

**CITY OF COSTA MESA
PROFESSIONAL SERVICES AGREEMENT
WITH
DAVIS FARR LLP**

THIS PROFESSIONAL SERVICES AGREEMENT ("Agreement") is made and entered into this 1st day of May, 2018 ("Effective Date"), by and between the CITY OF COSTA MESA, a municipal corporation ("City"), and DAVIS FARR LLP, a California limited liability partnership ("Consultant").

WITNESSETH:

A. WHEREAS, City proposes to utilize the services of Consultant as an independent contractor to provide auditing services, as more fully described herein; and

B. WHEREAS, Consultant represents that it has that degree of specialized expertise contemplated within California Government Code section 37103, and holds all necessary licenses to practice and perform the services herein contemplated; and

C. WHEREAS, City and Consultant desire to contract for the specific services described in Exhibit "A" and desire to set forth their rights, duties and liabilities in connection with the services to be performed; and

D. WHEREAS, no official or employee of City has a financial interest, within the provisions of sections 1090-1092 of the California Government Code, in the subject matter of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the parties hereby agree as follows:

1.0. SERVICES PROVIDED BY CONSULTANT

1.1. Scope of Services. Consultant shall provide the professional services described in the Scope of Services, attached hereto as Exhibit "A," and Consultant's Proposal, attached hereto as Exhibit "B," both incorporated herein by this reference.

1.2. Professional Practices. All professional services to be provided by Consultant pursuant to this Agreement shall be provided by personnel experienced in their respective fields and in a manner consistent with the standards of care, diligence and skill ordinarily exercised by professional consultants in similar fields and circumstances in accordance with sound professional practices. Consultant also warrants that it is familiar with all laws that may affect its performance of this Agreement and shall advise City of any changes in any laws that may affect Consultant's performance of this Agreement.

1.3. Performance to Satisfaction of City. Consultant agrees to perform all the work to the complete satisfaction of the City and within the hereinafter specified. Evaluations of the work will be done by the City Manager or his or her designee. If the quality of work is not satisfactory, City in its discretion has the right to:

- (a) Meet with Consultant to review the quality of the work and resolve the matters of concern;
- (b) Require Consultant to repeat the work at no additional fee until it is satisfactory; and/or
- (c) Terminate the Agreement as hereinafter set forth.

1.4. Warranty. Consultant warrants that it shall perform the services required by this Agreement in compliance with all applicable Federal and California employment laws, including, but not limited to, those laws related to minimum hours and wages; occupational health and safety; fair employment and employment practices; workers' compensation insurance and safety in employment; and all other Federal, State and local laws and ordinances applicable to the services required under this Agreement. Consultant shall indemnify and hold harmless City from and against all claims, demands, payments, suits, actions, proceedings, and judgments of every nature and description including attorneys' fees and costs, presented, brought, or recovered against City for, or on account of any liability under any of the above-mentioned laws, which may be incurred by reason of Consultant's performance under this Agreement.

1.5. Non-Discrimination. In performing this Agreement, Consultant shall not engage in, nor permit its agents to engage in, discrimination in employment of persons because of their race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military or veteran status, except as permitted pursuant to section 12940 of the Government Code.

1.6. Non-Exclusive Agreement. Consultant acknowledges that City may enter into agreements with other consultants for services similar to the services that are subject to this Agreement or may have its own employees perform services similar to those services contemplated by this Agreement.

1.7. Delegation and Assignment. This is a personal service contract, and the duties set forth herein shall not be delegated or assigned to any person or entity without the prior written consent of City. Consultant may engage a subcontractor(s) as permitted by law and may employ other personnel to perform services contemplated by this Agreement at Consultant's sole cost and expense.

1.8. Confidentiality. Employees of Consultant in the course of their duties may have access to financial, accounting, statistical, and personnel data of private individuals and employees of City. Consultant covenants that all data, documents, discussion, or other information developed or received by Consultant or provided for performance of this Agreement are deemed confidential and shall not be disclosed by Consultant without written authorization by City. City shall grant such authorization if disclosure is required by law. All City data shall be returned to City upon the termination of this Agreement. Consultant's covenant under this Section shall survive the termination of this Agreement.

2.0. COMPENSATION AND BILLING

2.1. Compensation. Consultant shall be paid in accordance with the fee schedule set forth in Exhibit B. Consultant's compensation for each audit shall be as set forth below:

- a. For the audit for the fiscal year ending June 30, 2018, Consultant's compensation shall not exceed Sixty-Seven Thousand Six Hundred Dollars (\$67,600.00).
- b. For the audit for the fiscal year ending June 30, 2019, Consultant's compensation shall not exceed Sixty-Eight Thousand Nine Hundred Fifty Dollars (\$68,950.00).
- c. For the audit for the fiscal year ending June 30, 2020, Consultant's compensation shall not exceed Seventy Thousand Three Hundred Twenty Dollars (\$70,320.00).
- d. If City and Consultant agree to extend the term of this Agreement through April 30, 2022, Consultant's compensation for the audit for the fiscal year ending June 20, 2021 shall not exceed Seventy-One Thousand Seven Hundred Fifty Dollars (\$71,750.00).
- e. If City and Consultant agree to extend the term of this Agreement through April 30, 2023, Consultant's compensation for the audit for the fiscal year ending June 20, 2022 shall not exceed Seventy-Three Thousand One Hundred Sixty Dollars (\$73,160.00).

2.2. Additional Services. Consultant shall not receive compensation for any services provided outside the scope of services specified in the Consultant's Proposal unless the City or the Project Manager, prior to Consultant performing the additional services, approves such additional services in writing. It is specifically understood that oral requests and/or approvals of such additional services or additional compensation shall be barred and are unenforceable.

2.3. Method of Billing. Consultant may submit invoices to the City for approval on a progress basis, but no more often than two times a month. Said invoice shall be based on the total of all Consultant's services which have been completed to City's sole satisfaction. City shall pay Consultant's invoice within forty-five (45) days from the date City receives said invoice. Each invoice shall describe in detail, the services performed, the date of performance, and the associated time for completion. Any additional services approved and performed pursuant to this Agreement shall be designated as "Additional Services" and shall identify the number of the authorized change order, where applicable, on all invoices.

2.4. Records and Audits. Records of Consultant's services relating to this Agreement shall be maintained in accordance with generally recognized accounting principles and shall be made available to City or its Project Manager for inspection and/or audit at mutually convenient times from the Effective Date until three (3) years after termination of this Agreement.

3.0. TIME OF PERFORMANCE

3.1. Commencement and Completion of Work. Unless otherwise agreed to in writing by the parties, the professional services to be performed pursuant to this Agreement shall commence within five (5) days from the Effective Date of this Agreement. Consultant shall perform the services set forth herein in accordance with the schedule agreed upon by City and Consultant. Failure to commence work in a timely manner and/or diligently pursue work to completion may be grounds for termination of this Agreement.

3.2. Excusable Delays. Neither party shall be responsible for delays or lack of

performance resulting from acts beyond the reasonable control of the party or parties. Such acts shall include, but not be limited to, acts of God, fire, strikes, material shortages, compliance with laws or regulations, riots, acts of war, or any other conditions beyond the reasonable control of a party.

4.0. TERM AND TERMINATION

4.1. Term. This Agreement shall commence on the Effective Date and continue for a period of three (3) years, ending on April 30, 2021, unless previously terminated as provided herein or as otherwise agreed to in writing by the parties. This Agreement may be extended by two (2) additional one (1) year periods upon mutual written agreement of both parties.

4.2. Notice of Termination. The City reserves and has the right and privilege of canceling, suspending or abandoning the execution of all or any part of the work contemplated by this Agreement, with or without cause, at any time, by providing written notice to Consultant. The termination of this Agreement shall be deemed effective upon receipt of the notice of termination. In the event of such termination, Consultant shall immediately stop rendering services under this Agreement unless directed otherwise by the City.

4.3. Compensation. In the event of termination, City shall pay Consultant for reasonable costs incurred and professional services satisfactorily performed up to and including the date of City's written notice of termination. Compensation for work in progress shall be prorated based on the percentage of work completed as of the effective date of termination in accordance with the fees set forth herein. In ascertaining the professional services actually rendered hereunder up to the effective date of termination of this Agreement, consideration shall be given to both completed work and work in progress, to complete and incomplete drawings, and to other documents pertaining to the services contemplated herein whether delivered to the City or in the possession of the Consultant.

4.4. Documents. In the event of termination of this Agreement, all documents prepared by Consultant in its performance of this Agreement including, but not limited to, finished or unfinished design, development and construction documents, data studies, drawings, maps and reports, shall be delivered to the City within ten (10) days of delivery of termination notice to Consultant, at no cost to City. Any use of uncompleted documents without specific written authorization from Consultant shall be at City's sole risk and without liability or legal expense to Consultant.

5.0. INSURANCE

5.1. Minimum Scope and Limits of Insurance. Consultant shall obtain, maintain, and keep in full force and effect during the life of this Agreement all of the following minimum scope of insurance coverages with an insurance company admitted to do business in California, rated "A," Class X, or better in the most recent Best's Key Insurance Rating Guide, and approved by City:

- (a) Commercial general liability, including premises-operations, products/completed operations, broad form property damage, blanket contractual liability, independent contractors, personal injury or bodily injury with a policy limit of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence. If such insurance contains a

general aggregate limit, it shall apply separately to this Agreement or shall be twice the required occurrence limit.

- (b) Business automobile liability for owned vehicles, hired, and non-owned vehicles, with a policy limit of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence for bodily injury and property damage.
- (c) Workers' compensation insurance as required by the State of California. Consultant agrees to waive, and to obtain endorsements from its workers' compensation insurer waiving subrogation rights under its workers' compensation insurance policy against the City, its officers, agents, employees, and volunteers arising from work performed by Consultant for the City and to require each of its subcontractors, if any, to do likewise under their workers' compensation insurance policies.
- (d) Professional errors and omissions ("E&O") liability insurance with policy limits of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence and aggregate. Architects' and engineers' coverage shall be endorsed to include contractual liability. If the policy is written as a "claims made" policy, the retro date shall be prior to the start of the contract work. Consultant shall obtain and maintain, said E&O liability insurance during the life of this Agreement and for three years after completion of the work hereunder.

5.2. Endorsements. The commercial general liability insurance policy and business automobile liability policy shall contain or be endorsed to contain the following provisions:

- (a) Additional insureds: "The City of Costa Mesa and its elected and appointed boards, officers, officials, agents, employees, and volunteers are additional insureds with respect to: liability arising out of activities performed by or on behalf of the Consultant pursuant to its contract with the City; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; automobiles owned, leased, hired, or borrowed by the Consultant."
- (b) Notice: "Said policy shall not terminate, be suspended, or voided, nor shall it be cancelled, nor the coverage or limits reduced, until thirty (30) days after written notice is given to City."
- (c) Other insurance: "The Consultant's insurance coverage shall be primary insurance as respects the City of Costa Mesa, its officers, officials, agents, employees, and volunteers. Any other insurance maintained by the City of Costa Mesa shall be excess and not contributing with the insurance provided by this policy."
- (d) Any failure to comply with the reporting provisions of the policies shall not affect coverage provided to the City of Costa Mesa, its officers, officials, agents, employees, and volunteers.

- (e) The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

5.3. Deductible or Self Insured Retention. If any of such policies provide for a deductible or self-insured retention to provide such coverage, the amount of such deductible or self-insured retention shall be approved in advance by City. No policy of insurance issued as to which the City is an additional insured shall contain a provision which requires that no insured except the named insured can satisfy any such deductible or self-insured retention.

5.4. Certificates of Insurance. Consultant shall provide to City certificates of insurance showing the insurance coverages and required endorsements described above, in a form and content approved by City, prior to performing any services under this Agreement. The certificates of insurance shall be attached hereto as Exhibit "C" and incorporated herein by this reference.

