SPECIAL FINANCE/AUDIT COMMITTEE MEETING
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
4040 PARAMOUNT BLVD., LAKewood, CA. 90712
10:00 AM, WEDNESDAY, FEBRUARY 13, 2019

AGENDA

Each item on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "For information" or "For discussion" may also be the subject of an "action" taken by the Board or a Committee at the same meeting.

1. DETERMINATION OF A QUORUM

2. PUBLIC COMMENT
   Pursuant to Government Code Section 54954.3

3. DIRECTORS’ EXPENSES
   Staff Recommendation: The Finance/Audit Committee approve Directors’ expenses.

4. INDEPENDENT FINANCIAL AUDITOR CONTRACT
   Staff Recommendation: The Finance/Audit Committee recommends the Board of Directors approve a three year contract with the Pun Group.

5. EXPENSES OVER 90 DAYS
   Staff Recommendation: The Finance/Audit Committee recommends the Board of Directors approve expenses over 90 days.

6. DEPARTMENT REPORT
   Staff Recommendation: For information.

7. DIRECTORS’ REPORTS, INQUIRIES AND FOLLOW-UP OF DIRECTIONS TO STAFF

8. ADJOURNMENT
   The Finance/Audit Committee will adjourn to the next regular meeting currently scheduled on March 18, 2019 at 10:30 a.m.

Agenda posted on 02/12/2019. In compliance with the Americans with Disabilities Act (ADA), if special assistance is needed to participate in the meeting, please contact the Brandon Mims, Deputy Secretary at (562) 921-5521 for assistance to enable the District to make reasonable accommodations. All public records relating to an agenda item on this agenda are available for public inspection at the time the record is distributed to all, or a majority of all, members of the Board. Such records shall be available at the District office located at 4040 Paramount Boulevard, Lakewood, California 90712. Agendas and minutes are available at the District’s website, www.wrd.org. EXHAUSTION OF ADMINISTRATIVE REMEDIES – If you challenge a District action in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Deputy Secretary at, or prior to, the public hearing. Any written correspondence delivered to the District office before the District’s final action on a matter will become a part of the administrative record.
MEMORANDUM
ITEM NO. 3

DATE: FEBRUARY 13, 2019

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DIRECTORS’ EXPENSES

SUMMARY
As required by the District’s Administrative Code section 7.3.1, the Finance/Audit Committee is responsible for approving Directors’ monthly expenses.

FISCAL IMPACT
No impact.

STAFF RECOMMENDATION
The Finance/Audit Committee approve Directors’ expenses.
SUMMARY

As required by Water Code §60292, at the end of each fiscal year, an independent certified public accounting firm audits the District’s financial statements and renders an opinion on the accuracy of the financial statements. Additionally, whenever an agency expends $750,000 or more of Federal Assistance in any one fiscal year, that agency must undergo a Single Audit also known as OMB A-133 Audit. This is a rigorous, organization-wide audit to provide assurance to the US federal government as to the management and use of such funds by the recipients.

On August 18, 2018, the Board of Directors approved a one-year contract with then-current independent financial auditor, Vasquez and Company. The Board further directed staff to take the current top three rated companies: Vasquez and Company (Vasquez); Lance, Soll and Lunghard (LSL); and Pun Group (Pun), through the bid process for the June 30, 2019 fiscal year's audit.

Staff asked for the top three firms to update their response to the District request for proposals (RFP) along with their cost estimates.

<table>
<thead>
<tr>
<th>Firm Name</th>
<th>FY 2018/19</th>
<th>FY 2019/20</th>
<th>FY 2020/21</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pun</td>
<td>$48,000</td>
<td>$48,000</td>
<td>$48,000</td>
<td>$144,000</td>
</tr>
<tr>
<td>Vasquez</td>
<td>48,500</td>
<td>50,450</td>
<td>52,450</td>
<td>151,400</td>
</tr>
<tr>
<td>LSL</td>
<td>53,360</td>
<td>53,360</td>
<td>53,360</td>
<td>160,080</td>
</tr>
</tbody>
</table>

The Pun Group’s had the lowest cost for the three year audit period.

FISCAL IMPACT

Fiscal impact for fiscal year fiscal year 2018/19 is $52,800 ($48,000 plus a 10% contingency of $4,800). This is a budgeted item. The fiscal impact for future years will be $52,800 per year and will be budgeted in those corresponding years. The total cost for the three year contract with a 10% contingency will be $158,400.
STAFF RECOMMENDATION
The Finance/Audit Committee recommends the Board of Directors approve a three year contract with the Pun Group.
COST PROPOSAL

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
LAKEWOOD, CALIFORNIA

Proposal to Perform Professional Auditing Services

For the Fiscal Years ending June 30, 2019 through June 30, 2021, with the option to extend for two (2) subsequent fiscal years

FEBRUARY 8, 2019

Kenneth H. Pun, CPA, CGMA
Managing Partner
200 East Sandpointe Avenue, Suite 600, Santa Ana, CA 92707
Phone: (949) 777-8801 | Fax: (949) 777-8850 | Email: ken.pun@pungroup.com

California CPA License Number: PAR 7601
Federal Identification Number: 46-4016990
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SECTION I – COST PROPOSAL

Certification

We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, our partners will provide advice and consultation as needed, at no additional cost to the Water Replenishment District of Southern California.

