not employ or retain the services of any person while such person either is employed by CITY or is a member of any CITY council, commission, board, committee, or similar CITY body. This requirement may be waived in writing by CITY'S Chief Administrative Officer (City Manager) if no actual or potential conflict is involved.

(c) AUDITOR agrees that duly authorized representatives of CITY, CITY'S federal cognizant agency, currently the Department of Transportation with the Federal Transportation Agency being its direct cognizant agency, and the Comptroller General of the United States shall, until the expiration of three years after final payment under this AGREEMENT, have access to and the right to examine the non-proprietary documents prepared in connection with the audits performed under this AGREEMENT upon reasonable notice to AUDITOR during normal business hours of AUDITOR. As used in this subsection, non-proprietary documents are documents, workpapers, and other materials which are not, or do not contain any of AUDITOR'S proprietary or confidential information or trade secrets. AUDITOR agrees to retain said non-proprietary documents for auditing purposes for CITY, CITY's federal cognizant agency, and Comptroller General of the United States until the expiration of three years after final payment under this AGREEMENT.

Records of AUDITOR'S expenses pertaining to the auditing services shall be kept on a generally recognized accounting basis and shall be available to CITY or its authorized representatives upon request during regular business hours throughout the life of this AGREEMENT and for a period of three years after final payment and for any period required by law. In addition, all books, documents, papers, and records of AUDITOR pertaining to the services performed hereunder shall be available for the purpose of making audits, examinations, excerpts, and transcriptions for the same period of time.

This Subsection shall survive expiration or termination of this AGREEMENT.

(d) Prior to execution of this AGREEMENT by CITY, AUDITOR shall have provided evidence to CITY that AUDITOR is licensed to perform the services called for by this AGREEMENT. If AUDITOR should subcontract all or any portion of the work to be performed under this AGREEMENT, AUDITOR shall require each subcontractor to provide evidence to CITY that subcontractor is licensed to perform the services called for by this AGREEMENT (or that no license is required) before beginning work.

(e) CITY shall give reasonably prompt consideration to all matters submitted to it by AUDITOR for approval to the end that there will be no substantial delays in AUDITOR'S program of work.

(f) CITY shall provide AUDITOR with reasonable access to all necessary records, places and adequate working space to perform their duties hereunder as necessary to be done at the location of the records. The books and records to be audited are maintained or are located at CITY'S finance office at 2600 Fresno Street, Fresno, California. These books and records will be made available to AUDITOR by CITY for their use at said office during "regular" business hours (8 a.m. to 5 p.m., Monday through Friday, except holidays).

**21. Conflict of Interest and Non-Solicitation.**

(a) Prior to CITY'S execution of this AGREEMENT, AUDITOR shall complete a City of Fresno conflict of interest disclosure statement in the form as set forth attached hereto as Exhibit A. During the term of this AGREEMENT, AUDITOR shall have the obligation and duty to immediately notify CITY in writing of any change to the information provided by AUDITOR on Exhibit A.

(b) AUDITOR shall comply, and require any of its subcontractors to comply, with all applicable (i) professional canons and requirements governing avoidance of impermissible client conflicts; and (ii) federal, state and local conflict of interest laws and regulations including, without limitation, California Government Code 1090 et. seq., the California Political Reform Act (Government Code Section 87100 et. seq.) and the regulations of the Fair Political Practices Commission concerning disclosure and disqualification (2 California Code of Regulations Section 18700 et. seq.). At any time, upon written request of CITY, AUDITOR shall provide a written opinion of its legal counsel and that any subcontractor that, after a due diligent inquiry, AUDITOR and the respective subcontractor(s) are in full compliance with all laws and regulations. AUDITOR shall take, and require any subcontractors to take, reasonable steps to avoid any appearance of a conflict of interest. Upon discovery of any facts giving rise to the appearance of a conflict of interest, AUDITOR shall immediately notify CITY of these facts in writing.

(c) In performing the work or services to be provided hereunder, AUDITOR shall not employ or retain the services of any person while such person either is employed by CITY or is a member of any CITY council, commission, board, committee, or similar CITY body. This requirement may be waived in writing by the CITY Manager, if no actual or potential conflict is involved.

(d) AUDITOR represents and warrants that it has not paid or agreed to pay any compensation, contingent or otherwise, direct or indirect, to solicit or procure this AGREEMENT or any rights/benefits hereunder.

(e) Neither AUDITOR, nor any of AUDITOR'S subcontractors performing any work hereunder, shall bid for, assist anyone in the preparation of a bid for, or perform any work pursuant to, any other AGREEMENT related hereto unless fully disclosed to and approved by the City Manager, in advance and in writing. AUDITOR and any of its subcontractors shall have no interest, direct or indirect, in any other AGREEMENT with a third party in connection with these services unless such interest is in accordance with all applicable law and fully disclosed to and approved by the City Manager, in advance and in writing. Notwithstanding any approval given by the City Manager under this provision, AUDITOR shall remain responsible for complying with section 20(b), above.

(f) If AUDITOR should subcontract all or any portion of the work to be performed or services to be provided under this AGREEMENT. AUDITOR shall include the provision of this section 20 in each subcontract and require its subcontractors to comply therewith.

(g) This Section 20 shall survive expiration or termination of this AGREEMENT.

## **22. Nondiscrimination.**

AUDITOR shall not employ discriminatory practices in the provision of services, employment of personnel, or in any other respect on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era.

During the performance of this AGREEMENT, AUDITOR agrees as follows:

(a) AUDITOR will comply with all laws and regulations, as applicable. No person in the United States shall, on the grounds of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity made possible by or resulting from this AGREEMENT.

(b) AUDITOR will not discriminate against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability, mental disability,

medical condition, marital status, sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era. AUDITOR shall take affirmative action to ensure that applicants are employed, and the employees are treated during employment, without regard to their race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. AUDITOR agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provision of this nondiscrimination clause.

(c) AUDITOR will, in all solicitations or advertisements for employees placed by or on behalf of AUDITOR, state that all qualified applicants will receive consideration for employment without regard to race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ethnicity, status as a disabled veteran or veteran of the Vietnam era.

(d) AUDITOR will send to each labor union or representative of workers with which it has a collective bargaining agreement or other agreement or understanding, a notice advising such labor union or workers' representatives of AUDITOR'S commitment under this section and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(e) If AUDITOR should subcontract all or any portion of the services to be performed under this AGREEMENT, AUDITOR shall cause each subcontractor to also comply with the requirements of this section.

### **23. Independent Contractor.**

(a) In the furnishing of the services provided for herein, AUDITOR is acting solely as an independent contractor. Neither AUDITOR, nor any of its officers, agents or employees shall be deemed an officer, agent, employee, joint venturer, partner or associate of CITY for any purpose. CITY shall have no right to control or supervise or direct the manner or method by which AUDITOR shall perform its work and functions. However, CITY shall retain the right to administer this AGREEMENT so as to verify that AUDITOR is performing its obligations in accordance with the terms and conditions thereof.

(b) The AGREEMENT does not evidence a partnership or joint venture between AUDITOR and CITY. Except to the extent otherwise provided in this AGREEMENT, AUDITOR shall bear its own costs and expenses in pursuit thereof.

(c) Because of its status as an independent contractor, AUDITOR and its officers, agents and employees shall have absolutely no right to employment rights and benefits available to CITY employees. AUDITOR shall be solely liable and responsible for all payroll and tax withholding and for providing to, or on behalf of, its employees all employee benefits including, without limitation, health, welfare and retirement benefits. In addition, together with its other obligations under this AGREEMENT, AUDITOR shall be solely responsible, indemnify, defend and save CITY harmless from all matters relating to employment and tax withholding for and payment of AUDITOR'S employees, including, without limitation, (i) compliance with Social Security and unemployment insurance withholding, payment of workers compensation benefits, and all other laws and regulations governing matters of employee withholding, taxes and payment; and (ii) any claim of right or interest in CITY employment benefits, entitlements, programs and/or funds offered employees of CITY whether arising by reason of any common law, de facto, leased, or co-employee rights or other theory. It is acknowledged that during the term of this AGREEMENT, AUDITOR may be providing services to others unrelated to CITY or this AGREEMENT.

**24. Notices.**

Any notice required or intended to be given to either party under the terms of this AGREEMENT shall be in writing and shall be deemed to be duly given if delivered personally, transmitted by facsimile followed by telephone confirmation of receipt, or sent by United States registered or certified mail, with postage prepaid, return receipt requested, addressed to the party to which notice is to be given at the party's address set forth on the signature page of this AGREEMENT or at such other address as the parties may from time to time designate by written notice. Notices served by United States mail in the manner above described shall be deemed sufficiently served or given at the time of the mailing thereof.

**25. Binding.**

Subject to Section 25 below, once this AGREEMENT is signed by all parties, it shall be binding upon, and shall inure to the benefit of, all parties, and each parties' respective heirs, successors, assigns, transferees, agents, servants, employees and representatives.

**26. Assignment.**

This AGREEMENT is personal to AUDITOR and there shall be no assignment by AUDITOR of its rights or obligations under this AGREEMENT without the prior written approval of CITY. Any attempted assignment by AUDITOR, its successors or assigns, shall be null and void unless approved in writing by CITY.

AUDITOR hereby agrees not to assign the payment of any monies due AUDITOR from CITY under the terms of this AGREEMENT to any other individual(s), corporation(s) or entity(ies). CITY retains the right to pay any and all monies due AUDITOR directly to AUDITOR.

**27. Compliance With Law.**

In providing the services required under this AGREEMENT, AUDITOR shall at all times comply with all applicable laws of the United States, the State of California and CITY, and with all applicable regulations promulgated by federal, state, regional, or local administrative and regulatory agencies, now in force and as they may be enacted, issued, or amended during the term of this AGREEMENT.

**28. Waiver.**

The waiver by either party of a breach by the other of any provision of this AGREEMENT shall not constitute a continuing waiver or a waiver of any subsequent breach of either the same or a different provision of this AGREEMENT. No provisions of this AGREEMENT may be waived unless in writing and signed by all parties to this AGREEMENT. Waiver of any one provision herein shall not be deemed to be a waiver of any other provision herein.

**29. Governing Law and Venue.**

This AGREEMENT shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction. Venue for purposes of the filing of any action regarding the enforcement or interpretation of this AGREEMENT and any rights and duties hereunder shall be Fresno County, California.

**30. Headings.**

The section headings in this AGREEMENT are for convenience and reference only and shall not be construed or held in any way to explain, modify or add to the interpretation or meaning of the provisions of this AGREEMENT.

**31. Severability.**

The provisions of this AGREEMENT are severable. The invalidity or unenforceability of any one provision in this AGREEMENT shall not affect the other provisions.

**32. Interpretation.**

The parties acknowledge that this AGREEMENT in its final form is the result of the combined efforts of the parties and that, should any provision of this AGREEMENT be found to be ambiguous in any way, such ambiguity shall not be resolved by construing this AGREEMENT in favor of or against either party, but rather by construing the terms in accordance with their generally accepted meaning.

**33. Attorney's Fees.**

If either party is required to commence any proceeding or legal action to enforce or interpret any term, covenant or condition of this AGREEMENT, the prevailing party in such proceeding or action shall be entitled to recover from the other party its reasonable attorney's fees and legal expenses.

**34. Precedence of Documents.**

In the event of any conflict between the body of this AGREEMENT and any Exhibit or Attachment hereto, the terms and conditions of the body of this AGREEMENT shall control and take precedence over the terms and conditions expressed within the Exhibit or Attachment. Furthermore, any terms or conditions contained within any Exhibit or Attachment hereto which purport to modify the allocation of risk between the parties, provided for within the body of this AGREEMENT, shall be null and void.

**35. Cumulative Remedies.**

No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

**36. Extent of AGREEMENT.**

Each party acknowledges that they have read and fully understand the contents of this AGREEMENT. This AGREEMENT represents the entire and integrated AGREEMENT between the parties with respect to the subject matter hereof and supersedes all prior negotiations, representations or agreements, either written or oral. This AGREEMENT may be modified only by written instrument duly authorized and executed by both CITY and AUDITOR.

**37. Delegation of Duties.**

AUDITOR will not delegate or subcontract its responsibilities under this AGREEMENT without the prior written permission of the City of Fresno.

**38. Recycling Program.**

In the event AUDITOR maintains an office or operates a facility(ies), or is required herein to maintain or operate same, within the incorporated limits of the City of Fresno, AUDITOR at its sole cost and expense shall:

- (i) Immediately establish and maintain a viable and ongoing recycling program, approved by City's Solid Waste Management Division, for each office and facility. Literature describing City recycling programs is available from City's Solid Waste Management Division and by calling City of Fresno Recycling Hotline at (559) 621-1111.
- (ii) Immediately contact City's Solid Waste Management Division at (559) 621-1452 and schedule a free waste audit, and cooperate with such Division in their conduct of the audit for each office and facility.
- (iii) Cooperate with and demonstrate to the satisfaction of City's Solid Waste Management Division the establishment of the recycling program in paragraph (i) above and the ongoing maintenance thereof.

**39. No Third Party Beneficiaries.**

The rights, interests, duties and obligations defined within this AGREEMENT are intended for the specific parties hereto as identified in the preamble of this AGREEMENT. Notwithstanding anything stated to the contrary in this AGREEMENT, it is not intended that any rights or interests in this AGREEMENT benefit or flow to the interest of any third parties.

**40. Exhibits.**

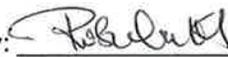
Each exhibit and attachment referenced in this AGREEMENT is, by the reference, incorporated into and made a part of this AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this AGREEMENT at Fresno, California, the day and year first above written.

CITY OF FRESNO,  
a municipal corporation

By:   
Michael Lima  
Finance Director/City Controller

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

By:   
Rosalva Flores, CPA  
Principal/Vice-President

By:   
Chris M. Thornburgh, CPA  
Principal/Secretary

ATTEST:  
YVONNE SPENCE  
City Clerk

By:  10-12-2015  
City Clerk Todd Stermer

APPROVED AS TO FORM:  
DOUGLAS SLOAN  
City Attorney

By:  9.29.15  
Deputy City Attorney RAJ SINGH BADHESSA Date

Addresses:

CITY:  
City of Fresno  
2600 Fresno Street, Suite 2156  
Fresno, CA 93721-3622  
Phone: (559) 621-7001  
FAX: (559) 488-4636

AUDITOR:  
Brown Armstrong Accountancy Corporation  
7673 North Ingram, Suite 101  
Fresno, CA 93711  
Phone: (559) 476-3592  
FAX: (661) 324-4997

Attachments: Exhibit A – Conflict of Interest Disclosure Form  
Exhibit B – Insurance Requirements

(Submit with Proposal)

Proposer's Name Brown Armstrong Accountancy Corporation

**EXHIBIT A**

**CITY OF FRESNO  
AGREEMENT FOR PROFESSIONAL AUDIT SERVICES**

**RFP No: 9317**

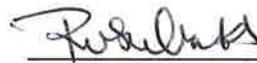
DISCLOSURE OF CONFLICT OF INTEREST – AUDIT SERVICES

		YES*	NO
1	Are you currently in litigation with the City of Fresno or any of its agents?		X
2	Do you represent any firm, organization or person who is in litigation with the City of Fresno?		X
3	Do you currently represent or perform work for any clients who do business with the City of Fresno?	X	
4	Are you or any of your principals, managers or professionals, owners or investors in a business which does business with the City of Fresno, or in a business which is in litigation with the City of Fresno?		X
5	Are you or any of your principals, managers or professionals, related by blood or marriage to any City of Fresno employee who has any significant role in the subject matter of this service?		X
* If the answer to any question is yes, please explain in full below.			

Explanation: We are the current auditors  
for the City of Fresno Retirement System.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Additional page(s) attached.



Signature

Rosalva Flores  
(name)

Brown Armstrong Accountancy Corporation  
(company)

7673 North Ingram, Suite 101  
(address)

Fresno, CA 93711  
(city state zip)

EXHIBIT B

CITY OF FRESNO  
AGREEMENT FOR PROFESSIONAL AUDIT SERVICES  
BETWEEN THE CITY OF FRESNO ("CITY") AND AUDITOR

RFP No: 9317

**MINIMUM SCOPE OF INSURANCE**

Coverage shall be at least as broad as:

1. The most current version of Insurance Services Office (ISO) Commercial General Liability Coverage Form CG 00 01, providing liability coverage arising out of your business operations. The Commercial General Liability policy shall be written on an occurrence form and shall provide coverage for "bodily injury," "property damage" and "personal and advertising injury" with coverage for premises and operations (including the use of owned and non-owned equipment), products and completed operations, and contractual liability (including, without limitation, indemnity obligations under the AGREEMENT) with limits of liability not less than those set forth under "Minimum Limits of Insurance."
2. The most current version of ISO \*Commercial Auto Coverage Form CA 00 01, providing liability coverage arising out of the ownership, maintenance or use of automobiles in the course of your business operations. The Automobile Policy shall be written on an occurrence form and shall provide coverage for all owned, hired, and non-owned automobiles or other licensed vehicles (Code 1- Any Auto). If personal automobile coverage is used, the CITY, its officers, officials, employees, agents and volunteers are to be listed as additional insureds.
3. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
4. Professional Liability (Errors and Omissions) insurance appropriate to AUDITOR'S profession. Architect's and engineer's coverage is to be endorsed to include contractual liability.

**MINIMUM LIMITS OF INSURANCE**

AUDITOR, or any party the AUDITOR subcontracts with, shall maintain limits of liability of not less than those set forth below. However, insurance limits available to CITY, its officers, officials, employees, agents and volunteers as additional insureds, shall be the greater of the minimum limits specified herein or the full limit of any insurance proceeds available to the named insured:

1. **COMMERCIAL GENERAL LIABILITY:**
  - (i) \$1,000,000 per occurrence for bodily injury and property damage;
  - (ii) \$1,000,000 per occurrence for personal and advertising injury;
  - (iii) \$2,000,000 aggregate for products and completed operations; and,
  - (iv) \$2,000,000 general aggregate applying separately to the work performed under the AGREEMENT.
2. **COMMERCIAL AUTOMOBILE LIABILITY:**

\$1,000,000 per accident for bodily injury and property damage.

OR\*

**PERSONAL AUTOMOBILE LIABILITY** insurance with limits of liability not less than:

- (i) \$100,000 per person;
- (ii) \$300,000 per accident for bodily injury; and,
- (iii) \$50,000 per accident for property damage.

3. **WORKERS' COMPENSATION INSURANCE** as required by the State of California with statutory limits.

4. **EMPLOYER'S LIABILITY:**

- (i) \$1,000,000 each accident for bodily injury;
- (ii) \$1,000,000 disease each employee; and,
- (iii) \$1,000,000 disease policy limit.

5. **PROFESSIONAL LIABILITY** (Errors and Omissions):

- (i) \$1,000,000 per claim/occurrence; and,
- (ii) \$2,000,000 policy aggregate.

### **UMBRELLA OR EXCESS INSURANCE**

In the event AUDITOR purchases an Umbrella or Excess insurance policy(ies) to meet the "Minimum Limits of Insurance," this insurance policy(ies) shall "follow form" and afford no less coverage than the primary insurance policy(ies). In addition, such Umbrella or Excess insurance policy(ies) shall also apply on a primary and non-contributory basis for the benefit of the CITY, its officers, officials, employees, agents and volunteers.

### **DEDUCTIBLES AND SELF-INSURED RETENTIONS**

AUDITOR shall be responsible for payment of any deductibles contained in any insurance policy(ies) required herein and AUDITOR shall also be responsible for payment of any self-insured retentions. Any deductibles or self-insured retentions must be declared on the Certificate of Insurance, and approved by, the CITY'S Risk Manager or his/her designee. At the option of the CITY'S Risk Manager or his/her designee, either:

- (i) The insurer shall reduce or eliminate such deductibles or self-insured retentions as respects CITY, its officers, officials, employees, agents and volunteers; or
- (ii) AUDITOR shall provide a financial guarantee, satisfactory to CITY'S Risk Manager or his/her designee, guaranteeing payment of losses and related investigations, claim administration and defense expenses. At no time shall CITY be responsible for the payment of any deductibles or self-insured retentions.

### **OTHER INSURANCE PROVISIONS/ENDORSEMENTS**

The General Liability and Automobile Liability insurance policies are to contain, or be endorsed to contain, the following provisions:

1. CITY, its officers, officials, employees, agents and volunteers are to be covered as additional insureds. AUDITOR shall establish additional insured status for the City and for all ongoing and completed operations by use of ISO Form CG 20 10 11 85 or both CG 20 10 10 01 and CG 20 37 10 01 or by an executed manuscript insurance company endorsement providing additional insured status as broad as that contained in ISO Form CG 20 10 11 85.
2. The coverage shall contain no special limitations on the scope of protection afforded to CITY, its officers, officials, employees, agents and volunteers. Any available insurance proceeds in excess of the specified minimum limits and coverage shall be available to the Additional Insured.

3. For any claims related to this AGREEMENT, AUDITOR'S insurance coverage shall be primary insurance with respect to the CITY, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by the CITY, its officers, officials, employees, agents and volunteers shall be excess of AUDITOR'S insurance and shall not contribute with it. AUDITOR shall establish primary and non-contributory status by using ISO Form CG 20 01 04 13 or by an executed manuscript insurance company endorsement that provides primary and non-contributory status as broad as that contained in ISO Form CG 20 01 04 13.

The Workers' Compensation insurance policy is to contain, or be endorsed to contain, the following provision: AUDITOR and its insurer shall waive any right of subrogation against CITY, its officers, officials, employees, agents and volunteers.

If the Professional Liability (Errors and Omissions) insurance policy is written on a claims-made form:

1. The retroactive date must be shown, and must be before the effective date of the AGREEMENT or the commencement of work by AUDITOR.
2. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the AGREEMENT work or termination of the AGREEMENT, whichever occurs first, or, in the alternative, the policy shall be endorsed to provide not less than a five (5) year discovery period.
3. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the effective date of the AGREEMENT or the commencement of work by AUDITOR, AUDITOR must purchase "extended reporting" coverage for a minimum of five (5) years after completion of the AGREEMENT work or termination of the AGREEMENT, whichever occurs first.
4. A copy of the claims reporting requirements must be submitted to CITY for review.
5. These requirements shall survive expiration or termination of the AGREEMENT.

All policies of insurance required herein shall be endorsed to provide that the coverage shall not be cancelled, non-renewed, reduced in coverage or in limits except after thirty (30) calendar days written notice by certified mail, return receipt requested, has been given to CITY. AUDITOR is also responsible for providing written notice to the CITY under the same terms and conditions. Upon issuance by the insurer, broker, or agent of a notice of cancellation, non-renewal, or reduction in coverage or in limits, AUDITOR shall furnish CITY with a new certificate and applicable endorsements for such policy(ies). In the event any policy is due to expire during the work to be performed for CITY, AUDITOR shall provide a new certificate, and applicable endorsements, evidencing renewal of such policy not less than fifteen (15) calendar days prior to the expiration date of the expiring policy.

#### **VERIFICATION OF COVERAGE**

AUDITOR shall furnish CITY with all certificate(s) and **applicable endorsements** effecting coverage required hereunder. All certificates and **applicable endorsements** are to be received and approved by the CITY'S Risk Manager or his/her designee prior to CITY'S execution of the AGREEMENT and before work commences. All non-ISO endorsements amending policy coverage shall be executed by a licensed and authorized agent or broker. All non-ISO endorsements amending policy coverage shall be executed by a licensed and authorized agent or broker. Upon request of CITY, AUDITOR shall immediately furnish City with a complete copy of any insurance policy required under this AGREEMENT, including all endorsements, with said copy certified by the underwriter to be a true and correct copy of the original policy. This requirement shall survive expiration or termination of this AGREEMENT.





# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
07/20/2015

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> (847) 385-6800 (847) 385-6801 Lemme, a division of Integro USA Inc. 111 West Campbell Street 4th Floor Arlington Heights, IL 60005 (CA DOI Lic#OC42466)	<b>CONTACT NAME:</b> Lemme Insurance Group, Inc. <b>PHONE (A/C, No, Ext):</b> (847) 385-6800 <b>FAX (A/C, No):</b> (847) 385-6801 <b>E-MAIL ADDRESS:</b> dkoenen@lemme.com														
	<table border="1"> <thead> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A : Catlin Specialty Insurance Company</td> <td>15989</td> </tr> <tr> <td>INSURER B :</td> <td></td> </tr> <tr> <td>INSURER C :</td> <td></td> </tr> <tr> <td>INSURER D :</td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </tbody> </table>		INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : Catlin Specialty Insurance Company	15989	INSURER B :		INSURER C :		INSURER D :		INSURER E :		INSURER F :
INSURER(S) AFFORDING COVERAGE	NAIC #														
INSURER A : Catlin Specialty Insurance Company	15989														
INSURER B :															
INSURER C :															
INSURER D :															
INSURER E :															
INSURER F :															
<b>INSURED</b> Brown Armstrong Accountancy Corporation 4200 Truxtun Avenue, Suite 300 Bakersfield, CA 93309															

<b>COVERAGES</b>	<b>CERTIFICATE NUMBER:</b>	<b>REVISION NUMBER:</b>
------------------	----------------------------	-------------------------

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	<b>GENERAL LIABILITY</b> <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A				<input type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Professional Liability (Errors & Omissions)			APLQ-673049-0115	01/01/2015	01/01/2016	\$10,000,000 Each Claim \$13,000,000 Annual Aggregate \$100,000 Aggregate Retention

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

<b>CERTIFICATE HOLDER</b> City of Fresno 2600 Fresno Street, Room 2156 Fresno, CA 93721-3622	<b>CANCELLATION</b> SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE 
---	---



# COMMERCIAL GENERAL LIABILITY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations, and any other person or organization qualifying as a Named Insured under this policy. The words "we", "us" and "our" refer to the stock insurance company member of The Hartford providing this insurance.

The word "insured" means any person or organization qualifying as such under Section II – Who Is An Insured.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section V – Definitions.

## SECTION I – COVERAGES

### COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY

#### 1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the Insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

- (1) The amount we will pay for damages is limited as described in Section III – Limits Of Insurance; and
- (2) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments – Coverages A and B.

b. This insurance applies to "bodily injury" and "property damage" only if:

- (1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory";

(2) The "bodily injury" or "property damage" occurs during the policy period; and

(3) Prior to the policy period, no insured listed under Paragraph 1. of Section II – Who Is An Insured and no "employee" authorized by you to give or receive notice of an "occurrence" or claim, knew that the "bodily injury" or "property damage" had occurred, in whole or in part. If such a listed insured or authorized "employee" knew, prior to the policy period, that the "bodily injury" or "property damage" occurred, then any continuation, change or resumption of such "bodily injury" or "property damage" during or after the policy period will be deemed to have been known prior to the policy period.

c. "Bodily injury" or "property damage" will be deemed to have been known to have occurred at the earliest time when any insured listed under Paragraph 1. of Section II – Who Is An Insured or any "employee" authorized by you to give or receive notice of an "occurrence" or claim:

- (1) Reports all, or any part, of the "bodily injury" or "property damage" to us or any other insurer;
- (2) Receives a written or verbal demand or claim for damages because of the "bodily injury" or "property damage"; or
- (3) Becomes aware by any other means that "bodily injury" or "property damage" has occurred or has begun to occur.

d. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury".

#### e. Incidental Medical Malpractice

(1) "Bodily injury" arising out of the rendering of or failure to render professional health care services as a physician, dentist, nurse, emergency medical technician or paramedic shall be deemed to be caused by an "occurrence", but only if:

- (a) The physician, dentist, nurse, emergency medical technician or paramedic is employed by you to provide such services; and
- (b) You are not engaged in the business or occupation of providing such services.

- (2) For the purpose of determining the limits of insurance for incidental medical malpractice, any act or omission together with all related acts or omissions in the furnishing of these services to any one person will be considered one "occurrence".

## 2. Exclusions

This insurance does not apply to:

### a. Expected Or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect persons or property.

### b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

- (1) That the insured would have in the absence of the contract or agreement; or
- (2) Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an "insured contract", reasonable attorney fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "bodily injury" or "property damage", provided:
  - (a) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and
  - (b) Such attorney fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

### c. Liquor Liability

"Bodily injury" or "property damage" for which any insured may be held liable by reason of:

- (1) Causing or contributing to the intoxication of any person;
- (2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or
- (3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

### d. Workers' Compensation And Similar Laws

Any obligation of the insured under a workers' compensation, disability benefits or unemployment compensation law or any similar law.

### e. Employer's Liability

"Bodily injury" to:

- (1) An "employee" of the insured arising out of and in the course of:
  - (a) Employment by the insured; or
  - (b) Performing duties related to the conduct of the insured's business; or
- (2) The spouse, child, parent, brother or sister of that "employee" as a consequence of Paragraph (1) above.

This exclusion applies:

- (1) Whether the insured may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract".

### f. Pollution

- (1) "Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":
  - (a) At or from any premises, site or location which is or was at any time owned or occupied by, or rented or loaned to, any insured. However, this subparagraph does not apply to:
    - (i) "Bodily injury" if sustained within a building and caused by smoke, fumes, vapor or soot produced by or originating from equipment that is used to heat, cool or dehumidify the building, or equipment that is used to heat water for personal use, by the building's occupants or their guests;
    - (ii) "Bodily injury" or "property damage" for which you may be held liable, if you are a contractor and the owner or lessee of such premises, site or location has been added to your policy as an additional insured with respect to your ongoing operations performed for that additional insured at that premises, site or location and such premises, site or location is not and never was owned or occupied by, or rented or loaned to, any insured, other than that additional insured; or

- (iii) "Bodily injury" or "property damage" arising out of heat, smoke or fumes from a "hostile fire";
- (b) At or from any premises, site or location which is or was at any time used by or for any insured or others for the handling, storage, disposal, processing or treatment of waste;
- (c) Which are or were at any time transported, handled, stored, treated, disposed of, or processed as waste by or for:
  - (i) Any insured; or
  - (ii) Any person or organization for whom you may be legally responsible;
- (d) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations if the "pollutants" are brought on or to the premises, site or location in connection with such operations by such insured, contractor or subcontractor. However, this subparagraph does not apply to:
  - (i) "Bodily injury" or "property damage" arising out of the escape of fuels, lubricants or other operating fluids which are needed to perform the normal electrical, hydraulic or mechanical functions necessary for the operation of "mobile equipment" or its parts, if such fuels, lubricants or other operating fluids escape from a vehicle part designed to hold, store or receive them. This exception does not apply if the "bodily injury" or "property damage" arises out of the intentional discharge, dispersal or release of the fuels, lubricants or other operating fluids, or if such fuels, lubricants or other operating fluids are brought on or to the premises, site or location with the intent that they be discharged, dispersed or released as part of the operations being performed by such insured, contractor or subcontractor;
  - (ii) "Bodily injury" or "property damage" sustained within a building and caused by the release of gases, fumes or vapors from materials brought into that building in connection with operations being performed by you or on your behalf by a contractor or subcontractor; or
  - (iii) "Bodily injury" or "property damage" arising out of heat, smoke or fumes from a "hostile fire"; or

- (e) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations if the operations are to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants".

- (2) Any loss, cost or expense arising out of any:
  - (a) Request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants"; or
  - (b) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of, "pollutants".

However, this paragraph does not apply to liability for damages because of "property damage" that the insured would have in the absence of such request, demand, order or statutory or regulatory requirement, or such claim or "suit" by or on behalf of a governmental authority.

**g. Aircraft, Auto Or Watercraft**

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading".

This exclusion applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage" involved the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft that is owned or operated by or rented or loaned to any insured.

This exclusion does not apply to:

- (1) A watercraft while ashore on premises you own or rent;
- (2) A watercraft you do not own that is:
  - (a) Less than 51 feet long; and
  - (b) Not being used to carry persons for a charge;
- (3) Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the insured;

- (4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft;
- (5) "Bodily injury" or "property damage" arising out of the operation of any of the equipment listed in Paragraph f.(2) or f.(3) of the definition of "mobile equipment"; or
- (6) An aircraft that is not owned by any insured and is hired, chartered or loaned with a paid crew. However, this exception does not apply if the insured has any other insurance for such "bodily injury" or "property damage", whether the other insurance is primary, excess, contingent or on any other basis.

**h. Mobile Equipment**

"Bodily injury" or "property damage" arising out of:

- (1) The transportation of "mobile equipment" by an "auto" owned or operated by or rented or loaned to any insured; or
- (2) The use of "mobile equipment" in, or while in practice for, or while being prepared for, any prearranged racing, speed, demolition, or stunting activity.

**i. War**

"Bodily injury" or "property damage", however caused, arising, directly or indirectly, out of:

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

**j. Damage To Property**

"Property damage" to:

- (1) Property you own, rent, or occupy, including any costs or expenses incurred by you, or any other person, organization or entity, for repair, replacement, enhancement, restoration or maintenance of such property for any reason, including prevention of injury to a person or damage to another's property;
- (2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;
- (3) Property loaned to you;
- (4) Personal property in the care, custody or control of the insured;
- (5) That particular part of real property on which you or any contractors or subcontractors

working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or

- (6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraphs (1), (3) and (4) of this exclusion do not apply to "property damage" (other than damage by fire) to premises, including the contents of such premises, rented to you for a period of 7 or fewer consecutive days. A separate limit of insurance applies to Damage To Premises Rented To You as described in Section III – Limits Of Insurance.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraphs (3) and (4) of this exclusion do not apply to "property damage" arising from the use of elevators.

Paragraphs (3), (4), (5) and (6) of this exclusion do not apply to liability assumed under a sidetrack agreement.

Paragraphs (3) and (4) of this exclusion do not apply to "property damage" to borrowed equipment while not being used to perform operations at the job site.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "products-completed operations hazard".

**k. Damage To Your Product**

"Property damage" to "your product" arising out of it or any part of it.

**l. Damage To Your Work**

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard".

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

**m. Damage To Impaired Property Or Property Not Physically Injured**

"Property damage" to "impaired property" or property that has not been physically injured, arising out of:

- (1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or
- (2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

**n. Recall Of Products, Work Or Impaired Property**

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

- (1) "Your product";
- (2) "Your work"; or
- (3) "Impaired property";

if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

**o. Personal And Advertising Injury**

"Bodily injury" arising out of "personal and advertising injury".

**p. Electronic Data**

Damages arising out of the loss of, loss of use of, damage to, corruption of, inability to access, or inability to manipulate electronic data.

As used in this exclusion, electronic data means information, facts or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, CD-ROMS, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

**q. Employment-Related Practices**

"Bodily injury" to:

- (1) A person arising out of any "employment-related practices"; or
- (2) The spouse, child, parent, brother or sister of that person as a consequence of "bodily injury" to that person at whom any "employment-related practices" are directed.

This exclusion applies:

- (1) Whether the insured may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

**r. Asbestos**

- (1) "Bodily injury" or "property damage" arising out of the "asbestos hazard".
- (2) Any damages, judgments, settlements, loss, costs or expenses that:
  - (a) May be awarded or incurred by reason of any claim or suit alleging actual or threatened injury or damage of any nature or

kind to persons or property which would not have occurred in whole or in part but for the "asbestos hazard";

- (b) Arise out of any request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, encapsulate, contain, treat, detoxify or neutralize or in any way respond to or assess the effects of an "asbestos hazard"; or
- (c) Arise out of any claim or suit for damages because of testing for, monitoring, cleaning up, removing, encapsulating, containing, treating, detoxifying or neutralizing or in any way responding to or assessing the effects of an "asbestos hazard".

**Damage To Premises Rented To You – Exception For Damage By Fire, Lightning Or Explosion**

Exclusions c. through h. and j. through n. do not apply to damage by fire, lightning or explosion to premises while rented to you or temporarily occupied by you with permission of the owner. A separate limit of insurance applies to this coverage as described in Section III – Limits Of Insurance.

**COVERAGE B PERSONAL AND ADVERTISING INJURY LIABILITY**

**1. Insuring Agreement**

- a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "personal and advertising injury" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "personal and advertising injury" to which this insurance does not apply. We may, at our discretion, investigate any offense and settle any claim or "suit" that may result. But:

- (1) The amount we will pay for damages is limited as described in Section III – Limits Of Insurance; and
- (2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments – Coverages A and B.

- b. This insurance applies to "personal and advertising injury" caused by an offense arising out of your business but only if the offense was committed in the "coverage territory" during the policy period.

## 2. Exclusions

This insurance does not apply to:

### a. Knowing Violation Of Rights Of Another

"Personal and advertising injury" arising out of an offense committed by, at the direction or with the consent or acquiescence of the insured with the expectation of inflicting "personal and advertising injury".

### b. Material Published With Knowledge Of Falsity

"Personal and advertising injury" arising out of oral, written or electronic publication of material, if done by or at the direction of the insured with knowledge of its falsity.

### c. Material Published Prior To Policy Period

"Personal and advertising injury" arising out of oral, written or electronic publication of material whose first publication took place before the beginning of the policy period.

### d. Criminal Acts

"Personal and advertising injury" arising out of a criminal act committed by or at the direction of the insured.

### e. Contractual Liability

"Personal and advertising injury" for which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement.

### f. Breach Of Contract

"Personal and advertising injury" arising out of a breach of contract, except an implied contract to use another's "advertising idea" in your "advertisement".

### g. Quality Or Performance Of Goods – Failure To Conform To Statements

"Personal and advertising injury" arising out of the failure of goods, products or services to conform with any statement of quality or performance made in your "advertisement".

### h. Wrong Description Of Prices

"Personal and advertising injury" arising out of the wrong description of the price of goods, products or services.

### i. Infringement Of Intellectual Property Rights

"Personal and advertising injury" arising out of any violation of any intellectual property rights such as copyright, patent, trademark, trade name, trade secret, service mark or other designation of origin or authenticity.

However, this exclusion does not apply to infringement, in your "advertisement", of:

- (1) Copyright;

- (2) Slogan, unless the slogan is also a trademark, trade name, service mark or other designation of origin or authenticity; or

- (3) Title of any literary or artistic work.

### j. Insureds In Media And Internet Type Businesses

"Personal and advertising injury" committed by an Insured whose business is:

- (1) Advertising, broadcasting, publishing or telecasting;
- (2) Designing or determining content of web sites for others; or
- (3) An Internet search, access, content or service provider.

However, this exclusion does not apply to Paragraphs 17.a., b. and c. of "personal and advertising injury" under the Definitions Section.

For the purposes of this exclusion, placing an "advertisement" for or linking to others on your web site, by itself, is not considered the business of advertising, broadcasting, publishing or telecasting.

### k. Electronic Chatrooms Or Bulletin Boards

"Personal and advertising injury" arising out of an electronic chatroom or bulletin board the insured hosts, owns, or over which the insured exercises control.

### l. Unauthorized Use Of Another's Name Or Product

"Personal and advertising injury" arising out of the unauthorized use of another's name or product in your e-mail address, domain name or metatags, or any other similar tactics to mislead another's potential customers.

### m. Pollution

"Personal and advertising injury" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants" at any time.

### n. Pollution-Related

Any loss, cost or expense arising out of any:

- (1) Request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, "pollutants"; or
- (2) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of, "pollutants".

**o. War**

"Personal and advertising injury", however caused, arising, directly or indirectly, out of:

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

**p. Internet Advertisements And Content Of Others**

"Personal and advertising injury" arising out of:

- (1) An "advertisement" for others on your web site;
- (2) Placing a link to a web site of others on your web site;
- (3) Content, including information, sounds, text, graphics, or images from a web site of others displayed within a frame or border on your web site; or
- (4) Computer code, software or programming used to enable:
  - (a) Your web site; or
  - (b) The presentation or functionality of an "advertisement" or other content on your web site.

**q. Right Of Privacy Created By Statute**

"Personal and advertising injury" arising out of the violation of a person's right of privacy created by any state or federal act.

However, this exclusion does not apply to liability for damages that the insured would have in the absence of such state or federal act.

**r. Violation Of Anti-Trust law**

"Personal and advertising injury" arising out of a violation of any anti-trust law.

**s. Securities**

"Personal and advertising injury" arising out of the fluctuation in price or value of any stocks, bonds or other securities.

**t. Discrimination Or Humiliation**

"Personal and advertising injury" arising out of discrimination or humiliation committed by or at the direction of any "executive officer", director, stockholder, partner or member of the insured.

**u. Employment-Related Practices**

"Personal and advertising injury" to:

- (1) A person arising out of any "employment-related practices"; or

- (2) The spouse, child, parent, brother or sister of that person as a consequence of "personal and advertising injury" to that person at whom any "employment-related practices" are directed.

This exclusion applies:

- (1) Whether the insured may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

**v. Asbestos**

- (1) "Personal and advertising injury" arising out of the "asbestos hazard".
- (2) Any damages, judgments, settlements, loss, costs or expenses that:
  - (a) May be awarded or incurred by reason of any claim or suit alleging actual or threatened injury or damage of any nature or kind to persons or property which would not have occurred in whole or in part but for the "asbestos hazard";
  - (b) Arise out of any request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, encapsulate, contain, treat, detoxify or neutralize or in any way respond to or assess the effects of an "asbestos hazard"; or
  - (c) Arise out of any claim or suit for damages because of testing for, monitoring, cleaning up, removing, encapsulating, containing, treating, detoxifying or neutralizing or in any way responding to or assessing the effects of an "asbestos hazard".

**COVERAGE C MEDICAL PAYMENTS**

**1. Insuring Agreement**

- a. We will pay medical expenses as described below for "bodily injury" caused by an accident:
  - (1) On premises you own or rent;
  - (2) On ways next to premises you own or rent; or
  - (3) Because of your operations;provided that:
  - (1) The accident takes place in the "coverage territory" and during the policy period;
  - (2) The expenses are incurred and reported to us within three years of the date of the accident; and
  - (3) The injured person submits to examination, at our expense, by physicians of our choice as often as we reasonably require.

- b. We will make these payments regardless of fault. These payments will not exceed the applicable limit of insurance. We will pay reasonable expenses for:
  - (1) First aid administered at the time of an accident;
  - (2) Necessary medical, surgical, x-ray and dental services, including prosthetic devices; and
  - (3) Necessary ambulance, hospital, professional nursing and funeral services.

## 2. Exclusions

We will not pay expenses for "bodily injury":

### a. Any Insured

To any insured, except "volunteer workers".

### b. Hired Person

To a person hired to do work for or on behalf of any insured or a tenant of any insured.

### c. Injury On Normally Occupied Premises

To a person injured on that part of premises you own or rent that the person normally occupies.

### d. Workers Compensation And Similar Laws

To a person, whether or not an "employee" of any insured, if benefits for the "bodily injury" are payable or must be provided under a workers' compensation or disability benefits law or a similar law.

### e. Athletics Activities

To a person injured while practicing, instructing or participating in any physical exercises or games, sports, or athletic contests.

### f. Products-Completed Operations Hazard

Included within the "products-completed operations hazard".

### g. Coverage A Exclusions

Excluded under Coverage A.

## SUPPLEMENTARY PAYMENTS - COVERAGES A AND B

1. We will pay, with respect to any claim we investigate or settle, or any "suit" against an insured we defend:
  - a. All expenses we incur.
  - b. Up to \$1,000 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.
  - c. The cost of appeal bonds or bonds to release attachments, but only for bond amounts within the applicable limit of insurance. We do not have to furnish these bonds.
  - d. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit", including actual loss of earnings up to \$500 a day because of time off from work.

- e. All costs taxed against the insured in the "suit".
- f. Prejudgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of insurance, we will not pay any prejudgment interest based on that period of time after the offer.
- g. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limit of insurance.

These payments will not reduce the limits of insurance.

2. If we defend an insured against a "suit" and an indemnitee of the insured is also named as a party to the "suit", we will defend that indemnitee if all of the following conditions are met:
  - a. The "suit" against the indemnitee seeks damages for which the insured has assumed the liability of the indemnitee in a contract or agreement that is an "insured contract";
  - b. This insurance applies to such liability assumed by the insured;
  - c. The obligation to defend, or the cost of the defense of, that indemnitee, has also been assumed by the insured in the same "insured contract";
  - d. The allegations in the "suit" and the information we know about the "occurrence" are such that no conflict appears to exist between the interests of the insured and the interests of the indemnitee;
  - e. The indemnitee and the insured ask us to conduct and control the defense of that indemnitee against such "suit" and agree that we can assign the same counsel to defend the insured and the indemnitee; and
  - f. The indemnitee:
    - (1) Agrees in writing to:
      - (a) Cooperate with us in the investigation, settlement or defense of the "suit";
      - (b) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "suit";
      - (c) Notify any other insurer whose coverage is available to the indemnitee; and
      - (d) Cooperate with us with respect to coordinating other applicable insurance available to the indemnitee; and
    - (2) Provides us with written authorization to:
      - (a) Obtain records and other information related to the "suit"; and
      - (b) Conduct and control the defense of the indemnitee in such "suit".

So long as the above conditions are met, attorneys' fees incurred by us in the defense of that indemnitee,

necessary litigation expenses incurred by us and necessary litigation expenses incurred by the indemnitee at our request will be paid as Supplementary Payments. Notwithstanding the provisions of Paragraph 2.b.(2) of Section I – Coverage A – Bodily Injury And Property Damage Liability, such payments will not be deemed to be damages for "bodily injury" and "property damage" and will not reduce the limits of insurance.

Our obligation to defend an insured's indemnitee and to pay for attorneys' fees and necessary litigation expenses as Supplementary Payments ends when:

- a. We have used up the applicable limit of insurance in the payment of judgments or settlements; or
- b. The conditions set forth above, or the terms of the agreement described in Paragraph f. above, are no longer met.

## SECTION II – WHO IS AN INSURED

### 1. If you are designated in the Declarations as:

- a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.
- b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.
- c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.
- d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your "executive officers" and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.
- e. A trust, you are an insured. Your trustees are also insureds, but only with respect to their duties as trustees.

### 2. Each of the following is also an insured:

#### a. Employees and Volunteer workers

Your "volunteer workers" only while performing duties related to the conduct of your business, or your "employees", other than either your "executive officers" (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business.

However, none of these "employees" or "volunteer workers" are insureds for:

#### (1) "Bodily injury" or "personal and advertising injury":

- (a) To you, to your partners or members (if you are a partnership or joint venture), to your members (if you are a limited liability company), to a co-"employee" while in the course of his or her employment or performing duties related to the conduct of your business, or to your other "volunteer workers" while performing duties related to the conduct of your business;
- (b) To the spouse, child, parent, brother or sister of that co-"employee" or that "volunteer worker" as a consequence of Paragraph (1)(a) above;
- (c) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in Paragraphs (1)(a) or (b) above; or
- (d) Arising out of his or her providing or failing to provide professional health care services.

If you are not in the business of providing professional health care services, Paragraph (d) does not apply to any nurse, emergency medical technician or paramedic employed by you to provide such services.

#### (2) "Property damage" to property:

- (a) Owned, occupied or used by,
- (b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by you, any of your "employees", "volunteer workers", any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).

#### b. Real Estate Manager

Any person (other than your "employee" or "volunteer worker"), or any organization while acting as your real estate manager.

#### c. Temporary Custodians of Your Property

Any person or organization having proper temporary custody of your property if you die, but only:

- (1) With respect to liability arising out of the maintenance or use of that property; and
- (2) Until your legal representative has been appointed.

#### d. Legal Representative If You Die

Your legal representative if you die, but only with respect to duties as such. That representative will

have all your rights and duties under this Coverage Part.

**e. Unnamed Subsidiary**

Any subsidiary, and subsidiary thereof, of yours which is a legally incorporated entity of which you own a financial interest of more than 50% of the voting stock on the effective date of the Coverage Part.

