



Moraga-Orinda Fire District
BOARD OF DIRECTORS
Audit Committee Minutes
 April 6, 2023
 (APPROVED MAY 19, 2023)

1. OPENING CEREMONIES

The Audit Committee convened in Open Session at 6:15 p.m. on April 6, 2023, at the Moraga-Orinda Fire District Administration Office, 1280 Moraga Way, Moraga, California 94556. The meeting was available to the public for in-person attendance only. Director Jex called the meeting to order and requested an attendance roll call.

Present were the following Directors and Staff:

Director Hasler	Dave Winnacker, Fire Chief	Mary Smith, Finance Manager
Director Jex	Gloriann Sasser, Admin. Services Director	(attended telephonically)
		Johnathan Holtzman, District Counsel
		(attended VIA Zoom, arrived at 6:17)

At 6:18 p.m. Steven Danziger was present at the meeting in the capacity of a member of the public and did not participate in the Audit Committee meeting.

2. PUBLIC COMMENT - ITEMS NOT ON THE AGENDA (audio 00:00:55)

There were no comments from members of the public.

3. CONSENT AGENDA

3.1 Audit Committee Meeting Minutes – March 15, 2023 (audio 00:01:20)

The minutes from March 15, 2023, Audit Committee meeting were approved as submitted, with Director Hasler making the motion and Director Jex seconding the motion. The motion passed unanimously by voice vote 2-0 (Ayes: Hasler and Jex; Noes: None). There were no comments from members of the public.

4. SPECIAL AGENDA

4.1 Review and Discuss Proposals Received for Audit Services Contract; Discuss Next Steps to Determine Recommendation for Selection of Audit Firm for the Fiscal Years Ending June 30, 2023 through 2025 with an Option to Extend Two Additional Years (audio 00:02:11).

Director Jex began by providing an overview of the Audit Committee's responsibilities and objectives. Initially, the Committee's primary focus was on five key areas related to the audit process: 1) oversight of the District's financial reporting and related internal controls; 2) review of filings and related reports issued as a result of audit activities or other financial reporting requirements; 3) risk management oversight; 4) oversight of the Independent Auditor and the Firm's performance in terms of engagement; and 5) ethics and compliance. Director Jex proposed adding a sixth key area: selecting the public accounting company that will serve as the District's external auditors. Fire Chief Winnacker clarified that the Committee's role, per board policy, is to "recommend" a public accounting firm to serve as the organization's external auditors. Director Jex agreed with the clarification.

Director Jex conducted research and sought guidance on choosing the right Auditor. Director Jex read into the record information from the Accru website on How to Choose the Right Auditor for Your Business, attached to these minutes. <https://www.accru.com/blog/how-to-choose-the-right-auditor-for-your-business>.

Director Jex presented his assessment of the proposals received. The names of the firms were undisclosed and given identifiers A, B, C, etc.

Firm	Partner Assignments	Partner Hours and Rates	Total Audit Hours	Separate Report Costs	Comments

A	5	7 Hours	228	\$4,000	<ul style="list-style-type: none"> No Partner participation in planning, control, evaluation, and testing, partner involvement Engagement planning. 2 hours of Fieldwork, 2 hours of Post-fieldwork, and 1 Hour on the final report
B	3	18 Hours (\$340/hour)	191	\$5,910	<ul style="list-style-type: none"> 3 hours on interim testing, with no hours on planning 5 hours of year-end testing 6 hours on report review, 4 hours on other reports, no time on two of them
C	1	37 Hours (\$150/hour)	367	\$6,825	<ul style="list-style-type: none"> 6 hours on planning 17 hours Fieldwork 11 hours on year-end work 3 hours on five reports
D	2	19 Hours (\$325/hour)	324	\$7,600	No details provided
E	3	12 Hours (\$350/hour)	236	\$7,000	<ul style="list-style-type: none"> The audit staff held certifications in Virginia, Utah, Washington, and Michigan. Not in California.
F	2	no detail provided	no detail provided	\$10,500	<ul style="list-style-type: none"> Located in Southern California No Fire District experience

Director Jex opposed the selection of Firm A due to insufficient planning and the issue of audit quality. Director Hasler agreed there would not be any insight from the partners and would not be good business partners. Director Jex stated Firm B was a questionable selection. The number of hours spent on the reports for firms A-C lacked insufficient time to provide comments and recommendations for changes, expansion, or other quality issues. Director Jex stated that the lowest bidder was not qualified and there would be quality and service issues. The low bid submitted had almost no partner participation and engagement.

