Palo Verde College

FROM THE DESK OF RUSSI EGAN
FISCAL SERVICES MANAGER

TO: PALO VERDE COMMUNITY COLLEGE BOARD OF TRUSTEES

FROM: RUSSI EGAN

SUBJECT: SELECTION OF AUDITORS

DATE: 5/16/2012

CC: DENISE WHITTAKER

A request for proposals for an auditing firm began April 11, 2012. Advertising was submitted to the Palo Verde Valley Times and Press Enterprise. Letters were sent to 21 auditing firms throughout the state of California personally asking the firms to submit a proposal. We received the following two proposals:

- Messner & Hadley, LLP, Victorville, CA
- Matson & Isom, Redding, CA

The packages were reviewed with the following criteria in mind

- Experience with rural small colleges.
- Pricing
- Proximity & Availability

I am pleased to announce that Messner & Hadley, LLP have been chosen for the Palo Verde Community College. They serve Copper Mountain Community College District, Barstow Community College District, Antelope Valley Community College District and Victor Valley Community College District. They also list various other school districts, foundations and special districts, such as water districts.

Their fees are similar to the previous auditor's fees with respect to the audit services. They have committed to a maximum $22,500 per year for the next three years. They will also be able to complete our GASB 35 financial reports for a fee not to exceed $2,000 per year. Their maximum for the Foundation, which includes the filing of the tax returns, is $3,500 per year. The total maximum cost for these services is $28,000 per year.

AUDIT AGREEMENT

PALO VERDE COMMUNITY COLLEGE DISTRICT

THIS AGREEMENT, made and entered into this 15th day of May, 2012 by and between Palo Verde Community College District, of Riverside County, State of California, hereinafter referred to as the "District", and Messner and Hadley, LLP, Certified Public Accountants, hereinafter referred to as the "Auditor".

WITNESSETH: That the parties have mutually covenanted and agreed, and by those present do covenant and agree with each other, as follows:

AUTHORITY

WHEREAS, the District, pursuant to Section 84040(b) of the California Education Code, hereby employs the Auditor to perform the necessary professional services, including but not limited to those hereinafter set forth in connection with an audit of all funds and of the books and accounts of the District.

COMPETENCE OF PARTIES

WHEREAS, it is the intention of the District, consisting of Palo Verde Community College District, to comply with the provisions of Section 84040 of the Education Code and provide for an audit of the books and records of the District, and

WHEREAS, Messner & Hadley, LLP are Certified Public Accountants duly authorized to practice and licensed as such by the State Board of Accountancy.

CONSIDERATION

THEREFORE, for and in consideration of the mutual covenants, conditions, and promises hereinafter contained, the District hereby employs the Auditor, and the Auditor hereby accepts employment, to audit all books and accounts of said Palo Verde Community College District in the following manner and upon the following conditions:

THE PERIOD to be audited shall be for the fiscal year beginning July 1, 2011 and ending June 30, 2012. Palo Verde Community College District has the option to renew the contract for the fiscal years July 1, 2012 and ending June 30, 2013; and July 1, 2013 and ending June 30, 2014.

AUDIT PROCEDURE AND SCOPE

THE AUDIT shall be performed in accordance with General Accounting Office standards for financial and compliance audits, in accordance with all applicable FASB and GASB requirements, and shall include to the extent applicable, the audit procedures required by:

The Chancellor's Office of the California Community Colleges:

- California Community Colleges Contracted District Audit Manual
- Student Attendance Accounting Manual
- California Community Colleges Budget and Accounting Manual
- Auxiliary Organizations, Requirements for Accounting, Reporting and Auditing
- Student Fee Handbook

The Publications Section of the Department of General Services:

- California Education Code, Title 5, California Code of Regulations

The U.S. General Accounting Office:

- Guidelines for Financial and Compliance Audits of Federally Assisted Programs

The U.S. Office of Management and Budget:

- Compliance Supplement for Single Audits of State and Local Governments and Non-Profit Organizations
- OMB Circulars A-21, A-110, A-133

The American Institute of Certified Public Accountants:

- AICPA Audit and Accounting Guide: Audits of State and Local Governments

The scope of the audit shall not be limited to that provided in the aforementioned publications in the event that, in the opinion of the Auditor, particular circumstances warrant extension thereof. THE AUDIT shall include all funds of Palo Verde Community College District including associated students, food service, and bookstore funds and accounts, and any other funds under the control or jurisdiction of the District. The examination shall include review of internal control systems and review of compliance with State and federal regulatory provisions.