The insurance afforded herein for any subsidiary not named in this Coverage Part as a named insured does not apply to injury or damage with respect to which an insured under this Coverage Part is also an insured under another policy or would be an insured under such policy but for its termination or the exhaustion of its limits of insurance.

**3. Newly Acquired or Formed Organization**

Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain financial interest of more than 50% of the voting stock, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:

- a. Coverage under this provision is afforded only until the 180th day after you acquire or form the organization or the end of the policy period, whichever is earlier;
- b. Coverage A does not apply to "bodily injury" or "property damage" that occurred before you acquired or formed the organization; and
- c. Coverage B does not apply to "personal and advertising injury" arising out of an offense committed before you acquired or formed the organization.

**4. Mobile Equipment**

With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:

- a. "Bodily injury" to a co-"employee" of the person driving the equipment; or
- b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.

**5. Nonowned Watercraft**

With respect to watercraft you do not own that is less than 51 feet long and is not being used to carry persons for a charge, any person is an insured while operating such watercraft with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the watercraft, and only if no other insurance of any kind is available to that person or organization for this liability.

However, no person or organization is an insured with respect to:

- a. "Bodily injury" to a co-"employee" of the person operating the watercraft; or
- b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.



**6. Additional Insureds When Required By Written Contract, Written Agreement Or Permit**

The following person(s) or organization(s) are an additional insured when you have agreed, in a written contract, written agreement or because of a permit issued by a state or political subdivision, that such person or organization be added as an additional insured on your policy, provided the injury or damage occurs subsequent to the execution of the contract or agreement.

A person or organization is an additional insured under this provision only for that period of time required by the contract or agreement.

However, no such person or organization is an insured under this provision if such person or organization is included as an insured by an endorsement issued by us and made a part of this Coverage Part.

**a. Vendors**

Any person(s) or organization(s) (referred to below as vendor), but only with respect to "bodily injury" or "property damage" arising out of "your products" which are distributed or sold in the regular course of the vendor's business and only if this Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

- (1) The insurance afforded the vendor is subject to the following additional exclusions:

This insurance does not apply to:

- (a) "Bodily injury" or "property damage" for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;

- (b) Any express warranty unauthorized by you;
- (c) Any physical or chemical change in the product made intentionally by the vendor;
- (d) Repackaging, except when unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;
- (e) Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;
- (f) Demonstration, installation, servicing or repair operations, except such operations performed at the vendor's premises in connection with the sale of the product;
- (g) Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor; or
- (h) "Bodily injury" or "property damage" arising out of the sole negligence of the vendor for its own acts or omissions or those of its employees or anyone else acting on its behalf. However, this exclusion does not apply to:
  - (i) The exceptions contained in Sub-paragraphs (d) or (f); or
  - (ii) Such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products.

- (2) This insurance does not apply to any insured person or organization, from whom you have acquired such products, or any ingredient, part or container, entering into, accompanying or containing such products.

**b. Lessors of Equipment**

- (1) Any person or organization from whom you lease equipment; but only with respect to their liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person or organization.
- (2) With respect to the insurance afforded to these additional insureds this insurance does not apply to any "occurrence" which takes place after the equipment lease expires.

**c. Lessors of Land or Premises**

Any person or organization from whom you lease land or premises, but only with respect to liability arising out of the ownership, maintenance or use of that part of the land or premises leased to you.

With respect to the insurance afforded these additional insureds the following additional exclusions apply:

This insurance does not apply to:

- 1. Any "occurrence" which takes place after you cease to lease that land; or
- 2. Structural alterations, new construction or demolition operations performed by or on behalf of such person or organization.

**d. Architects, Engineers or Surveyors**

Any architect, engineer, or surveyor, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

- (1) In connection with your premises; or
- (2) In the performance of your ongoing operations performed by you or on your behalf.

With respect to the insurance afforded these additional insureds, the following additional exclusion applies:

This insurance does not apply to "bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of or the failure to render any professional services by or for you, including:

- 1. The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or
- 2. Supervisory, inspection, architectural or engineering activities.

**e. Permits Issued By State Or Political Subdivisions**

Any state or political subdivision, but only with respect to operations performed by you or on your behalf for which the state or political subdivision has issued a permit.

With respect to the insurance afforded these additional insureds, this insurance does not apply to:

- (1) "Bodily Injury", "property damage" or "personal and advertising injury" arising out of operations performed for the state or municipality; or
- (2) "Bodily injury" or "property damage" included within the "products-completed operations hazard".

**f. Any Other Party**

Any other person or organization who is not an insured under Paragraphs a. through e. above, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

- (1) In the performance of your ongoing operations;
- (2) In connection with your premises owned by or rented to you; or
- (3) In connection with "your work" and included within the "products-completed operations hazard", but only if
  - (a) The written contract or agreement requires you to provide such coverage to such additional insured; and
  - (b) This Coverage Part provides coverage for "bodily injury" or "property damage" included within the "products-completed operations hazard".

With respect to the insurance afforded to these additional insureds, this insurance does not apply to:

"Bodily injury", "property damage" or "personal and advertising injury" arising out of the rendering of, or the failure to render, any professional architectural, engineering or surveying services, including:

- (1) The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or
- (2) Supervisory, inspection, architectural or engineering activities.

The limits of insurance that apply to additional insureds under this provision is described in Section III – Limits Of Insurance.

How this insurance applies when other insurance is available to the additional insured is described in the Other Insurance Condition in Section IV – Commercial General Liability Conditions.

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

**SECTION III – LIMITS OF INSURANCE**

**1. The Most We will Pay**

The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

- a. Insureds;
- b. Claims made or "suits" brought; or

- c. Persons or organizations making claims or bringing "suits".

**2. General Aggregate Limit**

The General Aggregate Limit is the most we will pay for the sum of:

- a. Medical expenses under Coverage C;
- b. Damages under Coverage A, except damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard"; and
- c. Damages under Coverage B.

**3. Products-Completed Operations Aggregate Limit**

The Products-Completed Operations Aggregate Limit is the most we will pay under Coverage A for damages because of "bodily injury" and "property damage" included in the "products-completed operations hazard".

**4. Personal and Advertising Injury Limit**

Subject to 2. above, the Personal and Advertising Injury Limit is the most we will pay under Coverage B for the sum of all damages because of all "personal and advertising injury" sustained by any one person or organization.

**5. Each Occurrence Limit**

Subject to 2. or 3. above, whichever applies, the Each Occurrence Limit is the most we will pay for the sum of:

- a. Damages under Coverage A; and
- b. Medical expenses under Coverage C because of all "bodily injury" and "property damage" arising out of any one "occurrence".

**6. Damage To Premises Rented To You Limit**

Subject to 5. above, the Damage To Premises Rented To You Limit is the most we will pay under Coverage A for damages because of "property damage" to any one premises, while rented to you, or in the case of damage by fire, lightning or explosion, while rented to you or temporarily occupied by you with permission of the owner.

In the case of damage by fire, lightning or explosion, the Damage to Premises Rented To You Limit applies to all damage proximately caused by the same event, whether such damage results from fire, lightning or explosion or any combination of these.

**7. Medical Expense Limit**

Subject to 5. above, the Medical Expense Limit is the most we will pay under Coverage C for all medical expenses because of "bodily injury" sustained by any one person.

**8. How Limits Apply To Additional Insureds**

If you have agreed in a written contract or written agreement that another person or organization be

added as an additional insured on your policy, the most we will pay on behalf of such additional insured is the lesser of:

- a. The limits of insurance specified in the written contract or written agreement; or
- b. The Limits of Insurance shown in the Declarations.

Such amount shall be a part of and not in addition to Limits of Insurance shown in the Declarations and described in this Section.

The Limits of Insurance of this Coverage Part apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Limits of Insurance.

#### **SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS**

##### **1. Bankruptcy**

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Part.

##### **2. Duties In The Event Of Occurrence, Offense, Claim Or Suit**

###### **a. Notice Of Occurrence Or Offense**

You or any additional insured must see to it that we are notified as soon as practicable of an "occurrence" or an offense which may result in a claim. To the extent possible, notice should include:

- (1) How, when and where the "occurrence" or offense took place;
- (2) The names and addresses of any injured persons and witnesses; and
- (3) The nature and location of any injury or damage arising out of the "occurrence" or offense.

###### **b. Notice Of Claim**

If a claim is made or "suit" is brought against any insured, you or any additional insured must:

- (1) Immediately record the specifics of the claim or "suit" and the date received; and
- (2) Notify us as soon as practicable.

You or any additional insured must see to it that we receive written notice of the claim or "suit" as soon as practicable.

###### **c. Assistance And Cooperation Of The Insured**

You and any other involved insured must:

- (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";
- (2) Authorize us to obtain records and other information;

(3) Cooperate with us in the investigation or settlement of the claim or defense against the "suit"; and

(4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.

###### **d. Obligations At The Insureds Own Cost**

No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

###### **e. Additional Insureds Other Insurance**

If we cover a claim or "suit" under this Coverage Part that may also be covered by other insurance available to an additional insured, such additional insured must submit such claim or "suit" to the other insurer for defense and indemnity.

However, this provision does not apply to the extent that you have agreed in a written contract or written agreement that this insurance is primary and non-contributory with the additional insured's own insurance.

###### **f. Knowledge Of An Occurrence, Offense, Claim Or Suit**

Paragraphs a. and b. apply to you or to any additional insured only when such "occurrence", offense, claim or "suit" is known to:

- (1) You or any additional insured that is an individual;
- (2) Any partner, if you or an additional insured is a partnership;
- (3) Any manager, if you or an additional insured is a limited liability company;
- (4) Any "executive officer" or insurance manager, if you or an additional insured is a corporation;
- (5) Any trustee, if you or an additional insured is a trust; or
- (6) Any elected or appointed official, if you or an additional insured is a political subdivision or public entity.

This duty applies separately to you and any additional insured.

##### **3. Legal Action Against Us**

No person or organization has a right under this Coverage Part:

- a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or
- b. To sue us on this Coverage Part unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured; but we will not be liable for damages that are not payable under the terms of this Coverage Part or

that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

**4. Other Insurance**

If other valid and collectible insurance is available to the insured for a loss we cover under Coverages A or B of this Coverage Part, our obligations are limited as follows:

**a. Primary Insurance**

This insurance is primary except when b. below applies. If other insurance is also primary, we will share with all that other insurance by the method described in c. below.

**b. Excess Insurance**

This insurance is excess over any of the other insurance, whether primary, excess, contingent or on any other basis:

**(1) Your Work**

That is Fire, Extended Coverage, Builder's Risk, Installation Risk or similar coverage for "your work";

**(2) Premises Rented To You**

That is fire, lightning or explosion insurance for premises rented to you or temporarily occupied by you with permission of the owner;

**(3) Tenant Liability**

That is insurance purchased by you to cover your liability as a tenant for "property damage" to premises rented to you or temporarily occupied by you with permission of the owner;

**(4) Aircraft, Auto Or Watercraft**

If the loss arises out of the maintenance or use of aircraft, "autos" or watercraft to the extent not subject to Exclusion g. of Section I – Coverage A – Bodily Injury And Property Damage Liability;

**(5) Property Damage to Borrowed Equipment Or Use Of Elevators**

If the loss arises out of "property damage" to borrowed equipment or the use of elevators to the extent not subject to Exclusion J. of Section I - Coverage A - Bodily Injury And Property Damage Liability;

**(6) When You Are Added As An Additional Insured To Other Insurance**

Any other insurance available to you covering liability for damages arising out of the premises or operations, or products and completed operations, for which you have been added as an additional insured by that insurance; or

**(7) When You Add Others As An Additional Insured To This Insurance**

Any other insurance available to an additional insured.

However, the following provisions apply to other insurance available to any person or organization who is an additional insured under this coverage part.

**(a) Primary Insurance When Required By Contract**

This insurance is primary if you have agreed in a written contract or written agreement that this insurance be primary. If other insurance is also primary, we will share with all that other insurance by the method described in c. below.

**(b) Primary And Non-Contributory To Other Insurance When Required By Contract**

If you have agreed in a written contract, written agreement, or permit that this insurance is primary and non-contributory with the additional insured's own insurance, this insurance is primary and we will not seek contribution from that other insurance.

Paragraphs (a) and (b) do not apply to other insurance to which the additional insured has been added as an additional insured.

When this insurance is excess, we will have no duty under Coverages A or B to defend the Insured against any "suit" if any other insurer has a duty to defend the Insured against that "suit". If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

- (1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and
- (2) The total of all deductible and self-insured amounts under all that other insurance.

We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the Limits of Insurance shown in the Declarations of this Coverage Part.

**c. Method Of Sharing**

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

**5. Premium Audit**

- a. We will compute all premiums for this Coverage Part in accordance with our rules and rates.
- b. Premium shown in this Coverage Part as advance premium is a deposit premium only. At the close of each audit period we will compute the earned premium for that period and send notice to the first Named Insured. The due date for audit and retrospective premiums is the date shown as the due date on the bill. If the sum of the advance and audit premiums paid for the policy period is greater than the earned premium, we will return the excess to the first Named Insured.
- c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

**6. Representations**

**a. When You Accept This Policy**

By accepting this policy, you agree:

- (1) The statements in the Declarations are accurate and complete;
- (2) Those statements are based upon representations you made to us; and
- (3) We have issued this policy in reliance upon your representations.

**b. Unintentional Failure To Disclose Hazards**

If unintentionally you should fail to disclose all hazards relating to the conduct of your business that exist at the inception date of this Coverage Part, we shall not deny coverage under this Coverage Part because of such failure.

**7. Separation Of Insureds**

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this Coverage Part to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom claim is made or "suit" is brought.

**8. Transfer Of Rights Of Recovery Against Others To Us**

**a. Transfer of Rights Of Recovery**

If the insured has rights to recover all or part of any payment, including Supplementary Payments, we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the

insured will bring "suit" or transfer those rights to us and help us enforce them.

**b. Waiver Of Rights Of Recovery (Waiver Of Subrogation)**

If the insured has waived any rights of recovery against any person or organization for all or part of any payment, including Supplementary Payments, we have made under this Coverage Part, we also waive that right, provided the insured waived their rights of recovery against such person or organization in a contract, agreement or permit that was executed prior to the injury or damage.

**9. When We Do Not Renew**

If we decide not to renew this Coverage Part, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 30 days before the expiration date.

If notice is mailed, proof of mailing will be sufficient proof of notice.

**SECTION V – DEFINITIONS**

1. "Advertisement" means the widespread public dissemination of information or images that has the purpose of inducing the sale of goods, products or services through:

- a. (1) Radio;
- (2) Television;
- (3) Billboard;
- (4) Magazine;
- (5) Newspaper; or
- b. Any other publication that is given widespread public distribution.

However, "advertisement" does not include:

- a. The design, printed material, information or images contained in, on or upon the packaging or labeling of any goods or products; or
- b. An interactive conversation between or among persons through a computer network.

2. "Advertising idea" means any idea for an "advertisement".

3. "Asbestos hazard" means an exposure or threat of exposure to the actual or alleged properties of asbestos and includes the mere presence of asbestos in any form.

4. "Auto" means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment. But "auto" does not include "mobile equipment".

5. "Bodily injury" means physical:

- a. Injury;
  - b. Sickness; or
  - c. Disease
- sustained by a person and, if arising out of the above, mental anguish or death at any time.

**6. "Coverage territory" means:**

- a. The United States of America (including its territories and possessions), Puerto Rico and Canada;
- b. International waters or airspace, but only if the injury or damage occurs in the course of travel or transportation between any places included in a. above; or
- c. All other parts of the world if the injury or damage arises out of:
  - (1) Goods or products made or sold by you in the territory described in a. above;
  - (2) The activities of a person whose home is in the territory described in a. above, but is away for a short time on your business; or
  - (3) "Personal and advertising injury" offenses that take place through the Internet or similar electronic means of communication

provided the insured's responsibility to pay damages is determined in the United States of America (including its territories and possessions), Puerto Rico or Canada, in a "suit" on the merits according to the substantive law in such territory or in a settlement we agree to.

**7. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".**

**8. "Employment-Related Practices" means:**

- a. Refusal to employ a person;
- b. Termination of a person's employment; or
- c. Employment-related practices, policies, acts or omissions, such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation or discrimination directed at a person.

**9. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, by-laws or any other similar governing document.**

**10. "Hostile fire" means one which becomes uncontrollable or breaks out from where it was intended to be.**

**11. "Impaired property" means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:**

- a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or
- b. You have failed to fulfill the terms of a contract or agreement;

if such property can be restored to use by:

- a. The repair, replacement, adjustment or removal of "your product" or "your work"; or
- b. Your fulfilling the terms of the contract or agreement.

**12. "Insured contract" means:**

- a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage by fire, lightning or explosion to premises while

rented to you or temporarily occupied by you with permission of the owner is subject to the Damage to Premises Rented To You Limit described in Section III – Limits of Insurance;

- b. A sidetrack agreement;
- c. Any easement or license agreement, including an easement or license agreement in connection with construction or demolition operations on or within 50 feet of a railroad;
- d. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;
- e. An elevator maintenance agreement;
- f. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization, provided the "bodily injury" or "property damage" is caused, in whole or in part, by you or by those acting on your behalf. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

Paragraph f. includes that part of any contract or agreement that indemnifies a railroad for "bodily injury" or "property damage" arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing.

However, Paragraph f. does not include that part of any contract or agreement:

- (1) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:
  - (a) Preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or
  - (b) Giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage; or
- (2) Under which the insured, if an architect, engineer or surveyor, assumes liability for an injury or damage arising out of the insured's rendering or failure to render professional services, including those listed in (1) above and supervisory, inspection, architectural or engineering activities.

**13. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker".**

**14. "Loading or unloading" means the handling of property:**

- a. After it is moved from the place where it is accepted for movement into or onto an aircraft, watercraft or "auto";

- b. While it is in or on an aircraft, watercraft or "auto"; or
  - c. While it is being moved from an aircraft, watercraft or "auto" to the place where it is finally delivered; but "loading or unloading" does not include the movement of property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or "auto".
15. "Mobile equipment" means any of the following types of land vehicles, including any attached machinery or equipment:
- a. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;
  - b. Vehicles maintained for use solely on or next to premises you own or rent;
  - c. Vehicles that travel on crawler treads;
  - d. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:
    - (1) Power cranes, shovels, loaders, diggers or drills; or
    - (2) Road construction or resurfacing equipment such as graders, scrapers or rollers;
  - e. Vehicles not described in a., b., c. or d. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
    - (1) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or
    - (2) Cherry pickers and similar devices used to raise or lower workers;
  - f. Vehicles not described in a., b., c. or d. above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos":

    - (1) Equipment, of at least 1,000 pounds gross vehicle weight, designed primarily for:
      - (a) Snow removal;
      - (b) Road maintenance, but not construction or resurfacing; or
      - (c) Street cleaning;
    - (2) Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and
    - (3) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.
16. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.
17. "Personal and advertising injury" means injury, including consequential "bodily injury", arising out of one or more of the following offenses:
- a. False arrest, detention or imprisonment;
  - b. Malicious prosecution;
  - c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor;
  - d. Oral, written or electronic publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
  - e. Oral, written or electronic publication of material that violates a person's right of privacy;
  - f. Copying, in your "advertisement", a person's or organization's "advertising idea" or style of "advertisement";
  - g. Infringement of copyright, slogan, or title of any literary or artistic work, in your "advertisement"; or
  - h. Discrimination or humiliation that results in injury to the feelings or reputation of a natural person.
18. "Pollutants" mean any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
19. "Products-completed operations hazard":
- a. Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:
    - (1) Products that are still in your physical possession; or
    - (2) Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:
      - (a) When all of the work called for in your contract has been completed.
      - (b) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.
      - (c) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.
- Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

b. Does not include "bodily injury" or "property damage" arising out of:

- (1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;
- (2) The existence of tools, uninstalled equipment or abandoned or unused materials; or
- (3) Products or operations for which the classification, listed in the Declarations or in a policy schedule, states that products-completed operations are subject to the General Aggregate Limit.

20. "Property damage" means:

- a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
- b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

As used in this definition, computerized or electronically stored data, programs or software are not tangible property. Electronic data means information, facts or programs:

- a. Stored as or on;
- b. Created or used on; or
- c. Transmitted to or from;

computer software, including systems and applications software, hard or floppy disks, CD-ROMS, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

21. "Suit" means a civil proceeding in which damages because of "bodily injury", "property damage" or "personal and advertising injury" to which this insurance applies are alleged. "Suit" includes:

- a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or
- b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

22. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

23. "Volunteer worker" means a person who

- a. Is not your "employee";
- b. Donates his or her work;
- c. Acts at the direction of and within the scope of duties determined by you; and
- d. Is not paid a fee, salary or other compensation by you or anyone else for their work performed for you.

24. "Your product":

- a. Means:
  - (1) Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:
    - (a) You;
    - (b) Others trading under your name; or
    - (c) A person or organization whose business or assets you have acquired; and
  - (2) Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.
- b. Includes
  - (1) Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and
  - (2) The providing of or failure to provide warnings or instructions.
- c. Does not include vending machines or other property rented to or located for the use of others but not sold.

25. "Your work":

- a. Means:
  - (1) Work or operations performed by you or on your behalf; and
  - (2) Materials, parts or equipment furnished in connection with such work or operations.
- b. Includes
  - (1) Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work", and
  - (2) The providing of or failure to provide warnings or instructions.



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**WORKERS' COMPENSATION BROAD FORM ENDORSEMENT  
EXTENDED OPTIONS**

**Policy Number:** 51 WE LM4741

**Endorsement Number:**

**Effective Date:** 06/01/15      **Effective hour is the same as stated on the Information Page of the policy.**

**Named Insured and Address:** BROWN ARMSTRONG ACCOUNTANCY  
CORPORATION  
4200 TRUXTUN AVE STE 300  
BAKERSFIELD, CA 93309

Section I of this endorsement expands coverage provided under WC 00 00 00.  
Section II of this endorsement provides additional coverage usually only provided by endorsement.  
Section III of this endorsement is a Schedule of Covered States.  
You may use the index to locate these coverage features quickly:

<u>INDEX</u>			
<u>SUBJECT</u>	<u>PAGE</u>	<u>SUBJECT</u>	<u>PAGE</u>
<b>SECTION I</b>	2	B. Part One Does Not Apply	3
<b>PARTS ONE and TWO</b>	2	C. Application of Coverage	3
01 We Will Also Pay	2	D. Additional Exclusions	3
<b>PART - THREE</b>	2	E. West Virginia	3
02 How This Insurance Works	2	<b>EXTENDED OPTIONS</b>	4
<b>PART - SIX</b>	2	01 Employers' Liability Insurance	4
03 Transfer of Your Rights and Duties	2	02 Unintentional Failure to Disclose Hazards	4
04 Liberalization	2	03 Waiver of Our Right to Recover from Others	4
<b>SECTION II</b>	2	04 Foreign Voluntary Compensation	4
<b>VOLUNTARY COMPENSATION INSURANCE</b>	2	A. How This Reimbursement Applies	4
05 Voluntary Compensation Insurance	2	B. We Will Reimburse	4
A. How This Insurance Applies	2	C. Exclusions	4
B. We Will Pay	2	D. Before We Pay	5
C. Exclusions	3	E. Recovery From Others	5
D. Before We Pay	3	F. Reimbursement For Actual Loss Sustained	5
E. Recovery From Others	3	G. Repatriation	5
F. Employers' Liability Insurance	3	H. Endemic Disease	5
<b>EMPLOYERS' LIABILITY STOP GAP</b>	3	05 Longshore and Harbor Workers' Compensation Act Coverage Endorsement	5
<b>ENDORSEMENT</b>	3	<b>SECTION III</b>	6
06 Employers' Liability Stop Gap Coverage	3	01 Schedule of Covered States	6
A. Stop Gap Coverage Limited to Montana, North Dakota, Ohio, Washington, West Virginia and Wyoming	3		

## SECTION I

### PARTS ONE and TWO

#### 1. WE WILL ALSO PAY

- D. **We Will Also Pay of Part One (WORKERS' COMPENSATION INSURANCE);** and
- E. **We Will Also Pay of Part Two (EMPLOYERS' LIABILITY INSURANCE)** is replaced by the following:

#### **We Will Also Pay**

We will also pay these costs, in addition to other amounts payable under this insurance, as part of any claim, proceeding, or suit we defend:

1. reasonable expenses incurred at our request, **INCLUDING** loss of earnings;
2. premiums for bonds to release attachments and for appeal bonds in bond amounts up to the limit of our liability under this insurance;
3. litigation costs taxed against you;
4. interest on a judgment as required by law until we offer the amount due under this law; and
5. expenses we incur.

