

South Bay Cities Council of Governments

April 23, 2020

TO: SBCCOG Board of Directors
FROM: SBCCOG Steering Committee
SUBJECT: Audit Services

Adherence to Strategic Plan:

Goal D: Organizational Stability. Be a high performing organization with a clear path to long-term financial health, staffing continuity and sustained board commitment.

BACKGROUND

The SBCCOG has a policy to review contracts every 3 years to ensure that we have the most competitive pricing. This year, the staff solicited proposals from 3 firms and received the following responses:

- Firm #1 - no proposal, because we are too small and the billing would be nominal for them.

- Firm #2 - The Pun Group - proposal
 - yrs 1-3 \$6,000
 - yr 4 6,120
 - yr 5 6,242

- Firm #3 (current firm) - proposal
 - yrs 1-3 \$6,775
 - yr 4 6,950
 - yr 5 6,950

While we have adequate service from our current auditor, their prices are substantially higher and they have taken a long time to get the job done each year. Staff has looked into The Pun Group and as you can see from their attached proposal, they have many public agencies that they work with and they come recommended by our budget consultant, Agnes Walker.

RECOMMENDATION

That the Board approval a contract with The Pun Group for 3 years at a cost of \$6000/year with two additional years as options (Year 4 - \$6120; Year 5 - \$6242).



PROPOSAL

SOUTH BAY CITIES COUNCIL OF GOVERNMENTS TORRANCE, CALIFORNIA

Proposal to Perform Professional Auditing Services

MARCH 23, 2020

Kenneth H. Pun, CPA, CGMA

Managing Partner

200 E. Sandpointe Ave, 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



SOUTH BAY CITIES COUNCIL OF GOVERNMENTS

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Executive Summary

WE WANT TO EARN YOUR BUSINESS

Thank you for allowing The Pun Group LLP to propose on the professional auditing services for South Bay Cities Council of Governments (“SBCCOG”). Our partners group has served the government industry since 1989 and work with more than 200 governmental agencies throughout California.

We understand that governmental agencies do not operate independently, but in an increasingly complexity of local, state, and federal relationships. We know how these relationships work, what they mean at the local level and how every public organization’s focus on resource management is critical to success. While many accounting firms can perform provide services, not all can build an excellent working relationship with their clients. The Pun Group LLP prides itself on developing lasting, personal relationships with our clients. Our hands-on partner involvement and low personnel turnover are crucial tools to our success and highly beneficial to the SBCCOG.

All of our partners actively participate in industry associations focused on state and local governments. By participating in industry associations and activities, we are always up to date on the latest industry changes and the impact they will have on your operations. We will keep you, and our colleagues in the Firm, fully informed of these developments. Our team is committed to bringing the full breadth and depth of our expertise to the audit of the SBCCOG offering outstanding value to you and your stakeholders.

Government Experience

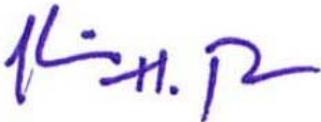
The personnel assigned to this engagement are fully qualified to perform an effective audit of the SBCCOG, and their extensive experience will be critical to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, Single Audit Act, Uniform Guidance (formerly known as OMB Circular A-133), and fund operations. They have held positions as professional certified public accountants but have also held significant roles within and outside of government agencies bringing to an agency as the SBCCOG the thought leadership, quality and level of experience you require.

Our commitment in serving the South Bay Cities Council of Governments cannot be fully conveyed in a letter, so we look forward to continuing the discussion with you in person. I will serve as your primary contact for contract negotiations and stand steadfast to serve as your engagement partner. I’ve been authorized to legally bind the Firm. Should you have any questions or wish to discuss this proposal, please do not hesitate to contact me at (949) 777-8801 or by email at ken.pun@pungroup.com.

Thank you, and we look forward to the opportunity of gaining your trust and business.

Sincerely,

The Pun Group LLP



Kenneth H. Pun, CPA, CGMA
Managing Partner

SOUTH BAY CITIES COUNCIL OF GOVERNMENTS

Who We Are

The Pun Group LLP, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. We are a full-service accounting firm providing auditing, accounting, and advisory services to our clients.

