

Agenda Item VI
Recommendation from Audit Ad Hoc Comm.
Regular Meeting 6-26-19

RECOMMENDATION: That the Commission approve Jensen Smith CPA, Inc. as the best qualified applicant for their next independent auditor contract and authorize First 5 Lake's executive director to enter into negotiations for a three-year (July 1, 2019 – June 30, 2022) contract to be approved by the Commission prior to September 1, 2019.

BACKGROUND: At the First 5 Lake Commission's regular meeting on April 10, 2019, the Chair appointed Denise Pomeroy, Crystal Markytan and Allison Panella to an ad hoc committee with the purpose of overseeing the RFQ process and application review for a qualified C.P.A. to conduct the Commission's annual independent audit, and to prepare a recommendation for approval by the Commission no later than June 26, 2019.

The committee members reviewed a draft RFQ provided by First 5 Lake staff, then directed staff to post the approved RFQ on the First 5 Lake website, the Record-Bee, Lake County News, and to share the posting throughout the First 5 Network. F5L staff closed the RFQ at noon on May 21, 2019, per the approved timeline, having received a single submission from Jensen Smith CPA, Inc. Since there was only one application, the "sole source procurement" guidelines in the First 5 Association's Financial Management Guide apply:

Sole source procurement should only be used when competitive procurement procedures are deemed infeasible for at least one of the following reasons:

- There is only one viable provider of the required service in the community.
- After solicitation of a number of sources, competition is determined to be inadequate.
- All local providers of a particular service will receive funding.
- The commission is contemplating an effort that has not previously been done in the community and is therefore unable to either develop an RFP with sufficient specificity or to identify potential providers.
- The contract is below a specified dollar threshold, as established by the commission.
- The contractor or vendor is familiar with the commission and is knowledgeable of its unique needs.

The Committee believes that the need for sole source procurement is met in this instance for the following reasons:

1. Sufficient effort was made to solicit competitive bids (see process above), including issuing a joint RFQ with First 5 Mendocino to attract additional proposals.
2. The required annual audit of First 5 Commissions is unique to County First 5's with specific, nuanced requirements. It is not a standard business or governmental audit. It is in First 5 Lake's best interest to use a vendor for this service with experience completing this type of audit.
3. The remote location of Lake County and the unique requirements of the F5L audit makes the pool of knowledgeable, qualified applicants small.
4. The proposal received is within the budget set by the Commission, was submitted by a contractor who the Commission has used previously with excellent results, and meets all the requirements set forth in the RFQ.

**FIRST 5 LAKE
PROPOSAL TO PROVIDE
AUDIT SERVICES
FOR THE FISCAL YEARS ENDING
JUNE 30, 2019-2021**

**Submitted by:
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May 15, 2019

Board of Directors

First 5 Lake

C/O Vicki Hays

Dear Ladies and Gentlemen,

Thank you for the opportunity to propose our services for the audit needs of First 5 Lake (the Commissions). This letter will serve to explain our qualifications and the scope and approach of the services we would like to provide along with our commitment to providing the best in accounting and auditing services.

Firm History:

Our firm Jensen Smith, CPAs is a full service Certified Public Accountant firm based in Lincoln, California. Our physical location is 661 5th Street, Suite 101, Lincoln, CA 95648, and our mailing address is P.O. Box 160, Lincoln, CA 95648. Jensen Smith, CPAs was a partnership that was established in June of 2005 by Margaret R. Smith, CPA and Jennifer M. Jensen, CPA with the mission to provide our clients with the very best professional service, always putting our client's needs above our own. In 2015 we incorporated as Jensen Smith Certified Public Accountants, Inc. We are pledged to uphold the highest degree of ethical and moral standards. Margaret practiced in the area for over twenty years until her passing in February of 2011. The firm is continued by Jennifer M. Jensen, CPA and her partner Lisette L. Hutchens, CPA. Jennifer has been practicing in the area for seventeen years and has been auditing First 5 Commissions since 2001. Lisette has been auditing for eleven years and has been auditing First 5 Commission since 2008.