### PART THREE

#### 2. How This Insurance Applies

Paragraph 4. of A. **How This Insurance Applies** of Part 3 (Other States Insurance) is replaced by the following:

4. If you have work on the effective date of this policy in any state not listed in Item 3.A. of the Information Page, coverage will not be afforded for that state unless we are notified within **sixty** days.

### PART SIX

#### 3. Transfer Of Your Rights and Duties

C. **Transfer Of Your Rights and Duties** of Part 6 (Conditions) is replaced by the following:

Your rights or duties under this policy may not be transferred without our written consent.

If you die and we receive notice within **sixty** days after your death, we will cover your legal representative as insured.

#### 4. Liberalization

If we adopt a change in this form that would broaden the coverage of this form without extra charge, the broader coverage will apply to this policy. It will apply when the change becomes effective in your state.

## SECTION II

### VOLUNTARY COMPENSATION AND EMPLOYERS' LIABILITY COVERAGE

#### 5. Voluntary Compensation Insurance

##### A. How This Insurance Applies

This insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. The bodily injury must be sustained by any officer or employee not subject to the workers' compensation law of any state shown in Item 3.A. of the Information Page.
2. The bodily injury must arise out of and in the course of employment or incidental to work in a state shown in Item 3.A. of the Information Page.

3. The bodily injury must occur in the United States of America, its territories or possessions, or Canada, and may occur elsewhere if the employee is a United States or Canadian citizen, or otherwise legal resident, and legally employed, in the United States or Canada and temporarily away from those places.
4. Bodily Injury by accident must occur during the policy period.
5. Bodily Injury by disease must be caused or aggravated by the conditions of the

officer's or employee's employment. The officer's or employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.

**B. We Will Pay**

We will pay an amount equal to the benefits that would be required of you as if you and your employees were subject to the workers' compensation law of any state shown in Item 3.A. of the Information Page. We will pay those amounts to the persons who would be entitled to them under the law.

**C. Exclusion**

This insurance does not cover:

1. any obligation imposed by workers' compensation or occupational disease law or any similar law.
2. bodily injury intentionally caused or aggravated by you.
3. officers or employees who have elected not to be subject to the state workers' compensation law.
4. partners or sole proprietors not covered under the Standard Sole Proprietors, Partners, Officers and Others Coverage Endorsement.

**D. Before We Pay**

Before we pay benefits to the persons entitled to them, they must:

1. Release you and us, in writing, of all responsibility for the injury or death.
2. Transfer to us their right to recover from others who may be responsible for the injury or death.
3. Cooperate with us and do everything necessary to enable us to enforce the right to recover from others.

If the persons entitled to the benefits of this insurance fail to do those things, our duty to pay ends at once. If they claim damages from you or from us for the injury or death, our duty to pay ends at once.

**E. Recovery From Others**

If we make a recovery from others, we will keep an amount equal to our expenses of recovery and the benefits we paid. We will pay the balance to the persons entitled to it.

If the persons entitled to the benefits of this insurance make a recovery from others, they must reimburse us for the benefits we paid them.

**F. Employers' Liability Insurance**

Part Two (Employers' Liability Insurance) applies to bodily injury covered by this endorsement as though the State of Employment was shown in Item 3.A. of the Information Page.

This provision 5. does not apply in New Jersey or Wisconsin.

**EMPLOYERS' LIABILITY STOP GAP COVERAGE**

**6. Employers' Liability Stop Gap Coverage**

- A. This coverage only applies in Montana, North Dakota, Ohio, Washington, West Virginia and Wyoming.
- B. Part One (Workers' Compensation Insurance) does not apply to work in states shown in Paragraph A above.
- C. Part Two (Employers' Liability Insurance) applies in the states, shown in Paragraph A., as though they were shown in Item 3.A. of the Information Page.
- D. Part Two, Section C. Exclusions is changed by adding these exclusions.

This insurance does not cover:

5. bodily injury intentionally caused or aggravated by you or in Ohio bodily injury resulting from an act which is determined by an Ohio court of law to have been committed by you with the belief that an injury is substantially certain to occur. However, the cost of defending such claims or suits in Ohio is covered.
13. bodily injury sustained by any member of the flying crew of any aircraft.
14. any claim for bodily injury with respect to which you are deprived of any defense or defenses or are otherwise subject to penalty because of default in premium under the provisions of the workers' compensation law or laws of a state shown in Paragraph A.
- E. This insurance applies to damages for which you are liable under West Virginia Code Annot. S 23-4-2.

## EXTENDED OPTIONS

### 1. Employers' Liability Insurance

Item 3.B. of the Information Page is replaced by the following:

#### B. Employers' Liability Insurance:

1. Part Two of the policy applies to work in each state listed in Item 3.A.

The Limits of Liability under Part Two are the higher of:

<b>Bodily Injury by Accident</b>	<b>\$500,000</b>	<b>Each Accident</b>
<b>Bodily Injury by Disease</b>	<b>\$500,000</b>	<b>Policy Limit</b>
<b>Bodily Injury by Disease</b>	<b>\$500,000</b>	<b>Each Employee</b>

OR

2. The amount shown in the Information Page.

This provision 1 of **EXTENDED OPTIONS** does not apply in New York because the Limits Of Our Liability are unlimited.

In this provision the limits are changed from **\$500,000** to **\$1,000,000** in California.

### 2. Unintentional Failure to Disclose Hazards

If you unintentionally should fail to disclose all existing hazards at the inception date of your policy, we shall not deny coverage under this policy because of such failure.

### 3. Waiver of Our Right To Recover From Others

- A. We have the right to recover our payments from anyone liable for an injury covered by this policy. We will not enforce our right against any person or organization for whom you perform work under a written contract that requires you to obtain this agreement from us.

This agreement shall not operate directly or indirectly to benefit anyone not named in the agreement.

- B. This provision 3. does not apply in the states of Pennsylvania and Utah.

### 4. Foreign Voluntary Compensation and Employers' Liability Reimbursement

#### A. How This Reimbursement Applies

This reimbursement provision applies to bodily injury by accident or bodily injury by disease. Bodily injury includes resulting death.

1. The bodily injury must be sustained by an officer or employee.
2. The bodily injury must occur in the course of employment necessary or incidental to work in a country not listed in Exclusion C.1. of this provision.
3. Bodily injury by accident must occur during the policy period.
4. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The officer or employee's last exposure to those conditions of your employment must occur during the policy period.

#### B. We Will Reimburse

We will reimburse you for all amounts paid by you whether such amounts are:

1. voluntary payments for the benefits that would be required of you if you and your officers or employees were subject to any workers' compensation law of the state of hire of the individual employee.
2. sums to which Part Two (Employers' Liability Insurance) would apply if the Country of Employment were shown in Item 3.A. of the Information Page.

#### C. Exclusions

This insurance does not cover:

1. any occurrences in the United States, Canada, and any country or jurisdiction which is the subject of trade or economic sanctions imposed by the laws or regulations of the United States of America in effect as of the inception date of this policy.
2. any obligation imposed by a workers' compensation or occupational disease law, or similar law.
3. bodily injury intentionally caused or aggravated by you.

4. liability for any consequence, whether direct or indirect, of war, invasion, act of Foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection or military or usurped power. No endorsement now or subsequently attached to this policy shall be construed as overriding or waiving this limitation unless specific reference is made thereto.

#### **D. Before We Pay**

Before we reimburse you for the benefits to the persons entitled to them, you must have them:

1. release you and us, in writing, of all responsibility for the injury or death,
2. transfer to us their right to recover from others who may be responsible for their injury or death,
3. cooperate with us and do everything necessary to enable us to enforce the right to recover from others.

If the persons entitled to the benefits paid fail to do these things, our duty to reimburse ends at once. If they claim damages from us for the injury or death, our duty to reimburse ends at once.

#### **E. Recovery From Others**

If we make a recovery from others, we will keep an amount equal to our expenses of recovery and the benefits we reimbursed. We will pay the balance to the persons entitled to it. If persons entitled to the benefits make a recovery from others, they must repay us for the amounts that we have reimbursed you.

#### **F. Reimbursement for Actual Loss Sustained**

This endorsement provides only for reimbursement for the loss you actually sustain. In order for you to recover loss or expenses under this reimbursement you must:

1. actually sustain and pay the loss or expense in money after trial, or
2. secure our consent for the payment of the loss or expense.

#### **G. Repatriation**

Our reimbursement includes the additional expenses of repatriation to the United States

of America necessarily incurred as a direct result of bodily injury.

Our reimbursement shall be limited as follows:

1. to the amount by which such expenses exceed the normal cost of returning the officer or employee if in good health, or
2. in the event of death, to the amount by which such expenses exceed the normal cost of returning the officer or employee if alive and in good health.

In no event shall our reimbursement exceed the bodily injury by accident limit shown in item 3.B. of the Information Page as respects any one such officer or employee whether dead or alive.

#### **H. Endemic Disease**

The word "disease" includes any endemic diseases.

The coverage applies as if endemic diseases were included in the provisions of the workers' compensation law.

#### **5. Longshore and Harbor Workers' Compensation Act Coverage**

**General Section C. Workers' Compensation Law** is replaced by the following:

##### **C. Workers' Compensation Law**

Workers' Compensation Law means the workers or workers' compensation law and occupational disease law of each state or territory named in Item 3.A. of the Information Page and the Longshore and Harbor Workers' Compensation Act (33 USC Sections 901-950). It includes any amendments to those laws that are in effect during the policy period. It does not include any other federal workers or workers' compensation law, other federal occupational disease law or the provisions of any law that provide nonoccupational disability benefits.

Part Two (Employers' Liability Insurance), C. Exclusions, exclusion 8, does not apply to work subject to the Longshore and Harbor Workers' Compensation Act.

This coverage does not apply to work subject to the Defense Base Act, the Outer Continental Shelf Lands Act, or the Nonappropriated Fund Instrumentalities Act.

**SECTION III**

**1. SCHEDULE OF COVERED STATES**

A. This endorsement only applies in the states listed in this Schedule of Covered States.

B. If a state, shown in Item 3.A. of the Information Page, approves this endorsement after the effective date of this policy, this endorsement will apply to this policy. The coverage will apply in the new state on the effective date of the state approval.

C. Schedule of Covered States:

CA

Countersigned by



Authorized Representative

# BROWN ARMSTRONG

---

## Certified Public Accountants

# Cost Proposal

## Last Best and Final Offer

RFP No. 9317  
Proposal for Professional  
Auditing Services  
City of Fresno  
May 1, 2015

Rosalva Flores, CPA/Partner  
Eric H. Xin, CPA, MBA/Partner  
T: (888) 565-1040  
E: [rflores@bacpas.com](mailto:rflores@bacpas.com)  
[exin@bacpas.com](mailto:exin@bacpas.com)  
7673 North Ingram, Suite 101  
Fresno, CA 93711

# BROWN ARMSTRONG

Certified Public Accountants

The total all-inclusive maximum price contains all direct and indirect costs, including all out-of-pocket expenses. The total all-inclusive maximum prices provided below constitute our last best and final offer.

## a. Summary Fee Schedule for All Audit Components

### CITY OF FRESNO PROFESSIONAL AUDIT SERVICES RFP

RFP No: 9317

#### SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	100	\$ 200	\$ 20,000	\$ 20,325	\$ 20,745	\$ 21,025
Managers	200	170	34,000	34,700	35,425	36,100
Supervisory Staff	410	120	49,200	50,235	51,125	52,100
Staff	1,020	90	91,800	93,700	95,700	97,700
Other (clerical)	30	65	1,950	2,030	2,085	2,150
<b>Subtotal for Services Described in RFP</b>	1,760		196,950	200,990	205,080	209,075
Out-of-pocket Expenses			3,050	3,110	3,120	3,325
Discount			(30,000)	(30,615)	(31,230)	(31,860)
<b>Total All-inclusive Maximum Price</b>			\$ 170,000	\$ 173,485	\$ 176,970	\$ 180,540

**b. Fee Schedules for Various Audit Components**

1. CAFR, GANN Limit, & Management Letter(s)

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	79	\$ 200	\$ 15,800	\$ 16,100	\$ 16,450	\$ 16,700
Managers	163	170	27,710	28,300	28,900	29,400
Supervisory Staff	305	120	36,600	37,300	38,000	38,800
Staff	796	90	71,640	73,100	74,600	76,100
Other (clerical)	21	65	1,365	1,400	1,430	1,500
<b>Subtotal</b> for Services Described in RFP	1,364		153,115	156,200	159,380	162,500
Out-of-pocket Expenses			2,685	2,800	2,820	3,000
Discount			(23,370)	(23,850)	(24,330)	(24,825)
<b>Total All-inclusive Maximum Price</b>			\$ 132,430	\$ 135,150	\$ 137,870	\$ 140,675

2. Single Audit (6 major programs)

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	10	\$ 200	\$ 2,000	\$ 2,000	\$ 2,075	\$ 2,125
Managers	16	170	2,720	2,800	2,900	3,000
Supervisory Staff	56	120	6,720	6,900	7,000	7,100
Staff	124	90	11,160	11,400	11,600	11,800
Other (clerical)	4	65	260	300	325	350
<b>Subtotal</b> for Services Described in RFP	210		22,860	23,400	23,900	24,375
Out-of-pocket Expenses			140	100	100	125
Discount			(3,450)	(3,525)	(3,600)	(3,675)
<b>Total All-inclusive Maximum Price</b>			\$ 19,550	\$ 19,975	\$ 20,400	\$ 20,825

**COST PROPOSAL – LAST BEST AND FINAL OFFER**

3. Health & Welfare (no standalone report)

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	4	\$ 200	\$ 800	\$ 800	\$ 820	\$ 800
Managers	8	170	1,360	1,400	1,425	1,500
Supervisory Staff	18	120	2,160	2,200	2,225	2,300
Staff	40	90	3,600	3,700	3,800	3,900
Other (clerical)	2	65	130	130	130	100
<b>Subtotal for Services Described in RFP</b>	72		8,050	8,230	8,400	8,600
Out-of-pocket Expenses			50	70	100	100
Discount			(1,215)	(1,245)	(1,275)	(1,305)
<b>Total All-inclusive Maximum Price</b>			\$ 6,885	\$ 7,055	\$ 7,225	\$ 7,395

4. Fresno Area Express (FAX) NTD Report

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	3	\$ 200	\$ 600	\$ 600	\$ 600	\$ 600
Managers	6	170	1,020	1,000	1,000	1,000
Supervisory Staff	16	120	1,920	2,000	2,000	2,000
Staff	28	90	2,520	2,600	2,700	2,800
Other (clerical)	3	65	195	200	200	200
<b>Subtotal for Services Described in RFP</b>	56		6,255	6,400	6,500	6,600
Out-of-pocket Expenses			145	100	100	100
Discount			(960)	(975)	(990)	(1,005)
<b>Total All-inclusive Maximum Price</b>			\$ 5,440	\$ 5,525	\$ 5,610	\$ 5,695

**COST PROPOSAL – LAST BEST AND FINAL OFFER**

5. Passenger Facility Charge (PFC) Airports billed to Airports

	<b>HOURS</b>	<b>FY 2015 HOURLY RATE</b>	<b>TOTAL FY 2015</b>	<b>TOTAL FY 2016</b>	<b>TOTAL FY 2017</b>	<b>TOTAL FY 2018</b>
Partners	4	\$ 200	\$ 800	\$ 825	\$ 800	\$ 800
Managers	7	170	1,190	1,200	1,200	1,200
Supervisory Staff	15	120	1,800	1,835	1,900	1,900
Staff	32	90	2,880	2,900	3,000	3,100
Other (clerical)	-	65	-	-	-	-
<b>Subtotal for Services Described in RFP</b>	58		6,670	6,760	6,900	7,000
Out-of-pocket Expenses			30	40	-	-
Discount			(1,005)	(1,020)	(1,035)	(1,050)
<b>Total All-inclusive Maximum Price</b>			\$ 5,695	\$ 5,780	\$ 5,865	\$ 5,950

6. GANN Limit (Appropriations Letter)

Fees for the GANN Limit (Appropriations Letter) are included in item 1 on page 2.

**BROWN ARMSTRONG**  
Certified Public Accountants

# Technical Proposal

**RFP No. 9317**  
**Proposal for Professional**  
**Auditing Services**  
**City of Fresno**  
**March 2, 2015**

**Rosalva Flores, CPA/Partner**  
**Eric H. Xin, CPA, MBA/Partner**  
**T: (888) 565-1040**  
**E: rflores@bacpas.com**  
**exin@bacpas.com**  
**7673 North Ingram, Suite 101**  
**Fresno, CA 93711**

# BROWN ARMSTRONG

## TABLE OF CONTENTS

	<u>Page</u>
Transmittal Letter .....	1
Detailed Proposal	
a. General Requirements .....	3
i. Firm Qualifications and Experience .....	3
ii. Joint Venture.....	4
iii. Disclosures .....	4
iv. Staff Assigned to Engagement.....	5
v. Similar Engagements with Other Government Entities .....	18
vi. Subcontracting .....	19
vii. Local Preference .....	19
b. Independence.....	19
c. Plan for Audit .....	20
d. Discussion of Relevant Accounting Issues.....	28
e. Assistance Requested from City Staff .....	28
f. Identification of Anticipated Potential Audit Problems.....	32
g. Additional Information .....	32
Required Proposer Statements.....	33
Authorized Signature .....	39
Dollar Cost Proposal .....	42
EXHIBITS	
Exhibit I - External Quality Control Review Report.....	44
Exhibit II - Summary of Recent Governmental Audit Experience .....	45
ATTACHMENTS	
California Jurat with Affiant Statement	
Unanimous Written Consent of Board of Directors	

# BROWN ARMSTRONG

Brown Armstrong Accountancy Corporation (Brown Armstrong) is pleased to submit this proposal to perform professional auditing services for the City of Fresno for the fiscal years ending June 30, 2015, 2016, 2017 and 2018. This proposal will demonstrate to you that our firm is uniquely qualified to serve as your auditors.

We have thoroughly read your request for proposal and feel that we are the best candidate to meet your needs as listed in the request for proposals. We are committed to performance and efficient completion of this audit on or before the dates specified in your request for proposal.

Brown Armstrong is one of the largest regional accounting firms in California. Our mission is simple, we set out "to exceed expectations and provide opportunities" for our clients. Our seventy-six (76) employees lead us in achieving this mission by working with our clients individually to overcome any challenges with a special combination of knowledge and experience in city audits. We have audited numerous agencies similar to yours for almost four decades. We are experts in governmental accounting and auditing and have assisted numerous clients in receiving the Certificate of Achievement for Excellence in Financial Reporting.

At Brown Armstrong, we understand that your timeframes must be met. As one of our key strengths, we develop an approach by which specific deliverables are achieved within set timeframes. We will work with you to develop a timeline that meets your specific requirements, meeting dates, field work dates, status reporting dates, and final report dates.

Our firm partners, managers, and seniors are actively involved in trade associations such as the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO). Several of our Partners are pro bono recognized reviewers for the GFOA Certificate of Achievement Award Committee. We enthusiastically contribute our time to this Award process because as we review CAFRs from all across the United States, we maintain current, up-to-date knowledge of municipal accounting principles.

Beyond the activity in trade associations, we offer our clients the education and organization to prepare themselves for upcoming regulation and compliance changes.

Our approach, people, commitment to timelines, and dedication to financial reporting excellence makes Brown Armstrong the best-qualified firm to meet your needs.

**TRANSMITTAL LETTER**

I will be the engagement partner and primary liaison responsible for all services to the City of Fresno (the City), and I am entitled to represent the firm, empowered to submit this bid, and authorized to sign a contract with the City. I can be contacted at 7673 North Ingram, Suite 101, Fresno, CA 93711, Tel (888) 565-1040, Fax (661) 324-4997, or by email, rflores@bacpas.com.

Eric Xin, CPA, MBA, may also be reached at exin@bacpas.com, with the same address and phone number. Eric is our niche leader for government, and together we will be the project managers on the engagement.

I confirm that the information provided in this proposal is accurate and that the terms and conditions of this proposal are a firm and irrevocable offer for ninety (90) days. Please call me if I can clarify or expand on any item contained in this proposal. We appreciate the opportunity to provide you with the outstanding service you expect.

Sincerely,

**BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION**



By: Rosalva Flores, CPA  
Principal

# BROWN ARMSTRONG

## a. General Requirements

The purpose of the proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City of Fresno's (the City) financial statement in conformity with the requirements of the RFP.

### *Firm Qualifications and Experience*

Brown Armstrong is a full service regional accounting firm. Our services include auditing, management advisory and information services, tax strategy and preparation, accounting and bookkeeping services. We base our success on the relationships fostered, and performance of the best quality service possible. Our partners and staff are not strangers to auditing cities. The team assembled for you has been specially chosen to fit your needs. From staff accountant to partner, this group is trained to understand city audit requirements and carry out the desired scope of work based on your needs.

Not only is our team of professionals trained to perform audits, but all members have experience auditing cities similar to Fresno. This knowledge and background will lead to an efficient, timely, and quality audit that will keep your operation running smoothly. Our firm has extensive experience in audits of local governments, having performed 978 audits of public agencies over the past five (5) years. We are also highly experienced in the preparation of Comprehensive Annual Financial Reports in conformance with GAAP.

Our firm had its roots in the late 1960's when founders Peter C. Brown and Burton H. Armstrong began their public accounting careers with Big Eight international accounting firms. Brown formed a local accounting firm in 1974 and was joined in 1985 by Armstrong to form a premier public accounting firm. Now, with 76 highly skilled employees, Brown Armstrong continues its growth by offering auditing, tax, accounting, consulting, and assurance services to governmental entities, nonprofits, corporations, partnerships and individuals.

Our governmental audit staff is made up of forty-two (42) professionals who are experts in their field. We have crafted expertise in auditing the public sector since the birth of the company. We offer unmatched customer service, reliability, and quality that you can't find in other accounting firms. Through tireless planning, relationship building, and knowledge of the realm, we are dedicated to serving our clients and exceeding their needs and expectations. We have four (4) offices located throughout the state of California. Our main office is located in Bakersfield, California. We have additional offices in Fresno, Pasadena, and Stockton, California to better serve our client's needs. All of the work performed on this engagement will be from our Fresno and Bakersfield offices.

The firm now employs 76 people as follows:

<b>Personnel</b>	<b>Total</b>	<b>Government*</b>
Shareholders (Partners)	11	8
Managers	15	8
Seniors	7	6
Staff Accountants	23	20
Technicians and Other Support	<u>20</u>	<u>0</u>
Total	<u>76</u>	<u>42</u>

\* Indicates employees involved in providing services to local governments.

All staff assigned to this engagement will be employed on a full-time basis.

Our firm policy is to provide staff consistency on engagements; however; having a large public sector focus allows us to provide options for staff rotation if requested.

**Joint Venture**

We are not proposing as a joint venture or consortium.

**Disclosures**

**External Quality Control Reviews**

As part of our commitment to quality control, our firm is a member of the Center for Public Firms Auditors Section (Center) of the American Institute of Certified Public Accountants (AICPA). We have completed several External Quality Control reviews under the AICPA's guidance, all of which included one or more governmental audits. Exhibit I of this proposal contains a copy of our most recent unqualified opinion.