5.5. Non-Limiting. Nothing in this Section shall be construed as limiting in any way, the indemnification provision contained in this Agreement, or the extent to which Consultant may be held responsible for payments of damages to persons or property.

6.0. GENERAL PROVISIONS

6.1. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to any matter referenced herein and supersedes any and all other prior writings and oral negotiations. This Agreement may be modified only in writing, and signed by the parties in interest at the time of such modification. The terms of this Agreement shall prevail over any inconsistent provision in any other contract document appurtenant hereto, including exhibits to this Agreement.

6.2. Representatives. The City Manager or his or her designee shall be the representative of City for purposes of this Agreement and may issue all consents, approvals, directives and agreements on behalf of the City, called for by this Agreement, except as otherwise expressly provided in this Agreement.

Consultant shall designate a representative for purposes of this Agreement who shall be authorized to issue all consents, approvals, directives and agreements on behalf of Consultant called for by this Agreement, except as otherwise expressly provided in this Agreement.

6.3. Project Managers. City shall designate a Project Manager to work directly with Consultant in the performance of this Agreement.

Consultant shall designate a Project Manager who shall represent it and be its agent in all consultations with City during the term of this Agreement. Consultant or its Project Manager shall attend and assist in all coordination meetings called by City.

6.4. Notices. Any notices, documents, correspondence or other communications concerning this Agreement or the work hereunder may be provided by personal delivery or mail and shall be addressed as set forth below. Such communication shall be deemed served or delivered: (a) at the time of delivery if such communication is sent by personal delivery, and (b) 48 hours after deposit in the U.S. Mail as reflected by the official U.S. postmark if such

communication is sent through regular United States mail.

IF TO CONSULTANT:

Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, CA 92612
Tel: (949) 783-1740
Attn: Jennifer Farr

IF TO CITY:

City of Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626
Tel: (714) 754-5219
Attn: Colleen O'Donoghue

Courtesy copy to:

City of Costa Mesa
77 Fair Drive
Costa Mesa, CA 92626
Attn: Finance Dept. | Purchasing

6.5. Drug-Free Workplace Policy. Consultant shall provide a drug-free workplace by complying with all provisions set forth in City's Council Policy 100-5, attached hereto as Exhibit "D" and incorporated herein by reference. Consultant's failure to conform to the requirements set forth in Council Policy 100-5 shall constitute a material breach of this Agreement and shall be cause for immediate termination of this Agreement by City.

6.6. Attorneys' Fees. In the event that litigation is brought by any party in connection with this Agreement, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the exercise of any of its rights or remedies hereunder or the enforcement of any of the terms, conditions, or provisions hereof.

6.7. Governing Law. This Agreement shall be governed by and construed under the laws of the State of California without giving effect to that body of laws pertaining to conflict of laws. In the event of any legal action to enforce or interpret this Agreement, the parties hereto agree that the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California.

6.8. Assignment. Consultant shall not voluntarily or by operation of law assign, transfer, sublet or encumber all or any part of Consultant's interest in this Agreement without City's prior written consent. Any attempted assignment, transfer, subletting or encumbrance shall be void and shall constitute a breach of this Agreement and cause for termination of this Agreement. Regardless of City's consent, no subletting or assignment shall release Consultant of Consultant's obligation to perform all other obligations to be performed by Consultant hereunder for the term of this Agreement.

6.9. Indemnification and Hold Harmless. Consultant agrees to defend, indemnify, hold free and harmless the City, its elected officials, officers, agents and employees, at Consultant's sole expense, from and against any and all claims, actions, suits or other legal proceedings brought against the City, its elected officials, officers, agents and employees arising out of the performance of the Consultant, its employees, and/or authorized subcontractors, of the work undertaken pursuant to this Agreement. The defense obligation provided for hereunder shall

apply without any advance showing of negligence or wrongdoing by the Consultant, its employees, and/or authorized subcontractors, but shall be required whenever any claim, action, complaint, or suit asserts as its basis the negligence, errors, omissions or misconduct of the Consultant, its employees, and/or authorized subcontractors, and/or whenever any claim, action, complaint or suit asserts liability against the City, its elected officials, officers, agents and employees based upon the work performed by the Consultant, its employees, and/or authorized subcontractors under this Agreement, whether or not the Consultant, its employees, and/or authorized subcontractors are specifically named or otherwise asserted to be liable. Notwithstanding the foregoing, the Consultant shall not be liable for the defense or indemnification of the City for claims, actions, complaints or suits arising out of the sole active negligence or willful misconduct of the City. This provision shall supersede and replace all other indemnity provisions contained either in the City's specifications or Consultant's Proposal, which shall be of no force and effect.

6.10. Independent Contractor. Consultant is and shall be acting at all times as an independent contractor and not as an employee of City. Consultant shall have no power to incur any debt, obligation, or liability on behalf of City or otherwise act on behalf of City as an agent. Neither City nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not, at any time, or in any manner, represent that it or any of its agents or employees are in any manner agents or employees of City. Consultant shall secure, at its sole expense, and be responsible for any and all payment of Income Tax, Social Security, State Disability Insurance Compensation, Unemployment Compensation, and other payroll deductions for Consultant and its officers, agents, and employees, and all business licenses, if any are required, in connection with the services to be performed hereunder. Consultant shall indemnify and hold City harmless from any and all taxes, assessments, penalties, and interest asserted against City by reason of the independent contractor relationship created by this Agreement. Consultant further agrees to indemnify and hold City harmless from any failure of Consultant to comply with the applicable worker's compensation laws. City shall have the right to offset against the amount of any fees due to Consultant under this Agreement any amount due to City from Consultant as a result of Consultant's failure to promptly pay to City any reimbursement or indemnification arising under this paragraph.

6.11. PERS Eligibility Indemnification. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

6.12. Cooperation. In the event any claim or action is brought against City relating to Consultant's performance or services rendered under this Agreement, Consultant shall render any reasonable assistance and cooperation which City might require.

6.13. Ownership of Documents. All findings, reports, documents, information and data including, but not limited to, computer tapes or discs, files and tapes furnished or prepared by Consultant or any of its subcontractors in the course of performance of this Agreement, shall be and remain the sole property of City. Consultant agrees that any such documents or information shall not be made available to any individual or organization without the prior consent of City. Any use of such documents for other projects not contemplated by this Agreement, and any use of incomplete documents, shall be at the sole risk of City and without liability or legal exposure to Consultant. City shall indemnify and hold harmless Consultant from all claims, damages, losses, and expenses, including attorneys' fees, arising out of or resulting from City's use of such documents for other projects not contemplated by this Agreement or use of incomplete documents furnished by Consultant. Consultant shall deliver to City any findings, reports, documents, information, data, in any form, including but not limited to, computer tapes, discs, files audio tapes or any other related items as requested by City or its authorized representative, at no additional cost to the City.

6.14. Public Records Act Disclosure. Consultant has been advised and is aware that this Agreement and all reports, documents, information and data, including, but not limited to, computer tapes, discs or files furnished or prepared by Consultant, or any of its subcontractors, pursuant to this Agreement and provided to City may be subject to public disclosure as required by the California Public Records Act (California Government Code section 6250 *et seq.*). Exceptions to public disclosure may be those documents or information that qualify as trade secrets, as that term is defined in the California Government Code section 6254.7, and of which Consultant informs City of such trade secret. The City will endeavor to maintain as confidential all information obtained by it that is designated as a trade secret. The City shall not, in any way, be liable or responsible for the disclosure of any trade secret including, without limitation, those records so marked if disclosure is deemed to be required by law or by order of the Court.

6.15. Conflict of Interest. Consultant and its officers, employees, associates and subconsultants, if any, will comply with all conflict of interest statutes of the State of California applicable to Consultant's services under this agreement, including, but not limited to, the Political Reform Act (Government Code sections 81000, *et seq.*) and Government Code section 1090. During the term of this Agreement, Consultant and its officers, employees, associates and subconsultants shall not, without the prior written approval of the City Representative, perform work for another person or entity for whom Consultant is not currently performing work that would require Consultant or one of its officers, employees, associates or subconsultants to abstain from a decision under this Agreement pursuant to a conflict of interest statute.

6.16. Responsibility for Errors. Consultant shall be responsible for its work and results under this Agreement. Consultant, when requested, shall furnish clarification and/or explanation as may be required by the City's representative, regarding any services rendered under this Agreement at no additional cost to City. In the event that an error or omission attributable to Consultant occurs, then Consultant shall, at no cost to City, provide all necessary design drawings, estimates and other Consultant professional services necessary to rectify and correct the matter to the sole satisfaction of City and to participate in any meeting required with regard to the correction.

6.17. Prohibited Employment. Consultant will not employ any regular employee of City while this Agreement is in effect.

6.18. Order of Precedence. In the event of an inconsistency in this Agreement and any of the attached Exhibits, the terms set forth in this Agreement shall prevail. If, and to the extent this Agreement incorporates by reference any provision of any document, such provision shall be deemed a part of this Agreement. Nevertheless, if there is any conflict among the terms and conditions of this Agreement and those of any such provision or provisions so incorporated by reference, this Agreement shall govern over the document referenced.

6.19. Costs. Each party shall bear its own costs and fees incurred in the preparation and negotiation of this Agreement and in the performance of its obligations hereunder except as expressly provided herein.

6.20. No Third Party Beneficiary Rights. This Agreement is entered into for the sole benefit of City and Consultant and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right in, under or to this Agreement.

6.21. Headings. Paragraphs and subparagraph headings contained in this Agreement are included solely for convenience and are not intended to modify, explain or to be a full or accurate description of the content thereof and shall not in any way affect the meaning or interpretation of this Agreement.

6.22. Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if drafted jointly by the parties and in accordance with its fair meaning. There shall be no presumption or burden of proof favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

6.23. Amendments. Only a writing executed by the parties hereto or their respective successors and assigns may amend this Agreement.

6.24. Waiver. The delay or failure of either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way be deemed a waiver of those rights to require such performance or compliance. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought. The waiver of any right or remedy in respect to any occurrence or event shall not be deemed a waiver of any right or remedy in respect to any other occurrence or event, nor shall any waiver constitute a continuing waiver.

6.25. Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable in any circumstance, such determination shall not affect the validity or enforceability of the remaining terms and provisions hereof or of the offending provision in any other circumstance. Notwithstanding the foregoing, if the value of this Agreement, based upon the substantial benefit of the bargain for any party, is materially impaired, which determination made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.

6.26. Counterparts. This Agreement may be executed in one or more counterparts,

each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

6.27. Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by doing so the parties hereto are formally bound to the provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by and through their respective authorized officers, as of the date first above written.

CONSULTANT

Jennifer Farr
Signature

Jennifer Farr, Partner
[Name and Title]

Date: 5/9/18

[REDACTED]
Social Security or Taxpayer ID Number

CITY OF COSTA MESA

Thomas Hatch
Thomas Hatch
City Manager

Date: 5/15/18

ATTEST:

Brenda Green 5-15-18
Brenda Green
City Clerk




APPROVED AS TO FORM:

Thomas Duarte ACA
Thomas Duarte
City Attorney

Date: 5/15/18

APPROVED AS TO INSURANCE:



Ruth Wang
Risk Management

Date: 5/15/18

DEPARTMENTAL APPROVAL:

CF for Colleen O'Donoghue
Colleen O'Donoghue
Assistant Finance Director

Date: 5/15/18

APPROVED AS TO PURCHASING:

CF for Colleen O'Donoghue
Colleen O'Donoghue
Assistant Finance Director

Date: 5/15/18

EXHIBIT A
SCOPE OF SERVICES

**SCOPE OF WORK
FOR
AUDIT SERVICES**

The following is a summary of the City of Costa Mesa scope of audits for the years ended June 30, 2018, 2019, 2020, with options for 2021 and 2022:

A. Entities requiring separate reports prepared by the auditors:

- **City of Costa Mesa – Comprehensive Annual Financial Report**
The audit firm will perform an audit of all funds of the City’s reporting entity. The audit will be conducted in accordance with auditing standards generally accepted in the United States and standards applicable to the financial audits contained in the Government Auditing Standards, issued by the Comptroller of the United States.
- **Costa Mesa Public Financing Authority**
The audit firm will conduct a financial audit of the City’s Public Financing Authority. The Financing Authority was created for the purpose of providing financing for capital improvements and the purchase of local obligations. The audit will be performed in accordance with auditing standards generally accepted in the United States and Government Auditing Standards.
- **Costa Mesa Housing Authority**
The audit firm will conduct a financial and compliance audit of the Costa Mesa Housing Authority. The compliance audit shall include the provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller.

