

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 7

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**TO:** Valley Clean Energy Alliance Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
Lisa Limcaco, Director of Finance & Internal Operations  
Chad Rinde, Asst. Chief Financial Officer, Yolo County

**SUBJECT:** Approval of the Auditing Services Vendor and Contract for Auditing Services with James Marta & Co.

**DATE:** July 12, 2018

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#### **RECOMMENDATIONS:**

Adopt a resolution:

1. Approving selection of James Marta & Co to provide VCE's annual audit services;
2. Authorizing the VCEA Board Chair to approve and execute the Engagement Letter and Contract for Auditing Services.

#### **BACKGROUND AND ANALYSIS**

Staff released a Request for Quotation (RFQ) for audit services for VCE that closed on June 15, 2018. The RFQ were for audit services for the following periods:

- a) Inception (January 1, 2017) through June 30, 2018;
- b) Fiscal year ending June 30, 2019;
- c) Fiscal year ending June 30, 2020; and,
- d) Option to extend to Fiscal years ending June 30, 2021 and June 30, 2022.

The RFQ was sent to eighteen (18) Certified Public Accounting firms from a list of firms that Yolo County used in previous audit services RFQ's. This list includes all firms known to provide special district audits in the County of Yolo and additional firms were added that were known in the area to have experience in either electric utilities or in CCA. There were one responsive proposal and two firms that declined to propose due to current workload and staffing. The one responsive proposal was submitted by James Marta & Co. (JMC)

#### General Requirements

The proposal met VCE's general requirements set forth in the RFQ. The scope of services includes the following:

- 1) Perform an audit and provide a report on the general-purpose financial statements of VCEA under general accepted auditing standards.
- 2) The following are the expected reporting requirements resulting from the annual

audit of the general-purpose financial statements of VCE:

- a) Report of Independent Auditors
- b) Report in accordance with Government Auditing Standards
- c) Discussion and presentation of the audit with VCEA Board of Directors
- d) Management Letter (if necessary)

- 3) The audit report needs to be issued by October 31<sup>st</sup> after the fiscal year-end per bank covenants in the River City Bank credit agreement.

### Experience

The RFQ requested specific experience in auditing Community Choice Aggregation (CCA) programs, electric utilities or Joint Power Agencies (JPA), as well as auditing clients that follow generally accepted accounting principles prescribed the Governmental Accounting Standards Board.

- JMC has extensive experience in providing audit and consulting services to JPAs and other government agencies.
- JMC partners with Baker Tilly Virchow Krause, LLP on the audit of SMUD and their JPA's (Co-generation Power plants).

Staff confirmed that SMUD's accounting staff have had a good experience working with the partner and senior manager of JMC on the SMUD JPA audits. Staff confirms JMC's qualifications and experiences related to the audits of JPAs as described in their proposal.

### Pricing

The pricing of the audit services was reviewed against another similar CCA that is relative in size to VCE and was deemed reasonable and competitive. The pricing for the period from inception (January 1, 2017) to June 30, 2018, is substantially lower than the subsequent two fiscal years due to the limited amount of transactions and only one month of power operations.

Although staff received one responsive proposal, as described above staff performed the following:

- reviewed the qualifications and experiences of JMC
- confirmed through first-hand knowledge the public utility related JPA experience
- completed a reference inquiry with SMUD's Assistant Controller
- inquired with another CCA on the competitive pricing of the audits

### **RECOMMENDATION:**

Staff is recommending the Board approve the selection of JMC to provide VCE's annual audit services and authorize the VCE Board Chair to approve and execute the Engagement Letter and Contract for Auditing Services between JMC and VCE.