Firm Experience and Assignment:

Our managing/audit principal is Jennifer M. Jensen, CPA. She has considerable experience working with non-profit organizations and special districts and thoroughly understands the reporting requirements of Government Auditing Standards Board statement no. 34 and the compliance requirements for First 5 organizations from the California State Controller's Office. She has taught auditing techniques, new auditing standards and the principles of auditing non-profit organizations and local government entities to other professionals for a nationally recognized company. In 2010-2011 Jennifer co-authored and taught a course on "Essential Elements for Non-profit Accounting" for the Independent Living Centers through the California Department of Rehabilitation. Jennifer has also authored and taught a course on governmental auditing "GASB Greats and SAS 115." She is also very proficient with the steps necessary to convert the financial information from County accounting programs to GASB compliant financial statements.

Our other partner, Lisette L. Hutchens, CPA also has significant experience auditing non-profit organizations and governmental entities. Lisette is also very proficient at converting County reports into GASB financial statements. She co-taught the course on governmental auditing "GASB Greats and SAS 115." Lisette joined the Jensen Smith team in 2008 and has added a great deal of energy and experience to the firm.

Our office currently consists of two licensed certified public accountants, two certified public accountant candidate, two seasonal professional staff, and two administrative office staff members. If selected as your audit firm, for the years ending June 30, 2019 and June 30, 2021, Jennifer M. Jensen, CPA would be the engagement partner and lead auditor for your audit and responsible for supervising and signing the reports. For the year ending June 30, 2020, due to the California government code 12410.6 requirement to change lead auditor after six years, Lisette Hutchens, CPA would be the engagement partner and lead auditor for your audit and responsible for supervising and signing the reports.

Proposed Work Plan

- August – September of each year -- compile trial balance into financial statements; evaluate internal control and compliance procedures; plan audit programs; obtain confirmations begin audit procedures, begin audit testing.
- October -- complete audit and compliance testing, draft audit reports
- October of each year – finalize and present reports no later than the October board meeting for approval and submission to the State by November 1.

We propose to perform an examination of your special district's financial statements for the fiscal years ending June 30, 2019 through June 30, 2021. In order to meet the state deadline for reporting each year, you will provide us your final financial statements no later than the third week in August of each year. We understand that the disclosures for the pension and other post-employment benefits must come from the Lake County auditor and may require an extension of time for the final reports. Our examination will be conducted in accordance with generally accepted auditing standards; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the California State Controller's Standards and Procedures of Local Entities Administering the California Children and Families Act (First 5). The purpose of our examination will be to express an opinion on the financial statements and on specific compliance as required by the State Controller's office.

If for any reason, we feel it necessary to give an opinion on these financial statements or on compliance that is other than an unqualified opinion, we will discuss the reason with you in advance of rendering our opinion. We understand that if engaged we will also be compiling the financial statements, footnote disclosures, and any supplementary information to be included in the audited financial statements. We also understand that you will assign a staff person or board member to oversee and approve these services.

Fee Proposal:

Our fees are based upon time expended at the hourly rate of partners assigned to your audit. Our rates are \$175 an hour for audit partners and \$80 an hour for staff. Our rates include travel, materials, insurance and the usual costs of conducting an accounting and auditing practice and is

the only cost that will be billed to the contract. We are willing to perform these services for a three-year contract cost of \$19,500 or \$6,500 for each year. These fees are based upon anticipated cooperation from your personnel, the assumption that unexpected circumstances will not be encountered during the audits, and that there will be no major operational changes or additions during the three fiscal years covered by this contract. If significant additional time is necessary, or if there are major operational changes or additions, we will discuss this with you and arrive at a new fee estimate before we incur the additional costs.

References:

Please see enclosed a comprehensive list of audit clients and reference numbers.

The First 5 Commissions we currently audit are:

First 5 Amador, Nina Machado (209) 257-1092

First 5 Butte, Yvonne Nenadal (530) 538-6464

First 5 Calaveras, Terri Lane (209) 754-6914

First 5 Mendocino, Roseanne Ibarra (707) 462-5570

First 5 El Dorado, Kathleen Guerrero (530)622-5787

Sutter County Children & Families, Michele Blake (530) 822-7505

First 5 Nevada County CFFC, Lindsay Dunckel (530) 265-0611 x224

First 5 Yolo, Victoria Zimmerle, Business Services Officer (530) 419-2422

First 5 Yuba, Robin Timoszyk, (530) 749-4959

As required by government auditing standards, we have enclosed a copy of our most recent quality control review report dated June 28, 2017. If you chose to accept our proposal, please contact us and we will prepare the required engagement letter fully detailing the terms of our engagement.

