

**PROPOSAL OF SERVICES  
FOR  
SAN JOAQUIN VALLEY  
INSURANCE AUTHORITY  
FOR THE YEAR ENDING  
JUNE 30, 2010**

Submitted  
October 25, 2010

by

**Fausto Hinojosa, CPA, CFE**

Price, Paige & Company  
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**SAN JOAQUIN VALLEY INSURANCE AUTHORITY**

**PROPOSAL FOR AUDIT SERVICES  
FOR THE YEAR ENDING JUNE 30, 2010**

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October 25, 2010

Mr. Alan Cade  
Deputy Auditor-Controller  
County of Fresno  
2281 Tulare Street, Room 105  
Fresno, California 93721

Dear Alan:

We are pleased to present our proposal to provide independent auditing services for the San Joaquin Valley Insurance Authority (SJVIA) for the fiscal year ending June 30, 2010.

We can assure you that we fully understand the work to be performed and we wish to emphasize our commitment to meeting or exceeding all of your expectations. Our team of professionals assigned to your audit is highly qualified and has extensive experience in the areas of governmental audit and accounting, as well as federal single audit requirements and state compliance requirements. As demonstrated by our resumes and considerable involvement by the firm's audit principal, we feel that our firm has the resources to meet and service the needs of SJVIA. Our proven commitment to excellence allows us to work with you in the most time and cost-effective manner possible. Additional information about our firm's audit department and services we offer may be found on our website at [www.ppcpas.com](http://www.ppcpas.com).

We appreciate the opportunity to submit this proposal to serve you and would be pleased to furnish any additional information on our firm or answer any other specific questions or concerns you may have. I am the audit principal for our firm and I am authorized to make representations for the firm with regard to this proposal. I may be reached at (559) 299-9540 or via e-mail at [fausto@ppcpas.com](mailto:fausto@ppcpas.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Fausto Hinojosa". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Fausto Hinojosa, CPA, CFE  
Price, Paige & Company

## **HISTORY AND QUALIFICATIONS OF PRICE, PAIGE & COMPANY**

Established in 1976 and located in Clovis, California, Price, Paige & Company consists of three owners (principals), Robert F. Price, Fausto Hinojosa, and Mitchell Buckley, each of whom is a Certified Public Accountant. The principals of the firm have over 70 years of combined experience in public accounting. Our firm is comprised of eleven CPAs and five CPA candidates, as well as full and part-time accounting, bookkeeping and clerical staff. A significant percentage of Price, Paige & Company's practice is in auditing and attest services, primarily in the governmental and nonprofit sectors. Our firm's audit expertise also includes significant experience in the preparation of annual financial transaction reports for both special districts and municipalities.

Price, Paige & Company is recognized in the community and by our peers as experts in the areas of governmental and nonprofit audit and accounting. Our proven commitment to excellence allows us to work with you in the most time and cost-effective manner possible and, because our audit department includes only full-time auditors and staff, this allows us to conduct very efficient and effective audits.

Where appropriate, we assign a team of personnel from our firm to your account in order to provide the range of services you have requested. This team is generally kept abreast of any significant developments which arise through our normal association with you. The most important aspect of this approach is to provide continuity to the engagement.

### **Mandatory Qualifications**

The associates of Price, Paige & Company are licensed Certified Public Accountants, certified by the California State Board of Accountancy (License # COR 3442). All team members assigned to the audit are in compliance with the **80-hour** continuing education requirements promulgated by *Government Auditing Standards*.

### **Most Recent External Peer Review**

As a member of the American Institute of Certified Public Accountants for more than 30 years, our clients can be assured that our personnel are committed to professional development. It is because of this devotion to excellence that we have successfully completed seven consecutive Peer Reviews with unqualified reports, the highest level of report available.

For your consideration, a copy of our most recent Peer Review report is presented as Appendix C to this proposal.

### **Independence**

Our firm is independent with respect to SJVIA, as defined by auditing standards generally accepted in the United States of America and the Governmental Accounting Office's *Government Auditing Standards*.

### **Conflict of Interest**

Our firm's established policy is that we do not submit proposals for audit services if there is a known conflict of interest with the potential client. There are no current or potential conflicts of interest with anyone (employees, management, officers or directors) within SJVIA.

### **Summary of the Auditor's Qualifications**

We have an outstanding team of professionals who have established themselves as qualified competent individuals. We can assure you that each of our in-charge auditors is experienced in governmental fund accounting, as well as electronic data processing (EDP). Following is a brief overview of their experience. Resumes for each of these professionals can be found in Appendix A to this proposal.