**RESOLUTION 2018-\_\_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE  
APPROVING SELECTION OF JAMES MARTA & COMPANY, LLC TO PROVIDE AUDIT SERVICES  
AND AUTHORIZING THE ENGAGEMENT LETTER AND LETTER AGREEMENT BETWEEN JAMES  
MARTA & COMPANY, LLC. AND VCEA**

**WHEREAS**, Valley Clean Energy Alliance (“VCEA”), is a public agency formed in January 2017 under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et. seq., between the County of Yolo and the City of Davis to provide Community Choice Energy (“CCE”) programs within the member agencies, and in June 2017, the City of Woodland also joined VCEA adding to the overall VCEA service territory;

**WHEREAS**, VCEA solicited competitive bids for qualified independent certified public accountants to provide auditing services.

**WHEREAS**, VCEA received one responsive proposal that staff reviewed and evaluated the qualifications, experience and pricing of the firm.

**WHEREAS**, VCEA has selected James Marta & Company, LLC to audit the general-purpose financial statements, issue the Report of Independent Auditors, prepare other associated reports, and provide other audit services as requested; and,

**NOW, THEREFORE**, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. James Marta & Company, LLC is hereby approved as the Auditing Services vendor for VCEA.
2. The Chair of the Board is hereby authorized to approve and execute the Engagement Letter and Letter Agreement between James Marta & Company, LLC and VCEA.

**PASSED, APPROVED AND ADOPTED** at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_\_ day of \_\_\_\_\_, 2018, by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Lucas Frerichs, Board Chair

ATTEST: \_\_\_\_\_  
Alisa M. Lembke, Board Clerk

APPROVED AS TO FORM:

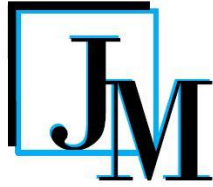
\_\_\_\_\_  
Eric May, Interim General Counsel

EXHIBIT A – Engagement Letter from James Marta & Company, LLC

EXHIBIT B – Letter Agreement between James Marta & Company, LLC and VCEA

EXHIBIT A

ENGAGEMENT LETTER FROM  
JAMES MARTA & COMPANY, LLC.



**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting, Auditing, Consulting, and Tax*

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June 29, 2018

Valley Clean Energy Alliance  
604 2<sup>nd</sup> Street  
Davis, CA 95616

We are pleased to confirm our understanding of the arrangements for our audit of the financial statements of Valley Clean Energy Alliance for the 18-month period ending June 30, 2018 and the fiscal years ending June 30, 2019 and 2020 with an option to extend through the fiscal years ending June 30, 2021 and 2022.

This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call to discuss this letter before you sign it.

**Scope of Work**

You have requested that we audit the Statement of Net Position of Valley Clean Energy Alliance as of June 30, 2018, 2019 and 2020, with an option to extend through the fiscal years ending June 30, 2021 and 2022, and the related Statements of Revenues, Expenditures and Changes in Net Position and Cash Flows for the 18-month period ended June 30, 2018 and the subsequent years then ended and the related notes to the financial statements, which collectively comprise Valley Clean Energy Alliance's basic financial statements. We will also provide assistance with the preparation of the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The RSI will be subjected to certain limited procedures but will not be audited.

We are not aware of any supplementary information other than RSI will accompany Valley Clean Energy Alliance's basic financial statements.

### **The Objective of an Audit**

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. Our audit will be conducted in accordance with U.S. generally accepted auditing standards (GAAS) and in accordance with Government Auditing Standards and the State Controller's Minimum Audit Requirements for California Special Districts. The audit will include tests of the accounting records and other procedures we consider necessary to enable us to express an opinion. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express opinions or to issue a report as a result of this engagement.

### **General Audit Procedures**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement and are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. As such, our audit will involve performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and will include tests of the accounting records of Valley Clean Energy Alliance and other procedures we consider necessary. The procedures we determine necessary will depend on our "auditor's" judgment and will be based, in part, on our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

## **Internal Control Audit Procedures**

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected by our firm, even though our audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you, or the appropriate level of management, of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

In making our risk assessments, we will consider internal controls relevant to the preparation and fair presentation of your entity's financial statements in order to design audit procedures that are appropriate in the circumstances. However, our audit procedures are not designed for the purpose of expressing an opinion on the effectiveness of your entity's internal control. We will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

## **Compliance with Laws and Regulations**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Valley Clean Energy Alliance's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

## **Management Responsibilities**

As part of our engagement, we may advise you about appropriate accounting principles and their application; however, management acknowledges and understands that the final responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America remains with you. As such, management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Other management responsibilities include maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.