Again, thank you for the opportunity to propose our services.

Sincerely,



Jennifer M. Jensen, CPA

QUALIFICATIONS QUESTIONNAIRE

RFQ - CPA – 08-01

Please complete each response fully.

1. Describe your experience in conducting fiscal audits with particular attention to audits performed for governmental jurisdictions.

Jennifer M. Jensen, CPA has been auditing nonprofit organizations and governmental entities for eighteen years. Lisette L. Hutchens, CPA has been auditing nonprofit organizations and governmental entities for thirteen years. They both thoroughly understand the reporting requirements from the Government Auditing Standards Board (GASB) and the compliance requirements for First 5 Commissions from the California State Controller's Office. Jennifer has been auditing First 5 organizations since 2001 and Lisette since 2008.

2. Discuss any issues or barriers encountered in performing audits and solutions that effectively addressed these issues/barriers.

We find that the largest barrier/issue for small organizations is the drafting of the financial statements. It is management's responsibility to draft the financial statements prior to the audit. Often, management is not able to draft the complex governmental financial statements without significant assistance. As auditors we have to be very careful to not step over the line where we impair our independence for the audit. We will often assist with the drafting of the financial statements and have the non-engagement partner review the financial statements and then management must accept the financial statements in order for us to maintain our independence. As the auditing standards become increasingly strict on this point, we may come to a time when the organizations will have to hire a separate outside accountant to draft the financial statements prior to auditor beginning the audit.

3. Describe your experience conducting policy reviews in accordance with independently established guidelines.

For the First 5 Commissions, we have been auditing these organizations since before the extended policy reviews were required. We have followed the changes and adapted our audit procedures and testing to accommodate the additional testing and review.

4. Discuss barriers encountered in performing policy reviews and solutions employed to overcome these barriers.

The barrier in the earlier years and with new audits is usually the organization “finding” copies of their policies to provide for the audit. We usually recommend keeping a binder with the specific policy items and have provided examples when policies have not existed or are not in compliance with current standards. We work with our agencies to provide guidance when appropriate and resources to help them develop, update and maintain their policies.

5. Discuss your knowledge of the State of California’s Health and Safety Code as it pertains to programmatic and administrative requirements for local First 5 Commissions. Opine on the code sections’ clarity with respect to what are the embodied compliance standards.

Over the years the extended audit requirements for compliance have become much clearer from an auditing perspective. The audit guide provided by the State Controller’s Office is very clear about what the expectations are and give good examples of audit steps to be performed.

6. Discuss your experience with and/or knowledge of First 5 California’s fiscal reporting requirements.

Having worked with many Commissions over the last eighteen years I have been able to see lots of the changes in the fiscal reporting requirement. There have been many changes to the GASB statements and then specifically for the First 5 Commissions. The financial management guide provided by the State Commission is a wonderful resource and provides great information on fiscal management and reporting. I have worked with the different specialty funds for the Commissions such as the old School Readiness Program, CARES program, IMPACT programs and the Small County Augmentation funding.

7. Complete the following fee schedules:

	FY 18-19	FY 19-20	FY 20-21	TOTAL
Fiscal & Expanded Audit F5L	\$6,500	\$6,500	\$6,500	\$19,500
Fiscal & Expanded Audit F5M	\$7,300	\$7,300	\$7,300	\$21,900
TOTAL	\$13,800	\$13,800	\$13,800	\$41,400



David E. Vaughn CPA

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Report on the Firm's System Quality Control

June 28, 2017

Jensen Smith Certified Public Accountants, Inc.,
and the Peer Review Committee of the California Society of CPAs

I have reviewed the system of quality control for the accounting and auditing practice of Jensen Smith Certified Public Accountants, Inc. (the firm) in effect for the year ended December 31, 2016. My peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

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

Opinion

In my opinion, the system of quality control for the accounting and auditing practice of Jensen Smith Certified Public Accountants, Inc. in effect for the year ended December 31, 2016, 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*. Jensen Smith Certified Public Accountants, Inc. has received a peer review rating of *pass*.