IN CASES WHEREIN the Auditor can and does place reliance upon the work of a state agency, another individual accountant or firm of public accountants or certified public accountants, he shall state in his report the extent of such reliance and shall name the agency, accountant or accountants upon whose work he relies. Nothing in this paragraph shall be construed to limit the responsibility of the Auditor or to obligate him to accept or perform work that is not in compliance with the specifications of the engagement.

FORM AND CONTENT OF REPORT

FORM AND CONTENT of the audit report shall be in conformity to the extent practicable, with such form and content as prescribed by the Department of Finance under Section 84040.5 of the Education Code and OMB Circular A-133 with respect to federally assisted programs.

IN THE EVENT that circumstances disclosed by the audits indicate that more detailed verification is required in addition to that which would be sufficient under ordinary circumstances, it is agreed that such extended verification shall be completed at the "estimated average cost per hour including out-of-pocket costs" as indicated under Compensation in this agreement, with the hours required agreed upon by both parties prior to commencing the additional verification.

IN THAT EVENT, the Auditor agrees to provide all ascertainable facts relative to such circumstances, together with an estimate or estimates of the additional cost or costs of furnishing a more detailed verification. It is expressly understood that fees relating to such extensions of verification procedures are additional fees as the services relating thereto are not contemplated as being within the scope of services to be performed under this contract. In the event it is agreed not to employ extended procedures, then, and in that event, the audit report will be subject to qualification with respect to the circumstances involved.

BEGINNING WORK

THE AUDITOR shall commence work on this engagement as soon as practicable after the execution of this contract.

RENDERING REPORTS

THE AUDIT shall be completed, and the audit reports shall be delivered in the manner and to the parties hereinafter set forth, not later than December 1st of each fiscal year. Audit progress reports will be provided, as requested by the District.

COMPENSATION

SAID AUDITING SERVICES agreed to be done and performed by the Auditor shall be performed by the Auditor with the aid and assistance of such accountants and clerical employees as shall be employed and paid for by the Auditor.

The personal services performed by the Auditor will be billed at the following hourly rates:

Firm Partner	$ 112
Managing Accountant	88
Senior Staff	72
Other	40

THE TOTAL AMOUNT which may be expended for the audit of each fiscal year pursuant to this contract shall not exceed:

	2011-2012	2012-2013	2013-2014
District Audit	$ 22,500	$ 22,500	$ 22,500
GASB 35 Preparation	2,000	2,000	2,000
Foundation Audit and Tax Return	3,500	3,500	3,500
	$ 28,000	$ 28,000	$ 28,000

TERMINATION

This agreement may be terminated by Palo Verde Community College District upon thirty (30) days written notice. Funds provided for commodities or services, under the terms of this Agreement, are contingent on availability of public funds. Should sufficient funds not be allocated during those terms, this Agreement may be modified or terminated by Palo Verde Community College District.

IT IS FURTHER AGREED that the aforesaid total sum of:

$ 28,000	for Fiscal Year 2011-2012
$ 28,000	for Fiscal Year 2012-2013
$ 28,000	for Fiscal Year 2013-2014

shall include any consultations on the audit report, or any revisions thereof of the furnishing of any additional data in connection therewith, as may be required by the Chancellor's Office of the State of California.

IT IS FURTHER AGREED that the Auditor shall, upon the request of the District, assist the District in making estimates of the audit costs for budget purposes, and upon the completion of the audit, render a statement in full of time and expense charges to the District.

FILING OF REPORTS

COPIES OF THE REPORT OF EXAMINATION herein required to be made shall be prepared and substantially bound by the Auditor for filing with each of the following offices and departments:

1. County Superintendent of Schools
2. Chancellor's Office – California Community Colleges
3. State Department of Education – Audits Investigation Division
4. Federal Audit Clearinghouse, Bureau of the Census

IN WITNESS WHEREOF, said parties to this agreement have executed these presents, and hereunto set their hands all on the day and year herein first above written.

PALO VERDE COMMUNITY COLLEGE DISTRICT

Date: _____

By: _____

Title: _____

MESSNER & HADLEY, LLP

Date: May 15, 2012

By: Paul S. Messner

Title: Partner