By your signature below, you also acknowledge that you are responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes having appropriate programs and controls in place to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity that involves management, employees who have significant roles in internal control, and others where fraud could have a material impact on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the company complies with applicable laws and regulations. You agree that management will confirm its understanding of its responsibilities as defined in this letter to us in a management representation letter.

With regard to the required supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the required supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding required supplementary information; (c) to include our report on the required supplementary information in any document that contains the required supplementary information and that indicates that we have reported on such required supplementary information; and (d) to present the required supplementary information with the audited financial statements, or if the required supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the required supplementary information no later than the date of issuance by you of the required supplementary information and our report thereon.

Management's responsibilities also include designating qualified individuals with the skill, knowledge, and experience to be responsible and accountable for overseeing financial statement preparation and any other nonattest services we perform as part of this engagement, as well as evaluating the adequacy and results of those services and accepting responsibility for them.

You further acknowledge and understand that management is responsible for providing us with access to all information management is aware of that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters; for the accuracy and completeness of the information that is provided to us; and for informing us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements. This responsibility also includes providing us with any additional information that we may request from management for the purpose of the audit; as well as allowing us unrestricted access to individuals within the organization from whom we may determine it necessary to obtain audit evidence, including access to your designated employees who will type all confirmations we request.

## **Reporting**

We expect to issue a written report upon completion of our audit of Valley Clean Energy Alliance's basic financial statements. Our report will be addressed to the board of directors of Valley Clean Energy Alliance. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), and decline to express an opinion, or withdraw from the engagement.

We also will issue a written report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standard upon completion of our audit.

## **Other**

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

## **Provisions of Engagement Administration, Timing and Fees**

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

James Marta, CPA is the engagement partner for the audit services specified in this letter. His responsibilities include supervising James Marta & Company LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our liability as auditors shall be limited to the period covered by our audit and shall not extend to later periods for which we are not engaged as auditors.

We expect to begin our audit on approximately July 15<sup>th</sup> of each fiscal year and to complete and issue our report no later than October 31<sup>st</sup> of each fiscal year. As such, we expect the deliverables to be provided to us by management at the following schedule in order for the timely completion of the audit:

- Trial balance by August 5<sup>th</sup> of each fiscal year
- Items requested from management and staff for audit review by August 20<sup>th</sup> of each fiscal year
- Draft of the financial statements, with Management Discussion and Analysis by September 30<sup>th</sup> of each fiscal year
- Issuance of the audit report by October 31<sup>st</sup> of each fiscal year

It is important that accounting and management personnel be available during fieldwork dates for interviews with the audit staff, and to respond to auditor inquiries and requests for information or supporting documentation. Whenever possible, your staff will be notified in advance to pull samples of specific documents for auditor review. The completion of fieldwork within the dates communicated is contingent of the entity's ability to provide all necessary support by the dates listed in Suralink. The deliverables may be delayed due to fieldwork not being completed for the reasons discussed above.

## **Record Retention**

It is our policy to keep records related to this engagement for 7 years. However, James Marta & Company LLP does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the 7 year period James Marta & Company LLP shall be free to destroy our records related to this engagement.

## **Fees**

Our fee for the audit will be \$18,000 for the 18-month period ending June 30, 2018, \$45,000 for 2019, and \$46,100 for 2020, with an option to extend for \$47,300 for 2021 and \$48,700 for 2022. We will bill you on a monthly basis for our services and invoices are payable upon presentation. Unpaid fee balances 30 days overdue will bear interest at 18 percent per annum. This fee is based upon the assumption that the closing journal entries will be made and accounting will be finalized and closed before the year end audit fieldwork. Additional time and billing charges will incur if accounting service is provided for closing or reconciling accounting records.