David E. Vaughn, CPA

First 5 Lake County Tobacco, Alcohol & Drug Policy

All agencies receiving First 5 Lake County funding and/or services must provide proof in the form of a written copy of an established comprehensive, tobacco, alcohol, and illicit drug-free policy prior to receipt of funds. The policy shall have clear procedures for implementation, protocols for monitoring compliance, reporting of violations, and instituting sanctions.

The following activities shall be included in the implementation of the policy:

- As per SB7 (effective January 1, 2008) it is an infraction to smoke in a car moving or at rest if a child is in a car safety seat in the state of California.
- Information about the policy and enforcement procedures shall be clearly communicated by administration to staff, parents, and/or clients within the larger community.
- All agency worksites must be in compliance with section 6404.5 of the California Smoke-Free Labor Law (AB 13).
- Agencies shall have written policies specifying that the use of tobacco products, including and without limit cigarettes, e-cigarettes (including vaping), use of alcohol, and the use of and/or possession of illegal drugs (including non-medical marijuana) are all prohibited.
- The hazards of second-hand smoke warrant the prohibition of smoking in proximity of children outdoors at any time, as well as in proximity to child care areas at any time. Agencies shall continuously encourage families with small children to not allow smoking in their homes and cars whenever and wherever children are present, including outdoors.
- Information and materials about secondhand smoke and children shall be provided to staff, parents, and/or clients.
- Information and resources related to smoking cessation, drug and alcohol counseling and intervention/support programs shall be provided to staff, parents and/or clients upon entry to services and on a continuing basis as appropriate.

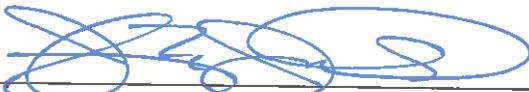
TOBACCO INDUSTRY FUNDING

Funding by tobacco industry funds is incompatible with that of the First 5 Lake County Commission. Therefore, please know that agencies receiving or benefiting from tobacco industry funding are not eligible to receive funds from First 5 Lake County.

CERTIFICATION:

I hereby declare that I am duly authorized to legally bind the contractor or grant recipient to the above-described certification.

Signature



Grantee or Authorized Agency Representative

Date 5/15/2019

Jensen Smith Certified Public Accountants, Inc.
Tobacco, Alcohol & Drug Free Workplace Policy:

It is the intent of the firm to create a workplace environment that will have a positive impact on the health, safety and morale of employees and will enhance the firm's productivity. The use of tobacco (including vaping), alcohol and similar controlled substances outside the workplace is a personal and individual matter. However, the misuse of these substances can create a variety of work related problems. It will not be tolerated. The misuse of these substances will result in termination.

The following statement constitutes the firm's policy for a Tobacco, Alcohol & Drug Free Workplace:

1. Pursuant to the California Smoke-Free Labor Laws, smoking including tobacco, marijuana and electronic smoking devices is prohibited on the firm's premises or in the location where the firm's work is being performed. The firm also follows the California laws prohibiting smoking in vehicles when children are in the car.
2. The unlawful manufacturing, distribution, dispensing, possession or use of a controlled substance on the firm's premises or in the location where the firm's work is being performed will not be tolerated.
3. Observation of violation of this policy will lead to disciplinary action, including termination of employment.
4. Medically prescribed use of legal drugs will not be a basis for disciplinary action. However, when use of such drugs impairs the employee's ability to perform the job in a productive and safe manner, the employee must notify his or her supervisor. Failure to do so may result in disciplinary action.
5. Alcoholism and drug addiction alone are not a basis for disciplinary action or refusal to hire or promote. Alcoholics and drug addicts will be evaluated on a performance basis the same as other employees.
6. Employees who may have a drug or alcohol addiction are encouraged to seek assistance from their supervisor or a partner of this firm for referral to assistance that is available. The employee may wish to talk to a confidential counseling agency away from the firm, such as the Placer County Mental Health Department. It is understood that the firm encourages the employee to take either action to solve his or her drug or alcoholism problem or the cessation of smoking. The firm does not assume any responsibility for fees incurred for counseling. Such fees are the sole responsibility of the employee.

This policy is signed by each employee and included in the personnel file.

I have received the above policies and procedures, understand what they mean, and agree that the above policies and procedures are part of the terms of my employment.

Signed: _____

Dated: _____


5/15/2019