B. The City additionally requires the following annual reports prepared by the auditors:

- Single Audit of Federally Assisted Grant Programs
- GANN Appropriation Limit Calculation
- Management Letter - The audit firm shall issue a separate “management letter” that includes recommendations for improvements in internal control that are considered to be non-reportable conditions.
- AB 2766 Audit Report

C. Deliverables

- It is desired that annual final year-end audit testing contemplated under the Agreement commence during the first or second week in September. Annual interim audit testing can start as early as April.
- It is desired that all auditor prepared financial statements, notes, and supplementary schedules along with an independent auditors’ report be received by the City by December.

Year-end accounting records will be available annually for final audit testing during the first week of September. City Finance staff will provide normal cooperation and assistance during the audit including typing of confirmation requests, pulling and refiling supporting documents, and reconciliation of major asset and liability balances. Audit staff will have inquiry access to all City financial systems during the audit.

All working papers and reports are to be retained by and at the expense of the auditors for a minimum of three years. The audit firm will be responsible for making working papers available to the City of Costa Mesa or any governmental agencies included in the Audit of Federal Grants.

The City's CAFR's (Comprehensive Annual Financial Reports) and Adopted Budgets may be accessed at the City's website at: www.costamesaca.gov.

EXHIBIT B
CONSULTANT'S PROPOSAL



CITY OF COSTA MESA

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Prepared By:

Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, CA 92612

January 23, 2018

Contact Person:

Jennifer Farr, CPA, MBA | Partner
Main: 949.474.2020 | Direct: 949.783.1740
Email: jfarr@davisfarr.com

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January 23, 2018

City of Costa Mesa
City Hall, Office of the City Clerk
77 Fair Drive
Costa Mesa, CA 92628-1200

Davis Farr LLP
2301 Dupont Drive | Suite 200 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

We are pleased to provide our proposal to perform audit services to the City of Costa Mesa (the "City") for the fiscal years ending June 30, 2018 through 2020, with one-year options for the fiscal years ending June 30, 2021 and June 30, 2022.

Our service philosophy is one of open and constant communication, a proactive approach and responsive, value-added services. We will listen to your ideas and concerns and will bring creative solutions to you in both financial and other operational areas. We are aware that while the City has solicited numerous proposals, Davis Farr LLP would be your best selection for the following reasons which are set forth in greater detail in our proposal:

- We take a proactive leadership role in local government accounting and auditing issues. We serve on the Government Accounting and Audit Committee of the Cal CPA Society and are frequent speakers on technical topics at conferences and training events throughout California.
- In addition to providing extensive audit and information technology training for our staff, Davis Farr LLP provides an annual Governmental Accounting Standards Board (GASB) Technical Update each spring for our clients. Our commitment to training our clients benefits you by ensuring you receive accurate and timely information that impact budgeting and financial reporting.
- We extensively utilize IDEA data mining software to evaluate anomalies in your accounting data. This helps focus our auditors' attention on potential errors in the accounting records and transactions that could be more susceptible to fraud.

The Davis Farr LLP office location that is nearest to Costa Mesa will be the office that will also manage the engagement. The location of that office is as follows:

Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, California 92612
(949) 474-2020

We appreciate the opportunity to share our credentials and look forward to continuing to develop our professional relationship. Our proposal remains a firm and irrevocable offer for 180 days. I look forward to you contacting me so that I may answer further any questions which you may have. You may contact me at (949) 783-1740.

Very truly yours,

Jennifer Farr, CPA, MBA
Partner





**VENDOR APPLICATION FORM
FOR
RFP NO. 17-08
AUDIT SERVICES**

TYPE OF APPLICANT: NEW CURRENT VENDOR

Legal Contractual Name of Corporation: Davis Farr LLP

Contact Person for Agreement: Jennifer Farr, Partner

Corporate Mailing Address: 2301 Dupont Drive, Suite 200

City, State and Zip Code: Irvine, California 92612

E-Mail Address: jfarr@davisfarr.com

Phone: (949) 474 - 2020

Fax: (949) 263 - 5520

Contact Person for Proposals: Jennifer Farr

Title: Partner

E-Mail Address: jfarr@davisfarr.com

Business Telephone: (949) 783 - 1740

Business Fax: (949) 263 - 5520

Is your business: (check one)

- NON PROFIT CORPORATION FOR PROFIT CORPORATION

Is your business: (check one)

- CORPORATION LIMITED LIABILITY PARTNERSHIP
 INDIVIDUAL SOLE PROPRIETORSHIP
 PARTNERSHIP UNINCORPORATED ASSOCIATION

Names & Titles of Corporate Board Members

(Also list Names & Titles of persons with written authorization/resolution to sign contracts)

Names	Title	Phone
Jennifer Farr	Partner	(949) 783 - 1740
Marcus Davis	Partner	(949) 783 - 1750
Ron Rolwes	Partner	(949) 783 - 1756

Federal Tax Identification Number: 47 - 3535842

City of Costa Mesa Business License Number: None

(If none, you must obtain a Costa Mesa Business License upon award of contract.)

City of Costa Mesa Business License Expiration Date: _____

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section A – Background and Project Summary

Scope of Work

Our understanding of the objectives and scope of the work to be performed is as follows:

- We will perform an audit examination of the financial statements of the City of Costa Mesa for the fiscal years ending June 30, 2018 through 2020, with one-year options for the fiscal years ending June 30, 2021 and June 30, 2022. Our examination will be conducted in accordance with auditing standards generally accepted in the United States, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. The City will prepare the Comprehensive Annual Financial Report (CAFR). We will ensure that the report is prepared in conformity with the most recent edition of the GAAFR, the GAAFR Update, and subsequent GASB pronouncements.
- We will perform a financial statement audit of the Costa Mesa Public Financing Authority. The examination will be conducted in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States.
- We will perform a financial statement audit of the Costa Mesa Financing Authority. The examination will be conducted in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States.
- We will perform a financial and compliance audit of the Costa Mesa Housing Authority. The examination will be conducted in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. The compliance audit will include the provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies issued by the State Controller.
- We will perform a compliance audit of federal expenditures in accordance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* in any year the City has federal expenditures of more than \$750,000.
- We will perform a compliance audit of the City's Air Quality Management District Funds. The audit will be performed in accordance with the provisions of the laws and regulations identified in Assembly Bill 2766 Chapter 1705 [Health and Safety Code Sections 44220 through 44247].

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

- We will perform agreed-upon-procedures over the City's Gann Appropriations Limit.
- We will prepare a letter to the City Council reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by SAS No. 115. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- As requested, we will meet with the City Council to discuss the results of the audit.
- Finally, we perceive the scope of our work as being advisors to the City regarding generally accepted accounting principles. Throughout the year, the management and other finance personnel of the City will have access to us to seek advice in the application of generally accepted accounting principles, advice regarding debt issuance, financial statement preparation and content, and any other matters relating to the City.

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section B – Company Experience and Qualifications

Background Information – Davis Farr LLP is a full-service accounting firm that specializes in providing attest and advisory services to federal, state, and local governments as well as non-profit entities out of our Carlsbad and Irvine offices. Our personnel have served governmental and non-profit entities for over 40 years. A breakdown of our government audit personnel by classification is as follows:

Classification	Number of Employees
<i>Partners</i>	6
<i>Managers</i>	9
<i>Supervisors</i>	4
<i>Seniors</i>	10
<i>Staff</i>	13
<i>Administrative</i>	3
<i>Total personnel</i>	45

License to Practice in California – Davis Farr LLP and all key personnel are licensed with the California State Board of Accountancy to practice as independent certified public accountants. There has been no disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

Independence – Davis Farr LLP is independent with respect to the City of Costa Mesa and the Successor Agency as defined by U.S. General Accounting Office's *Government Auditing Standards* and Generally Accepted Auditing Standards. Neither Davis Farr LLP nor the key personnel have any potential or real conflicts of interest.

Quality Control – Davis Farr LLP and its Partners are members of the American Institute of Certified Public Accountants (AICPA) and is a member of the AICPA's Government Audit Quality Center. Our firm is a voluntary participant in the AICPA Peer Review Program. Included in the appendix is our most recent Peer Review report where our firm received a *Pass*. A *Pass* demonstrates the highest level of quality control in a Peer Review. There has been no disciplinary action taken or pending against the firm during the past 5 years and there is no litigation against the firm.

Training – Every professional of the firm must enroll in continuing professional education courses. Each person is required to take at least 80 hours of training over a two-year period including 24 hours a year specific to government accounting and audit topics. Courses cover a wide spectrum of professional and technical subjects, and include Fraud Auditing, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise.

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Professional Organizations

Government Audit Quality Center – Davis Farr LLP is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

National Registry of CPE Sponsors – Davis Farr LLP is registered to provide continuing professional education through the National Association of State Board of Accountancy (NASBA). NASBA recognizes CPE program sponsors who provide continuing professional education programs in accordance with nationally recognized standards.

Cal CPA – Many of the CPAs employed by Davis Farr LLP are members of Cal CPA and regularly participate in chapter meetings, education, and events. In 2015, Cal CPA recognized one of Davis Farr LLP's partners with a **Women to Watch** award in the Experienced Leader category. Davis Farr LLP partners are also members of the **Governmental Accounting and Auditing Committee** of the CalCPA.

American Institute of CPAs – Davis Farr LLP and the firm's Partners are members of the American Institute of CPAs (AICPA). The AICPA develops standards for audits, provides educational guidance materials to its members, and monitors and enforces compliance with the profession's technical and ethical standards.

CSMFO – The Partners of Davis Farr LLP are members of the California Society of Municipal Finance Officers (CSMFO), the statewide organization serving all California municipal finance professionals. Firm personnel regularly attend CSMFO Chapter Meetings and Conferences. The Partners of Davis Farr LLP are frequent presenters on accounting and auditing technical topics at Chapter Meetings and Conferences.

GFOA – The Government Finance Officers Association (GFOA) enhances and promotes the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit. The Partners of Davis Farr LLP are members of the Certificate of Achievement Program's Special Review Committee. The Committee reviews Comprehensive Annual Financial Reports submitted to GFOA for the CAFR Award Program.

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Our Prior Experience Auditing Government Agencies

Davis Farr LLP is a leader in the local government sector throughout the Southern California Area. Currently, we service approximately 60 local, state, and federal government entities. Davis Farr LLP services routinely provided to our clients include, but are not limited to:

- **Financial statement audits** prepared in accordance with generally accepted auditing standards (GAAS) and *Government Auditing Standards*.
- **Financial statement reviews & compilations** prepared in accordance with Statements on Standards for Accounting and Audit Services (SSARS), issued by the AICPA Accounting and Audit Services Committee (ARSC).
- **Attestation engagements involving internal control** related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- **Compliance audits** of federally-funded assistance agreements and negotiated contracts as well as all engagements involving internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulation, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the new *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- **Agreed upon procedures** audits for special projects. We perform a number of agreed upon procedure audits to help our clients evaluate contract and law compliance for Transient Occupancy Taxes, Franchise Taxes, Utility User Taxes, Management Agreements to operate golf courses and other government owned facilities, and cost or revenue sharing agreements between government agencies. Additionally, we regularly perform agreed upon procedures for special internal projects such as evaluating compliance with purchasing policies, testing credit card transactions, performing petty cash counts, and other procedures.