Whenever possible, we will attempt to use your personnel to assist in the preparation of schedules and analyses of accounts. We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

Our initial fee estimate assumes we will receive the aforementioned assistance from your personnel and unexpected circumstances will not be encountered. In the event that the GASB, FASB, AICPA, GAO, OMB, or the State of California issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. The fees listed above incorporate all GASB pronouncements through GASB 89. Before starting the additional work, we will prepare an estimate of the time necessary, as well as the fee for performing the additional work. Our fee for addressing the additional requirements will be at our standard hourly rates for each person involved in the additional work.

In the event we are required to respond to discovery requests, subpoenas, and outside inquiries, we will first obtain your permission unless otherwise required to comply under the law. Our time

and expense to comply with such requests will be charged at our standard hour rates in addition to the stated contract.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the governing board the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of James Marta & Company LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available pursuant to authority given to any regulator by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of James Marta & Company LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to any regulator. They may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

### **Mediation Provision**

Disputes arising under this agreement (including scope, nature, and quality of services to be performed by us, our fees and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all defense costs against any non-prevailing party found not to have participated in the mediation process in good faith.

Several technical accounting and auditing words and phrases have been used herein. We presume you to understand their meaning or that you will notify us otherwise so that we can furnish appropriate explanations.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. This letter will continue in effect until canceled by either party.

Respectfully,

*James Marta & Company LLP*

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Valley Clean Energy Alliance

Authorized Signature: \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

EXHIBIT B

LETTER AGREEMENT BETWEEN JAMES MARTA & COMPANY, LLC  
AND  
VCEA

JULY 13, 2018

JAMES MARTA & COMPANY, LLC  
701 HOWE AVENUE, SUITE E3  
SACRAMENTO, CA 95825

Dear Mr. Marta:

Letter Agreement for Auditing Services

This letter shall be our Agreement (“Letter Agreement”) regarding the auditing services described below (“Services”) to be provided by **James Marta & Company, LLC**, a limited liability partnership (“Consultant”) as an independent contractor to **Valley Clean Energy Alliance** (“VCEA”). Consultant is retained as independent contractor and is not an employee of VCEA. VCEA and Consultant are sometimes referred to herein as “Party” or “Parties.”

The Services to be provided are more particularly described in the **Scope of Services** attached hereto as **Exhibit “A”** and are incorporated herein by reference. Services shall begin subsequent to the execution of this Letter Agreement and shall be completed by October 31<sup>st</sup> after each fiscal year, unless extended by VCEA in writing.

**Exhibit “C”** is the auditor engagement letter which outlines certain required responsibilities under auditing standards and outlines the deliverable dates by the auditor predicated on VCEA meeting certain time lines for the accounting information. **Exhibit “C”** serves to outline the responsibilities as required by professional standards but does not override the basic terms of the agreement.

Consultant shall perform all Services under this Letter Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California, and consistent with all applicable laws. Consultant represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, including any required business license, and that such licenses and approvals shall be maintained throughout the term of this Letter Agreement.

Consultant has represented to VCEA that certain key personnel will perform and coordinate the Services under this Letter Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of equal competence upon written approval of VCEA. In the event that VCEA and Consultant cannot agree as to the substitution of key personnel positions, VCEA shall be entitled to terminate this Letter Agreement for cause. The key personnel for performance of this Letter Agreement are outlined in **Exhibit “B”**.