The combination of our hands-on experience and practical knowledge exercised by our audit professionals makes the Firm unique in our field. Our technical expertise and thorough understanding of current regulations and issues—along with the Firm’s commitment to hard work, integrity, and teamwork on every engagement—enable us to help our clients succeed.

With more than one hundred (100) years of combined experience in the industry, we have become a trusted business partner, and are well-respected as leaders in the industry in one of the fastest growing firms. With nearly 100 government and not-for-profit audit clients and Partners who have a real passion for the industry, we believe we are unmatched regarding expertise.

Professional Affiliations

The Pun Group LLP is a member of the following professional organizations:



Global Capabilities

The Pun Group LLP is an independent member of Allinial Global, an association of over 100 independent accounting and consulting firms. Based in North America, Allinial Global offers international support by connecting its member firms to providers and global networks of accounting firms worldwide



SOUTH BAY CITIES COUNCIL OF GOVERNMENTS

Who We Are

License to Practice in California

The Firm and all key engagement team members are licensed by the State of California to practice as Certified Public Accountants.

Firm Registration:

California State Board of Accountancy Number – PAR 7601



All members of the engagement team meet the Continuing Professional Education (CPE) requirements in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

Independence

The Pun Group _{LLP} requires all employees to adhere to strict independence standards in relation to the Firm's clients. These independence standards exceed, in many instances, the standards promulgated by the American Institute of Certified Public Accountants (AICPA).

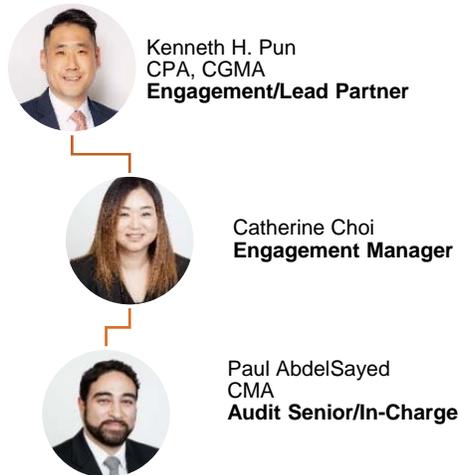
The Pun Group _{LLP} certifies that it is independent of SBCCOG. The Firm meets independence requirements defined by the United States Government Accountability Office's (U.S. GAO's) *Government Auditing Standards*, and the American Institute of Certified Public Accountants (AICPA), therefore such relationship does not constitute a conflict of interest relative to performing the services requested by the SBCCOG.

The Firm will give the SBCCOG written notice of any professional relationships entered into during the period of the agreement.

An Experienced Engagement Team

The Engagement Team is carefully chosen to provide the SBCCOG with all the services needed to successfully complete the audit. The Engagement Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues that may arise.

Your Engagement Team:



The personnel assigned to this engagement are fully qualified to perform an effective audit of the SBCCOG, and their extensive experience will be critical to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, Uniform Guidance, and fund operations.

Kenneth H. Pun, CPA, CGMA ***Engagement/Lead Partner***

Ken will serve as engagement partner and will be responsible for the timely delivery of all services for SBCCOG. Ken will actively involve with the engagement with the assigned task of directly overseeing the Engagement Team, engagement planning and fieldwork, review for quality, and approve work papers and reports. Ken has more than twenty (20) years in public accounting specializing in governmental sector. Ken is the current chair of CalCPA Governmental Accounting and Auditing Committee.

Catherine Choi ***Engagement Manager***

Catherine will serve as the audit manager. Catherine will work closely with the engagement partner, executing the audit plan, and directing and supervising the audit team in its daily activities and tasks. Catherine will serve as the primary point of contact for your team and will work to ensure the audit is conducted within the deadlines and will provide updates on our team's progress to the partners' and to you. Catherine has more than ten (10) years in public accounting specializing in governmental sector.

Paul AbdelSayed ***Audit Senior/In-Charge***

Paul will serve as the audit senior/in-charge. Paul will work closely with the engagement manager, performing audit procedures based on the executed audit plan, and assisting in timely delivery of quality services. Paul has more than five (5) years of public accounting experience specializing in governmental sector.