We typically supplement these services by providing management with sound recommendations to strengthen internal controls and/or improve operating efficiencies.

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Our Prior Experience Auditing Government Agencies, (Continued)

Our government expertise includes Cities, Special Districts, and other Governmental entities. Among the government agencies that the professionals of Davis' Farr LLP have served recently are the following:

Bighorn Desert View Water Agency	Coachella Valley Enterprise Zone
City of Avalon	County of Fresno Housing Authority
City of Carlsbad	County of San Diego
City of Commerce	Eastern Municipal Water District
City of Villa Park	Irvine Ranch Water District
City of Delano	Municipal Water District of Southern California
City of El Segundo	Oxnard Housing Authority
City of Fontana	Placer County Water Agency
City of Fresno Housing Authority	Salton Sea Authority
City of Garden Grove	San Diego County Water Authority
City of Huntington Beach	San Diego Association of Governments
City of Mission Viejo	San Diego Local Agency Formation Commission
City of Jurupa Valley	San Diego Pooled Insurance Authority
City of San Bernardino Water Department	San Gabriel Basin Water Quality Authority
City of Torrance	South Coast Water District
City of Upland	South Costa Mesa County Wastewater Authority
City of Victorville	South Montebello Irrigation District
City of Santee	Tahoe Regional Planning Agency
City of Woodland	Tahoe Transportation District
West Basin Municipal Water District	Ventura Housing Authority
Coachella Valley Conservation Authority	Walnut Valley Water District

For experience related to individual engagement team members please see Section D – Staffing.

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Client References

For your convenience, we have listed below references with regard to audit work currently being performed by Davis Farr LLP personnel for several Cities throughout Southern California. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

	Client	Hours	Client Contact	Telephone/Email
1.	City of Mission Viejo 200 Civic Center Mission Viejo, CA 92691	400	Cheryl Dyas, Director of Administrative Services	949.470.3059 cdyas@cityofmissionviejo.org
2.	City of Garden Grove 11222 Acacia Pkwy Garden Grove, CA 92840	1,000	Ellis Chang	714.741.5066 ellisc@ci.garden-grove.ca.us
3.	City of Carlsbad 1635 Faraday Avenue Carlsbad, CA 92008	800	Kevin Branca, Finance Director	760.602.2418 Kevin.branca@carlsbadca.gov
4.	City of Delano 1015 Eleventh Avenue Delano, CA 93215	900	Rosa Rios, Director of Finance	661.720.2235 rrios@cityofdelano.org
5.	City of Huntington Beach 2000 Main Street Huntington Beach, CA 92648	600	Dahle Bulosan, Finance Manager	714.536.5648 dbulosan@surfcity-hb.org

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section C – Methodology

Davis Farr plans and conducts our engagements in the most efficient manner possible, and our audit approach is unique with regard to the following:

- Our firm is sensitive to the priorities and work requirements of our clients. We work around the schedules of our clients when scheduling segments of the audit or requesting documentation in order to minimize disruption of City staff and to complete the audit in a timely manner.
- Whenever possible, we use accounting support already prepared by the City staff in order to avoid duplication or unnecessary requests for audit supporting schedules.
- Our firm's expertise is in governmental auditing. Our auditors are GASB experts and skilled at addressing audit issues that are specific to local governments. You will not spend time training our personnel.
- When formulating internal control recommendations, we obtain a thorough understanding of the specific circumstances at your City in order to provide a tailored, practical recommendation.
- Throughout the year we are a resource to our clients in providing accounting advice, researching technical questions, dealing with tax problems, and helping with other problems as they arise.

Audit Software - We utilize Caseware audit software for the electronic City of workpapers. We have the ability to accept audit documentation in either hard copy or electronic format. Caseware allows us the ability to import trial balances that can be provided in either excel or a text document. Some of the benefits of using Caseware trial balance software are as follows:

- We can create our own lead sheets (i.e., analytical review comparison schedules). This limits the amount of time finance staff spends creating audit schedules. Our software automatically generates analytical review reports by account number for ease of analyzing significant fluctuations between fiscal years.
- We can link the financial statement schedules directly to the Caseware trial balances. As a result, we can provide the City with financial statements almost immediately after receiving the trial balance from the City. Additionally, journal entries are easy to post to the financial statement schedules and the risk of data entry error is minimized
- We can provide the City with reports showing the coding of the financial statement schedules for ease of review by City staff. These reports show each account coded to a specific financial statement line item as well as journal entries that are posted during the audit.

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

- Creating color PDF's of final reports is a seamless process for our audit staff.
- We can provide the City with draft audit reports soon after audit fieldwork is completed.

Data Mining Software

We have a dedicated team of personnel trained to use special data mining software, IDEA. Our software uses source data from your accounting system to search for anomalies, such as duplicate or voided checks, cross-referencing vendor addresses with employee addresses, detecting accounting transactions recorded on the weekend, reviewing journal entry postings for unauthorized individuals. The IDEA software identifies specific transactions for the auditors to review for potential fraud or error.

Transition from Prior Auditors

Following our appointment as auditors, key audit personnel from our firm will meet with City staff for the purpose of planning the audit. We will also perform the following in order to ensure an effortless transition from the prior auditing firm:

- We will input the prior year trial balance into our audit software and regenerate the prior year financial statement schedules to ensure our coding is accurate.
- When reviewing prior auditor workpapers, we will request copies of permanent file documents from the prior auditor so the City doesn't have to spend time copying these documents for us.
- We will review the confirmations provided to your auditor last year and simply mark up last year's confirmations instead of providing you with MHM templates.
- We will review the prior year CAFR during interim and suggest changes, if necessary, at that time instead of waiting until final to discuss potential changes.

Internal Control Evaluation

Our approach to evaluating internal controls involves observation and inquiry. We spend time with the personnel responsible for the accounting cycles to gain an understanding of the processes. We also carefully evaluate your policies and procedures. After our initial evaluation, we identify key controls in your processes and design test to evaluate the effectiveness of those processes. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

- Payroll
- Investment and cash controls
- Information systems

In future years, we will review the accounting cycles noted above but also look at other processes such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and other areas. Our goal is to modify our audit approach every year to further evaluate your internal controls.

Audit Stage	Procedures Performed
Planning and inquiry	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none">• Meet with finance personnel to obtain an understanding of significant transactions during the year• Communicate with the City Council in regards to fraud, compliance with laws, and any concerns they have regarding the finances of the City• Perform internal control evaluations as noted on the previous page• Determine materiality levels that will be used in selecting audit transactions• Perform a risk assessment to develop the audit plan for the year• Review minutes of City Council meetings• Review important new contracts, bond documents, and agreements• Evaluate compliance with investments• Test purchase orders and contract management• Test a sample of cash disbursements to determine adherence to policies and internal controls• Perform a review of the organizations information systems and controls• Perform compliance testing of federal grants, as necessary• Update the prior audited financial statements and provide feedback to City staff regarding best practices for financial reporting• Provide a GASB Update and templates for implementing new accounting standards

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Audit Stage	Procedures Performed
Year-End Testing	<p>After the books are closed and ready for audit, we will perform our year-end procedures which include the following:</p> <ul style="list-style-type: none">• We will confirm 100% of all cash and investment balances and test market values provided by your investment custodians.• We will test for proper cutoffs of accounts receivable and grants receivable.• We will confirm and test material notes and loans receivable.• We will test additions and deletions to capital assets. We will review depreciation expense for reasonableness.• We will test interfund transactions including due to/due from other funds, advances, and transfers. We will review legal documents supporting loans and test the allowability of transfers out of restricted funds.• We will test current liabilities and perform a search for unrecorded liabilities.• We will review deferred revenue balances for proper cutoffs.• We will test the balances of accrued payroll and employee related liabilities.• We will confirm long-term debt with independent parties.• External verification of bond compliance through the Electronic Municipal Market Access (EMMA) database.• Testing of actuarial valuations and calculations related to OPEB obligations.• Testing of actuarial valuations and calculations related to pension obligations and new disclosures under GASB 68.• Evaluation of claims and judgments payable.• Testing of restrictions and classifications of net position.• Analyze grant revenues and expenses to ensure proper matching within the fiscal year.• Test the reasonableness of interest income, realized, and unrealized gains/losses on investments.• Test golf course activities and management company compliance with agreement.• Analytically and substantively test revenues and expenses reported in the financial statements.• We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc. <p>The aforementioned tests are only a few of the tests performed during the examination and by no means is it meant to be all inclusive. During the final stage of the audit we will meet with Finance staff to review our audit findings and any adjusting journal entries.</p>

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Audit Stage	Procedures Performed
Single Audit Approach	<p>As part of our Single Audit for the years in which the City expends greater than \$750,000, we will perform the following procedures in accordance with the Uniform Guidance:</p> <ul style="list-style-type: none">• Perform an evaluation of the major programs required to be tested• Review OMB guidance and the OMB Compliance Supplement for the grant program audited.• Review internal controls for each of the applicable 14 compliance areas for each program audited.• Using AICPA sampling guidance, we will select a sample for each of the applicable 14 compliance areas for each program audited. We will test the sample for compliance with those 14 areas.• Test the indirect cost rate, if applicable• Review monitoring reports for noncompliance and follow up on the resolution of past noncompliance, if applicable.• Issue a single audit report of federal expenditures.• File the data collection form within the specified deadline.
Completion of the Audit and Preparation of Financial Statements	<p>The nature and extent of the work required is dependent on our assessment of the likelihood of misstatements in the financial statements together with our conclusions from the planning and testing stages of the audit. All of the audit information is then used to reach a conclusion on whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none">• We will review significant events after year end• We will review attorney letters for significant legal matters• We will prepare the financial section of the Comprehensive Annual Financial Report (CAFR)• We will ensure accurate and complete disclosures in the notes to the financial statements.• The reports will undergo five levels of review before a draft is given to the City• We will print and bind all reports for the City as well as providing Color PDF's of the final reports.• As requested, we will meet with the City Council to present the results of the audit.

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Assistance from City Staff

Maximum cooperation and assistance from City staff is expected by the auditors including preparation of certain confirmation requests, and normal yearend schedule preparation (i.e., support for the City's significant asset and liability balances). We would also expect reasonable assistance from City staff in producing requested documentation during the audit examination.