Compensation shall be based on the amounts specified in **Exhibit “B”**; however, if additional services or assignments are determined necessary and are within the Scope of Services and agreed upon by both VCEA and Consultant, services shall be billed at the hourly rate(s) described in the Consultant’s rate sheet, attached hereto as **Exhibit “B”** and incorporated herein by reference. The total compensation for services performed for the first three (3) years shall not exceed **\$109,100 (One hundred nine thousand, one hundred and no/100 dollars)** without written approval of



General Manager. Thereafter, should both VCEA and Consultant agree to extend the contract, compensation costs are not to exceed those outlined in **Exhibit "B"**. Consultant's invoices shall include a detailed description of the Services performed. Invoices shall be submitted to VCEA on a monthly basis as performance of the Services progresses. VCEA shall review and pay the approved charges on such invoices in a timely manner.

Consultant shall provide proof of commercial general liability, business auto liability, and professional liability/errors and omissions insurance to VCEA in amounts and with policies, endorsements and conditions required by VCEA for the Services. VCEA, its elected officials, officers, employees, agents and authorized volunteers shall be named as Additional Insureds on Consultant's policies of commercial general liability and automobile liability insurance. If Consultant is an employer or otherwise hires one or more employees during the term of this Letter Agreement, Consultant shall also provide proof of workers compensation coverage for such employees, which meets all requirements of State law, with endorsements and conditions required by VCEA.

VCEA may terminate this Letter Agreement with or without cause by giving written notice upon termination. If VCEA finds it necessary to terminate this Letter Agreement without cause before completion of services, Consultant shall be entitled to be paid in full for those Services adequately completed prior to the notification of termination. Consultant may terminate this Letter Agreement only upon 30 calendar days' written notice to VCEA only in the event of VCEA's failure to perform in accordance with the terms of this Letter Agreement through no fault of Consultant.

To the fullest extent permitted by law, Consultant shall defend, indemnify and hold VCEA, its directors, officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any alleged acts, errors or omissions of Consultant, its officials, officers, employees, subconsultants, consultants or agents in connection with the performance of the Consultant's Services or this Letter Agreement, including but not limited to violations of Prevailing Wage Laws or federal or state nondiscrimination laws, including without limitation the payment of all consequential damages, expert witness fees and attorneys' fees and other related costs and expenses. Notwithstanding the foregoing, to the extent Consultant's Services are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant. Consultant's obligation to indemnify shall survive expiration or termination of this Letter Agreement, and shall not be restricted to insurance proceeds, if any, received by VCEA, its officials, officers, employees, agents, or volunteers.

Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Services, including all Cal/OSHA requirements.

By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for

James Marta & Company, LLC

July 13, 2018

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Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services. Finally, Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment in violation of state or federal law.

Consultant covenants that it presently has no interest, and shall not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services under this Agreement. Consultant certifies that no one who has or will have any financial interest under this Agreement is an officer or employee of VCEA.

This Letter Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Letter Agreement, the action shall be brought in a state court situated in Yolo County, State of California or federal court in the Eastern District (Sacramento). Consultant must comply with the claim procedures set forth in Government Code sections 900 et seq. prior to filing any lawsuit against VCEA. Such Government Code claims and any subsequent lawsuit based upon the Government Code claims shall be limited to those matters that remain unresolved after all procedures pertaining to extra work, disputed work, claims, and/or changed conditions have been followed by Consultant. If no such Government Code claim is submitted, or if any prerequisite contractual requirements are not otherwise satisfied as specified herein, Consultant shall be barred from bringing and maintaining a valid lawsuit against VCEA.

Consultant shall not assign, sublet, or transfer this Letter Agreement or any rights under or interest in this Letter Agreement without the written consent of VCEA, which may be withheld for any reason. This Letter Agreement may not be modified or altered except in writing signed by both parties. Except to the extent expressly provided for in the termination paragraph, there are no intended third party beneficiaries of any right or obligation of the Parties.

This is an integrated Letter Agreement representing the entire understanding of the parties as to those matters contained herein, and supersedes and cancels any prior oral or written understanding or representations with respect to matters covered hereunder. Since the Parties or their agents have participated fully in the preparation of this Letter Agreement, the language of this Letter Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. The captions of the various paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content or intent of this Letter Agreement.