Kenneth H. Pun, CPA, CGMA Engagement/ Lead Partner



EXPERIENCE

Kenneth H. Pun is the Managing Partner and an Assurance Partner at The Pun Group, LLP, which he founded in 2012 after serving in senior-level positions for well-established national and regional firms. Under his leadership, The Pun Group has become one of the fastest growing in the region, currently ranking among the top 40, according to the Orange County Business Journal.

Prior to founding The Pun Group, Ken has served clients in a variety of industries, including small to large state and local governmental agencies, insurance companies, not-for-profits, healthcare, technology and manufacturing and distribution clients. His career in public accounting was spent primarily with the Regional firms and National firms.

Leveraging more than nineteen (19) years of public accounting experience, Ken has earned a reputation of being a trusted advisor to governmental and Healthcare organizations throughout California and neighboring states. Municipalities and public agencies engage him because of his premier level of client service, commitment, and innovative methods of increasing operational efficiencies and reducing costs.

Ken maintains his deep commitment to professional education through his work as an instructor for CalCPA's Education Foundation. There, he teaches courses related to audits and quality control in local and state government. He also advises clients on those topics at influential industry forums. Internally, Ken mentors audit teams by providing direction and technical guidance to ensure adherence to the firm's quality controls.

EDUCATION

BS Degree in Business Administration, Emphasis in Accounting from the **University of California, Riverside**

LEADERSHIP & AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Chair, CalCPA Governmental Accounting and Auditing Committee
- Member, CalCPA Governmental Accounting and Auditing Conference Planning Committee
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Speaker, CSMFO Conference (2014)
- Instructor, CalCPA Fall Series (2014) – Long Beach and Orange County Chapter

RELEVANT EXPERIENCE

- City of Gardena
- City of San Bernardino
- City of Escondido
- City of Encinitas
- Ventura County Transportation Commission
- City of Stockton
- City of San Bernardino
- City of Clovis
- City of Desert Hot Springs
- South Bay Regional Public Communications Authority

CONTINUING PROFESSIONAL EDUCATION

Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:

- Governmental and Nonprofit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met the current CPE educational requirements to perform audits of governmental agencies.



ADDRESS

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EMAIL

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WEBSITE

www.pungroup.com

Licensed by the State of California

Catherine Choi
Engagement Manager



EXPERIENCE

Catherine Choi is a Manager of The Pun Group, LLP. She has more than ten (10) years of governmental experience that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting, Data Analysis and Taxation.

In various engagements, Catherine has been involved in providing significant services to various governmental entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit Concept and preparation of the Comprehensive Annual Financial Reports.

EDUCATION

- BS Degree in Accounting from the **California Polytechnic University of Pomona**

AFFILIATIONS

- Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT EXPERIENCE

- City of Cerritos
- City of Stockton
- City of Desert Hot Springs
- City of Coachella
- City of Hemet
- City of Placentia
- City of Bradbury
- City of Morro Bay
- City of Hermosa Beach
- City of Seal Beach
- Las Virgenes Municipal Water District
- Valley Sanitation District
- El Toro Water District

CONTINUING PROFESSIONAL EDUCATION

Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:

- Governmental and Nonprofit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates
- Preparation of Tax Returns for Not-for-Profits

Has met the current CPE educational requirements to perform audits of governmental agencies.



EMAIL

catherine.choi@pungroup.com



WEBSITE

www.pungroup.com

** CPA Exam Completed, Licensing Application Pending*

Paul AbdelSayed, CMA Audit Senior / In-Charge



EXPERIENCE

Paul AbdelSayed is a Senior Auditor within The Pun Group, LLP's Assurance division. In his seven years of accounting and auditing experience, Paul has worked with governmental agencies, not-for-profit entities and private for-profit entities.

Mr. AbdelSayed has performed audits and other attestation services for several governmental agencies throughout California including cities, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts, and he has helped them publish their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

EDUCATION

- BA Degree in Business Administration, Emphasis Accounting from **California State University, Fullerton**

LEADERSHIP & AFFILIATIONS

- Member, California Society of Certified Public Accountants (CalCPA)
- Member, Institute of Management Accountants (IMA)

RELEVANT EXPERIENCE

- City of Gardena
- City of Desert Hot Springs
- City of Hemet
- City of Industry
- City of Morro Bay
- City of Culver City
- City of Glendora
- City of Hermosa Beach
- City of Lynwood
- City of Seal Beach

CONTINUING PROFESSIONAL EDUCATION

Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:

- Governmental and Nonprofit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met the current CPE educational requirements to perform audits of governmental agencies.