Proposed Timing of the Audit for FY 17/18

The following proposed timing is subject to the City's revision and approval:

Task	Fiscal Year Ending June 30, 2018
<i>Audit Request List Provided</i>	April 2018
<i>Audit Planning Meeting</i>	May 2018
<i>Interim Audit Procedures</i>	May 14-May 25, 2018
<i>Single Audit Testing</i>	July 2018
<i>Final Audit Fieldwork</i>	Sept 10-Sept 21, 2018
<i>Exit Meeting</i>	Sept 21, 2018
<i>CAFR Draft Presented to City</i>	October 31, 2018
<i>Finalization of Audit Reports</i>	By Nov 30, 2018

Segmentation of the Audit

The following is our estimate of the hours by professional classification required to perform the audit:

Classification	Hours	Percentage
<i>Partner</i>	60	9%
<i>Manager</i>	110	16%
<i>Senior Auditor</i>	273	40%
<i>Staff Auditor</i>	233	35%
<i>Total</i>	676	100%

Implementation of New GASB Pronouncements

The City will be required to implement the following accounting standards during the upcoming fiscal years. Part of our service to you includes consulting on these new auditing standards. A sampling of significant new GASB pronouncements planned or proposed for local governments that will impact the City of Costa Mesa are listed below:

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

GASB	Description
<i>GASB Statement No. 75 OPEB</i>	Similar to the new Pension Standards, GASB approved the release of GASB Statements No. 75 in June 2015. This standard changes the calculation of the Other Post Employments Benefit liability and requires additional disclosures. The standard will be effective for the June 30, 2018 financial statements. We will provide the City with templates for recording the OPEB journal entries as well as provide a disclosure example for the CAFR. We will work with the City's actuary to ensure the information necessary for the audit is provided by the actuary.
<i>GASB 83: Asset Retirement Obligations</i>	This statement addresses accounting and financial reporting for certain asset retirement obligations. We will meet with you each year to determine if you have any obligations subject to this standard. The standard will be effective for the fiscal year ending June 30, 2019.
<i>GASB 84: Fiduciary Activities</i>	This statement establishes criteria for identifying fiduciary activities of all state and local governments. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. We will work with the City to identify the activities required to be reported in these four fund types and provide transition guidance for the fiscal year ending June 30, 2020.
<i>GASB 85: Omnibus 2017</i>	Effective for the June 30, 2018 financial statements, this statement addresses a variety of topics including related to blending component units, goodwill, fair value measurement and application and postemployment benefits. We will evaluate the applicability of the standard for the City.
<i>GASB 86: Debt Extinguishments</i>	Effective for the June 30, 2018 financial statements, the objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. We will evaluate the applicability of the standard for the City.
<i>GASB 87: Leases</i>	The objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. The standard will be effective for the fiscal year ending June 30, 2021.

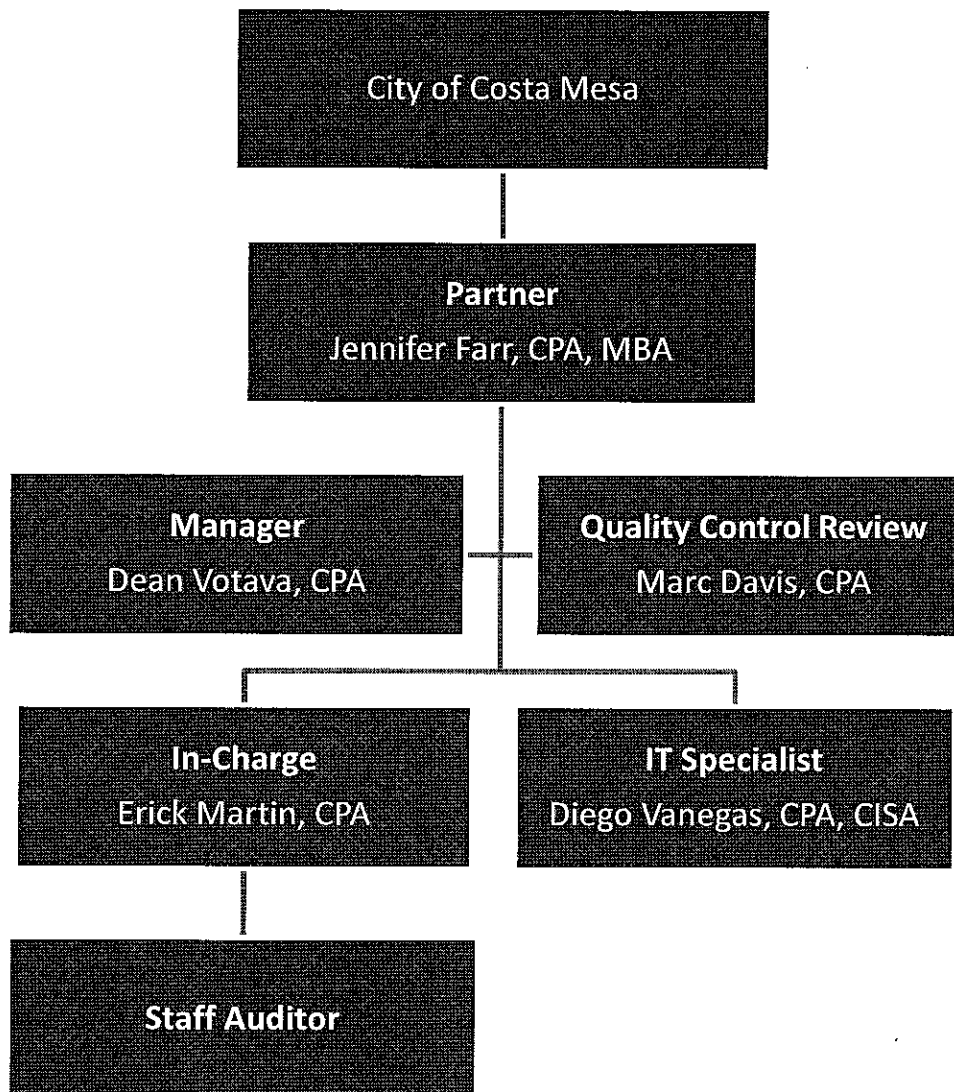
City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section D – Staffing

The successful outcome of any audit requires personnel with the managerial and technical skills to perform the work required. The engagement team who will serve the City of Costa Mesa have served together as a team of professionals on numerous financial audit examinations of local government entities. While not anticipated, any personnel substitutions will be of equally qualified personnel.

We believe that efficient administrative management and supervision of the audits is an extremely critical factor in achieving the desired results for City of Costa Mesa. In that regard, our proposal organizational structure for providing independent auditing services is as follows:



City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

JENNIFER FARR, CPA, MBA
PARTNER

California CPA Certificate No. 76292, October 1998

Ms. Farr will serve as the Partner on this audit. She will oversee the project to ensure all required deadlines are met, provide technical assistance to the audit teams, and review the final reports before they are released. Ms. Farr is a Certified Public Accountant with 20 years of experience in local government auditing. Ms. Farr is a frequent speaker on matters pertaining to technical issues and new GASB pronouncements. Ms. Farr is also responsible for training in the area of local governmental accounting and auditing.



PROFESSIONAL AFFILIATIONS & AWARDS

- California Society of Certified Public Accountants
 - Government Accounting & Auditing Committee
- California Society of Municipal Finance Officers
- American Institute of Certified Public Accountants
- GFOA CAFR Reviewer
- Recipient of the Cal CPA 2015 Women to Watch award in the Experienced Leader category

EDUCATION

- Bachelor of Arts - Business Administration/Accounting (*California State University, Fullerton*)
- Bachelor of Arts - English (*California State University, Fullerton*)
- Masters of Business Administration (*California State University, Fullerton*)

AUDITS OF CALIFORNIA CITIES

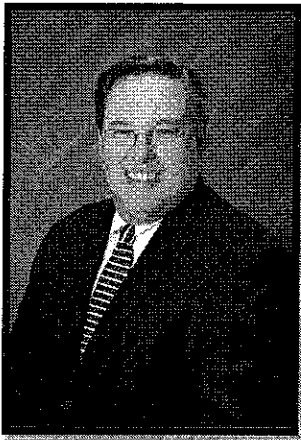
City of Avalon	City of Indian Wells
City of Benicia	City of La Quinta
City of Burbank	City of Mission Viejo
City of Carlsbad	City of National City
City of Commerce	City of Orange
City of Campbell	City of Palm Springs
City of Costa Mesa	City of Rosemead
City of Culver City	City of San Bruno
City of Delano	City of Santee
City of Fontana	City of Upland
City of Fountain Valley	City of Victorville
City of Garden Grove	City of Villa Park
City of Half Moon Bay	City of Walnut Creek
City of Hayward	City of Whittier
City of Highland	City of Woodland

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

MARC DAVIS, CPA QUALITY CONTROL REVIEW

Marc Davis will serve as the Quality Control Reviewer on the engagement. Mr. Davis has over 30 years of experience in government auditing, accounting, and consulting. As a second reviewer, Mr. Davis will be involved in approving the audit plan, reviewing key audit workpapers, reviewing all reports, and acting as a second technical resource to the City.



EMPLOYMENT HISTORY

Davis Farr LLP: April 2015 to present, Founding Partner
A Top 10 National CPA Firm: 1998-2015, Partner
City of Costa Mesa: 1990-1998, Acting Finance Director
City of Buena Park: 1988-1990, Acting Finance Director
Conrad & Associates, LLP: 1984-1988

EDUCATION

Bachelor of Business Administration – Accounting
California State University, Fullerton

Throughout Mr. Davis' career, he has served in various capacities on the annual financial audits of the following cities and government agencies:

Antelope Valley Transit Authority	City of Fresno Housing Authority
County of Fresno Housing Authority	Oxnard Housing Authority
Tahoe Regional Planning District	Tahoe Transportation District
Ventura Housing Authority	Omnitrans
San Diego Association of Governments	Orange County Transportation Authority
City of El Segundo	City of Inglewood
City of Torrance	City of Buena Park
City of Escondido	City of San Gabriel
City of Azusa	City of Rialto
City of Stanton	City of Beaumont
City of Westminster	City of Downey
City of Los Alamitos	

Mr. Davis has provided extensive consulting services to local government including:

- GASB 34 infrastructure inventory and valuation
- Fixed asset inventories
- Preparation of cost allocation plans
- Preparation of user fee studies
- Performance audits
- Outsourcing

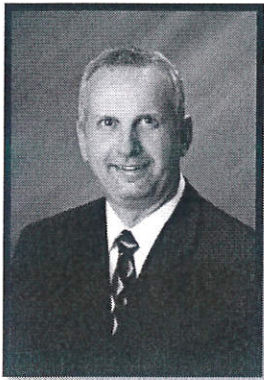
City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

DEAN VOTAVA, CPA SENIOR MANAGER

California CPA Certificate No. 64413

Mr. Votava has 30 years of government audit experience. Mr. Votava has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133, and compliance audits. Mr. Votava will be responsible for managing the audit engagement and will supervise the staff assigned.



PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

EDUCATION

Bachelor of Business Administration – Accounting
University of North Dakota, Grand Forks

AUDITS OF CALIFORNIA CITIES

Mr. Votava has managed numerous financial statement audits, redevelopment agency audits and OMB Circular A-133 Single Audits for a number of significant local government entities. Some of the California City audit engagements managed by Mr. Votava include the following:

City of Garden Grove

City of Carlsbad

City of Palm Springs

City of West Covina

City of Upland

City of Whittier

City of Pomona

City of La Puente

City of San Bernardino

City of Torrance

City of Orange

City of Mission Viejo

City of Santa Ana

City of Norwalk

City of Hesperia

City of Indio

City of Gilroy

City of Costa Mesa

City of South Gate

City of El Segundo

City of Fontana

City of Riverside

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

ERICK MARTIN, CPA IN-CHARGE

CA CPA Certificate No. 121760

Mr. Martin has over five years of audit experience, spending the majority of that time on audits for local governments. Mr. Martin has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits, and compliance audits. Mr. Martin will be responsible for the audit engagement and will supervise the staff assigned.



EMPLOYMENT HISTORY

Davis Farr LLP: June 2015-current
National CPA firm: January 2011-June 2015

EDUCATION

Bachelor of Business Administration – Accounting
California State University, Fullerton

AUDITS OF CALIFORNIA CITIES

City of Villa Park
City of San Marcos
City of Upland
City of Moreno Valley
City of Garden Grove
City of El Segundo

AUDITS OF SPECIAL PURPOSE GOVERNMENTS

Palm Springs Desert Resorts Conventions and Visitors Authority
Walnut Valley Water District
Mesa Consolidated Water District
Irvine Ranch Water District
Puente Basin Water Agency
Orange County Sanitation District
Coachella Valley Mosquito District
West Basin Municipal Water District
San Bernardino Municipal Water Department

INTRODUCTION

Diego Vanegas, CPA, CISA, CITP has over 10 years of progressive governmental accounting and audit experience, including extensive compliance audit experience for governmental and non-profit agencies. He has been involved in financial/compliance audits, internal control audits and assessments, operational/performance audits, and cost proposal analysis/price reviews for various governmental agencies. Mr. Vanegas has served in many capacities depending on the size and requirements of the engagements. He has participated in audits of federal agencies such as NSF, CMS, and CNCS, among others. Additionally, Mr. Vanegas has been involved in agreed-upon-procedures and audit engagements of state/local agencies. These engagements have often times combined both financial and compliance aspects of the audit as well as Information Technology (IT). Furthermore, he has strong internal control audit experience through the performance of SSAE 16 Service Organization Controls (formerly known as SAS 70) audits of the internal controls of service organizations, as well as knowledge of *Government Auditing Standards*, Office of Management and Budget (OMB) Circular A-87 and the Federal Acquisition Regulations (FAR).