Director Hasler expressed his uncertainty about the lowest bidder's qualifications listed in their proposal because the follow-up performed by Staff found they were no longer the Auditor for one of their references. Director Jex responded that Menlo Park was mentioned in three of the proposals. Fire Chief Winnacker clarified that Menlo Park uses MOFD's current Auditor for auditing services. The respondents may have provided unspecified financial or fiscal services to Menlo Park and other entities. The applications the respondents submitted were unclear about whether they were referring to audit services or other services.

Fire Chief Winnacker reviewed the procedures that the Committee is not obligated to select or recommend a respondent to the full Board; however, if the Committee choose to do so, it can only recommend the lowest bidder in accordance with the Purchasing Ordinance procedures. If the Committee feels that the lowest bidder is different from whom the Committee would like to recommend to the Board, he suggested not selecting any of the respondents.

Fire Chief Winnacker requested direction on what specific criteria the Committee would like to include as qualifications to bid to refine the specifications for a qualified response; and recommended posting a new RFP in advance of updating the Purchasing Ordinance and evaluating those bids based on the Purchasing Ordinance currently in effect. The Audit Committee would then convene another meeting to select respondents.

In addition, Fire Chief Winnacker requested the Committee work with Staff and Counsel on proposing an update to the existing Purchasing Ordinance that would include more permissive components of State law to allow for more discretion for selecting professional services for the future. Those recommendations would be brought back to the full Board for review and adoption.

Director Jex inquired about the timeline for changing the Purchasing Ordinance. In response, District Counsel Holtzman explained that the current Policy only references two sections of the code and disregards the third. However, this issue can be easily resolved, and noted that it

would be unreasonable for the District to select any Professional Services without conducting an evaluation and ensuring their quality.

Director Hasler asked if Staff needed to make a recommendation. Fire Chief Winnacker stated the Committee could decline to forward a recommendation to the full Board. If the Committee does not make a recommendation, the Committee can close the RFP. Administrative Services Director Sasser believed that was allowed. Director Hasler asked if the Staff would close this list, update the Policy and repost the RFP. District Counsel Holtzman confirmed and stated that Staff would respond to the bidders stating that the District has decided to decline to select anyone from this proposal and will be issuing a revised bidding investigation shortly. Director Jex motioned to approve that action. Director Hasler seconded the motion.

Fire Chief Winnacker requested that the Committee provide updated qualifications to be included in a new Request for Proposal (RFP). The new Purchasing Ordinance will provide more discretion in the selection process, but only to a certain degree, and suggested the Committee include specific qualifications in the RFP posting to inform responses. Staff will be able to filter potential respondents in advance, saving time for both the Committee and the respondents. The Committee will then be able to consider only those bidders who meet the specific qualifications, making the selection process more efficient. Director Jex has expressed concern about potentially losing three of the bidders due to deferring action, which may result in the loss of high-quality services they might be able to provide.

Fire Chief Winnacker stated that those who initially submitted a bid on the business would most likely continue to be interested in the business. A competitive cluster of three seems promising, and if there are shared traits among the individuals, these traits should be incorporated into the RFP qualifications description. This way, potential candidates are informed of the qualities that the organization is seeking.

Fire Chief Winnacker summarized the criteria Director Jex provided in "How to Choose the Right Auditor" to include: partner assignment, partner hours and rates, total hours and report costs, sufficient competent planning measured in partner hours, certification in California, sufficient partner time to review the reports, and relevant experience with Cities, Counties, Fire Districts, and relevant government programs.