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An Experienced Engagement Team

Staff Continuity

The Firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. The Firm also supports affirmative-action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.

We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the SBCCOG in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.

Continuing Education

Because of our commitment to provide the highest quality of services to SBCCOG, we provide our professionals with technical training to ensure our people stay current on topics within the industry sectors and better equipped themselves to serve our clients.

All professionals are required to obtain continuing education that exceeds the requirements of the American Institute of Certified Public Accountants (AICPA) and where applicable, *Government Auditing Standards*. Our professionals participate in the continuing education programs through the following means:

- Governmental Accounting and Auditing Conference sponsored by AICPA.
- Webinar sponsored by AICPA Government Audit Quality Center.
- Annual Conference sponsored by California Society Municipal Finance Officers.
- Governmental Accounting and Auditing Conference sponsored by CalCPA.
- The Pun Group in-house training on government specific topics, including but not limited to, GASB updates, 2018 Revision Government Auditing Standards, Fraud in State and Local Governments, COSO Internal Control Integrated Framework, Audit of State and Local Governments, Single Audit, and Mindbridge AI Auditors.



In 2019, our government professionals have received an average of 52 hours of continuing professional education, compared with the 40 hours accounting industry requirement.

By expanding our knowledge through these seminars/conferences, we are able to provide the relative solutions to our clients.

SOUTH BAY CITIES COUNCIL OF GOVERNMENTS

Peer Review

Being a member of the American Institute of Certified Public Accountants (AICPA), The Pun Group is required an independent peer review of our audit and accounting practice every three (3) years. The peer reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complies with the AICPA's stringent standards for quality control and issued a peer review rating of "Pass".

A copy of our most recent peer review is enclosed.

Litigation/Disciplinary Action

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the SBCCOG.

No member of the Firm has been the subject of investigation or disciplinary action by state regulatory bodies or professional organizations in the past.



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Report on the Firm's System of Quality Control

December 7, 2018

To the Partners of
The Pun Group, LLP
And the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of The Pun Group, LLP, (the firm), in effect for the year ended December 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, and an audit of an employee benefit plan.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of The Pun Group, LLP, in effect for the year ended December 31, 2017, 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*. The Pun Group, LLP, has received a peer review rating of *pass*.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, NY

Qualifications

Professional Services Requested

South Bay Cities Council of Government (SBCCOG) is requesting the following professional services to be provided by The Pun Group:

Financial Statement Audit

- Perform a financial statement audit of the SBCCOG in accordance with auditing standards generally accepted in the United States of America.
- The Pun Group will assist with preparation of the SBCCOG Annual Financial Report, including notes to basic financial statements.
- The Pun Group will assist with implementation of applicable Governmental Accounting Standards Board (GASB) pronouncements.
- Prepare and submit a management report of comments and recommendations concerning the SBCCOG's financial management system based upon observations made during the course of the auditor's examination of the SBCCOG's financial statements, records, internal controls, systems, and internal procedures. The engagement team will comment on the nature and impact of any noted instances of non-compliance with applicable state and federal laws and regulations.

Our Commitment to SBCCOG

We are committed to become your versatile partner that you can trust and will:

- Perform the audit efficiently and effectively, so disruption to office operations is minimized.
- Provide continuing advisory services and solutions to questions and issues that arise throughout the course of the engagement.
- Offer beneficial observations and recommendations about policies and procedures for accounting and operating controls.
- Identify opportunities to make SBCCOG operations more efficient and reduce costs.