**Desk or Field Reviews and Disciplinary Actions**

Our firm has been subjected to one field review during the past three years. All of our reports are subjected to annual desk reviews by federal and state cognizant agencies. All of our reports for the past three years were accepted by these agencies. We have had no disciplinary action taken against the Firm or any of its members nor do we have any actions pending at the date of this proposal.

**Disciplinary Actions**

We have had no disciplinary action taken against the firm or any of its members during the past three years nor do we have any actions pending at the date of this proposal.

**Staff Assigned to Engagement**

When you choose Brown Armstrong for your auditing services, you aren't just choosing an accountant; you're choosing a resource, a friend, and an expert. You don't need to dread your upcoming audit, the audit team assigned to your engagement will not only meet the deadlines you have in place, but will work with you to keep you current on the latest regulations. Our professional auditing staff is experienced in working with clients in all levels of the public sector, but the team we have chosen for you have specific skills that make them the best fit for your needs.

From our governmental audit staff of forty-two (42), we have assembled an audit team consisting of members who are extremely qualified to perform your audit. All team members notated as a CPA are registered or licensed to practice as a certified public accountant in California.

Below is the proposed engagement team structure. Resumes and continuing professional education information for these individuals can be found on the following pages.

Rosalva Flores, CPA	Engagement Partner
Eric H. Xin, CPA, MBA	Engagement Partner
Jian Ou-Yang, CPA	Technical Review Partner
Osvaldo Gutierrez, CPA	Engagement Manager
Lindsey McGuire, CPA	Engagement Manager
Mikelle Azevedo	Engagement Senior
Lisa Rogalsky	Engagement Senior
Vivi Le	Engagement Staff
Colin Lo	Engagement Staff
Rosa Alberto	Engagement Staff
Keith Campbell	Engagement Staff

**Rosalva Flores, CPA**  
Engagement Partner



Rosalva Flores is a principal with over 16 years of experience in governmental accounting. Rosalva has grown within the firm serving a diverse client base. Her expertise ranges from municipal entities and special districts to retirement systems and nonprofit organizations. She enjoys working "hands-on" with her clients and will never be too far away from audit procedures.

Rosalva has always ensured that we have the highest level of audit and consulting services for all of her clients. She is actively involved in a number of professional organizations such as the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants, the California Municipal Finance Officers Association, and the State Association of County Retirement Systems.

**Roles and Responsibilities**

- Overall responsibility for the audit and delivery of client service
- Approves the overall audit risk assessment and audit procedures
- Communicates with executive management, and members of the City, regarding audit planning, fieldwork and reporting
- Available throughout the year to ensure proactive issue identification and service delivery

**Clients Served**

\*Only chosen clients are listed

**Cities**

- City of Bakersfield
- City of Baldwin Park
- City of Burlingame
- City of Delano
- City of Fresno
- City of Madera
- City of Tulare
- City of Visalia

**Retirement Systems**

- Contra Costa County Employees' Retirement Association
- Fresno City Employees' Retirement System
- Kern County Employees' Retirement Association
- Tulare County Employees' Retirement System
- Ventura County Employees' Retirement System

**Special Districts**

- Belridge Water Storage District
- Casitas Municipal Water District
- Kern Tulare Water District
- Minter Field Airport District
- Mojave Public Utility District
- Rosamond Community Services District

**Education**

California State University,  
Bakersfield, 1998

Bachelor of Science Degree in  
Business Administration,  
Concentration in Accounting

**Eric H. Xin, CPA, MBA**  
Engagement Partner



Eric Xin is a principal with over 18 years of experience in governmental accounting. Eric has grown within the firm serving a diverse client base. His expertise ranges from municipal entities and special districts to school districts and nonprofit organizations. He enjoys working "hands-on" with his clients and will never be too far away from audit procedures.

Eric has always ensured that we have the highest level of audit and consulting services for all of his clients. He is actively involved in a number of professional organizations such as the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants, and the California Municipal Finance Officers Association.

**Roles and Responsibilities**

- Overall responsibility for the audit and delivery of client service
- Approves the overall audit risk assessment and audit procedures
- Communicates with executive management, and members of the City, regarding audit planning, fieldwork and reporting
- Available throughout the year to ensure proactive issue identification and service delivery

**Clients Served**

\*Only chosen clients are listed

**Cities**

- City of Fresno
- City of Bakersfield
- City of Visalia
- City of Tulare
- City of Santa Barbara
- City of Modesto
- City of Delano

**Counties**

- County of Kern
- County of Santa Barbara
- County of Merced
- County of Fresno
- County of Riverside
- County of Stanislaus
- County of Tulare
- County of San Joaquin
- County of Kings

**Special Districts**

- Westside Health Care District
- Los Osos Community Services District
- San Joaquin Valley Air Pollution - Control District

**Education**

Nankai University, China,  
July 1989  
B.S., Business

California State University,  
Bakersfield, June 1996  
Masters of Business  
Administration

**Jian Ou-Yang, CPA**  
Technical Review Partner



Jian Ou-Yang, a partner at Brown Armstrong, will be the Technical Review partner for this engagement. He has over 12 years experience in auditing governmental entities and brings expertise in many areas. His primary audit focus is in cities, counties, and special districts.

Not only does he have experience in the audit process, but he will be an integral member of the team when it comes to keeping standards up to date. He is a reviewer for the GFOA Certificate of Achievement Program and reviews the Governmental Accounting Standards Board (GASB) advisory committees' latest pronouncements. Jian is actively involved in a number of professional organizations such as the American Institute of Certified Public Accountants, the California Society of Certified Public Accountants, and the California Municipal Finance Officers Association.

**Education**

Cal Poly San Luis Obispo, 2002

Bachelor of Science in Economics  
Concentration in Accounting

**Roles and Responsibilities**

- Responsible for assisting the Engagement Partner in performing the audit risk assessment and design audit procedures.
- Assists in audit documentation review in significant areas.
- Reviews financial statements to ensure they are in conformance with GAAP and GFOA requirements.
- Advises the audit team regarding technical matters and provides concurring approval of financial statements and audit reports.

**Clients Served**

\*Only chosen clients are listed

**Cities**

City of Bakersfield  
City of Burlingame  
City of Seaside  
City of Tulare  
City of Visalia

**Counties**

County of Kern  
County of San Joaquin  
County of Santa Barbara  
County of Santa Cruz  
County of Stanislaus

**Special Districts**

Kern County Water Agency  
San Joaquin Area Flood Control Agency

**School Districts**

Visalia Unified School District

**Oswaldo Gutierrez, CPA**  
Engagement Manager



Oswaldo is the engagement manager of the project. He has more than 6 years of governmental auditing experience. He has been with the firm since 2009 and his primary business focus is governmental entities audit and accounting. His audit specialties include special districts, retirement systems, and cities.

Oswaldo will be highly involved in the field work and a face to face presence for Brown Armstrong. He and the senior accountants will be easily accessible for the City at all times. His ability to manage an audit has become invaluable for Brown Armstrong. He is actively involved in a number of professional organizations such as the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

**Education**

California State University,  
Fresno, 2008

B.S., Business and Public  
Administration with a  
Concentration in Accounting

**Roles and Responsibilities**

- Reports to the Partners regarding audit and technical matters
- Assists in the coordination of planning, fieldwork, and reporting matters
- Reviews audit documentation for significant audit areas
- Is in constant communication with executive management and members of the City regarding audit planning, fieldwork, and reporting

**Clients Served**

\*Only chosen clients are listed

**Cities**

City of Bakersfield  
City of Baldwin Park  
City of Burlingame  
City of Delano  
City of Seaside  
City of Tulare

**Counties**

County of Kern  
County of Kings  
County of Merced  
County of San Joaquin  
County of Santa Barbara  
County of Stanislaus  
County of Tulare

**Retirement Systems**

Contra Costa County Employees Retirement Association  
Fresno County Employees' Retirement Association  
Kern County Employees' Retirement Association  
Marin County Employees' Retirement Association  
Stanislaus County Employees' Retirement Association  
Tulare County Employees' Retirement Association

**Lindsey B. McGuire, CPA**  
Engagement Manager



Lindsey is the engagement manager of the project. She has more than 8 years of governmental auditing experience. She has been with the firm since August of 2012 and her primary business focus is governmental entities audit and accounting. Her audit specialties include special districts, counties, cities, and retirement systems.

Lindsey will be highly involved in the field work and a face to face presence for Brown Armstrong. She and the senior accountant will be easily accessible for the District at all times. Her ability to manage an audit has become invaluable for Brown Armstrong.

**Roles and Responsibilities**

- Reports to the Partners regarding audit and technical matters
- Assists in the coordination of planning, fieldwork, and reporting matters
- Reviews audit documentation for significant audit areas
- Is in constant communication with executive management and members of the District regarding audit planning, fieldwork, and reporting

**Clients Served**

\*Only chosen clients are listed

**Special Districts**

County of Riverside Air Quality Improvement Fund  
County of Santa Cruz Sanitation District

**Counties**

County of Kern  
County of Merced  
County of Riverside  
County of Santa Barbara  
County of Santa Cruz  
County of Tulare

**Cities**

City of Bakersfield  
City of Visalia

**Retirement Systems**

Public Employees Retirement System of Nevada Portfolio  
San Joaquin County Employees Retirement Assoc.  
San Luis Obispo County Pension Trust

**Education**

Azusa Pacific University, 2006

Bachelors of Science Degree in Accounting

**Mikelle Azevedo**  
Engagement Senior



**Education**

California State University,  
Fresno, 2012

Bachelor of Science Degree in  
Business Administration,  
Accounting

**Clients Served**

\*Only chosen clients are listed

**Cities**

City of Modesto  
City of Tulare  
City of Visalia  
City of Pasadena  
City of Burlingame

**Counties**

County of Fresno  
County of Kings  
County of Merced  
County of Tulare  
County of Stanislaus  
County of Santa Barbara

**Special Districts**

Santa Clara Valley Water District  
San Joaquin Valley Air Pollution Control District

Mikelle is an audit senior with over two years of governmental auditing experience. She has shown excellent performance in leading fieldwork, compiling and preparing financial statements, performing tests and analytical reviews, as well as creating strong working relationships with clients. She has executed audits in the past with little issues and is great at maximizing efficiency while performing audit work. She is actively involved in a number of professional organizations such as the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

**Roles and Responsibilities**

- Leading fieldwork audit team
- Reviews, analyzes, and documents client internal controls
- Completes complex audit procedures
- Researches and performs tests and analytical reviews on issues under direction of the Engagement Manager
- Reviews financial statements and workpapers before sending the drafts to Engagement Manager and partners for further review

**Lisa Rogalsky**  
Engagement Senior



**Education**

California State University,  
Fresno, 2011

Bachelor of Science in Business  
Administration – Accountancy

**Clients Served**

\*Only chosen clients are listed

**Cities**

City of Lindsay  
City of Seaside  
City of Tulare  
City of Visalia

**Counties**

County of Merced  
County of Riverside  
County of Santa Barbara  
County of Tulare

**Special and Transit Districts**

Belridge Water Storage District  
Los Osos Community Services District

**Retirement Systems**

Fresno County Employees' Retirement Association  
Los Angeles City Employees' Retirement System  
San Mateo County Employees' Retirement Assoc.  
Tulare County Employees' Retirement Assoc.  
City of Fresno Retirement Systems

Lisa will be the engagement senior and has over three years of governmental auditing experience. She has shown excellent performance in leading fieldwork, compiling and preparing financial statements, performing tests and analytical reviews, as well as creating strong working relationships with clients. She has executed audits in the past with little issues and is great at maximizing efficiency while performing audit work. She is actively involved in a number of professional organizations such as the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

**Roles and Responsibilities**

- Leading fieldwork audit team
- Reviews, analyzes, and documents client internal controls
- Completes complex audit procedures
- Researches and performs tests and analytical reviews on issues under direction of the Engagement Manager
- Reviews financial statements and workpapers before sending the drafts to Engagement Manager and partners for further review

**Vivi Le**  
Engagement  
Staff



**Education**

University of California, Santa Barbara, 2013

Bachelor of Arts Degree in Economics and Accounting

**Clients Served**

\*Only chosen clients are listed

**Cities**

City of Modesto  
City of Visalia

**Counties**

County of Fresno  
County of Kings  
County of Santa Cruz

**Special Districts**

Fresno Metropolitan Flood Control District

**Joint Powers Authority**

Modesto Ceres Fire Protection Agency  
Modesto Regional Fire Authority

**Retirement Systems**

City of Fresno Retirement System

**First 5 Commissions**

County of Stanislaus  
County of Kings  
County of Merced

**Colin Lo, MA**  
Engagement  
Staff



**Education**

University of the Pacific, 2014

Bachelor of Science in Accounting

Masters of Accounting

**Clients Served**

\*Only chosen clients are listed

**Cities**

City of Burlingame

**Counties**

County of San Joaquin  
County of Stanislaus

**First 5 Commissions**

County of San Joaquin

**Special Districts**

Fresno Metropolitan Flood Control District

**Retirement Systems**

San Mateo County Employees' Retirement Association  
Fresno County Employees' Retirement Association

**Transit Districts**

Central Contra Costa Transit Authority  
San Joaquin Council of Governments TDA

**Rosa Alberto**  
Engagement  
Staff



**Education**

California State University,  
Bakersfield, 2014

Bachelor of Science in Business  
Administration, Emphasis in  
Accounting

**Clients Served**

\*Only chosen clients are listed

**Cities**

City of Lindsay  
City of Tulare

**Counties**

County of Fresno  
County of Kern  
County of San Joaquin  
County of Santa Barbara

**Retirement Systems**

City of Fresno Retirement System  
Los Angeles City Employees' Retirement  
System

**Special Districts**

Pixley Public Utilities District

**Non-Profits**

Community Action Partnership of Kern  
San Joaquin Community Hospital  
First 5 Kern  
Friends of Mercy Foundation Prop 10

**Keith  
Campbell**  
Engagement  
Staff



**Education**

California State University, Fresno,  
2013

Bachelors of Art Degree in  
Business – Accountancy

**Clients Served**

\*Only chosen clients are listed

**Cities**

City of Baldwin Park  
City of Tulare  
City of Visalia

**Counties**

County of Fresno  
County of Merced  
County of Riverside  
County of San Joaquin

**Special Districts**

Fresno Metropolitan Flood Control District  
Mojave Public Utility District  
West Side Health Care District

**Hospitals**

Kern Medical Center  
Riverside Medical Center  
San Joaquin General Hospital

**School Districts**

Saugus Union School District  
Taft Union High School District  
Visalia Unified School District

## Continuing Professional Education

### \*Relevant Education Listed

#### **Rosalva Flores, CPA**

Fraud and the CPA Profession, 2015  
 Accounting and Auditing Update, 2015  
 GASB Update, 2014  
 Implementation of New Pension Standards, 2014  
 Accounting and Auditing Update, 2014  
 School District Conference, 2014  
 Effective and Efficient Single Audits, 2013  
 Internal Control: Your Number One Defense Against Errors and Fraud, 2013  
 New AU-C 600/ISA 600 Group Audit Standards, 2013

#### **Eric H. Xin**

Fraud and the CPA Profession, 2015  
 Accounting and Auditing Update, 2015  
 California Frauds, Scams and Scandals, 2014  
 Government Accounting and Auditing Update, 2014  
 Accounting and Auditing Update, 2014  
 PCAOB Training, 2013  
 The New GASB Pension Standards - An Auditor's Perspective, 2013  
 The 2013 OMB Compliance Supplement and Proposed Single Audit, 2013  
 Internal Control and Fraud Prevention and Detection, 2013

#### **Osvaldo Gutierrez, CPA**

Fraud and the CPA Profession, 2015  
 Accounting and Auditing Update, 2015  
 Governmental Accounting and Auditing Update, 2014  
 Accounting and Auditing Update, 2014  
 Internal Control and Fraud Prevention and Detection, 2014  
 California Frauds, Scams and Scandals, 2014  
 Audit Update, Single Audit and Ethics, 2014  
 GASB Update, 2014  
 Advanced Accounting and Auditing Training, 2014

#### **Lindsey McGuire**

Fraud and the CPA Profession, 2015  
 Accounting and Auditing Update, 2015  
 California Frauds, Scams and Scandals, 2014  
 Accounting and Auditing Update, 2014  
 Performing Effective and Efficient Single Audits, 2014  
 Annual Governmental GAAP Update, 2013  
 The New Data Collection Form and Important Clearinghouse System Changes, 2013  
 The 2013 OMB Compliance Supplement and Proposed Single Audit, 2013  
 Audit Update, Single Audit and Ethics, 2013  
 GASB Update, 2013  
 PCAOB Training, 2013  
 The New GASB Pension Standards - An Auditor's Perspective, 2013

#### **Mikelle Azevedo**

Fraud and the CPA Profession, 2015  
 Accounting and Auditing Update, 2015  
 California Frauds, Scams, and Scandals, 2014  
 Accounting and Audit Update/Fraud, 2014  
 GASB Update, 2014  
 Advanced Accounting and Auditing Training, 2014

**Lisa Rogalsky**

Fraud and the CPA Profession, 2015  
Accounting and Auditing Update, 2015  
California Frauds, Scams, and Scandals, 2014  
Accounting and Auditing Update, 2014  
GASB Update, 2013  
Audit Update, Single Audit and Ethics, 2013  
Advanced Accounting and Auditing Training, 2013  
PCAOB Training, 2013

**Vivi Le**

Fraud and the CPA Profession, 2015  
Accounting and Auditing Update, 2015  
California Frauds, Scams, and Scandals, 2014  
Accounting and Audit Update/Fraud, 2014  
GASB Update, 2014  
Advanced Accounting and Auditing Training, 2014

**Colin Lo**

Fraud and the CPA Profession, 2015  
Accounting and Auditing Update, 2015  
California Frauds, Scams, and Scandals, 2014  
Accounting and Audit Update/Fraud, 2014  
GASB Update, 2014  
Advanced Accounting and Auditing Training, 2014

**Rosa Alberto**

Fraud and the CPA Profession, 2015  
Accounting and Auditing Update, 2015  
GAAP Update, 2014

**Keith Campbell**

Fraud and the CPA Profession, 2015  
Accounting and Auditing Update, 2015  
California Frauds, Scams, and Scandals, 2014  
Accounting and Auditing Update, 2014

**Staff Continuity**

The engagement partner, manager, other supervisory staff, and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons only with the express prior written permission of the City. We understand that the City retains the right to approve or reject replacements. Every effort will be made to ensure continuity of audit personnel and allow for a smoother audit process during the term of the engagement.

The quality of the staff over the term of the agreement will be assured because of our aggressive in-house governmental audit and accounting continuing education classes, and our unsurpassed on-the-job training.

Continuing Professional Education - nice!

Each year Brown Armstrong organizes four days of CPE seminars in Bakersfield (two, two-day sessions covering 32 hours of CPE) for its professional staff and clients' personnel. One of the two-day CPE seminars is in the middle of January. It covers accounting and auditing updates relating to for-profit businesses (FASB, PCAOB, and SAS). Another two-day CPE seminar covering primarily governmental accounting and auditing updates (GASB, Yellowbook, Single Audit) is typically in May. The course material covers emerging issues, current pronouncements, auditing standards, risk alerts, information systems, reporting issues, and other topics of interest which concern auditing and accounting with an emphasis on governmental issues. Course materials are prepared by professional lecturers, our partners, managers, and seniors based on their own experience, research, and learning. Last year's attendance included Brown Armstrong professionals and nearly 60 clients and their accounting staff. All staff assigned to governmental entities meets the CPE requirements in accordance with *Government Auditing Standards*.

In-house training is provided to our junior professional staff annually and covers a range of topics from taxation to information systems. These sessions are usually conducted over several days; both in spring and late fall. Frequently our clients request that members of their accounting divisions be included in our in-house training, and we are happy to help our client's staff achieve their continuing professional education requirements.

Commitment to Equal Opportunity Employment

Our Firm believes that equal opportunity is a fundamental principle in conducting business, and has promoted this principle as a basic policy in the governing of the Firm. Our Firm also believes that there are compelling moral, social and economic reasons for providing equal employment opportunities which go beyond compliance with legal and contractual requirements.

Our Firm believes that all persons are entitled to equal employment opportunity and does not discriminate against its employees or applicants based on any protected category as defined by law, including, but not limited to: race, color, religion, sex, pregnancy, national origin, ancestry, sexual orientation, age, marital status, gender identity, physical or mental disability, medical condition, or any other grounds prohibited by state or federal law. Equal employment opportunity will be extended to all persons in all aspects of the employer-employee relationship, including recruitment, hiring, upgrading, training, promotion, transfer, discipline, layoff, recall and termination.

Our policy not to discriminate in employment also includes, but is not limited to, the following:

1. The Firm will employ those applicants who possess the necessary skills, education, and experience for the position, without regard to race, color, religion, sex, pregnancy, national origin, ancestry, sexual orientation, age, marital status, gender identity, physical or mental disability, or medical condition.

2. No employee will aid, abet, compel, coerce, or conspire to discharge or cause another employee to resign because of race, color, religion, sex, pregnancy, national origin, ancestry, sexual orientation, age, marital status, gender identity, physical or mental disability or medical condition.
3. The Firm will establish rates of pay and terms, conditions, or privileges of employment without regard to race, color, religion, sex, pregnancy, national origin, ancestry, sexual orientation, age, marital status, gender identity, physical or mental disability, or medical condition.
4. The Firm will use, for job referral purposes, only those employment agencies that do not discriminate on the basis of race, color, religion, sex, pregnancy, national origin, ancestry, sexual orientation, age, marital status, gender identity, physical or mental disability, or medical condition.

It is the responsibility of all Officers, managers, seniors, supervisors, and employees to carry out to the fullest extent the purpose and intent of our Firm's policy regarding equal employment opportunity. All members of management are responsible for the implementation of this program as it relates to their individual departments.

Employment decisions shall, therefore, comply with all applicable state and federal laws prohibiting discrimination in employment.

**Similar Engagements with Other Government Entities**

Our firm has extensive California Governmental experience. We currently audit counties, cities, and numerous other local governments. Exhibit II of this proposal presents a summary of our recent governmental experience. We have not had any contracts terminated during the past five (5) years.

Following is a list of the most significant engagements performed in the last five (5) years that are similar to your City's engagement. All clients listed below may be contacted as references. All CAFRs listed in the scope of services below were prepared in conformance with GAAP requirements. Note that an \* indicates a Government Finance Officers Association Certificate of Achievement in Financial Reporting winner.

City of Bakersfield*	1990-present
Scope of Work:	CAFR/Single Audit/GANN Limit/Prop 10/Agreed Upon Procedures/RDA
Engagement Partner:	Eric H. Xin, CPA, MBA
Total Hours:	1,100
Contact:	Nelson Smith, Finance Director 1600 Truxtun Avenue Bakersfield, California 93301 (661) 326-3742 nsmith@bakersfieldcity.us

City of Burlingame*	2011-Present
Scope of Work:	CAFR/Single Audit/Transient Occupancy Tax AUP/GANN Limit/CAFR Drafting
Engagement Partner:	Rosalva Flores, CPA
Total Hours:	800
Contact:	Carol Augustine, Finance Director 501 Primrose Road Burlingame, California 94010-3997 (650) 558-7222 caugustine@burlingame.org
City of Visalia*	2004-Present
Scope of Work:	CAFR/Single Audit/RDA/TDA/GANN Limit
Engagement Partner:	Eric H. Xin, CPA, MBA
Total Hours:	700
Contact:	Jason Montgomery, Financial Analyst 707 W. Acequia Avenue Visalia, CA 93291 (559) 713-4425 jmontgomery@ci.visalia.ca.us

**Subcontracting**

Brown Armstrong will not be using any subcontractors on this engagement as we feel that our full involvement is necessary to build a relationship with our client.