EMPLOYMENT HISTORY

- Davis Farr LLP: Partner –January 2018 through present
- Davis Farr LLP: Manager –June 2015 through December 2017
- Top 10 National CPA Firm.: Manager, Senior Associate, Associate – May 2005 to June 2015

EDUCATION

- Bachelor of Science in Business Administration, with an emphasis in Accounting California State University - Los Angeles.
- Bachelor of Science in Computer Information Systems, with an emphasis in Business Systems California State University - Los Angeles.

PROFESSIONAL CERTIFICATIONS

- Certified Public Accountant, State of California, No. 113040
- Certified Information Technology Professional, No. 3298
- Certified Information Systems Auditor

City of Costa Mesa

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section E – Financial Capacity

Davis Farr LLP is a privately-owned partnership and the financial information related to Davis Farr LLP is considered confidential. Upon notification of the award of the contract, certain financial information related to Davis Farr LLP can be presented to the City upon request. There are no administrative proceedings, claims, lawsuits, or other exposures pending against Davis Farr LLP.

Section F – Cost Proposal

A completed Cost Proposal Form is included as Appendix A.

The single audit fee includes up to two major programs per year. Additional major programs, if necessary, can be audited for \$3,000 each.

Section G – Disclosure

Davis Farr LLP is currently providing transient occupancy tax auditing services to the City of Costa Mesa. The engagement was to terminate on June 30, 2017, with an option to extend the contract in one-year periods for an additional two fiscal years. Davis Farr LLP and its employees have no past or current relationships with any current Costa Mesa elected official, appointed official, City employee, or family member of any current Costa Mesa elected official, appointed official, or City employee.

Section H – Sample Professional Services Agreement

We have reviewed the Sample Professional Services Agreement and we have no exceptions or conditions to the Agreement.

Section I – Checklist of Forms Accompanying Proposal

Below is a list of the forms that are to be included in this Proposal along with the location of the completed form.

1. Vendor Application Form – included in the Vendor Application Form and Cover Letter Section
2. Company Profile & References – included as Appendix A
3. Ex Parte Communication Certificate – included as Appendix B
4. Cost Proposal – included as Appendix C
5. Disclosure of Government Positions – included as Appendix D
6. Disqualification Questionnaire – included as Appendix E

APPENDIX A

Company Profile & References

COMPANY PROFILE & REFERENCES**Company Profile**Company Legal Name: Davis Farr LLPCompany Legal Status (corporation, partnership, sole proprietor etc.): PartnershipActive licenses issued by the California State Contractor's License Board: License Number 7712Business Address: 2301 Dupont Drive, Suite 200, Irvine, CA 92612Website Address: www.davisfarr.comTelephone Number: (949) 474 - 2020 Facsimile Number: (949) 263 - 5520Email Address: jfarr@davisfarr.comLength of time the firm has been in business: 2 1/2 years Length of time at current location: 2 1/2 yearsIs your firm a sole proprietorship doing business under a different name: Yes No
If yes, please indicate sole proprietor's name and the name you are doing business under: _____Is your firm incorporated: Yes No If yes, State of Incorporation: _____Federal Taxpayer ID Number: 47 - 3535842Regular business hours: 8:00 am to 5:00 pmRegular holidays and hours when business is closed: Closed on the following holidays:New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, and ChristmasContact person in reference to this solicitation: Jennifer Farr, PartnerTelephone Number: (949) 783 - 1740 Facsimile Number: (949) 263 - 5520Email Address: jfarr@davisfarr.comContact person for accounts payable: Brandy VoldenTelephone Number: (949) 783 - 1728 Facsimile Number: (949) 263 - 5520Email Address: bvolden@davisfarr.comName of Project Manager: Dean VotavaTelephone Number: (949) 783 - 1731 Facsimile Number: (949) 263 - 5520Email Address: dvotava@davisfarr.com

COMPANY PROFILE & REFERENCES
(Continued)

Submit the company names, addresses, telephone numbers, email, contact names, and brief contract descriptions of at least five clients, preferably other municipalities for whom comparable projects have been completed or submit letters from your references which include the requested information.

Company Name: City of Mission Viejo Telephone Number: (949) 470 - 3059

Contact Name: Cheryl Dyas Contract Amount: \$36,550

Email: cdyas@cityofmissionviejo.org

Address: 200 Civic Center, Mission Viejo, CA 92691

Brief Contract Description: Financial Statement Audit and Single Audit

Company Name: City of Garden Grove Telephone Number: (714) 741 - 5066

Contact Name: Ellis Chang Contract Amount: \$93,950

Address: 11222 Acacia Pkwy, Garden Grove, CA 92840

Email: ellisc@ci.garden-grove.ca.us

Brief Contract Description: Financial Statement Audit; Single Audit; State Controller Reports

Company Name: City of Carlsbad Telephone Number: (760) 602 - 2418

Contact Name: Kevin Branca Contract Amount: \$81,800

Email: Kevin.branca@carlsbadca.gov

Address: 1635 Faraday Avenue, Carlsbad, CA 92008

Brief Contract Description: Financial Statement Audit and Single Audit

Company Name: City of Delano Telephone Number: (661) 720 - 2235

Contact Name: Rosa Rios Contract Amount: \$79,900

Address: 1015 Eleventh Avenue, Delano, CA 93215

Email: rrios@cityofdelano.org

Brief Contract Description: Financial Statement Audit and Pension Plan Audit

Company Name: City of Huntington Beach Telephone Number: (714) 536 - 5648

Contact Name: Dahle Bulosan Contract Amount: \$48,300

Email: dbulosan@surfcity-hb.org

Address: 2000 Main Street, Huntington Beach, CA 92648

Brief Contract Description: Financial Statement Audit and Single Audit

APPENDIX B

Ex Parte Communications Certificate

EX PARTE COMMUNICATIONS CERTIFICATION

Please indicate by signing below one of the following two statements. **Only sign one statement.**

I certify that Proposer and Proposer’s representatives have not had any communication with a City Councilmember concerning **RFP No. 17-08 AUDIT SERVICES** at any time after **January 3, 2018**.



Signature

Date: January 23, 2018

Jennifer Farr

Print

OR

I certify that Proposer or Proposer’s representatives have communicated after **January 3, 2018** with a City Councilmember concerning **RFP No. 17-08 AUDIT SERVICES**. A copy of all such communications is attached to this form for public distribution.

Signature

Date: _____

Print

APPENDIX C
Cost Proposal

ATTACHMENT B**COST PROPOSAL
FOR
AUDIT SERVICES**

Provide hourly rates, along with estimated annual pricing in accordance with the City's current requirements, as set forth in section Scope of Work, Attachment A. The City desires a three (3) year cost proposal with two (2) one-year options to renew. Describe your fee schedule for each year of your proposal as follows for fiscal years June 30, 2018, June 30, 2019 and June 30, 2020. Also provide your firm's proposed Staffing Plan on a separate sheet of paper. Proposer should use a separate form to state pricing for any added value.

Pricing shall remain firm for a minimum of two (2) years. Any and all requests for pricing adjustments for follow-on contract renewal periods shall be provided no later than sixty (60) days prior to the end of the contract period. Any such proposed price adjustments shall not exceed The Bureau of Labor Statistics Consumer Price Index (CPI) data for Los Angeles-Riverside-Orange County, CA, All Items, Not Seasonally Adjusted, "annualized change comparing the original proposal month and the same month in the subsequent year. (This information may be found on the U.S. Department of Labor's website at www.bls.gov.)

Description of Services Provided	Estimated Hours	Estimated Cost
Audit of the City	400	\$ 40,000
Preparation of the CAFR	60	\$ 6,000
Audit & Financial Report of the Costa Mesa Public Financing Authority	50	\$ 5,000
Audit & Financial Report of the Costa Mesa Housing Authority	60	\$ 6,000
OMB Circular A-133 Single Audit of Federal Grants of the City	80	\$ 8,000
Other Reports - AB2766	20	\$ 2,000
GANN Limit Review	6	\$ 600

(1) Estimated Hours and Estimated Cost also include work associated with the Costa Mesa Financing Authority.

The Single Audit fee includes up to two major programs. Additional major programs, if necessary, can be audited for \$3,000 each.

**COST PROPOSAL
FOR
AUDIT SERVICES
(continuation)**

Hourly Rates

The firm should provide hourly rates of the firm's employees for services that may be requested outside the scope of the audits:

Classification	Hourly Rate
Partner	\$ 175
Manager	\$ 130
Senior Accountant	\$ 110
Staff Accountant	\$ 95

Note: The City of Costa Mesa fiscal year covers the period of July 1 through June 30

Total Estimated Annual Price	\$ 67,600
-------------------------------------	------------------

Below is a summary of our cost proposal for the three fiscal years ending June 30, 2018, June 30, 2019 and June 30, 2020, along with our cost proposal for the two option years.

Service	Fiscal Year Ending				
	2017-18	2018-19	2019-20	2020-21	2021-22
Audit of the City	\$40,000	\$40,800	\$41,620	\$42,450	\$43,300
Preparation of the CAFR	\$6,000	\$6,120	\$6,240	\$6,370	\$6,490
Audit & Financial Report of the Costa Mesa Public Financing Authority (1)	\$5,000	\$5,100	\$5,200	\$5,310	\$5,410
Audit & Financial Report of the Costa Mesa Housing Authority	\$6,000	\$6,120	\$6,240	\$6,370	\$6,490
OMB Circular A-133 Single Audit of Federal Grants of the City	\$8,000	\$8,160	\$8,320	\$8,490	\$8,660
Other Reports – AB2766	\$2,000	\$2,040	\$2,080	\$2,120	\$2,160
GANN Limit Review	\$600	\$610	\$620	\$640	\$650
Total for Fiscal Year	\$67,600	\$68,950	\$70,320	\$71,750	\$73,160

(1) Estimated Hours and Estimated Costs also include work associated with the Costa Mesa Financing Authority.

The single audit fee includes up to two major programs. Additional major programs, if necessary, can be audited for \$3,000 each.

For our staffing plan please see Section D – Staffing of the proposal.

APPENDIX D

Disclosure of Government Positions

DISCLOSURE OF GOVERNMENT POSITIONS

Each Proposer shall disclose below whether any owner or employee of Contractor currently hold positions as elected or appointed officials, directors, officers, or employees of a governmental entity or held such positions in the past twelve months. List below or state "None."

One of the partners, Marcus Davis, is the appointed Treasurer of the Costa Mesa Sanitary District.

APPENDIX E
Disqualifications Questionnaire

DISQUALIFICATION QUESTIONNAIRE

The Contractor shall complete the following questionnaire:

Has the Contractor, any officer of the Contractor, or any employee of the Contractor who has proprietary interest in the Contractor, ever been disqualified, removed, or otherwise prevented from bidding on, or completing a federal, state, or local government project because of a violation of law or safety regulation?

Yes _____ No _

If the answer is yes, explain the circumstances in the following space.

APPENDIX F
Peer Review Documentation



Certified Public Accountants Business Consultants

JOHN LERIAS, CPA
STEPHEN C. WILLIAMS, CPA
JOSEPH O. ROMERO, CPA

System Review Report

DAVIS FARR LLP

Irvine, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Davis Farr LLP (the firm) in effect for the year ended May 31, 2016. 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. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and an examination of a service organization control (SOC) 1 Type 2.