SOUTH BAY CITIES COUNCIL OF GOVERNMENTS

Qualifications

Government Audit and Consulting Experience

The Pun Group LLP has performed numerous audits of organizations subject to financial and compliance audits. These audits were performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, Uniform Guidance (and its Compliance Supplement (when applicable), Office of the State Controller's Minimum Audit Requirements and Reporting Guidelines. A list of governmental clients that we have served are as follows:

Cities

City of Alameda
City of Arvin
City of Bell
City of Beaumont
City of Bradbury
City of Calexico
City of Cerritos
City of Clovis
City of Coachella
City of Culver City
Town of Danville
City of Desert Hot Springs
City of Encinitas
City of Escondido
City of Gardena
City of Gilroy
City of Glendora
City of Gustine
City of Hemet
City of Hermosa Beach
City of Huntington Beach
City of Huntington Park
City of Industry
City of Lakewood
City of Lodi
City of Lynwood
City of Madera
City of Monterey
City of Morro Bay
City of Napa
City of National City

Cities

City of Palm Springs
City of Patterson
City of Perris
City of Placentia
City of Placerville
City of Pomona
City of Redding
City of Ridgecrest
City of San Bernardino
City of Seal Beach
City of Shafter
City of South Gate
City of Stockton

Other Agencies

Adelanto Public Utility Authority
Barstow Heights Community Services District
Menlo Park Fire Protection District
North County Dispatch JPA
Rancho Santa Fe Fire Protection District
San Bernardino County Fire Protection District
San Elijo Joint Powers Authority
Santa Fe Irrigation District
South Orange County Wastewater Authority
Riverside County Flood Control and Water Conservation District
West Valley Mosquito and Vector Control District
Valley Sanitation District

Water Districts

Alameda County Water District
Casitas Municipal Water District
Central Basin Municipal Water District
El Toro Water District
Las Virgenes Municipal Water District
Marina Coast Water District
Olivenhain Municipal Water District
San Dieguito Water District
Sativa-Los Angeles County Water District
Water Replenishment District of Southern California
West Valley Water District

Transportation

Culver City Bus Lines
GTrans (Gardena Municipal Bus Lines)
Imperial County Local Transportation Authority
North County Transit District
San Diego Metropolitan Transit System
Shasta Regional Transportation Agency
Ventura County Transportation Commission

SOUTH BAY CITIES COUNCIL OF GOVERNMENTS

References

The following clients are examples of some of the engagements that are similar to the requirements in this proposal. Additional references are available upon request. Please feel free to contact these agencies to learn more about their experiences working with us.

Reference 1:

Name of Client: **City of Lakewood**
Service Period: June 30, 2014 to Present
Scope of Work: The Firm has provided professional auditing services to the City of Lakewood, since 2014, which includes:

Financial Statement Audits

- City of Lakewood Comprehensive Annual Financial Report (CAFR)

Compliance Audits

- Single Audit in compliance with Federal Single Audit Act

GFOA Award: Yes
Engagement Partner: Kenneth H. Pun | Concurring Partner: Frances J. Kuo
Total Hours: Average 380 hours per year
Principal Client Contact: Mr. Jose Gomez, Director of Finance & Administrative Services
jgomez@lakewoodcity.org
5050 Clark Ave
Lakewood, California 90712
(562) 866-9771

Reference 2:

Name of Client: **Ventura County Transportation Commission**
Service Period: June 30, 2015 to 2019
Scope of Work: The Firm has provided professional auditing services to the Ventura County Transportation District, since 2015, which includes:

Financial Statement Audits

- VCTC Comprehensive Annual Financial Report (CAFR)

Compliance Audits

- Single Audit in compliance with Federal Single Audit Act

GFOA Award: Yes
Engagement Partner: Kenneth H. Pun | Concurring Partner: Gary M. Caporicci
Total Hours: Average 400 hours per year
Principal Client Contact: Ms. Sally DeGeorge, Finance Director
ssellers@goventura.org
950 County Square Drive, Suite 207
Ventura, CA 93003
(805) 642-1591

References

Reference 3:

Name of Client: **City of Gardena**
Service Period: June 30, 2007 to Present
Scope of Work: The Firm has provided professional auditing services to the City of Gardena, since 2007, which includes:

Financial Statement Audits

- City of Gardena Comprehensive Annual Financial Report (CAFR)
- City of Gardena Family Child Care Program
- The Municipal Bus Line Enterprise Fund of the City of Gardena

Compliance Audits

- Single Audit in compliance with Federal Single Audit Act

GFOA Award: Yes
Engagement Partner: Kenneth H. Pun | Concurring Partner: Gary M. Caporicci
Total Hours: Average 700 hours per year
Principal Client Contact: Mr. Raymond Beeman, Chief Fiscal Officer
rbeeman@cityofgardena.org
1700 West 162nd Street
Gardena, CA 90247
(310) 217-9516

Audit Methodology

A. Proposed Segmentation of the Engagement

The audit will be performed in four phases:



Initial Planning: The Engagement Partner and Manager will meet with SBCCOG’s Management to get up to speed with SBCCOG policies and procedures, establish any specific requirements Management may have, identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.