**Local Preference**

Brown Armstrong's Fresno office is located within a twenty-five (25) mile radius of Fresno City Hall. We have included the Certification for Local Preference Form in the Required Proposer Statements section of this proposal.

**b. Independence**

Our firm, its shareholders and employees are independent of the City of Fresno and its component units, as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards*.

We are the current auditors for the following component units of the City of Fresno: City of Fresno Fire and Police Retirement System, and City of Fresno Employees Retirement System. We do not have a conflict of interest relative to performing the proposed audit. In the event our firm is to enter into any professional relationships during the period of our engagement, we will provide the City with timely written notice of this fact.

### c. Plan for Audit

Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America, Standards for Financial Audits set forth in *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions for the Single Audit Act as amended in 1996 (Single Audit) and U.S. Office of Management and Budget (OMB) 2CFR Part 200 (Circular A-133) (for fiscal year 2014-2015) and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (for fiscal year 2015-2016 and all future years), the Audits of State and Local Government Units (Revised – AICPA, and any other applicable federal, state and local laws or regulations.

The methods employed to formulate our auditors' opinions consist of several functions. These functions and the related time requirements, as well as the timing are:

#### Planning

We will begin the planning of the engagement upon notification of award of the contract. We will review the City's budget, prior year financial statements, procedural manuals available online, review minutes and other planning procedures. From the information we gather, we will develop a preliminary audit strategy. During planning, we will form an audit risk based on our review. A pre-audit conference will be scheduled during the first day of interim prior to July 20<sup>th</sup>.

#### Information Technology within the Financial Statement Audit

Brown Armstrong utilizes the risk-based audit approach that recognizes the pervasiveness of Information Technology within business processes and financial transaction cycles. The first step is determining the level of IT sophistication, ranking entities by high, medium and low sophistication. High and Medium sophistication requires the assistance of a subject matter expert to evaluate and test the Information Technology and related controls. Once we have identified the relevant information systems we will test the IT General Controls surrounding the system to determine that the system can be relied upon. We will then test relevant application controls and integrate that control assessment with our manual control testing and risk assessment process. We also may utilize various Computer Assisted Audit Tools to improve both the efficiency and effectiveness of our substantive procedures.

In addition to the procedures noted above, we will provide recommendations to management on how to improve or streamline internal controls as they relate to your deployed Information Technology.

#### Extent of EDP Software in the Engagement

Each staff person has access to a personal computer, and has knowledge of CCH Pfx Engagement software we have purchased for auditing municipalities and report writing. We use this software in the beginning, inputting all prior year actual numbers, and the client current year budget, including amendments. We then input year-to-date numbers and run analytical work at the end of the audit comparing appropriation-expenditure numbers to prior year and budget amounts.

All significant differences are investigated. Our software is capable of complete report writing, including combining statements and footnotes.

#### Identification of Computer Software

Brown Armstrong uses Windows Server 2008 virtual servers in a VMWare environment hosted on redundant Cisco UCS physical servers. We use Microsoft Exchange Server 2010 for our email, and we have a centralized data storage system running on a Netapp disk array. Our network backbone is comprised of Cisco routers and switches and we have WAN connections to our satellite offices. Our servers are on protected power and have redundant drive arrays to eliminate any single points of failure. All of our data is backed up using Zetta.net, which is HIPAA, FINRA, FIRPA, ITAR, SEC 17A-4 and SOX compliant. In addition, our IT system is reviewed (peer review) by a third-party IT consulting firm on a bi-annual basis to ensure we are up-to-date on security and efficiency issues.

All key personnel assigned to your audit have computer application skills and experience in auditing computerized accounting systems. At least two members of our proposed audit team are considered "power users" with skills above normal users. In addition, Brown Armstrong contracts with an outside IT consulting firm to perform testing on audit client's EDP and computer logistics on an as-needed basis.

In 2007, Brown Armstrong switched to paperless audits utilizing CCH Pfx Engagement software. Our staff is equipped with portable computer equipment that enables them to work effectively from the field. Our laptops have both hard drive encryption technology and tracking software to help us locate them in the case they are lost or stolen, and client data is regularly cleared off the local drives after jobs are finished. The data on each laptop in our main auditing software (CCH Pfx Engagement) is synched both with the central file room in our office and between each laptop in the field so there are multiple copies of the data available in case a laptop fails. Also, we use ACL software in performing computer assisted audit procedures. Several of the procedures we have performed using ACL were:

- Selection of warrants for test of control procedures
- Test for duplicate payments
- Test for potential employee fraud
- Transfer of trial balance data to our financial statement preparation software
- Test of inventory pricing

In performing such procedures, our clients were requested to provide us with their disbursements, payroll and other modules in either Dbase, ASCI or spreadsheet formats. ACL is able to read such files and perform various data mining functions such as sorting, recalculating, comparing, etc.

Additionally, Brian Letlow, our IT Director, provides a wide range of computer support to the Firm and its clients. Mr. Letlow is a Certified Network Engineer (CNE) and Certified Network Administrator (CNA).

Study and Evaluation of Internal Controls

This is the cornerstone of the engagement. Internal accounting control generally comprises the plan of organization and procedures and records that are concerned with the safeguarding of assets and reliability of financial records.

We will begin by preparing flow charts and other memoranda to fully describe all financial systems. We will then review the documents to isolate the significant strengths and weaknesses that would affect the extent of substantive audit procedures to be employed. Each strength is then tested and the results subjected to evaluation. These evaluations assist us in determining the amount of reliance we can place on those significant strengths we have identified.

Test of Controls and Compliance

Based on our preliminary assessment of the internal control structure and risk factors, we anticipate performing internal control testing in the following areas:

<u>Area</u>	<u>Sample Size</u>
Receipts and revenues;	40-60
Disbursements and accounts payable;	40-60
Payroll and related liabilities; and	40-60
Capital assets additions.	40-60

Sample sizes will depend on the extent of reliance placed on the given sample and the volume of transactions involved. Statistical and random sampling will be used to ensure that all samples truly represent the population being tested. We will use excel and audit command language (ACL) software and your on-site automated data system on an "inquiry only" basis for purposes of identifying the postings of items selected for testing. Findings will be discussed with management for accuracy and the process of recommendations immediately started.

At this point we make adjustments to our auditing plan to compensate for the significant strengths and weaknesses thus identified and substantiated.

Substantive Tests

In this portion of the examination, we obtain sufficient competent evidential matter through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit. The extent and timing thereof is determined by the results of our study and evaluation of internal control.

Compliance Tests

Concurrent with the substantive testing, we perform the compliance tests which have been designated to meet the objectives stated by the U.S. Comptroller General of the Office of Management and Budget and the State Controller's Office.

Included in this auditing phase are all procedures relating to Federal assisted programs. These procedures would include:

- Setting of auditing scope with cognizant agency and obtaining approval of reporting formats (previously noted under the "planning" discussion).
- Review and testing of internal control, practices and policies designed to provide reasonable assurance that the City's controls relating to the management of federal financial assistance programs are functioning and are in compliance with applicable laws and regulations.
- For major federal assistance programs: reviewing cash receipts to ascertain agreement with grant terms; reviewing program funding for matching requirements; testing a representative sample of disbursements for compliance; tracing financial data to submitted reports.
- Summarizing financial data for final reports.

### Approach to Determine Applicable Laws and Regulations Subject to Audit Test Work

Our experience with various municipal audit clients, most with federal or state monies, has created a reservoir of knowledge of many laws and regulations. However, by inquiry and observation, we will determine all major programs (over \$500,000 annually) participated in by the City. We then consult the actual law, the Federal Register, Catalogue of Federal programs, or the California State Controllers guide to State and Federal Compliance to obtain understanding of the requirements of the law. For major programs, we specifically test those requirements by inspection of documents.

### Approach for Drawing Audit Samples for Compliance Tests

Compliance test samples will be drawn usually by statistical sampling techniques. The universe from which the sample is drawn begins at the beginning of the year under audit, and ends with the end of that year. If a null is picked, it is replaced in draw sequence until sufficient live items comprise the planned sample size.

We will request the City to provide us with all disbursements and payroll data files for the year in spreadsheet format from which to draw our samples.

### Supervision and Review

The review process is constant throughout the engagement. Each working paper prepared by a staff accountant is reviewed by the engagement manager. All working papers are then reviewed by the engagement partner.

To be effective, the reviews must be conducted as the engagement progresses and as each important step is completed. Our procedure is for the audit manager and partner to review the work at the conclusion of each significant task through the engagement as an integral quality control procedure. The financial statements and report thereon are then reviewed by an audit partner not directly involved in the engagement for concurrence of opinion prior to release of the report to the City.

If conditions are discovered which lead to the belief that material errors, defalcations or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will promptly advise you. No extended services will be performed unless they are authorized in the contractual agreement or in an amendment to the agreement.

#### Exit Conference with Management

An important process in our audit plan is to hold an exit conference with management. The purpose of the exit conference is to discuss the results of the audit, communicate to management any reportable conditions identified during our audit to allow management to respond to the finding(s) and discuss the draft report and timeline of the final delivery of the reports.

#### Expression of Opinion - Our Primary Purpose

Our final review of the working papers includes a determination as to whether or not we have a basis to support our conclusion that the financial statements are presented fairly, in conformity with generally accepted accounting principles applied on a consistent basis, and that they contain adequate informative disclosure.

As a normal part of any examination we conduct, a management letter is prepared which identifies observations we have made in the course of our work with respect to accounting practices which are not generally accepted, deficiencies in internal control and operational inefficiencies, if any. At appropriate times operating personnel are consulted to ensure the correctness of our understanding. These findings are then communicated in writing to management and the Board together with our specific recommendations for improvements in accounting practices, operating practices and internal control procedures.

As a result of the aforementioned procedures, we will express an opinion as to the fair presentation of the financial statements of the City in accordance with generally accepted accounting principles applied on a basis consistent with the preceding year. In addition, we will issue reports on:

- Fair presentation of supplemental information contained in the report in relation to the financial statements taken as a whole;
- Auditor's study and evaluation of the City's system of internal accounting controls as required by generally accepted auditing standards, the Standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audits of Governmental Organizations, Programs, Activities and Functions and the provisions of the U.S. Office of Management and Budget's Circular A-133, Audits of State and Local Governments; and
- City's compliance with laws and regulations regarding federal programs, as identified in the Office of Management and Budget's Compliance Supplement for Single Audits of Grants to State and Local Governments.

We will prepare and provide the Data Collection Form SF-SAC for submission.

**DETAILED PROPOSAL**

The following Audit Schedule provides a detail of the timing and time requirements for your audit:

<b>DETAILED AUDIT SCHEDULE</b>			
<b>Time Period</b>	<b>Audit Tasks</b>	<b>Staff</b>	<b>Hours</b>
<b>May</b>	<b>Contract Award</b>		
<b>June/July</b>	<p><b>Planning and Administration:</b></p> <ul style="list-style-type: none"> <li>• Pre-audit conference.</li> <li>• Review and obtain copies of key work papers of prior audit firm.</li> <li>• Review and evaluate City's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements.</li> <li>• Entrance conference with Management to discuss audit approach, timing, assistance, and issues. Discuss SAS-99 approach.</li> <li>• Prepare overall memo confirming audit procedures, timing, and assistance.</li> <li>• Prepare detailed audit work plan and audit programs, audit budget and staffing schedule. Provide schedules to City Management.</li> </ul>	<p><b>Partner</b></p> <p><b>Manager</b></p> <p><b>Senior Staff</b></p> <p><b>Clerical</b></p>	<p><b>35</b></p> <p><b>70</b></p> <p><b>150</b></p> <p><b>310</b></p> <p><b>10</b></p>
	<p><b>Internal Control Procedure and Interim Procedures.</b> Obtain and document our understanding of the following key internal control systems through walkthroughs, interviews of staff, and review of supporting documentation - all entities:</p> <ul style="list-style-type: none"> <li>○ Budgeting,</li> <li>○ Revenue, billing, accounts receivable and cash collections,</li> <li>○ Purchasing, expenditures, accounts payable and cash disbursements,</li> <li>○ Capital assets and journal entry procedures,</li> <li>○ Debt authorization, issuance and repayment,</li> <li>○ Payroll,</li> <li>○ Understanding of Information Systems, and</li> <li>○ Other significant internal control systems as necessary.</li> </ul>		

**INTERIM AUDIT PROCEDURES**

INTERIM AUDIT PROCEDURES

July

**Internal Control Procedure and Interim Procedures.**

- Obtain and document all inter-fund / inter-reporting entity advances and current status, along with any allowances for doubtful accounts. Discuss with the City any plans for converting allowances for doubtful accounts into grants.
- Document if any on-behalf payments are made between City entities (debt, fringe benefits, other items).
- Document City's long-term debt status (including general obligation bonds, certificates of participation, etc.).
- Test Revenue Recognition at key points - cash collections for fees, fines, sewer and parking fees, license and permit fees, 3rd party collections. Test business district tax and other non-property tax allocations.
- Test investment and bank reconciliations for the City.
- Obtain a preliminary Schedule of Expenditures of Federal Awards and sub-recipient disbursements for the latest closed month.
- Perform audit tests of grant programs and Compliance with Federal Laws and Regulations. Review grant documents; select sufficient number of transactions to test for compliance with the most recent U.S. Office of Management and Budget (OMB) 2CFR Part 200 (Circular A-133) (for fiscal year 2014-2015) and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (for fiscal year 2015-2016 and all future years).
- Perform participant testing for the City's Health and Welfare Trust Plan.
- GANN Limitation Work—Document appropriation limitations.
- GANN Limitation Work— Perform GANN Limit Calculation and prepare preliminary report.
- Review minutes of Council meetings and other key committees.
- Coordinate and assist City staff in the preparation of all appropriate confirmation requests.
- Hold progress conference with Management.
- Obtain trial balance for interim analytical procedures.
- Detailed audit plan provided to the City, including all schedules to be prepared by the City.

August

- Prepare year-end audit plan information list of all schedules to be prepared by the City.

YEAR END AUDIT PROCEDURES	<p><b>November-January</b></p> <p><b>Year End Audit Procedures:</b></p> <ul style="list-style-type: none"> <li>• Entrance conference with Management.</li> <li>• Follow-up on all outstanding confirmations.</li> <li>• Verify and validate account balances by reviewing invoices, vouchers, resolutions, minutes and other documentation, as required.</li> <li>• Perform analytical review of revenues and expenditures. Determine reason for all material differences between budget and actual, test and verify City attestations.</li> <li>• Complete payroll testing from journals to W-2 amounts (cross fiscal year). Tie W-2's to other available information.</li> <li>• Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing staff.</li> <li>• Perform review at subsequent event discussions with Management and review of all minutes of City Council and other key committees.</li> <li>• Perform procedures for the Passenger Facility Charge (PFC) program.</li> <li>• Perform procedures on the Successor Agency Fund.</li> <li>• Perform agreed upon procedures on the City's Fresno Area Express.</li> <li>• Complete single audit procedures.</li> <li>• Finalize all potential findings, management letter comments and audit documentation.</li> <li>• Hold Exit Conference with Management.</li> </ul>	<table style="width: 100%; border: none;"> <tr> <td style="width: 80%;"><b>Partner</b></td> <td style="text-align: right;"><b>65</b></td> </tr> <tr> <td><b>Manager</b></td> <td style="text-align: right;"><b>130</b></td> </tr> <tr> <td><b>Senior</b></td> <td style="text-align: right;"><b>260</b></td> </tr> <tr> <td><b>Staff</b></td> <td style="text-align: right;"><b>710</b></td> </tr> <tr> <td><b>Clerical</b></td> <td style="text-align: right;"><b>20</b></td> </tr> </table>	<b>Partner</b>	<b>65</b>	<b>Manager</b>	<b>130</b>	<b>Senior</b>	<b>260</b>	<b>Staff</b>	<b>710</b>	<b>Clerical</b>	<b>20</b>
	<b>Partner</b>	<b>65</b>										
<b>Manager</b>	<b>130</b>											
<b>Senior</b>	<b>260</b>											
<b>Staff</b>	<b>710</b>											
<b>Clerical</b>	<b>20</b>											
AUDIT REPORTS	<p><b>February</b></p> <p><b>Reporting and Final:</b></p> <ul style="list-style-type: none"> <li>• Review City's CAFR and provide suggested changes and improvements following the CFOA checklist.</li> <li>• Issue draft reports on:                         <ul style="list-style-type: none"> <li>○ City CAFR</li> <li>○ Internal Control Over Financial Reporting</li> <li>○ Management Letter</li> <li>○ Single Audit</li> <li>○ GANN Limit</li> <li>○ Required Communications under SAS-114 and SAS-115</li> <li>○ Fax NTD Agreed Upon Conditions Report</li> </ul> </li> <li>• Finalize all reports, findings, and recommendations.</li> <li>• Available to present all reports to City Committees, Management, and all interested stakeholders and Citizens.</li> </ul>											

**d. Discussion of Relevant Accounting Issues**

We take great pride in being our clients' main source and consultants for all things GASB and GAAP. We are open to consultations throughout the year, and not just during the audit period. We provide comprehensive training and CPE opportunities for ourselves and our clients to gain an understanding and get a jump start on implementation of new GASB standards, federal and state regulations, along with upcoming audit requirements. We also create task force trainings on-site for our clients in assistance and preparation of upcoming substantial changes, including recently and on-going a task force training on GASB 67/68. As your auditors', we honor our commitment to building a lasting relationship, and in acting, responding and exceeding your expectations year-round.

**e. Assistance Requested from City Staff**

Below are examples of our standard "prepared by client" lists that are provided to clients during both the interim and final fieldwork phases.

City of Fresno Interim Information Request List June 30, 2015 Date interim work is to commence: Week of 7/20/2015 Date year-end work is to commence: Weeks of 11/9 to 11/30/2015 Staffing: 3-4				
This is a detailed listing of all items we anticipate needing for our interim portion of the audit. All items are due upon our arrival on <b>Monday July 20</b> , unless otherwise specified. Please note the information request is not all inclusive. There may be audit requests that need to be made and additional questions arise as we are performing our audit procedures.				
#	Item requested	Due date	Date Received	City Staff Responsible
<b>GENERAL INFORMATION</b>				
<i>Provide in electronic format (if possible) a copy of the following:</i>				
1	Organizational Chart	07/20/15		
2	Chart of accounts for 2014/15			
3	GFOA comments from the 2013/14 CAFR, if available at the time of interim.			
4	Listing of any subaccounts, cost accounting codes, job codes, cost centers, etc. - if different from prior year			
5	Provide all significant agreements, contracts, and any amendments entered into during fiscal year that have audit significance including:			
a	Debt agreements (including loans, notes and leases)			
b	Grant agreements			
c	Employment contracts for management positions effective during the fiscal year.			
d	Agreements with outside entities for services such as accounting and support, if any.			
e	Agreements with banks such as letters of credit, etc, if any.			
f	Joint powers agreements			
g	Pension agreements including OPEB Plans, if any.			
h	Other agreements or contracts that you're aware of that have a visible impact on the financial statements.			
6	List of each new location (for e.g. component units, enterprise activities, separate operations) maintained by the City, the nature of the activity performed at each, and the approximate number of employees at each.			
7	Identification of any new locations, departments, or funds with decentralized cash receipts or disbursements that ultimately are posted to the general ledger. If none, please so state.			
8	Brief description of any new unusual compensation arrangements. If none, please so state.			
9	Brief description of any new vacation and sick pay policies. If stated in writing, provide a copy.			
10	Employee Manual, if different from prior year.			
11	Accounting policies and procedures manual for investments and treasury function, budgeting, purchasing and expenditures, revenue, billing, accounts receivable, and collections, capital assets, debt management, payroll, self-insurance.			
12	Copy of procedures, or documentation of procedures regarding identifying and properly accounting for related party transactions.			
13	Most recent actuarial study for the City's Self Insurance, if any new studies performed since the last study.			
14	Most recent actuarial valuation for the City's OPEB Plan, if applicable.			
15	Most recent reports on the City's Landfill. Please also provide any regulatory compliance correspondence.			

# DETAILED PROPOSAL

16	Breakdown of legal expense for the year detailing total amount incurred, services rendered, name of firm, name of attorney, and firm address. List must reconcile to the legal expenses per the final income statement.			
17	Describe the relationship with and services provided by any service organizations used by the City for any new relationships entered into during the fiscal year 2015.			
18	If the City's audit committee members have changed since July 1, 2014 please provide: (1) list the members including names and titles, meetings held on an annual basis; and (2) provide the minutes of such meetings for our review. If such a committee does not exist, please so state.			
19	If management is aware of whether there are particular types of transactions, account balances, financial statement categories, or component unit, joint venture, or related organization transactions where fraud risk factors may exist (or be more likely to exist), or if management is aware of fraud that has occurred, please document these in a memo. If none, please so state.			
20	Provide listing of journal entries for 2014/15 List of City employees by department with their e-mail addresses or phone numbers so we can select a few to conduct fraud interviews.	07/06/15		
21	We will be conducting interviews to obtain an update on our understanding of the controls over key accounting areas. Please provide the name(s) of the individuals we should be interviewing for the following key areas. We will need their availability the week of 7/20/2015 to schedule appointments.	07/06/15		
a	Investments and the treasury function			
b	Budgeting			
c	Purchasing and expenditures			
d	Revenue, billing, accounts receivable and collections			
e	Capital assets			
f	Debt management			
g	Payroll			
h	Self Insurance			
i	Journal entries and the closing process			
J	IT			
K	Health and Welfare and participant data			
L	FAX controls over NTD compliance			
M	PFC general controls			
<b>TEST OF CONTROLS-If possible, please provide data in excel from July 1, 2014 to June 30, 2015.</b>				
21	Payroll check numbers: Beginning and ending number	07/06/15		
22	Cash receipts journal			
23	Cash disbursement journal			
24	Listing of capital assets additions and deletions			
25	If City credit card or purchase cards are allowed, please provide a list of employee cardholders.			
<b>SINGLE AUDIT</b>				
26	Please provide the preliminary schedule of federal expenditures. Once we have made the determination of the programs to test, we will provide an information request list on those programs.			
27	General ledger listing of expenditures from 7/1/2014 to June 30, 2015.			
<b>HEALTH AND WELFARE</b>				
28	List of members entered into the Plan from 7/1/2014 to June 30, 2015. From this list we will select a sample.			
29	Payroll register for the last pay period in June 2015. From this list we will select a sample.			
30	List of participants who terminated from the period July 1, 2014 to June 30, 2015. From this list we will select a sample.			
31	Copies of bylaws and or plan document	07/20/15		
32	IRS determination Letter			
33	Board minutes for committees from 7/1/2014 to June 30, 2015.			
34	Investment policies and other relevant policies to the Trust			
35	Access to professional consultant agreements including trustees, investment advisors, etc.			
<b>CONFIRMATIONS - (refer to prior year confirms, templates are attached)</b>				
36	Cash in bank and investments held with third parties	08/11/15		
37	Property tax revenues			
38	Sales tax, franchise tax, and similar revenues			
39	Utility purchases for the year			
40	Long-term debt (Bond/COP, note payable, loans, capital lease and grant loans)			
41	Related party transactions			
42	Grant entitlements and drawdowns, if applicable.			
43	Grant or contract payments and receivables			
44	Note and loans receivable			
45	Legal representation confirmation to all in-house and external counsel. Please prepare one for each law firm where legal counsel was sought during the 2012/13 fiscal year.			

# DETAILED PROPOSAL

City of Fresno  
Prepared by Client Schedule (FBC)  
June 30, 2015

Date year-end work is to commence 11/9/2015

Staffing: 3-4

This is a detailed listing of all items we anticipate needing to complete your audit. As we progress in the audit, we may request additional information. Please pay special attention to the date available column as to when we would like to have this information in order for us to complete the audit in a timely fashion. Those items in red we would appreciate receiving before our visit to your office to give us time to select samples and forward to you to give your staff time to pull and have ready to us by our arrival date. Information provided prior to the date specified is greatly appreciated.