Director Hasler mentioned that the absence of partner involvement is unacceptable and is an indicator of poor quality. Director Jex added that partner involvement adds value. The Committee agreed that current Fire District client experience is positive but not required. Auditor experience with Cities, Counties, and Special districts as current clients is required. The Committee discussed defining relevant government experience and the locality of the firms. Fire Chief Winnacker clarified that "local" experience meant within the nine Bay Area Counties, to which both Directors agreed.

Fire Chief Winnacker questioned the requirements for the geographic location of the Auditor's office. Director Jex mentioned that travel expenses are usually billed, but Director Hasler stated that if there are no expenses for travel, the location is less relevant. Fire Chief Winnacker cautioned against emphasizing the office's location too much, as it might increase the hourly rate. Director Hasler clarified that the office's location is not a selection criterion, but the out-of-pocket expenses would be considered. Director Jex believed that accessibility is probably a factor in the quality of participation. Fire Chief Winnacker mentioned that the previous audits were performed remotely, and it did not affect the quality of the audit process. Director Jex opposed the audit being performed remotely, stating that Auditor's observations and access to information are limited. Fire Chief Winnacker suggested that the RFP could include a requirement for an on-site audit. Director Jex stated that it should not change the cost but will affect the quality of the audit.

Administrative Services Director Sasser requested further clarification regarding the on-site requirement, because the previous RFP stated that it was at Auditor's discretion to conduct the audit remotely or on-site. Administrative Services Director Sasser asked whether the entire audit would be performed on-site. In response, Director Hasler stated that it is uncommon for

auditors to perform a complete audit on-site in today's era. Director Hasler also said that it would be difficult to impose such a requirement. Fire Chief Winnacker asked if there is a minimum percentage of work required to be done on-site. Director Hasler suggested, at a minimum, the kickoff and conclusion meetings should be conducted on-site. Director Jex agreed with this suggestion.

Fire Chief Winnacker reiterated the critical components included in the RFP, such as local relevant experience within the nine Bay Area Counties, specific to Cities, Counties, and Special Districts as current clients, and certifications in California. Administrative Services Director Sasser questioned the staff qualifications requirement. Director Hasler stated that it is uncommon to provide audit services in California without being licensed in the state, but not necessarily to be listed as a qualification. Director Hasler asked if the list of qualifications needed to be shorter, and Fire Chief Winnacker inquired if the three key bidders discussed earlier would have met these requirements. Both Directors answered yes, and Fire Chief Winnacker concluded that the list of qualifications discussed was appropriate for the RFP.

Director Hasler asked about the language that needed to be added to the Purchasing Ordinance. District Counsel Holtzman explained the current language indicates that the Purchasing Ordinance complies with Public Contract Code (PCC) §20812 (a)(c). However, section (c) of the code is designed for organizations with a million dollars or less and is a rigid process. Section (b), which would have provided flexibility in selecting respondents, must be added to the Purchasing Ordinance. Section (b) of the PPC is more liberal and would allow for Professional Services Contracts to be chosen based on factors beyond the lowest bidder.

Fire Chief Winnacker stated that District Counsel would work on updating the Purchasing Ordinance for the next regular agenda, and the Staff would create and publish a new RFP based on the criteria discussed. Director Hasler requested that the Staff inform the bidders that there was no selection and notify everyone that the RFP would be reposted. Director Hasler inquired whether the amendment to the Purchasing Ordinance was solely for Professional Services. District Counsel Holtzman stated that a comprehensive review was necessary before confirming any amendments.

There were no comments from members of the public.

4.2 Status of the June 30, 2022, Annual Comprehensive Financial Report and Audit (audio 00:33:00)

Administrative Services Director provided the report. Eide Bailly started audit fieldwork on March 29, 2023. It is unknown if they will have the ACFR report for the April meeting. Director Jex asked if the District received a waiver on the filing requirement. ASD Sasser answered the District had not received a formal waiver. Director Jex stated that normally the District would receive a formal waiver and could be out of compliance. Director Jex requested Staff to review and see if the District needs to obtain a formal waiver.

There were no comments from members of the public.

5. ADJOURNMENT

At 7:04 p.m. the Audit Committee called for the meeting adjournment.