Interim: The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the SBCCOG, obtain an understanding of the SBCCOG and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, develop initial risk assessment, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and SBCCOG Management will establish expectations including responsibilities and assignments for the year-end fieldwork, and will hold a progress status meeting at the end of the Interim phase.

Fieldwork: The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and SBCCOG Management will hold an exit conference at the end of the Year-End phase. Periodic update meetings will be held to communicate audit progress to management.

Reporting: The Firm will review and prepare audit reports and perform quality control procedures following the Quality Control Standards issued by the AICPA. We will also examine reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the SBCCOG’s request, the Engagement Partner and Manager will present the audit to the SBCCOG’s governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal SBCCOG circumstances causes delays in the audit.

Audit Methodology

B. Level of Staffing and Number of Hours To Be Assigned to Each Proposed Segment of the Engagement

The Pun Group understands that the SBCCOG is not only looking to employ our auditing services but is also seeking to receive value within that professional relationship. We believe that our value is derived from our in-depth knowledge, experience, and commitment that our auditing firm employs. We stress and emphasize “employ” because all of the knowledge and expertise listed on paper will not benefit you unless it is applied. That is why we have developed a plan that we feel will accomplish the objectives of the SBCCOG and your particular needs. Our Firm will utilize the information that you have shared with us and our experience from our previous audits of this nature, from various government entities and cities to develop a practical plan for all major areas.

	Partner	Manager	Seniors	Staff	Admin	Total
Planning	1	2	2	2	1	8
Interim	1	2	5	5	1	14
Fieldwork	2	2	5	5	1	15
Reporting	2	2	4	4	1	13
Total	6	8	16	16	4	50

SOUTH BAY CITIES COUNCIL OF GOVERNMENTS

Fee Proposal

Expected Hours and Fees

Our fee is based on the complexity of the engagement and the experience level of professionals necessary to address it. Based on our initial understanding of the scope of work, we propose the following not-to-exceed fee:

Services	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Financial Statement Audit and related reports	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,120	\$ 6,242
Total for Fiscal Year (not-to-exceed)	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,120	\$ 6,242

Out-of-Pocket Expenses

The Firm's policy is to maintain flexible billing rates to meet the needs of clients and help them control costs. In the interest of starting our long-term relationship, we will absorb expenses such as travel and printing costs.

Standard Hourly Rates

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 SBCCOG will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the below quoted hourly rates.

Provider	Rate
Partners	\$ 225
Managers	\$ 175
Seniors	\$ 125
Staff	\$ 100
Administrative	\$ 60

Why Choose The Pun Group?

The Pun Group LLP is recognized for its professionalism, integrity, and providing clients with practical solutions unique to their circumstances and issues. Our Firm prides itself on being able to provide personalized client services, and with that sentiment in mind, we have carefully chosen our engagement teams. The Pun Group's primary objective is to give the SBCCOG solutions and directions, led by highly experienced and capable partners who can successfully implement the work and produce the results you expect. This philosophy and mindset allow us to provide a superior level of service, and a quality audit.

We trust that this proposal has given you the information needed about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the SBCCOG of Governments and providing you with the excellent level of service that you expect and deserve.

Thank You

Thank you for giving us the opportunity to submit our qualifications to provide you with SBCCOG. Please direct inquiries to:

Kenneth H. Pun, CPA, CGMA
Managing Partner
Email: ken.pun@pungroup.com
Phone: (949) 777-8801 | Fax: (949) 777-8850

Sincerely,

A handwritten signature in black ink that reads "The Pun Group, LLP". The signature is written in a cursive, flowing style.

The Pun Group LLP
Certified Public Accountants and Business Advisors