Consultant warrants that the individual who has signed this Letter Agreement has the legal power, right and authority to make this Letter Agreement and bind the Consultant hereto. If you agree with the terms of this Letter Agreement, please indicate by signing and dating where indicated below.

**VCEA**

*Approved By:*

\_\_\_\_\_  
Mitch Sears  
VCEA Interim General Manager

\_\_\_\_\_  
Date

*Attested By:*

\_\_\_\_\_  
Alisa Lembke, VCEA Board Clerk

*Approved As To Form:*

\_\_\_\_\_  
Harriet Steiner, VCEA Attorney

**JAMES MARTA & COMPANY, LLC**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

## EXHIBIT A

### Scope of Services

- 1) Consultant shall perform an audit and provide a report on the general-purpose financial statements of VCEA under general accepted auditing standards for:
  - a) Inception (January 1, 2017) through June 30, 2018;
  - b) Fiscal year ending June 30, 2019;
  - c) Fiscal year ending June 30, 2020; and,
  - d) Upon mutual agreement by both Parties, the Letter Agreement can be extended to Fiscal years ending June 30, 2021 and June 30, 2022.
  
- 2) The following are the expected reporting requirements resulting from the annual audit of the general-purpose financial statements of VCEA:
  - a) Report of Independent Auditors
  - b) Report in accordance with Government Auditing Standards
  - c) Discussion and presentation of the audit with VCEA Board of Directors
  - d) Management Letter (if necessary)
  
- 3) If necessary, Consultant will perform single audit procedures in accordance with the OMB Compliance Supplement (Uniform Guidance). Consultant will issue a SAS 114 letter on internal control over financial reporting and compliance. In addition, a management letter will be also be prepared, if necessary.

## EXHIBIT B

### **Schedule of Audit Team and Charges/Payments**

Consultant will invoice VCEA on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent on each task. Consultant will inform VCEA regarding any out-of-scope work being performed by Consultant. The annual audit fees will be on a fixed fee agreement.

Audit Team will be comprised of the following individuals and positions:

- James Marta, CPA, CGMA, ARPM Engagement Partner
- David Becker, CPA, Technical Review Partner
- Jesse Deol, CPA, Senior Manager
- Alana Theiss, CPA Manager
- Mario da Costa, Senior
- Jefferson Gamir, Staff
- Cristina Patlan, Staff

Below is a summary of fees for each fiscal year:

**Fixed fees for the following are as follows:**

- For the 18-Month Period Ended June 30, 2018 - Fixed Fee \* \$ 18,000
- For the Year Ended June 30, 2019 - Fixed Fee \$45,000
- For the Year Ended June 30, 2020 - Fixed Fee \$46,100

**Should the option to extend be agreed upon, the Fixed fees are as follows:**

- For the Year Ended June 30, 2021 - Fixed Fee \$47,300
- For the Year Ended June 30, 2020 - Fixed Fee \$48,700

*\* Since the initial year has a limited amount of transactions, the initial fee is based on 150-200 hours.*

Additional services are available at the same hourly rates by staff classification as seen at the schedule below; these rates are revised annually.

<u>CLASSIFICATION</u>	<u>HOURLY RATE</u>
Partner	\$ 275
Manager	\$ 185
Senior	\$ 130
Staff	<u>\$ 115</u>

The fees quoted are based upon several assumptions about the adequacy of the accounting records, the degree of assistance to be provided by your personnel, and current auditing and accounting standards. Our fees do not include any accounting services such as closing year-end accounts or account reconciliation. If, at any time during our engagement, extraordinary matters come to our attention (i.e. changes in your operations, material weakness in your internal controls) that requires an extension of our services, we will consult with you concerning additional work to be done by you or an adjustment to our fees. We will submit monthly progress billings during the audit process.

**Exhibit C**  
**Engagement Letter**