Please see corresponding attachments

*Provide in electronic format (if possible) a copy of the following:*

#	Item requested	Due Date	Date Received	City Staff Responsible
<b>TRIAL BALANCE &amp; Fund Statements</b>				
1	Adjusted Trial balance by fund to trace to the Fund Statements	11/02/15		
2	Major Fund Statements and Non-Major individual fund statements as presented in the Financial Statements- If these can be provided a few days in advance of final fieldwork we can provide you with our variance analysis to give you time to develop responses.	11/04/15		
3	Budget to actual comparison for all major funds and an aggregate of all the non-major funds with a budget.	11/04/15		
<b>CASH AND INVESTMENTS</b>				
4	Bank accounts and reconciliation for all accounts with balances for June 2015 and July 2015	11/09/15		
5	"Reconciliation of Month-end Cash Balance per General Ledger & Bank" for June 2015	11/09/15		
6	Listing of all depositories, including banks from which certificates of deposit and Treasury Bills were purchased, with which the City has transacted during the period under audit.	11/09/15		
7	If the City internally pools its cash accounts, provide documentation to show how the allocation was performed and that the allocation of internal cash balances and interest income, if any, is reasonable.	11/09/15		
8	If depository accounts were opened and closed during the period, provide the minutes showing authorization to open or close the account. If there are no minutes, document the process in writing and provide supporting documentation for how accounts are opened or closed.	11/09/15		
9	Provide a listing that identifies the individual funds that are required by law or contractual agreement to maintain separate bank accounts and ascertain that separate accounts are maintained. Provide documentation to support the purpose of the restriction	11/09/15		
10	Schedule of collateral pledged to secure deposits, including (a) name of depository, (b) name of financial institution holding the collateral, (c) description of collateral, (d) amount of collateral at 12/31, 3/31 and 6/30 and (e) how it complies with legal requirements.	11/09/15		
11	Provide cash receipts and disbursements ledgers for each bank account for five business days before and after the balance sheet date. Identify interbank transfer checks and deposits and provide general ledger detail or copy of an AJE for all funds involved showing how they were recorded.	11/09/15		
12	Provide calculation of uninsured funds at year-end and uninsured and uncollateralized funds at year-end.	11/09/15		
13	Provide documentation to support all balances and ratings included in the cash footnote.	11/09/15		
14	Listing of outstanding checks and access to bank statements to review cancellation dates on selected outstanding checks.	11/09/15		
<b>INVESTMENTS</b>				
15	Summary or leadsheet for all investment accounts.	11/09/15		
16	Interest income and GASB 31 allocation schedule	11/09/15		
17	If the City internally pools its investment accounts, provide documentation to show how the allocation was performed and that the allocation of internal investment balances, investment income and gains/losses, if any, is reasonable.	11/09/15		
18	To verify any impairment of investments, please provide the most current statements.	11/09/15		
19	Document review of compliance with investment portfolio requirements as noted in the investment policy. Provide support for balances, ratings, etc used in compliance review.	11/09/15		
20	GASB 31 letter including attached market value appreciation adjustment schedule.	11/09/15		
21	If the City has securities carried at cost, provide documentation to support the City's review for other than temporary impairment and if it exists, provide AJE showing how it was recorded.	11/09/15		
22	Provide supporting documentation for all amounts, rating, etc included in the investment footnote	11/09/15		
<b>INVENTORY AND OTHER ASSETS</b>				
23	Inventory listing as of June 30, 2015	11/09/15		
24	List of assets prepaid. Please include description and dollar amount	11/09/15		

# DETAILED PROPOSAL

<b>REVENUES AND RECEIVABLES</b>		
25	Accounts receivable reconciliation in excel format	11/09/15
26	Aging schedules for accounts receivables.	11/09/15
27	Provide documentation to support information provided in any receivable footnote.	11/09/15
28	Water rates effective for 2014/15	11/09/15
<b>EXPENDITURES &amp; ACCOUNTS PAYABLE</b>		
29	Accrued A/P listing as of 6/30/15	11/09/15
30	Provide check registers for all checks written subsequent to year-end for all accounts, from July 2015 to August 2015.	11/02/15
31	For estimates made to record payables to close year, provide supporting documentation to justify them. If any relate to invoices received but not input into the payables system, note their reference so we can review them, If applicable.	11/09/15
<b>OTHER LIABILITIES</b>		
32	Detail of deposits payable and retention payable	11/09/15
<b>PAYROLL AND RELATED PAYABLES</b>		
33	Provide supporting documentation from payroll system for payroll accrual and payroll taxes accrued.	11/09/15
34	Payroll calendar for 2014/15	11/09/15
35	Provide supporting documentation for compensated absences accrual. Access to report showing amount of compensated absences used by employees. Ideally, we would prefer to see a schedule by employee with beginning balances, additions, deletions, and ending balance and also calculation of the current portion.	11/09/15
36	Provide supporting documentation for any OPEB accruals. Documentation should include actuarial report.	11/09/15
37	Provide documentation of allocation of OPEB expenses to individual funds.	11/09/15
38	Provide documentation regarding City's termination benefits agreement, if any. If none, please state so.	11/09/15
39	Provide the total number of employees at the beginning of the year and at the end of the year.	11/09/15
<b>CAPITAL ASSETS</b>		
40	Provide rollforward of capital assets that agreed to prior year and current year financials for both proprietary and governmental funds. Rollforward should include total additions, dispositions and adjustments.	11/09/15
41	Provide detailed listing of additions that agrees to rollforward. Sample may be selected for additional testing.	11/09/15
42	Provide detail of all repair and maintenance accounts that agrees to general ledger and provides detail of individual invoices.	11/09/15
43	If City took a physical inventory of assets, please provide a detail of reports issues and adjustments recorded as a result including:	11/09/15
44	Items determined to be obsolete or damaged, no longer operable.	11/09/15
45	Provide detailed listing of dispositions that agrees to rollforward. Sample may be selected for additional testing.	11/09/15
46	Provide depreciation report showing individual assets, prior year and current year accumulated depreciation, method of depreciation, estimated useful lives, current year depreciation expense and NBV. Highlight any useful lives or methods that changed from the prior year.	11/09/15
47	Provide detail of analysis of potential impairment under GASB 42.	11/09/15
48	Please provide supporting documentation of any intangible assets under GASB 51, if applicable.	11/09/15
49	Schedule of construction in progress by project and the status of each project.	11/09/15
50	Provide access to agreements and documentation used to determine if leases are capital or operating leases by providing an example of the most recent lease entered into and the analysis performed to determine its proper accounting.	11/09/15
51	Provide documentation to support capital assets footnote.	11/09/15
52	Provide documentation to support leases footnote	11/09/15
<b>DEBT AND DEBT SERVICE EXPENDITURES</b>		
53	Provide rollforward of debt from prior year that agrees to government wide financials. Rollforward must include prior year and current year balances, proceeds, payments, adjustments.	11/09/15
54	Provide documentation to support all portions of the debt footnote.	11/09/15
55	For any new debt obtained during the year, provide the official statement and amortization schedules and copies of the journal entries showing how it was recorded.	11/09/15
56	Provide minutes showing authorization for obtaining new debt.	11/09/15
57	Schedule used to compute interest payables and amortization of deferred costs, premiums, discounts, and refunding gains/losses, if any.	11/09/15

## DETAILED PROPOSAL

EQUITY/FUND BALANCE				
58	Provide reconciliation of fund balance from prior year financials to leadsheet or general ledger for all funds.	11/09/15		
59	Provide explanations for all funds with a deficit fund balance.	11/09/15		
60	Provide support for all equity related footnotes including support for restricted fund balance, committed, etc.	11/09/15		
SELF INSURANCE				
61	Provide schedule of insurance limits, terms, and arrangements.	11/09/15		
62	Provide documentation and calculation to support the estimate for reserve for claim losses including a list of individual claims.	11/09/15		
63	Provide support for all self insurance and risk footnotes.	11/09/15		
64	Provide schedules and supporting documentation to all self insurance programs.	11/09/15		
INTERFUND BALANCES AND TRANSACTIONS				
65	Schedule for due to/ due from, advances to/advances from, transfers in/transfers out. Please indicate the purpose of transactions.	11/09/15		
HEALTH AND WELFARE TRUST				
66	Detailed quarterly investment reports	11/09/15		
67	Schedule of investment management fees for 2015	11/09/15		
68	SSAE 16 reports for all service providers including custodian and investments managers	11/09/15		
69	Management fees accrual	11/09/15		
70	Pending trades receivables and payables as of 6/30/15	11/09/15		
FAX-NTD				
71	NTD reporting statistic form	11/09/15		
72	NTD passenger statistics report for the fiscal year end June 30, 2015.	11/09/15		
SINGLE AUDIT				
73	Final schedule of federal expenditures by grant number showing all expenditures incurred between July 1, 2014 to June 30, 2015.	11/09/15		
*** Please keep in mind that additional information might be needed as we conduct our audit procedures.				

### f. Identification of Anticipated Potential Audit Problems

We currently do not anticipate any audit problems. In the event problems are identified, we will resolve the problem as follows:

- Discussion with audit team.
- Consultation and discussion with appropriate City personnel.
- Consultation and discussion with liaison(s).
- Resolution with appropriate City personnel.

### g. Additional Information

None.

# BROWN ARMSTRONG

- I. Certification for Local Preference
- II. Statement of Proposer Guarantees and Warranties
- III. Auditing Services Agreement
- IV. Non-Collusion Affidavit
- V. References

**CITY OF FRESNO  
PROFESSIONAL AUDIT SERVICES RFP**

**RFP No. 9317**

**CERTIFICATION FOR LOCAL PREFERENCE**

- We certify that we qualify as a local firm pursuant to Fresno Municipal Code Section 3-109.1.  
 We certify that we qualify as a non-local firm which has formed an association for pecuniary profit with the local firm listed below for the project being proposed wherein the benefit to the local firm is an amount greater than 15% of the total contract price for the project (as provided in Fresno Municipal Code Section 3-109.1).

**Location of Proposer's Business:**

(Please provide street address, no PO Box)

Primary Office   
Branch Office   
(Please mark as applicable)

Address: 7673 North Ingram, Suite 101

Fresno, CA 93711

Phone: (559) 476-3592

**Name and Location of Associated Local Firm's Business:**

Primary Office   
Branch Office   
(Please mark as applicable)

Name: \_\_\_\_\_

(Please provide street address, no PO Box)

Address: \_\_\_\_\_  
\_\_\_\_\_

Phone: \_\_\_\_\_

The undersigned Proposer hereby certifies under penalty of perjury under the laws of the State of California that the information contained on this CERTIFICATION FOR LOCAL PREFERENCE is correct and complete.

**The above Statement is part of the proposal. Signing the proposal shall also constitute signature of this Certification. Proposers are cautioned that making a false certification may subject the certifier to criminal prosecution.**

**CITY OF FRESNO  
PROFESSIONAL AUDIT SERVICES RFP**

**RFP No. 9317**

**STATEMENT OF PROPOSER GUARANTEES AND WARRANTIES**

1. Proposer certifies that it can and will provide and make available, as a minimum, all services set forth in "Section III" of the RFP, Nature of Services Required.
2. Proposer warrants that it is willing and able to comply with State of California laws with respect to foreign (non State of California) corporations.
3. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: Rosalva Flores

Name (typed): Rosalva Flores

Title: Principal

Firm: Brown Armstrong Accountancy Corporation

Date: March 2, 2015

(Submit with Proposal)

Proposer's Name Brown Armstrong Accountancy Corporation

**CITY OF FRESNO  
PROFESSIONAL AUDIT SERVICES RFP**

**RFP No: 9317**

**AUDITING SERVICES AGREEMENT**

The Proposer shall sign below that the Proposer accepts in whole the terms and conditions of the AGREEMENT Documents set forth in this RFP. If the Proposer takes exception to any provision of the AGREEMENT Documents, such provision(s) shall be listed here below and the Proposer shall sign that the Proposer accepts all remaining provisions of the AGREEMENT Documents not listed.

Note: Any exceptions may render the proposal non-responsive.

**ACCEPT**  
 **DO NOT ACCEPT**

If "DO NOT ACCEPT" is checked, please list exceptions:



\_\_\_\_\_  
Signature of Authorized Person

Rosalva Flores

\_\_\_\_\_  
Type or Print Name of Authorized Person

(Submit with Proposal)

Proposer's Name Brown Armstrong Accountancy Corporation

**STATEMENT OF ACCEPTANCE OF THE AGREEMENT REQUIREMENTS  
PROFESSIONAL AUDIT SERVICES**

**RFP No: 9317**

**NON-COLLUSION AFFIDAVIT**

Proposer declares that, under penalty of perjury under the laws of the State of California, this proposal is not made in the interest of or on behalf of any undisclosed person, partnership, company, association, organization or corporation; that such proposal is genuine and not collusive or sham; that said Proposer has not directly or indirectly induced or solicited any other Proposer to put in a false or sham proposal and has not directly or indirectly colluded, conspired, connived, or agreed with any Proposer or anyone else to put in a sham proposal, or that anyone shall refrain from submitting a proposal; that said Proposer has not in any manner directly or indirectly sought by AGREEMENT, communication, or conference with anyone to fix the proposal price of said Proposer or of any other Proposer, or to fix any overhead, profit, or cost element of such proposal price, or of that of any other Proposer, or to secure any advantage against the public body awarding the Contract of anyone interested in the proposed Contract; that all statements contained in such proposal are true, and further, that said Proposer has not directly or indirectly submitted his proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid and will not pay any fee in connection therewith, to any corporation, partnership, company, association, organization, proposal depository, or to any member or agent thereof, or to any other individual except to any person or persons as have a partnership or other financial interest with said Proposer in this general business.

The undersigned Proposer hereby declares under penalty of perjury under the laws of the State of California that the information contained on this affidavit is true and correct.

**The above Non-Collusion Affidavit is part of the proposal. Signing the proposal shall also constitute signing this Non-Collusion Affidavit.**

Proposers are cautioned that making a false representation with respect to non-collusion may subject them to criminal prosecution.

**REQUIRED PROPOSER STATEMENTS**

(Submit with Proposal)

Proposer's Name Brown Armstrong Accountancy Corporation

**CITY OF FRESNO  
PROFESSIONAL AUDIT SERVICES RFP**

**RFP No: 9317**

**REFERENCES**

Please list at least three references of to whom you currently offer similar types of services, including governmental agencies, if available.

1. AGENCY/COMPANY NAME: City of Bakersfield  
ADDRESS: 1600 Truxtun Avenue, Bakersfield, CA 93301  
CONTACT PERSON: Nelson Smith PHONE NUMBER: (661) 326-3740  
LENGTH OF AGREEMENT: 25 YEARS  
TYPES OF SERVICES PROVIDED: CAFR/Single Audit/GANN Limit/Prop 10/AUP
  
2. AGENCY/COMPANY NAME: City of Burlingame  
ADDRESS: 501 Primrose Road, Burlingame, CA 94010-3997  
CONTACT PERSON: Carol Augustine PHONE NUMBER: (650) 558-7222  
LENGTH OF AGREEMENT: 4 YEARS  
TYPES OF SERVICES PROVIDED: CAFR/Single Audit/AUP/GANN Limit/CAFR Drafting
  
3. AGENCY/COMPANY NAME: City of Visalia  
ADDRESS: 707 W. Acequia Avenue, Visalia, CA 93291  
CONTACT PERSON: Jason Montgomery PHONE NUMBER: (559) 713-4425  
LENGTH OF AGREEMENT: 11 YEARS  
TYPES OF SERVICES PROVIDED: CAFR/Single Audit/RDA/TDA/GANN Limit

**SIGNATURE PAGE**

**RFP No: 9317**

By my signature on this proposal I certify, under penalty of perjury, that the statements contained in this proposal are true and correct.

**PROPOSAL SUBMITTED BY:**

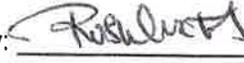
(Please follow the instructions for each line, as explained below.)

(1) Brown Armstrong Accountancy Corporation (888) 565-1040 (661) 324-4997  
Firm Phone Fax

(2) Corporation (California)  
(Corp) (Individual) (Partner) (Other)

(3) 4200 Truxtun Avenue, Suite 300\*  
Business Address

Bakersfield CA 93309  
City State Zip Code

(4) By:   
Signature of Authorized Person

Rosalva Flores, Principal  
Type or Print Name of Authorized Person and Title

Federal Tax I.D. No.: 95-3109182 Date: March 2, 2015

\* Address reflects main office location.

**INSTRUCTIONS FOR SIGNATURE PAGE**

**CORPORATIONS: INCLUDE ACKNOWLEDGMENT OF SIGNATURE BY NOTARY IN CORPORATE FORM (See Line 4(a), of next page.)**

**INDIVIDUALS, PARTNERSHIPS OR JOINT VENTURES: INCLUDE ACKNOWLEDGMENT OF SIGNATURE BY NOTARY.**

- LINE 1: The name of the Proposer must be the same as that under which a license is issued, if a license is required. If the Proposer is a corporation, enter the exact name of the corporation under which it is incorporated; if Proposer is an individual, enter name; if Proposer is an individual operating under a trade name, enter name and dba (trade name in full); if a partnership, enter the correct trade style of the partnership; if a joint venture, enter exact names of entities joining in the venture.
- LINE 2: Identify here the character of the name shown under (1), i.e., corporation (including state of incorporation), individual, partnership, or joint venture.
- LINE 3: Enter the address to which all communications and notices regarding the proposal and any agreement awarded thereunder are to be addressed.
- LINE 4:
  - (a) If the Proposer is a corporation, the proposal must be signed by an officer or employee authorized to sign agreements on behalf of the corporation evidenced by inclusion of one of the following certified by the secretary of the corporation (see attached): a copy of the Articles of Incorporation, a copy of the Bylaws, a copy of the Board Resolution or Minutes authorizing the officer or employee to sign proposals and contracts. The signature of the officer or employee who signs the proposal must be acknowledged by a notary in the corporate form.
  - (b) If Proposer is an individual, he/she must sign the proposal, or if the proposal is signed by an employee or agent on behalf of the Proposer, a copy of a power of attorney must be on file with the City of Fresno prior to the time set for the opening of the proposals or must be submitted with the proposal. Any signature must be acknowledged by a notary.
  - (c) If the Proposer is a partnership, the proposal must be signed by all general partners; or by a general partner(s) authorized to sign proposals and contracts on behalf of the partnership evidenced by inclusion of either a copy of the Partnership Agreement or a recorded Statement of Partnership. All signature(s) must be acknowledged by a notary.
  - (d) If the Proposer is a joint venture, the proposal must be signed by all joint venturers; or by a joint venturer(s) authorized to sign proposals and contracts on behalf of the joint venture evidenced by inclusion of either a copy of the Joint Venture Agreement or a recorded Statement of Joint Venture; and if the joint venturer(s) is a corporation or a partnership signing on behalf of the Joint Venture, then Paragraphs (a) and (c) above apply respectively. All signature(s) must be acknowledged by a notary.

Where Proposer is a partnership or a corporation, the names of all other general partners, or the names of the president and secretary of the corporation, and their business addresses must be typewritten below:

<u>NAME</u>	<u>ADDRESS</u>
Steven R. Starbuck	4200 Truxtun Ave., Ste. 300, Bakersfield, CA 93309
Andrew J. Paulden	4200 Truxtun Ave., Ste. 300, Bakersfield, CA 93309
Chris M. Thornburgh	4200 Truxtun Ave., Ste. 300, Bakersfield, CA 93309
Eric H. Xin	4200 Truxtun Ave., Ste. 300, Bakersfield, CA 93309
Diana H. Branthoover	4200 Truxtun Ave., Ste. 300, Bakersfield, CA 93309
Rosalva Flores	4200 Truxtun Ave., Ste. 300, Bakersfield, CA 93309
Connie M. Perez	260 S. Los Robles, Ste. 310, Pasadena, CA 91101
Thomas M. Young	4200 Truxtun Ave., Ste. 300, Bakersfield, CA 93309
Ryan L. Nielsen	4200 Truxtun Ave., Ste. 300, Bakersfield, CA 93309
Jian Ou-Yang	5250 Claremont Ave., Ste. 237, Stockton, CA 95207
Diane L. White	4200 Truxtun Ave., Ste. 300, Bakersfield, CA 93309

NOTE: All addresses must be complete with street number, City, State and Zip Code.

**CERTIFICATION**

**RFP No: 9317**

I, Chris M. Thornburgh, certify that I am the secretary of the corporation named herein;  
Name

that Rosalva Flores who signed this proposal on behalf of the corporation, was then  
Name

Principal of said corporation; that said proposal is within the scope of its  
Title

corporate powers and was duly signed for and on behalf of said corporation by authority of its

governing body, as evidenced by the attached minutes, certified  
Name of Corporate Document

to be a true and correct copy; and that such attached document has not been modified

or repealed and is now in full force and effect.

By:  \_\_\_\_\_

Name: Chris M Thornburgh

Title: Secretary

Date: March 2, 2015

# BROWN ARMSTRONG

## Dollar Cost Proposal

Brown Armstrong's sealed dollar cost bid is provided in separate documents but is incorporated herein by this reference.

**EXHIBITS**

# Exhibit I

## External Quality Control Review Report



### System Review Report

To the Shareholders of  
Brown Armstrong Accountancy Corporation  
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation (the firm) applicable to non SEC issuers in effect for the year ended October 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation applicable to non SEC issuers in effect for the year ended October 31, 2012, 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*. Brown Armstrong Accountancy Corporation has received a peer review rating of *pass*.

  
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 8, 2013

AN INDEPENDENT  
MEMBER OF BAKER TILLY  
INTERNATIONAL

WEAVER AND TIDWELL LLP  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
[WWW.WEAVERLLP.COM](http://WWW.WEAVERLLP.COM)

DALLAS  
12221 MERIT DRIVE, SUITE 1400, DALLAS, TX 75251  
P (972) 690-1970 F (972) 702-8321

# Exhibit II

## Summary of Recent Governmental Experience

CITIES	RETIREMENT PLANS	SPECIAL DISTRICTS
City of Bakersfield City of Baldwin Park City of Burlingame City of Delano City of Lindsay City of Modesto City of Pasadena City of Santa Barbara City of Seaside City of Tulare City of Visalia	Contra Costa County Employees' Retirement Association Fresno City Employees' Retirement System Fresno County Employees' Retirement Association Imperial County Employees' Retirement System Kern County Employees' Retirement Association Los Angeles Fire and Police Pension System Los Angeles City Employees' Retirement System Los Angeles County Employees' Retirement Association Marin County Employees' Retirement Association Merced County Employees' Retirement Association Orange County Employees' Retirement System San Diego City Employees' Retirement System San Diego County Employees' Retirement Association San Joaquin County Employees' Retirement Association San Mateo County Employees' Retirement Association Sonoma County Employees' Retirement Association Tulare County Employees' Retirement Association Ventura County Employees' Retirement Association San Francisco Bay Area Rapid Transit District Money Purchase Plan and Deferred Compensation Plan San Luis Obispo County Employees' Pension Trust Pasadena Fire & Police Retirement System Santa Barbara County Employees' Retirement System Fresno Metropolitan Flood Control District Pension Plan and Trust	Bear Mountain Recreation & Park District Delano Mosquito Abatement District Fresno Irrigation District Fresno Metropolitan Flood Control District Kern Tulare Water District Kern Water Bank Authority Kings County Economic Development Corporation Mojave Public Utility District Mother Lode Job Training Agency Riverside County Habitat Conservation Agency Pasadena Center Operating Company Pixley Public Utility District Port Hueneme Water Agency Rosamond Community Services District Rose Bowl Operating Company San Joaquin Area Flood Control Agency San Joaquin Valley Air Pollution Control District Stanislaus County Community Services Agency
TRANSIT	SCHOOL DISTRICTS	COUNTIES
Central Contra Costa Transit Authority Golden Empire Transit District Kern Council of Governments Napa County Transportation and Planning Agency Riverside Transit Agency San Joaquin Council of Governments Santa Cruz Metropolitan Transit District Solano County Transit Stanislaus Council of Governments Tulare County Association of Governments	Bakersfield City School District Castaic Union School District Delano Union School District Kern County Superintendent of Schools Richgrove Elementary School District Saugus Union School District Taft Union High School District Tehachapi Unified School District Visalia Unified School District	County of Fresno County of Kern County of Kings County of Merced County of Riverside County of San Joaquin County of San Luis Obispo County of Santa Barbara County of Stanislaus County of Tulare
NON-PROFITS	HEALTH CARE	
Bakersfield ARC Community Action Partnership of Kern Community Action Partnership of San Luis Obispo Goodwill Industries of South Central California Kern County Bar Association Kern County Library Foundation Missionary Church Western District Pasadena Chamber of Commerce Pasadena Community Access Corporation Tranquil Waters Guidance Center Valley Consortium for Medical Education Women's Center – High Desert	Kern Health Systems Kern Medical Center Liberty Health Advantage Heritage Provider Network Heritage California Medical Group Heritage New York Medical Group Southwest Health Care District West Side Health Care District Riverside County Regional Medical Center San Joaquin County General Hospital Stanislaus County Health Services Agency	

**CALIFORNIA JURAT WITH AFFIANT STATEMENT**

**GOVERNMENT CODE § 8202**

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-6 to be completed only by document signer[s], not Notary)

\_\_\_\_\_  
Signature of Document Signer No. 1

\_\_\_\_\_  
Signature of Document Signer No. 2 (if any)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
 County of Kern

Subscribed and sworn to (or affirmed) before me  
 on this 27th day of February, 2015,  
 by \_\_\_\_\_  
 Date Month Year

(1) ROSALVA FLORES

(and (2) \_\_\_\_\_);

Name(s) of Signer(s)

proved to me on the basis of satisfactory evidence  
 to be the person(s) who appeared before me.