Name of Firm: The Pun Group, LLP
Certified Public Accountants and Business Advisors
200 Sandpointe Avenue, Suite 600
Santa Ana, California 92707

Certification: Kenneth H. Pun is entitled to represent the Firm, empowered to submit the bid, and authorized to sign a contract with the Water Replenishment District of Southern California.

Total All-Inclusive Maximum Price

Following are our total fixed fees for the Fiscal Years ending June 30, 2019 through June 30, 2021, with the option to extend for two (2) subsequent fiscal years.

<table>
<thead>
<tr>
<th>Required Items</th>
<th>FY 2018-19</th>
<th>FY 2019-20</th>
<th>FY 2020-21</th>
<th>FY 2021-22</th>
<th>FY 2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Audit of the District</td>
<td>$43,500</td>
<td>$43,500</td>
<td>$43,500</td>
<td>$44,370</td>
<td>$44,370</td>
</tr>
<tr>
<td>State Controller Office Report and Submission</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,530</td>
<td>$1,530</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Grand Total:</td>
<td>$45,000</td>
<td>$45,000</td>
<td>$45,000</td>
<td>$45,900</td>
<td>$45,900</td>
</tr>
</tbody>
</table>

Optional Additional Fiscal Years

<table>
<thead>
<tr>
<th>FY 2018-20</th>
<th>FY 2019-20</th>
<th>FY 2020-21</th>
<th>FY 2021-22</th>
<th>FY 2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Above quotes does not include Single Audit work. The cost for Single Audit will be $3,000 for one (1) major program. The fee to audit additional major programs will be $3,000 each. The number of programs determined to be “major” will be based on OMB Uniform Guidance. The Engagement Team will discuss this with the District’s Management before starting Single Audit work.
Out of Pocket Expenses in the Total Maximum Price and Reimbursement Rates

The Firm’s policy is to maintain flexible billing rates in order to meet the needs of clients and help them control costs. In the interest of starting our long-term relationship, we will absorb all costs required to familiarize ourselves with the operations and accounting systems, as well as, travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the Water Replenishment District of Southern California. These costs will also be absorbed by the Firm.

Rates for Additional Professional Services

Below are the Firm’s standard hourly billing rates, delineated by staffing levels:

<table>
<thead>
<tr>
<th>Auditor’s Standard Hourly Billing Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>Senior Partner(s)</td>
</tr>
<tr>
<td>Partner(s)</td>
</tr>
<tr>
<td>Senior Manager(s)</td>
</tr>
<tr>
<td>Manager(s)</td>
</tr>
<tr>
<td>Supervisor(s)</td>
</tr>
<tr>
<td>Senior Accountant(s)</td>
</tr>
<tr>
<td>Staff Accountant(s)</td>
</tr>
<tr>
<td>Clerical</td>
</tr>
</tbody>
</table>

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added in a written agreement prior to commencing audit work. The Firm and the District will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the above quoted hourly rates.

Manner of Payment

Engagement Team members are required to maintain timesheets detailing the date, number of hours, and work performed for every audit task. The Firm will collect these timesheets and bill the Water Replenishment District of Southern California, at the rates outlined in the Total All-Inclusive Maximum Price section, in four stages: (1) at the conclusion of the planning phase, (2) at the conclusion of the interim phase, (3) at the conclusion of the Year-End phase, (4) and after presentation and acceptance of the final audit reports. Interim billings will cover a period not less than a calendar month. The billing amounts generally break down as follows:

<table>
<thead>
<tr>
<th>Work Performed</th>
<th>% of Proposal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Planning</td>
<td>10%</td>
</tr>
<tr>
<td>For Interim work</td>
<td>40%</td>
</tr>
<tr>
<td>For Year-End work</td>
<td>40%</td>
</tr>
<tr>
<td>At Presentation and Acceptance of Final Reports</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>
COST PROPOSAL
WATER REPLENISHMENT DISTRICT

Name of Firm: Lance, Soll & Lunghard, LLP

Certification: Bryan S. Gruber, Partner, who is signing the cost proposal is entitled to represent the firm, empowered to submit the proposal, and authorized to sign a contract with the District.