Marcia Holbrook

Marcia Holbrook, District Secretary/District Clerk



How to choose the right auditor for your business

H O M E N E W S HOW TO CHOOSE THE RIGHT AUDITOR FOR YOUR BUSINESS

Choosing the right external auditor is an important decision. You'll work with your external auditors year after year and their insights are likely to be integral to your organisation's success. How do you choose the right auditor?



An external audit should deliver much more than business compliance. To really add value for your business, auditors must bring the right combination of qualifications, experience, technologies and approach to the task. Here are some capabilities that you should look for.

Criteria for choosing an auditor

1. Qualifications

When an audit is conducted for the purpose of meeting an external regulator's requirements, it's essential that the lead audit partner meets the conditions that the regulator requires. For example, if your audit is to comply with ASIC requirements, only a **registered company auditor (RCA)** can conduct your audit. To ensure your auditor is registered, you can check their details in the professional registers section of the ASIC website.

2. Industry experience

If your auditor has experience within your industry, it will typically translate into a more efficient audit and avoid generic questions being asked. It will also enable them to provide more relevant value-added services and translate their analysis into concrete actions that your business can take. Continuity of audit staff working on your organisation's audit will also enable a more efficient audit year-on-year.

3. Use of technology

If your auditor isn't using technology and data analytics to perform your audit, you're missing out on important insights into your business. Technology can digest entire data sets across large organisations, more quickly finding anomalies and freeing auditors to assess their findings, interpret the data, and focus on the business implications. This means you'll receive more proactive advice and future-focused action items to improve your business operations.

4. Quality assurance processes

Any auditor you choose should be able to demonstrate how they ensure their professional service quality – their compliance with relevant legislative requirements, auditing standards and reporting best practices. For example, are regular peer review procedures in place? Do the audit partners and staff attend regular technical training, professional development in-house and externally?

5. Reasonable fees

When choosing an auditor, the fee is often a key decision factor. However, ASIC has emphasised that it is important for business directors to ensure the audit fees are adequate and don't have the potential to adversely affect the quality of the audit. I have come across cases where financial reports are held out to be audited but the auditor was either not a registered auditor or the 'audit report' issued was not the correct report to meet regulatory requirements! You do get what you pay for.

6. Reputation of the audit firm

Testimonials, references or awards are a good indication of an audit firm's reputation in the industry. For example, the *Australian Financial Review Client Choice Awards* are voted by executive level clients of audit firms such as directors and senior management and reflect your peers' opinion of the services received. Accru is honoured to have received The [Australian Financial Review Client Choice Award for four consecutive years](#).

7. Ongoing support for decision-making and growth

A good auditor is also a business advisor in regular contact with you throughout the year to bring to your attention matters that are relevant to your business. Agile decision-making often demands real time data. This is where your auditor can help. Additionally, audit firms who are part of a global professional network can add value further down the track when you decide to expand your business internationally.

While external audits are a regulatory necessity for some entities (see below), a good external audit delivers more than business compliance and reporting results of past financial measures. Your auditor should be a business partner who is able to provide deep analysis, assurance and **future-focused** business advice. After all, there is a reason that a windshield is so much larger than a rear-view mirror!

Read our article [Can an audit actually benefit your business?](#) to find out more about the benefits.

Accru auditors naturally strive to excel in all the above areas and deliver audit outcomes which exceed clients' expectations. Please contact us if you would like to know more about how an audit could benefit your business.

By [Jean Zhang, Accru Felsers Sydney](#)

Entities who need an external audit to meet requirements for external regulators

Public companies Registered schemes

Large proprietary companies

Companies limited by guarantee

Small proprietary companies that are foreign-controlled

Australian financial services (AFS) licensees Larger charities

Larger co-operatives Larger associations

Holder of authority to conduct a fundraising appeal

Self-managed super funds (SMSF).

A few exemptions can apply.

About the Author



Jean Zhang , Accru Felsers Sydney

Jean is known for excellent problem solving skills, clear logical thinking and an aptitude for numbers. Most importantly, she is truly dedicated to delivering high quality, accurate accounting advice.

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Building a successful company? Want to take your business international?
Manage your cashflow better? Buying property? Or do you need an audit?

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TAX

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HOBART

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