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 2016, 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*. Davis Farr LLP has received a peer review rating of *pass*.

4120 Concourse
Suite 100
Ontario, CA 91764

909.948.9990
800.644.0696
FAX 909.948.9633

gyld@gyldcauwer.com
www.gyldcauwer.com

GYL Decauwer LLP

Ontario, California

June 29, 2016

*your
Success
is our
DESTINATION*

CPA AMERICA
INTERNATIONAL
Crowe Horwath International

EXHIBIT C
CERTIFICATES OF INSURANCE



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

5/19/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER License # 0E77964 Integro USA Inc., dba: Integro Insurance Brokers 3620 Birch Street Newport Beach, CA 92660		CONTACT NAME: Suzanne Posada PHONE (A/C, No, Ext): 1 (949) 419-1644 E-MAIL ADDRESS: suzanne.posada@integrogroupp.com		FAX (A/C, No): 1 (949) 419-1674	
INSURED		INSURER(S) AFFORDING COVERAGE		NAIC #	
Davis Farr, LLP 2301 Dupont Dr., Ste 200 Irvine, CA 92612		INSURER A: Travelers Property Casualty Company of America		25674	
		INSURER B: Travelers Casualty Insurance Company of America		19046	
		INSURER C: Great Divide Insurance Company		25224	
		INSURER D:			
		INSURER E:			
		INSURER F:			

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GENL AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	X		6804J154861	05/21/2017	05/21/2018	EACH OCCURRENCE	\$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 300,000
							MED EXP (Any one person)	\$ 5,000
							PERSONAL & ADV INJURY	\$ 1,000,000
							GENERAL AGGREGATE	\$ 2,000,000
							PRODUCTS - COM/OP AGG	\$ 2,000,000
								\$
B	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS			BA4J155058	05/21/2017	05/21/2018	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
							BODILY INJURY (Per person)	\$
							BODILY INJURY (Per accident)	\$
							PROPERTY DAMAGE (Per accident)	\$
								\$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 0			CUP4J155126	05/21/2017	05/21/2018	EACH OCCURRENCE	\$ 1,000,000
							AGGREGATE	\$ 1,000,000
								\$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N Y	IJUB4678T66	05/21/2017	05/21/2018	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER	
			N/A				E.L. EACH ACCIDENT	\$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	\$ 1,000,000
C	Professional Liab.-			CAB20185201	05/15/2017	05/21/2018	Ea Claim/Aggregate	1,000,000
C	(Claims Made)			CAB20185201	05/15/2017	05/21/2018	Ded.- Ea Claim/Agg.	50,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Professional Liability (Claims Made) Policy:
 Retroactive Date: 05/15/2015

Certificate Holder is additional insured, per the attached form #CGD186 (11/03), to the extent required by written contract, subject to policy terms and conditions.

CERTIFICATE HOLDER

CANCELLATION

City of Costa Mesa
 77 Fair Drive
 Costa Mesa, CA 92626

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Cynthia A. Retter

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

XTEND ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

GENERAL DESCRIPTION OF COVERAGE – This endorsement broadens coverage. The following listing is a general coverage description only. Limitations and exclusions may apply to these coverages. Read all the **PROVISIONS** of this endorsement carefully to determine rights, duties, and what is and is not covered.

- | | |
|--|--|
| <ul style="list-style-type: none">A. Broadened Named InsuredB. Damage To Premises Rented To You Extension<ul style="list-style-type: none">• Perils of fire, explosion, lightning, smoke, water• Limit increased to \$300,000C. Blanket Waiver of SubrogationD. Blanket Additional Insured– Managers or Lessors of PremisesE. Blanket Additional Insured – Lessor of leased EquipmentF. Incidental Medical MalpracticeG. Personal Injury – Assumed by ContractH. Extension of Coverage – Bodily Injury | <ul style="list-style-type: none">I. Injury to Co-Employees and Co-Volunteer WorkersJ. Aircraft Chartered with CrewK. Non-Owned Watercraft – Increased from 25 feet to 50 feetL. Increased Supplementary Payments<ul style="list-style-type: none">• Cost for bail bonds increased to \$2,500• Loss of earnings increased to \$500 per dayM. Knowledge and Notice of Occurrence or OffenseN. Unintentional OmissionO. Reasonable Force – Bodily Injury or Property Damage |
|--|--|

PROVISIONS

A. BROADENED NAMED INSURED

1. The Named Insured in Item 1. of the Declarations is as follows:

The person or organization named in Item 1. of the Declarations and any organization, other than a partnership or joint venture, over which you maintain ownership or majority interest on the effective date of the policy. However, coverage for any such organization will cease as of the date during the policy period that you no longer maintain ownership of, or majority interest in, such organization.

2. WHO IS AN INSURED (Section II) Item 4.a. is deleted and replaced by the following:
 - a. Coverage under this provision is afforded only until the 180th day after you acquire or form the organization or the end of the policy period, whichever is earlier, unless reported in writing to us within 180 days.
3. This Provision A. does not apply to any person or organization for which coverage is excluded by endorsement.

B. DAMAGE TO PREMISES RENTED TO YOU EXTENSION

1. The last paragraph of COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I – Coverages) is deleted and replaced by the following:

Exclusions c. through n. do not apply to damage to premises while rented to you, or temporarily occupied by you with permission of the owner, caused by:

- a. Fire;
- b. Explosion;
- c. Lightning;
- d. Smoke resulting from such fire, explosion, or lightning; or
- e. Water.

A separate limit of insurance applies to this coverage as described in LIMITS OF INSURANCE (Section III).

2. This insurance does not apply to damage to premises while rented to you, or temporarily

COMMERCIAL GENERAL LIABILITY

occupied by you with permission of the owner, caused by:

- a. Rupture, bursting, or operation of pressure relief devices;
 - b. Rupture or bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from water;
 - c. Explosion of steam boilers, steam pipes, steam engines, or steam turbines.
3. Part 6. of LIMITS OF INSURANCE (Section III) is deleted and replaced by the following:

Subject to 5. above, the Damage To Premises Rented To You Limit is the most we will pay under COVERAGE A. for damages because of "property damage" to any one premises while rented to you, or temporarily occupied by you with permission of the owner, caused by fire, explosion, lightning, smoke resulting from such fire, explosion, or lightning, or water. The Damage To Premises Rented To You Limit will apply to all damage proximately caused by the same "occurrence", whether such damage results from fire, explosion, lightning, smoke resulting from such fire, explosion, or lightning, or water, or any combination of any of these.

The Damage To Premises Rented To You Limit will be the higher of:

- a. \$300,000; or
 - b. The amount shown on the Declarations for Damage To Premises Rented To You Limit.
4. Under DEFINITIONS (Section V), Paragraph a. of the definition of "insured contract" is amended so that it does not include that portion of the contract for a lease of premises that indemnifies any person or organization for damage to premises while rented to you, or temporarily occupied by you with permission of the owner, caused by:
- a. Fire;
 - b. Explosion;
 - c. Lightning;
 - d. Smoke resulting from such fire, explosion, or lightning; or
 - e. Water.
5. This Provision B. does not apply if coverage for Damage To Premises Rented To You of

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I - Coverages) is excluded by endorsement.

C. BLANKET WAIVER OF SUBROGATION

We waive any right of recovery we may have against any person or organization because of payments we make for injury or damage arising out of premises owned or occupied by or rented or loaned to you; ongoing operations performed by you or on your behalf, done under a contract with that person or organization; "your work"; or "your products". We waive this right where you have agreed to do so as part of a written contract, executed by you prior to loss.

D. BLANKET ADDITIONAL INSURED - MANAGERS OR LESSORS OF PREMISES

WHO IS AN INSURED (Section II) is amended to include as an insured any person or organization (referred to below as "additional insured") with whom you have agreed in a written contract, executed prior to loss, to name as an additional insured, but only with respect to liability arising out of the ownership, maintenance or use of that part of any premises leased to you, subject to the following provisions:

1. Limits of Insurance. The limits of insurance afforded to the additional insured shall be the limits which you agreed to provide, or the limits shown on the Declarations, whichever is less.
2. The insurance afforded to the additional insured does not apply to:
 - a. Any "occurrence" that takes place after you cease to be a tenant in that premises;
 - b. Any premises for which coverage is excluded by endorsement; or
 - c. Structural alterations, new construction or demolition operations performed by or on behalf of such additional insured.
3. The insurance afforded to the additional insured is excess over any valid and collectible insurance available to such additional insured, unless you have agreed in a written contract for this insurance to apply on a primary or contributory basis.

E. BLANKET ADDITIONAL INSURED - LESSOR OF LEASED EQUIPMENT

WHO IS AN INSURED (Section II) is amended to include as an insured any person or organization (referred to below as "additional insured") with

COMMERCIAL GENERAL LIABILITY

whom you have agreed in a written contract, executed prior to loss, to name as an additional insured, but only with respect to their liability arising out of the maintenance, operation or use by you of equipment leased to you by such additional insured, subject to the following provisions:

1. Limits of insurance. The limits of insurance afforded to the additional insured shall be the limits which you agreed to provide, or the limits shown on the Declarations, whichever is less.
2. The insurance afforded to the additional insured does not apply to:
 - a. Any "occurrence" that takes place after the equipment lease expires; or
 - b. "Bodily injury" or "property damage" arising out of the sole negligence of such additional insured.
3. The insurance afforded to the additional insured is excess over any valid and collectible insurance available to such additional insured, unless you have agreed in a written contract for this insurance to apply on a primary or contributory basis.

F. INCIDENTAL MEDICAL MALPRACTICE

1. The definition of "bodily injury" in DEFINITIONS (Section V) is amended to include "Incidental Medical Malpractice Injury".
2. The following definition is added to DEFINITIONS (Section V):

"Incidental medical malpractice injury" means bodily injury, mental anguish, sickness or disease sustained by a person, including death resulting from any of these at any time, arising out of the rendering of, or failure to render, the following services:

- a. Medical, surgical, dental, laboratory, x-ray or nursing service or treatment, advice or instruction, or the related furnishing of food or beverages;
- b. The furnishing or dispensing of drugs or medical, dental, or surgical supplies or appliances; or
- c. First aid.
- d. "Good Samaritan services". As used in this Provision F., "Good Samaritan services" are those medical services rendered or provided in an emergency and

for which no remuneration is demanded or received.

3. Paragraph 2.a.(1)(d) of WHO IS AN INSURED (Section II) does not apply to any registered nurse, licensed practical nurse, emergency medical technician or paramedic employed by you, but only while performing the services described in paragraph 2. above and while acting within the scope of their employment by you. Any "employees" rendering "Good Samaritan services" will be deemed to be acting within the scope of their employment by you.

4. The following exclusion is added to paragraph 2. Exclusions of COVERAGE A. – BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I – Coverages):

(This insurance does not apply to:) Liability arising out of the willful violation of a penal statute or ordinance relating to the sale of pharmaceuticals by or with the knowledge or consent of the insured.

5. For the purposes of determining the applicable limits of insurance, any act or omission, together with all related acts or omissions in the furnishing of the services described in paragraph 2. above to any one person, will be considered one "occurrence".
6. This Provision F. does not apply if you are in the business or occupation of providing any of the services described in paragraph 2. above.
7. The insurance provided by this Provision F. shall be excess over any other valid and collectible insurance available to the insured, whether primary, excess, contingent or on any other basis, except for insurance purchased specifically by you to be excess of this policy.

G. PERSONAL INJURY – ASSUMED BY CONTRACT

1. The Contractual Liability Exclusion in Part 2., Exclusions of COVERAGE B. PERSONAL AND ADVERTISING INJURY LIABILITY (Section I – Coverages) is deleted and replaced by the following:

(This insurance does not apply to:)

Contractual Liability

"Advertising injury" for which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for

COMMERCIAL GENERAL LIABILITY

damages that the Insured would have in the absence of the contract of agreement.