	<b><u>Years of Auditing Experience</u></b>
<b><i>Principal:</i></b> Fausto Hinojosa, CPA, CFE	20
<b><i>Manager:</i></b> Elaine H. Ko, CPA, CFE	10
<b><i>Senior Staff:</i></b> Lan Bui, Accountant	5

### **Availability of Personnel and Time Requirements**

Our level of staffing is more than sufficient to ensure that you receive a timely, efficient audit. We hereby commit to meeting the time constraints included in your Request for Proposal. Should any of the above members of our audit team become unavailable, we would provide another equally-qualified individual from our firm.

### **Continuity of Professional Staff and Succession Planning**

Continuity of staff on engagements is as import to us at it is to our clients. Continuity promotes a thorough understanding of your needs and goals, and helps us help you. A smooth auditor transition will be accomplished as follows:

- ♦ **Communication** – We stress communication early on with your staff to determine expectations, time, and extent and availability of assistance. We provide a written listing of information needed, including due dates.
- ♦ **Experience** – Members of our engagement team are experienced auditors, very familiar with the operational, administrative, and accounting and compliance issues related to governmental and not-for-profit organizations.
- ♦ **Audit Approach** – Our audit approach emphasizes effective up-front planning to identify issues for timely resolution.

## **SCOPE OF SERVICES**

As our experience indicates, we clearly understand the scope of service to be provided. You can be assured that we will design a specific service approach to ensure compliance with all applicable standards and ensure that SJVIA receives high quality, efficient and effective service.

### **Scope of Services**

The audits will be performed in accordance with the following auditing standards:

- ♦ Generally Accepted Auditing Standards (AICPA)
- ♦ *Government Auditing Standards* (U.S. Comptroller General)
- ♦ All applicable federal, state and local laws or regulations

### **Services to be Performed**

1. We will perform the annual audit for the San Joaquin Valley Insurance Authority for the fiscal year ending June 30, 2010, and each subsequent year upon agreement.
2. We will report on internal control over financial reporting and test for compliance and other matters in accordance with *Government Auditing Standards*.
3. We will issue our report on the schedule of findings and questioned costs, if applicable, and will report on the status of prior year findings, if applicable. We will offer our recommendations on matters relating to internal controls that relate to operational or administrative efficiency for SJVIA.
4. At the conclusion of our engagement with SJVIA, we will issue a management letter which will discuss our observations and recommendations for improving internal controls, the accounting system and more efficient operating practices. We consider this letter to be an important by-product of our audit. Before publishing our management letter, we will review it with SJVIA management personnel so that we can solicit their cooperation in making needed changes.

## **AUDIT APPROACH**

### **Planning and Interim Fieldwork**

Our preliminary audit procedures will consist of the following:

- ♦ Provide a list of all schedules to be prepared by SJVIA's finance officers
- ♦ Inquire, document, perform walkthroughs, evaluate significant accounting methods and administrative systems (i.e. payroll, disbursements/accounts payable, revenue/receipts), and assess risk
- ♦ Perform a computer control evaluation
- ♦ Perform preliminary analytical review of accounts
- ♦ Obtain prior year trial balances and perform trend analysis
- ♦ Prepare risk-based tailored audit programs and a client assistance package
- ♦ Specific inquiries of management and other personnel regarding fraud
- ♦ Perform tests of controls for significant accounting systems (sample sizes based on assessed level of control risk)
- ♦ Perform tests of compliance with laws and regulations

### **Fieldwork – Year-end**

Based on the results of our planning and risk assessment procedures, we will focus our audit efforts in those areas where the risk of material error or fraud is greatest. Our approach is to identify the most effective and efficient procedures based on inherent and control risk. These procedures may include any of the following for the various account balances and transaction cycles:

- ◆ Analytical procedures: if used as the principal substantive test of a significant financial statement assertion, we will document –
  - the expectation and the factors considered in its development
  - the results of the comparison between the expectation and recorded amounts
  - any additional procedures performed in response to significant unexpected differences and the results of those procedures
- ◆ Tests of details -
  - Test significant journal entries for propriety and authorization
  - Trace significant expenditures to source documents
  - Vouch asset balances to detailed records and schedules
  - Test individual debt transactions for propriety
  - Perform tests related to contribution restrictions
  - Test allocation of investment earnings to endowments and other related contribution accounts
  - Confirm balances with third parties
  - Trace receipts to bank statements
  - Test both the methodology and the accounting for indirect cost allocations
- ◆ Read minutes, contracts, grant agreements, and investment policies to identify significant compliance requirements
- ◆ Respond to specific fraud risks identified
- ◆ Observation procedures for inventories and significant fixed asset additions
- ◆ Perform a search for unrecorded liabilities
- ◆ Obtain required representations from management and legal counsel

## **Reporting**

During the reporting phase, we will:

- ◆ Review client-prepared financial statements and supplemental schedules
- ◆ Obtain prior year trial balances and perform trend analysis
- ◆ Obtain client representation letter
- ◆ Review drafts of statements and reports with SJVIA finance officers
- ◆ Conduct exit conference with SJVIA finance officers to review financial statements and review findings
- ◆ Prepare journal entries and provide to SJVIA finance officers
- ◆ Resolve all outstanding issues
- ◆ Issue the final audit reports to the Board

## **ADDITIONAL CONFIRMATIONS OF UNDERSTANDING**

- ◆ Our policy as an audit firm is to hold as many exit conferences as necessary with SJVIA finance officers in order to discuss the draft audit reports, identify and correct errors, and obtain comments on the report's findings and recommendations.
- ◆ We understand that an audit liaison will be appointed by SJVIA to work with our auditors and that accounting personnel will be available to assist to the extent practical and will provide trial balances and other supporting schedules as necessary.
- ◆ We understand that previous audit reports and working papers will be made available to us.
- ◆ We will provide to SJVIA finance officers, management letters providing reasonable counseling and guidelines with respect to more acceptable and effective methods of accounting.
- ◆ We will retain working papers for seven years following the completion of the audit, unless we are requested by SJVIA to extend the retention period.
- ◆ Price, Paige & Company maintains comprehensive General Liability Coverage, as well as Errors and Omissions Insurance with a limit of at least \$3,000,000. All required certificates of insurance will be provided to SJVIA officials should our firm be the successful bidder.

## **AUDIT FEES AND BILLING RATES**

Our all-inclusive, not-to-exceed fee for the June 30, 2010, audit is \$9,750. All services will be billed at the hourly billing rate for the individuals involved. Our current rates are as follows: \$225; Manager: \$140; Senior Staff: \$120; Staff: \$90; Support Staff: \$80. In the event disclosures in the audit indicate extraordinary circumstances, which warrant more intensive and detailed services, we will provide all pertinent facts relative to the extraordinary circumstances, together with the our fee basis for such additional services.



## APPENDICES

## **APPENDIX A**

### **Resumes**

#### **FAUSTO HINOJOSA**

CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FRAUD EXAMINER  
CALIFORNIA LICENSE # 66479

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Fausto is the Partner in charge of all audit and forensic consulting engagements for Price, Paige & Company. His practice is limited to governmental and nonprofit audit and accounting, fraud investigation and consulting, and litigation support services. Fausto serves as the Managing Partner for the Firm and is responsible for providing strategic leadership in various areas. He has worked professionally in the accounting field since graduating from California State University, Fresno in 1990. He became a Certified Public Accountant in 1994 and a shareholder with Price, Paige & Company in 1997. He is a Certified Fraud Examiner and has investigated numerous allegations of fraud and has been designated a fraud expert in various legal proceedings.

After more than twenty years in the profession, Fausto has developed significant expertise specifically in the areas of audit risk assessment, governmental and not-for-profit auditing, fraud detection and prevention, federal/state grant compliance, and internal controls.

Fausto a former Chair of the local Government Accounting and Auditing Committee for the California Society of CPA's and currently serves on the state committee. In addition, Fausto is a reviewer for the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program. As the Chair for the State Board of Accountancy Qualifications Committee, Fausto conducts audit workpaper reviews of CPA candidates in order to make licensure recommendations to the Board.

Fausto is a former Adjunct Professor at Fresno Pacific University where he taught an upper division auditing course. He is a frequent lecturer to the California Society of CPA's and other professional organizations, business and civic groups on governmental and nonprofit accounting and auditing, preventative fraud measures, and the unique audit requirements for federal award programs under the Single Audit Act.

#### **Professional Organizations and Community Involvement**

State Board of Accountancy Qualifications Committee – Chair  
Government Accounting and Auditing Committee of the Fresno Chapter – Chair  
State Government Accounting and Auditing Committee of the California Society of CPA's – Member  
Fresno Chapter of California Society of CPA's – Past President  
Government Finance Officers Association – CAFR Reviewer  
Fresno Regional Foundation Board of Directors – Audit Committee Chair  
Mountain View Christian School – Treasurer  
American Institute of Certified Public Accountants – Member  
Association of Certified Fraud Examiners – Member

## APPENDIX A

### Resumes

**ELAINE H. KO**  
CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FRAUD EXAMINER  
CALIFORNIA LICENSE # 87146

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**Present Position**     Audit Manager

**Education and Experience**     Elaine began her accounting career after receiving a Bachelor of Science in Business Administration and graduating Magna Cum Laude in May 2000 from California State University, Fresno. She became a Certified Public Accountant in 2003 and joined the firm of Price, Paige & Company in 2004. Elaine became a Certified Fraud Examiner in July 2009.