Signature Madeline S. Parra  
 Signature of Notary Public

Seal  
 Place Notary Seal Above

**OPTIONAL**

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document City of Fresno  
 Title or Type of Document: Technical Proposal Document Date: \_\_\_\_\_  
 Number of Pages: \_\_\_\_\_ Signer(s) Other Than Named Above: n/a

**UNANIMOUS WRITTEN CONSENT OF  
BOARD OF DIRECTORS OF  
BROWN ARMSTRONG ACCOUNTANCY CORPORATION  
A CALIFORNIA CORPORATION**

The Directors of Brown Armstrong Accountancy Corporation, a California Corporation, do hereby indicate their written consent in the City of Bakersfield, County of Kern, State of California, on the 27<sup>th</sup> day of February 2015.

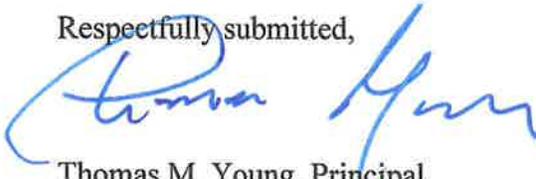
There were present at the meeting:

<b>Directors in attendance:</b>	Andy Paulden, Steve Starbuck, Chris Thornburgh, Eric Xin, Diana Branthoover, Thomas Young, Ryan Nielsen, Diane White, Rosalva Flores, Connie Perez and Jian Ou-Yang
<b>Directors absent:</b>	None
<b>Directors-in-Training:</b>	Clint Baird
<b>Directors-in-Training absent:</b>	None
<b>Guests present:</b>	None

1. City of Fresno Audit RFP

Rosalva Flores, Principal, is authorized to respond to the City of Fresno's 2015-2019 audit services RFP and to provide a proposal.

Respectfully submitted,



Thomas M. Young, Principal

**BROWN ARMSTRONG**  
Certified Public Accountants

**Cost Proposal**

**RFP No. 9317**  
**Proposal for Professional**  
**Auditing Services**  
**City of Fresno**  
**March 2, 2015**

**Rosalva Flores, CPA/Partner**  
**Eric H. Xin, CPA, MBA/Partner**  
**T: (888) 565-1040**  
**E: rflores@bacpas.com**  
**exin@bacpas.com**  
**7673 North Ingram, Suite 101**  
**Fresno, CA 93711**

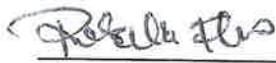
# BROWN ARMSTRONG

a. General Requirements

1. Name of Firm:

Brown Armstrong Accountancy Corporation

2. I, the undersigned, certify that I am entitled to represent the firm, empowered to submit this proposal, and authorized to sign a contract with the City of Fresno for the audit engagement.

	Principal	March 2, 2015
Signature	Title	Date

Rosalva Flores  
Name (Print)

3. Total All-Inclusive Maximum Price

The total all-inclusive maximum price contains all direct and indirect costs, including all out-of-pocket expenses. The total all-inclusive maximum price for the fiscal year ended June 30, 2015, is as follows:

	<b>2015</b>
Total All-Inclusive Maximum Price - 2015	\$ 200,000

4. Schedule of Professional Fees and Expenses

The schedules of professional fees and expenses below provide the staff levels, hours assigned to these levels, and the assigned hourly rates.

**CITY OF FRESNO  
PROFESSIONAL AUDIT SERVICES RFP**

**RFP No: 9317**

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES**

	<b>HOURS</b>	<b>FY 2015 HOURLY RATE</b>	<b>TOTAL FY 2015</b>	<b>TOTAL FY 2016</b>	<b>TOTAL FY 2017</b>	<b>TOTAL FY 2018</b>
Partners	100	\$ 200	\$ 20,000	\$ 20,325	\$ 20,745	\$ 21,025
Managers	200	170	34,000	34,700	35,425	36,100
Supervisory Staff	410	120	49,200	50,235	51,125	52,100
Staff	1,020	90	91,800	93,700	95,700	97,700
Other (clerical)	30	65	1,950	2,030	2,085	2,150
<b>Subtotal for Services Described in RFP</b>	1,760		196,950	200,990	205,080	209,075
Out-of-pocket Expenses			3,050	3,110	3,120	3,325
<b>Total All-inclusive Maximum Price</b>			\$ 200,000	\$ 204,100	\$ 208,200	\$ 212,400

5. Rates and hours anticipated for the partner, specialist, supervisory and staff level individuals assigned to the audits are indicated in the above schedule.
6. Expenses classified as "out-of-pocket" are indicated in the above schedule. We agree to be reimbursed at the rates used by the City of Fresno for its employees.
7. Reimbursements for travel, lodging, and subsistence will be accepted at the prevailing City of Fresno rates for its employees.

## COST PROPOSAL

8. Fee totals for each of the fiscal years 2015, 2016, 2017, and 2018 based on estimated hours using the hourly rate schedule are as follows:

	FY 2015	FY 2016	FY 2017	FY 2018
Excluding out-of-pocket expenses	\$ 196,950	\$ 200,990	\$ 205,080	\$ 209,075
Specifically for out-of-pocket expenses	3,050	3,110	3,120	3,325
Combining all expenses (all-inclusive maximum price)	\$ 200,000	\$ 204,100	\$ 208,200	\$ 212,400

9. Three (3) references to whom we currently offer similar types of services, are as follows:

City of Bakersfield – Nelson Smith (661) 326-3742  
 City of Burlingame – Carol Augustine (650) 558-7222  
 City of Visalia – Jason Montgomery (559) 713-4425

### b. Fee Schedules for Various Audit Components

1. Audit of City's general purpose financial statements including statement preparation and compliance and internal control reports

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	79	\$ 200	\$ 15,800	\$ 16,100	\$ 16,450	\$ 16,700
Managers	163	170	27,710	28,300	28,900	29,400
Supervisory Staff	305	120	36,600	37,300	38,000	38,800
Staff	796	90	71,640	73,100	74,600	76,100
Other (clerical)	21	65	1,365	1,400	1,430	1,500
<b>Subtotal for Services Described in RFP</b>	1,364		153,115	156,200	159,380	162,500
Out-of-pocket Expenses			2,685	2,800	2,820	3,000
<b>Total All-inclusive Maximum Price</b>			\$ 155,800	\$ 159,000	\$ 162,200	\$ 165,500

## COST PROPOSAL

### 2. Single Audit including required reporting

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	10	\$ 200	\$ 2,000	\$ 2,000	\$ 2,075	\$ 2,125
Managers	16	170	2,720	2,800	2,900	3,000
Supervisory Staff	56	120	6,720	6,900	7,000	7,100
Staff	124	90	11,160	11,400	11,600	11,800
Other (clerical)	4	65	260	300	325	350
<b>Subtotal for Services Described in RFP</b>	210		22,860	23,400	23,900	24,375
Out-of-pocket Expenses			140	100	100	125
<b>Total All-inclusive Maximum Price</b>			\$ 23,000	\$ 23,500	\$ 24,000	\$ 24,500

### 3. Audit of the Employee Health and Welfare Trust excluding statement preparation, no separate statement prepared

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	4	\$ 200	\$ 800	\$ 800	\$ 820	\$ 800
Managers	8	170	1,360	1,400	1,425	1,500
Supervisory Staff	18	120	2,160	2,200	2,225	2,300
Staff	40	90	3,600	3,700	3,800	3,900
Other (clerical)	2	65	130	130	130	100
<b>Subtotal for Services Described in RFP</b>	72		8,050	8,230	8,400	8,600
Out-of-pocket Expenses			50	70	100	100
<b>Total All-inclusive Maximum Price</b>			\$ 8,100	\$ 8,300	\$ 8,500	\$ 8,700

## COST PROPOSAL

### 4. Audit of Fresno Area Express including statement preparation

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	3	\$ 200	\$ 600	\$ 600	\$ 600	\$ 600
Managers	6	170	1,020	1,000	1,000	1,000
Supervisory Staff	16	120	1,920	2,000	2,000	2,000
Staff	28	90	2,520	2,600	2,700	2,800
Other (clerical)	3	65	195	200	200	200
<b>Subtotal for Services Described in RFP</b>	56		6,255	6,400	6,500	6,600
Out-of-pocket Expenses			145	100	100	100
<b>Total All- inclusive Maximum Price</b>			\$ 6,400	\$ 6,500	\$ 6,600	\$ 6,700

### 5. Audit and reporting required for the Passenger Facility Charge (PFC) program

	HOURS	FY 2015 HOURLY RATE	TOTAL FY 2015	TOTAL FY 2016	TOTAL FY 2017	TOTAL FY 2018
Partners	4	\$ 200	\$ 800	\$ 825	\$ 800	\$ 800
Managers	7	170	1,190	1,200	1,200	1,200
Supervisory Staff	15	120	1,800	1,835	1,900	1,900
Staff	32	90	2,880	2,900	3,000	3,100
Other (clerical)	-	65	-	-	-	-
<b>Subtotal for Services Described in RFP</b>	58		6,670	6,760	6,900	7,000
Out-of-pocket Expenses			30	40	-	-
<b>Total All- inclusive Maximum Price</b>			\$ 6,700	\$ 6,800	\$ 6,900	\$ 7,000

### c. Single Audit Fee Provision

See table 2 at page 4.

**d. Rates for Additional Services**

We do not anticipate that additional services will be necessary to complete the audit. In the event that additional services are necessary to either supplement the services described in this Request for Proposal, or to perform additional work related to specific recommendations presented in a report issued as a result of this engagement, then such additional work shall be performed only upon execution of an addendum to the contract between the City and the firm. Any such additional work agreed to between the City and the firm shall be performed at the rates set forth for the specific staff positions in the *Schedule of Fees and Expenses*.

**e. Local Preference**

**CITY OF FRESNO  
PROFESSIONAL AUDIT SERVICES RFP**

**RFP No. 9317**

**CERTIFICATION FOR LOCAL PREFERENCE**

- We certify that we qualify as a local firm pursuant to Fresno Municipal Code Section 3-109.1.
- We certify that we qualify as a non-local firm which has formed an association for pecuniary profit with the local firm listed below for the project being proposed wherein the benefit to the local firm is an amount greater than 15% of the total contract price for the project (as provided in Fresno Municipal Code Section 3-109.1).

**Location of Proposer's Business:**  
(Please provide street address, no PO Box)

Primary Office   
Branch Office   
(Please mark as applicable)

Address: 7673 North Ingram, Suite 101

Fresno, CA 93711

Phone: (559) 476-3592

**Name and Location of Associated Local Firm's Business:**

Primary Office   
Branch Office   
(Please mark as applicable)

Name: \_\_\_\_\_

(Please provide street address, no PO Box)

Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

The undersigned Proposer hereby certifies under penalty of perjury under the laws of the State of California that the information contained on this CERTIFICATION FOR LOCAL PREFERENCE is correct and complete.

**The above Statement is part of the proposal. Signing the proposal shall also constitute signature of this Certification. Proposers are cautioned that making a false certification may subject the certifier to criminal prosecution.**

f. Manner of Payment

Brown Armstrong agrees to progress payments on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with our dollar cost proposal. Interim billings shall cover a period of not less than a calendar month and shall be itemized by staff level and work performed on each portion of the project. We understand that twenty percent (20%) of the total annual contracted amount will be withheld from each billing pending delivery and acceptance of the firm's final audit reports.

**BROWN  
ARMSTRONG**

CERTIFIED  
PUBLIC  
ACCOUNTANTS

ROSALVA A. FLORES, CPA

4200 Truxtun Ave., Suite 300  
Bakersfield, CA 93309  
Tel 661.324.4971  
Fax 661.324.4997  
e-mail:rflores@bacpas.com

**BROWN  
ARMSTRONG**

CERTIFIED  
PUBLIC  
ACCOUNTANTS

ERIC H. XIN, CPA, MBA  
Principal

4200 Truxtun Ave., Suite 300  
Bakersfield, CA 93309  
Tel 661.324.4971  
Fax 661.324.4997  
e-mail:exin@bacpas.com

**BROWN  
ARMSTRONG**

CERTIFIED  
PUBLIC  
ACCOUNTANTS

OSVALDO GUTIERREZ, CPA  
Audit Manager

7673 North Ingram, Suite 101  
Fresno, CA 93711  
Tel 559.476.3592  
  
4200 Truxtun Ave., Suite 300  
Bakersfield, CA 93309  
Tel 661.324.4971 Fax 661.324.4997  
ogutierrez@bacpas.com  
www.bacpas.com

**BROWN  
ARMSTRONG**

CERTIFIED  
PUBLIC  
ACCOUNTANTS

MIKELLE L. AZEVEDO, CPA  
Senior Accountant

7673 North Ingram, Suite 101  
Fresno, CA 93711  
Tel 559.476.3592  
  
4200 Truxtun Ave., Suite 300  
Bakersfield, CA 93309  
Tel 661.324.4971 Fax 661.324.4997  
mazevedo@bacpas.com  
www.bacpas.com

**Presented by:**

**Rosalva Flores, CPA/Partner  
Eric H. Xin, CPA, MBA/Partner**

**RFP No. 9317**

**Presentation to the City of Fresno  
For Professional Auditing Services**

**April 23, 2015**

# BROWN ARMSTRONG

Certified Public Accountants

## Our Audit Approach

- We provide the highest quality audit with a specific audit approach.
- This approach is non-intrusive to your day to day operations, but is "hands-on," making you feel comfortable and part of the process.
- Part of our relationship will involve Brown Armstrong educating employees and advising you on current requirements and regulations.
  - Annual two-day governmental CPE
  - GASB 67/68 implementation specialists

*YEARNING  
COMMUNICATION*

*TASK FORCE  
IDENTIFIED TO  
COMMUNICATE  
ISSUES*

# BROWN ARMSTRONG

Certified Public Accountants

## IT Utilization & Experience

- ProSystems FX audit software fully integrates trial balance, analytical procedures, leadsheets, and drafting.
- Secured portal for uploading electronic information.
- Completely paperless audit environment.

## Staff Experience

- Our entire engagement team has been trained and are experts with the use of this technology.
- IT specialist consultant to perform IT specific risk assessment.
- If considered higher risk, certified specialist will perform complete system analysis and tests of controls.

INHOUSE FROM  
IT REVIEW  
CERTIFIED  
IT AUDITOR

PROSYSTEMS  
FX

STRONG  
FULL  
SECURED  
PORTAL  
NO SIZE  
LIMIT

MOVING TOWARD  
PAPERLESS  
AUDIT

# Audit Approach – Segmented into Phases

Phase I	Phase II	Phase III	Phase IV
June/July	<b>Interim Field Work</b> June/July	<b>Final Field Work</b> November-January	<b>Completion</b> February
Review and obtain copies of key work papers of prior audit firm.	Entrance conference with all key Finance Department personnel to discuss critical dates to ensure timely completion of the audit and issuance of CAFR and Single Audit	Entrance conference with all key Finance Department personnel	
Familiarize ourselves with operating environment	Assess internal control environment	Plan and perform substantive audit procedures	Perform completion procedures
Perform risk assessment procedures	Perform SAS 99 (Fraud evaluation) procedures. Interview of selected staff and members of the City Council for areas of concern within the City for additional focus as part of the audit	Conduct final analytical review, including budget vs actual comparison and inquiry of variances	Draft internal control management letter comments
Determine planning materiality	Identify internal control strengths and weaknesses  Follow up on prior year findings	Consider audit evidence sufficiently	Draft reports
Perform preliminary analytical review	Evaluate design and implementation of selected controls	Conclude on critical accounting matters	Review CAFR
Develop audit plan	Test controls over financial reporting and administration	Hold exit conference with key Finance Department personnel including discussion of proposed audit adjustments, internal control and compliance findings and management letter. Additionally, ensure we are on schedule to complete the audit and issue CAFR and Single Audit by due date	Issue auditor's reports and management letter
Identify significant audit areas	Understand accounting and reporting activities		Presentation to the City Council
Determine nature and extent of audit procedures	Hold progress conference with key Finance Department personnel		
Reevaluate the progress of the audit and make any changes on audit approach and procedures, if necessary			

Confirmation of account balances

TEST CONTROLS ON A ROTATIONAL BASIS

WALK THROUGH ENTIRE PROCESS

# BROWN ARMSTRONG

Certified Public Accountants

Audit Approach- Risk Based Approach

- Significant Areas- CAFR
  - Cash and Investments
  - Receivables and Payables
  - Capital Assets
  - Operating and Non-Operating Revenues
  - Salaries and Benefits
- Single Audit
  - Determine Major Programs

# BROWN ARMSTRONG

Certified Public Accountants

## Audit Timeline/Critical Dates for City of Fresno

Planning	Expected Completion Date
Review of Previous Auditor's workpapers.	June 30, 2015
City to Provide Auditor with preliminary schedule of Federal Awards for Major Fund determination.	July 2, 2015
Entrance Conference with City Management.	July 6, 2015
Auditor to provide City with Preliminary Single Audits to be Performed.	July 6, 2015
Auditor to provide City with blank Single Audit Questionnaires and Information Requests.	July 6, 2015
Auditor to provide City with a detailed interim audit plan, Critical Dates List, and an Information Request List.	July 6, 2015
City to provide 3/31/XX City trial balance to Auditor for Preliminary analytics.	July 10, 2015
Test of control populations on Interim Information Request List due to Auditor.	July 13, 2015
City to provide populations for single audit sample selections, along with related completed questionnaires to Auditor. Both the Federal Compliance Information Request List and the Single Audit Questionnaires were provided to the City by the Auditor on July 6, 2015.	July 13, 2015

# BROWN ARMSTRONG

Certified Public Accountants

## Audit Timeline/Critical Dates for City of Fresno

Interim Fieldwork	Date to Be Completed
Auditor to provide City with Single Audit testing samples.	July 13, 2015
Test of control samples due to City.	July 13, 2015
Beginning of interim audit fieldwork. Items on the Interim Information Request List and support for the Single Audit due to the Auditor.	July 20, 2015
Weekly conference between Auditor and City Management.	July 24, 2015
Brown Armstrong to provide City with Potential findings and recommendations memo and meeting.	July 31, 2015

# BROWN ARMSTRONG

Certified Public Accountants

## Audit Timeline/Critical Dates for City of Fresno

Final Fieldwork	Date to Be Completed
Beginning of final fieldwork at City's office.	November 9, 2015
Final fieldwork entrance meeting with City Management.	November 9, 2015
Status conference meeting between auditor and City Management.	November 27, 2015
Expected completion date of fieldwork at City's offices.	February 8, 2016
Auditor to have any adjustments to City for approval.	February 8, 2016
Auditor to issue a draft management letter to City for review and response.	February 15, 2016
Final exit conference.	February 19, 2016

# BROWN ARMSTRONG

Certified Public Accountants

## Audit Timeline/Critical Dates for City of Fresno

Audit Wrap-up & Presentation	Date to Be Completed
City to provide Auditor with draft of CAFR – 1 <sup>st</sup> review	February 15, 2016
Response from Legal due to Auditor	February 15, 2016
City to provide responses to draft management letter	February 19, 2016
Draft copies of all reports due to the City	February 19, 2016
Auditor to provide City suggested changes and revisions to CAFR – 1 <sup>st</sup> review	February 19, 2016
2 <sup>nd</sup> request for Legal confirmations with a CC to Auditor	February 16, 2016
Auditor to provide revised City CAFR comments for approval	February 25, 2016
Final copies of all reports due to City	February 25, 2016
City to provide final approval of CAFR	February 29, 2016
Auditor presentation to the City Audit Committee/City Council	TBD

# BROWN ARMSTRONG

Certified Public Accountants

## Why Brown Armstrong?

### Our People

- Brown Armstrong has been in business since 1974
- We follow a team approach
- We provide extensive training, both on the job and through seminars that clients are always invited to attend
- We conduct onsite reviews

### Our Ability to Deliver on Time

- We are a service business – we have to deliver on time
- We are deadline conscious and will plan and coordinate appropriately with your staff
- Check our references (pages 18 and 38 of our proposal)

# BROWN ARMSTRONG

Certified Public Accountants

## Why Brown Armstrong?

### Our Quality Control

- Peer Review – Exhibit I (page 44 of our proposal)
- Audit Quality Committee

### Finally, Our Fee

- Brown Armstrong strives to offer competitive fees
- We believe that our fees are fair for the outstanding service we will deliver to you

# BROWN ARMSTRONG

Certified Public Accountants

## Questions



Rosalva Flores, CPA  
Principal



Eric H. Xin, CPA, MBA  
Principal



Osvaldo Gutierrez, CPA  
Manager

### Main Office:

4200 Truxtun Avenue, Suite 300  
Bakersfield, CA 93309

[www.bacpas.com](http://www.bacpas.com)  
888.565.1040

### Fresno Office:

7673 N. Ingram, Suite 101  
Fresno, CA 93711



**BROWN  
ARMSTRONG**

CERTIFIED  
PUBLIC  
ACCOUNTANTS

# BROWN ARMSTRONG

*Certified Public Accountants*

May 1, 2015

Finance Department – Karen Bradley  
Professional Audit Services  
Bid File Number 9317  
2600 Fresno Street, Room 2156  
Fresno, CA 93721

Dear Ms. Bradley;

We are pleased to present you with the enclosed last best and final offer to provide professional auditing services to the City of Fresno for the fiscal years ending June 30, 2015, 2016, 2017, and 2018.

Please call if you have any questions.

Sincerely,

**BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION**



By: Rosalva Flores, CPA  
Principal

RAF:klm  
Enclosures

EA:\PROPOSAL\2015\City\City of Fresno\Transmittal - LBF.docx

**MAIN OFFICE**

**4200 TRUXTON AVENUE**

SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL info@bacpas.com

**7673 N. INGRAM AVENUE**

SUITE 101  
FRESNO, CALIFORNIA 93711  
TEL 559.476.3592  
FAX 559.476.3593

**221 E. WALNUT STREET**

SUITE 260  
PASADENA, CALIFORNIA 91101  
TEL 626.204.6542  
FAX 626.204.6547

**5250 CLAREMONT AVENUE**

SUITE 237  
STOCKTON, CA 95207  
TEL 209.451.4833