2. Subparagraph f. of the definition of "insured contract" (DEFINITIONS – Section V) is deleted and replaced by the following:
 - f. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for "bodily injury," "property damage" or "personal injury" to a third party or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.
3. This Provision G. does not apply if COVERAGE B. PERSONAL AND ADVERTISING INJURY LIABILITY is excluded by endorsement.

H. EXTENSION OF COVERAGE – BODILY INJURY

The definition of "bodily injury" (DEFINITIONS – Section V) is deleted and replaced by the following:

"Bodily injury" means bodily injury, mental anguish, mental injury, shock, fright, disability, humiliation, sickness or disease sustained by a person, including death resulting from any of these at any time.

I. INJURY TO CO-EMPLOYEES AND CO-VOLUNTEER WORKERS

1. Your "employees" are insureds with respect to "bodily injury" to a co-"employee" in the course of the co-"employee's" employment by you, or to your "volunteer workers" while performing duties related to the conduct of your business, provided that this coverage for your "employees" does not apply to acts outside the scope of their employment by you or while performing duties unrelated to the conduct of your business.
2. Your "volunteer workers" are insureds with respect to "bodily injury" to a co-"volunteer worker" while performing duties related to the conduct of your business, or to your "employees" in the course of the "employee's" employment by you, provided that this coverage for your "volunteer workers" does not apply while performing duties unrelated to the conduct of your business.

3. Subparagraphs 2.a.(1)(a), (b) and (c) and 3.a. of WHO IS AN INSURED (Section II) do not apply to "bodily injury" for which insurance is provided by paragraph 1. or 2. above.

J. AIRCRAFT CHARTERED WITH CREW

1. The following is added to the exceptions contained in the **Aircraft, Auto Or Watercraft Exclusion in Part 2., Exclusions of COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I – Coverages)**:
(This exclusion does not apply to:) Aircraft chartered with crew to any insured.
2. This Provision J. does not apply if the chartered aircraft is owned by any insured.
3. The insurance provided by this Provision J. shall be excess over any other valid and collectible insurance available to the insured, whether primary, excess, contingent or on any other basis, except for insurance purchased specifically by you to be excess of this policy.

K. NON-OWNED WATERCRAFT

1. The exception contained in Subparagraph (2) of the **Aircraft, Auto Or Watercraft Exclusion in Part 2., Exclusions of COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I – Coverages)** is deleted and replaced by the following:
 - (2) A watercraft you do not own that is:
 - (a) Fifty feet long or less; and
 - (b) Not being used to carry persons or property for a charge;
2. This Provision K. applies to any person who, with your expressed or implied consent, either uses or is responsible for the use of a watercraft.
3. The insurance provided by this Provision K. shall be excess over any other valid and collectible insurance available to the insured, whether primary, excess, contingent or on any other basis, except for insurance purchased specifically by you to be excess of this policy.

L. INCREASED SUPPLEMENTARY PAYMENTS

Parts b. and d. of SUPPLEMENTARY PAYMENTS – COVERAGES A AND B (Section I – Coverages) are amended as follows:

1. In Part b. the amount we will pay for the cost of bail bonds is increased to \$2500.

COMMERCIAL GENERAL LIABILITY

2. In Part d. the amount we will pay for loss of earnings is increased to \$500 a day.

M. KNOWLEDGE AND NOTICE OF OCCURRENCE OR OFFENSE

1. The following is added to COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV), paragraph 2. (Duties In The Event of Occurrence, Offense, Claim or Suit):

Notice of an "occurrence" or of an offense which may result in a claim under this insurance shall be given as soon as practicable after knowledge of the "occurrence" or offense has been reported to any insured listed under Paragraph 1. of Section II – Who Is An Insured or an "employee" (such as an insurance, loss control or risk manager or administrator) designated by you to give such notice.

Knowledge by other "employee(s)" of an "occurrence" or of an offense does not imply that you also have such knowledge.

2. Notice shall be deemed prompt if given in good faith as soon as practicable to your workers' compensation insurer. This applies only if you subsequently give notice to us as soon as practicable after any insured listed under Paragraph 1. of Section II – Who Is An Insured or an "employee" (such as an insurance, loss control or risk manager or administrator) designated by you to give such notice discovers that the "occurrence", offense or claim may involve this policy.
3. However, this Provision M. does not apply as respects the specific number of days within

which you are required to notify us in writing of the abrupt commencement of a discharge, release or escape of "pollutants" which causes "bodily injury" or "property damage" which may otherwise be covered under this policy.

N. UNINTENTIONAL OMISSION

The following is added to COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV), paragraph 6. (Representations):

The unintentional omission of, or unintentional error in, any information provided by you shall not prejudice your rights under this insurance. However, this Provision N. does not affect our right to collect additional premium or to exercise our right of cancellation or nonrenewal in accordance with applicable state insurance laws, codes or regulations.

O. REASONABLE FORCE – BODILY INJURY OR PROPERTY DAMAGE

The **Expected Or Intended Injury Exclusion** in Part 2., **Exclusions** of COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I – Coverages) is deleted and replaced by the following:

(This insurance does not apply to:)

Expected or Intended Injury or Damage

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect persons or property.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OTHER INSURANCE – ADDITIONAL INSURED

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

PROVISIONS

COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV), Paragraph 4. (**Other Insurance**), is amended as follows:

1. The following is added to Paragraph a. **Primary Insurance**:

However, if you specifically agree in a written contract or written agreement that the insurance provided to an additional insured under this Coverage Part must apply on a primary basis, or a primary and non-contributory basis, this insurance is primary to other insurance that is available to such additional insured which covers such additional insured as a named insured, and we will not share with that other insurance, provided that:

- a. The "bodily injury" or "property damage" for which coverage is sought occurs; and

- b. The "personal injury" or "advertising injury" for which coverage is sought arises out of an offense committed

subsequent to the signing and execution of that contract or agreement by you.

2. The first Subparagraph (2) of Paragraph b. **Excess Insurance** regarding any other primary insurance available to you is deleted.

3. The following is added to Paragraph b. **Excess Insurance**, as an additional subparagraph under Subparagraph (1):

That is available to the insured when the insured is added as an additional insured under any other policy, including any umbrella or excess policy.

EXHIBIT D

CITY COUNCIL POLICY 100-5

CITY OF COSTA MESA, CALIFORNIA

COUNCIL POLICY

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
DRUG-FREE WORKPLACE	100-5	8-8-89	1 of 3

BACKGROUND

Under the Federal Drug-Free Workplace Act of 1988, passed as part of omnibus drug legislation enacted November 18, 1988, contractors and grantees of Federal funds must certify that they will provide drug-free workplaces. At the present time, the City of Costa Mesa, as a sub-grantee of Federal funds under a variety of programs, is required to abide by this Act. The City Council has expressed its support of the national effort to eradicate drug abuse through the creation of a Substance Abuse Committee, institution of a City-wide D.A.R.E. program in all local schools and other activities in support of a drug-free community. This policy is intended to extend that effort to contractors and grantees of the City of Costa Mesa in the elimination of dangerous drugs in the workplace.

PURPOSE

It is the purpose of this Policy to:

1. Clearly state the City of Costa Mesa's commitment to a drug-free society.
2. Set forth guidelines to ensure that public, private, and nonprofit organizations receiving funds from the City of Costa Mesa share the commitment to a drug-free workplace.

POLICY

The City Manager, under direction by the City Council, shall take the necessary steps to see that the following provisions are included in all contracts and agreements entered into by the City of Costa Mesa involving the disbursement of funds.

1. Contractor or Sub-grantee hereby certifies that it will provide a drug-free workplace by:
 - A. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in Contractor's and/or sub-grantee's workplace, specifically the job site or location included in this contract, and specifying the actions that will be taken against the employees for violation of such prohibition;
 - B. Establishing a Drug-Free Awareness Program to inform employees about:

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
DRUG-FREE WORKPLACE	100-5	8-8-89	2 of 3

1. The dangers of drug abuse in the workplace;
 2. Contractor's and/or sub-grantee's policy of maintaining a drug-free workplace;
 3. Any available drug counseling, rehabilitation and employee assistance programs; and
 4. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- C. Making it a requirement that each employee to be engaged in the performance of the contract be given a copy of the statement required by subparagraph A;
- D. Notifying the employee in the statement required by subparagraph 1 A that, as a condition of employment under the contract, the employee will:
1. Abide by the terms of the statement; and
 2. Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction;
- E. Notifying the City of Costa Mesa within ten (10) days after receiving notice under subparagraph 1 D 2 from an employee or otherwise receiving the actual notice of such conviction;
- F. Taking one of the following actions within thirty (30) days of receiving notice under subparagraph 1 D 2 with respect to an employee who is so convicted:
1. Taking appropriate personnel action against such an employee, up to and including termination; or
 2. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health agency, law enforcement, or other appropriate agency;

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
DRUG-FREE WORKPLACE	100-5	8-8-89	3 of 3

- G. Making a good faith effort to maintain a drug-free workplace through implementation of subparagraphs 1 A through 1 F, inclusive.
2. Contractor and/or sub-grantee shall be deemed to be in violation of this Policy if the City of Costa Mesa determines that:
 - a. Contractor and/or sub-grantee has made a false certification under paragraph 1 above;
 - b. Contractor and/or sub-grantee has violated the certification by failing to carry out the requirements of subparagraphs 1 A through 1 G above;
 - c. Such number of employees of Contractor and/or sub-grantee have been convicted of violations of criminal drug statutes for violations occurring in the workplace as to indicate that the contractor and/or sub-grantee has failed to make a good faith effort to provide a drug-free workplace.
 3. Should any contractor and/or sub-grantee be deemed to be in violation of this Policy pursuant to the provisions of 2 A, B, and C, a suspension, termination or debarment proceeding subject to applicable Federal, State, and local laws shall be conducted. Upon issuance of any final decision under this section requiring debarment of a contractor and/or sub-grantee, the contractor and/or sub-grantee shall be ineligible for award of any contract, agreement or grant from the City of Costa Mesa for a period specified in the decision, not to exceed five (5) years. Upon issuance of any final decision recommending against debarment of the contractor and/or sub-grantee, the contractor and/or sub-grantee shall be eligible for compensation as provided by law.

SUBJECT	POLICY NUMBER	EFFECTIVE DATE	PAGE
DRUG-FREE WORKPLACE	100-5	8-8-89	3 of 3

- G. Making a good faith effort to maintain a drug-free workplace through implementation of subparagraphs 1 A through 1 F, inclusive.
2. Contractor and/or sub-grantee shall be deemed to be in violation of this Policy if the City of Costa Mesa determines that:
 - a. Contractor and/or sub-grantee has made a false certification under paragraph 1 above;
 - b. Contractor and/or sub-grantee has violated the certification by failing to carry out the requirements of subparagraphs 1 A through 1 G above;
 - c. Such number of employees of Contractor and/or sub-grantee have been convicted of violations of criminal drug statutes for violations occurring in the workplace as to indicate that the contractor and/or sub-grantee has failed to make a good faith effort to provide a drug-free workplace.
 3. Should any contractor and/or sub-grantee be deemed to be in violation of this Policy pursuant to the provisions of 2 A, B, and C, a suspension, termination or debarment proceeding subject to applicable Federal, State, and local laws shall be conducted. Upon issuance of any final decision under this section requiring debarment of a contractor and/or sub-grantee, the contractor and/or sub-grantee shall be ineligible for award of any contract, agreement or grant from the City of Costa Mesa for a period specified in the decision, not to exceed five (5) years. Upon issuance of any final decision recommending against debarment of the contractor and/or sub-grantee, the contractor and/or sub-grantee shall be eligible for compensation as provided by law.