Elaine has worked exclusively in the audit arena for the past ten years. She has planned, performed and supervised numerous engagements, and prepared audit programs for both large and small governmental, nonprofit, and commercial enterprises. Elaine is the audit manager for several large complex governmental entities including the County of Fresno, as well as several sophisticated nonprofit organizations. Her experience includes review and analysis of contract and grant administration, auditing through computer-based financial systems, and auditing cost allocation systems. Elaine has consulted extensively with clients on the implementation requirements of new GASB pronouncements, and has also prepared numerous financial statements that comply with these standards as they apply to governmental organizations. Her federal compliance auditing experience is significant, including audits of numerous multi-million dollar programs.

**Community and Affiliations**     Elaine is a member of the American Institute of Certified Public Accountants, the California Society of CPAs, the Government Finance Officers Association, and the Association of Certified Fraud Examiners.

**Continuing Education**     Continuing professional education courses and seminars recently attended include: *Advanced Governmental Accounting; Generally Accepted Auditing Standards–Risk Assessment Standards; Governmental Accounting Training Continuation; Diagnosing and Treating Disbursement Fraud Schemes; Accounting for Capital Assets in the Field of Governmental Accounting; GASB Pronouncements: A Comprehensive Survey; Building a Persuasive Audit Report in Compliance with Yellow Book; Finding and Evaluating Frauds; Not-for-Profit Organizations Conference; and The New Form 990.*

## APPENDIX A

### Resumes

**LAN BUI**  
SENIOR ACCOUNTANT

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***Present Position*** Senior Staff

***Education and Experience*** Lan began her accounting career after receiving a Bachelor of Science in Business Administration and graduating Cum Laude in May 2005 from California State University, Fresno. Prior to joining Price, Paige & Company, she was with another large local firm, working exclusively in the governmental and nonprofit audit arena.

Lan has planned, performed and served as in-charge auditor for numerous engagements and prepared audit programs for both large and small government and nonprofit enterprises. Her experience includes preparation of financial statements that comply with GASB standards, as well as single audit compliance work for multi-million dollar programs. Lan has been the senior in-charge auditor for the County of Fresno, the County of Tulare, and the City of Bakersfield.

***Community and Affiliations*** Lan has plans to sit for the CPA exam in 2010. She is a member of the California Society of CPAs.

***Continuing Education*** Lan is in compliance with the continuing education requirements of the AICPA and Government Auditing Standards. Recently attended courses include: *Advanced Governmental Accounting*; *Accounting for Pension and Other Postemployment Benefits*; and *Enterprise Fund Accounting through the Government Finance Officers Association*.

## **APPENDIX B**

### **Relevant Prior Experience**

After evaluating our relevant experience, we are certain you will agree that Price, Paige and Company is qualified to serve you. We have been successfully performing audit engagements since 1976. Since then, we have continued to build on our reputation as a highly-respected firm in and around the San Joaquin Valley, with the qualifications and experience necessary to provide unequalled performance. We are pleased to provide you with a listing of some of our governmental audit clients and our primary contact for each, and we encourage you to contact them for any additional information regarding the quality of the services we provide.

➤ **County of Fresno**

2281 Tulare Street, Fresno, California 93721

Engagement Contacts: Ms. Vicki Crow, Auditor/Controller; Phone: 559-488-3496

Scope of Work: CAFR Audit (OMB A-133); Special District Audits

➤ **Merced County Association of Governments**

369 West 18<sup>th</sup> Street, Merced, California 95340

Engagement Contact: Mr. Jesse Brown, Executive Director; Phone: 209-723-3153

Scope of Work: Financial Statement Audits (OMB A-133)

➤ **Fresno-Madera Area Agency on Aging**

3837 N. Clark Street, Fresno, California 93726

Engagement Contact: Ms. Jean Robinson, Executive Director; 559-453-6494

Scope of Work: Financial Statement Audit (OMB A-133)

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**APPENDIX C**

**CHIANG, HAMMON & COMPANY**  
**Certified Public Accountants**  
2007 W. Hedding Street, Suite 207 San Jose, CA 95128  
(408) 244-2002 (408) 244-2333 Fax

System Review Report

October 27, 2009

To Price Paige & Company AC  
Certified Public Accountants and the Peer Review Committee of the CalCPA

We have reviewed the system of quality control for the accounting and auditing practice of Price Paige & Company AC in effect for the year ended April 30, 2009. 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. The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*;

In our opinion, the system of quality control for the accounting and auditing practice of Price Paige & Company AC in effect for the year ended April 30, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of conforming with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Price Paige & Company has received a peer review rating of *pass*.



Chiang, Hammon & Company