<table>
<thead>
<tr>
<th>Audit Work Multi-Year Cost Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement Contract Years</td>
</tr>
<tr>
<td>FY 2018/19</td>
</tr>
<tr>
<td>Financial Statement Audit &amp; Report Preparation</td>
</tr>
<tr>
<td>Single Audit (if required)</td>
</tr>
<tr>
<td>Preparation of State Controller Report</td>
</tr>
<tr>
<td>Total &quot;All-inclusive maximum Pricing&quot;</td>
</tr>
</tbody>
</table>

Rates for Additional Professional Services

<table>
<thead>
<tr>
<th></th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners</td>
<td>$215</td>
</tr>
<tr>
<td>Managers</td>
<td>160</td>
</tr>
<tr>
<td>Senior Auditor</td>
<td>120</td>
</tr>
<tr>
<td>Staff Auditor</td>
<td>100</td>
</tr>
</tbody>
</table>

Bryan S. Gruber, CPA
Engagement Partner
Water Replenishment District of Southern California
Cost Proposal for Professional Auditing Services

Submitted by:
Roger A. Martinez
Audit Practice Leader
Vasquez & Company LLP
655 N Central Avenue, Suite 1550
Glendale, CA 91203
Tel: (213) 873-1703
Fax: (213) 873-17777
Email: ram@vasquezcpa.com
February 8, 2019
Cost Proposal

February 8, 2019

Scott M. Ota
Chief Financial Officer, CPA, CIRA
Water Replenishment District of Southern California
4040 Paramount Boulevard
Lakewood, CA 90712

RE: RFP for Professional Auditing Services

Vasquez & Company LLP (Vasquez) is pleased to respond to the Water Replenishment District of Southern California’s (District) request for proposal to audit its financial statements for the three fiscal years beginning with the fiscal year ending June 30, 2019.

Our fees for the services outlined in this proposal are based on our estimates of the time needed to complete the project at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. The fees are based on the assumption that unexpected circumstances will not be encountered during the audit along with the following:

**Engagement Assumptions:** The proposed fees assume the following:

1. Staff availability to answer questions within the agreed timeframe.
2. Audit fieldwork procedures conducted at a centralized location.
3. No instances of fraud that will require additional procedures.
4. Staff to prepare all financial statements/schedules.
5. All information requested provided within the agreed timeframe.
6. 1 major program subject to the Single Audit Act
7. Information provided is complete and correct for the year being audited.
8. Other unforeseen events such as:
   a. Accounting problems.
   b. Litigation.
   c. Changes in your business or business environment.
   d. Contractual difficulties with suppliers, third-party service providers or clients.

The cost proposal contains all pricing information relative to performing the audit engagement as described in this Request for Proposal. The total all-inclusive maximum price contains all direct and indirect costs including all out-of-pocket expenses.
I, Roger A. Martinez, Partner of Vasquez & Company LLP, am authorized to represent the firm, submit our proposal and to sign a contract with the District.

We thank you for the opportunity to respond to your request for proposal. Should you have any questions regarding the information contained in the proposal, please contact me at the information below.

VASQUEZ & COMPANY LLP

Roger A. Martinez
Partner – Audit Practice Leader
t) 213-873-1703
e) ram@vasquezcpa.com

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Fiscal Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Annual financial and compliance audit, management letter (if applicable), 8 hours of accounting staff training, presentations and meetings with Governing Board and Management throughout the term of engagement.</td>
<td>$48,500</td>
</tr>
</tbody>
</table>

**Schedule of Hourly Rates**

For services not covered under this proposal the following hourly rates by personnel category will apply:

<table>
<thead>
<tr>
<th>Personnel Category</th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>$300</td>
</tr>
<tr>
<td>Manager</td>
<td>$180</td>
</tr>
<tr>
<td>Supervisor</td>
<td>$160</td>
</tr>
<tr>
<td>Senior auditor</td>
<td>$140</td>
</tr>
<tr>
<td>Staff auditor</td>
<td>$120</td>
</tr>
</tbody>
</table>
MEMORANDUM
ITEM NO. 5

DATE: FEBRUARY 13, 2019
TO: FINANCE/AUDIT COMMITTEE
FROM: ROBB WHITAKER, GENERAL MANAGER
SUBJECT: EXPENSES OVER 90 DAYS

SUMMARY
Based on Section 13.2.3 of the District’s Administrative Code, “Requests for reimbursement must be submitted within 90 days of the date the expense was incurred…Any reimbursement for a non-excluded expense submitted after 90 days must be approved by the Board of Directors.”

Staff will present expenses over the 90 day period to the Finance/Audit Committee for approval.

FISCAL IMPACT
Staff will give the exact fiscal impact of these expenses at the Committee meeting.

STAFF RECOMMENDATION
The Finance/Audit Committee recommends the Board of Directors approve expenses over 90 days.
DATE: FEBRUARY 13, 2018

TO: FINANCE / AUDIT COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DEPARTMENT REPORT

SUMMARY

Staff will report any significant department activities that are not agendized and require no action on the part of the Committee.

FISCAL IMPACT

None.

STAFF RECOMMENDATION

For information.