



CITY of ESCONDIDO

MEASURE I CITIZENS' OVERSIGHT COMMITTEE

Wednesday, January 21, 2026 at 5:00 PM
Escondido City Council Chambers, 201 North Broadway, Escondido, CA 92025

WELCOME TO YOUR COMMITTEE MEETING

We welcome your interest and involvement in the legislative process of Escondido. This agenda includes information about topics coming before the Committee.

CHAIR

Patrick Hall

VICE CHAIR

Carol Rogers

SECRETARY

Joe Portman

COMMITTEE MEMBERS

Sabrina Covington
Karl Trujillo
Garrison Ham

CITY CLERK

Zack Beck

HOW TO WATCH

The City of Escondido provides the following way to watch a Committee meeting:

In Person



201 N. Broadway, Escondido, CA 92025



CITY of ESCONDIDO

MEASURE I CITIZENS' OVERSIGHT COMMITTEE

MEETING AGENDA

FLAG SALUTE

ROLL CALL

ORAL COMMUNICATION

SUBJECT

1. MEASURE I LOCAL DISTRICT TAX PROFESSIONAL AUDITING SERVICES RFP APPROVAL

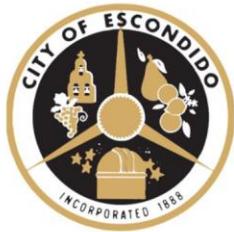
Receive and review the proposal submitted by Macias Gini & O'Connell LLP (MGO) for professional auditing services related to the Measure I Local District Tax Fund and provide direction to staff regarding next steps.

Staff Recommendation: Approval (City Clerk's Office: Zack Beck, City Clerk)

Presenter: Zack Beck, City Clerk

FUTURE AGENDA ITEMS

ADJOURNMENT



CITY of ESCONDIDO

MEASURE I CITIZENS' OVERSIGHT COMMITTEE

HOW TO PARTICIPATE

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In Person



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If you need special assistance to participate in this meeting, please contact our ADA Coordinator at (760) 839-4643. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility. Listening devices are available for the hearing impaired – please see the City Clerk.





STAFF REPORT

January 21, 2026

File Number 0610

SUBJECT

MEASURE I LOCAL DISTRICT TAX PROFESSIONAL AUDITING SERVICES RFP APPROVAL-

DEPARTMENT

City Clerk's Office

RECOMMENDATION

Receive and review the proposal submitted by Macias Gini & O'Connell LLP (MGO) for professional auditing services related to the Measure I Local District Tax Fund and provide direction to staff regarding next steps.

Staff Recommendation: Approval (City Clerk's Office: Zack Beck, City Clerk)

Presenter: Zack Beck, City Clerk

EXECUTIVE SUMMARY

Macias Gini & O'Connell LLP (MGO) submitted a proposal in response to Request for Proposals No. 26-05 to provide independent audit services for the City of Escondido's Measure I Local District Tax. The proposed engagement would cover fiscal years ending June 30, 2026, 2027, and 2028, with options for two additional one-year extensions.

The proposed audit is designed to support the Measure I Citizens' Oversight Committee's responsibility under Ordinance No. 2024-08 to ensure transparency, accountability, and proper use of Measure I revenues consistent with voter intent. MGO proposes an annual financial and compliance audit conducted in accordance with Generally Accepted Auditing Standards and Government Auditing Standards.

BACKGROUND

Measure I, approved by Escondido voters, established a local district tax with designated purposes and requires annual independent review of revenue use. Ordinance No. 2024-08 assigns the Citizens' Oversight Committee responsibility for reviewing and issuing an annual audit report regarding the use of Measure I funds.

To fulfill this requirement, the City issued RFP No. 26-05 seeking a qualified independent auditing firm with demonstrated experience auditing voter-approved local tax measures and working with oversight committees.



CITY of ESCONDIDO

STAFF REPORT

PROPOSAL OVERVIEW

- **Firm:** Macias Gini & O'Connell LLP (MGO)
- **Headquarters:** Sacramento, California
- **Local Presence:** San Diego
- **Experience:** Over 35 years serving public sector clients

MGO is one of the largest providers of state and local government audit services in California and has extensive experience auditing voter-approved sales tax and special revenue measures for cities and counties throughout the state.

SCOPE OF SERVICES

MGO proposes to perform an annual financial and compliance audit of the Measure I Local District Tax Fund, including:

- Audit of the schedule of Measure I revenues and expenditures
- Verification that expenditures align with purposes authorized by Ordinance No. 2024-08
- Confirmation that expenditures were properly budgeted and approved by the City Council
- Evaluation of internal controls related to Measure I financial activity
- Issuance of an annual audit report within 90 days of fiscal year-end

The proposed scope exceeds minimum transparency requirements and provides a higher level of independent assurance than alternative engagement types, such as agreed-upon procedures.

AUDIT APPROACH

Key elements of MGO's proposed audit approach include:

- Risk-based planning focused on higher-risk expenditure areas
- Use of data analytics to evaluate 100 percent of transaction populations where appropriate
- Review of payroll allocations, vendor payments, and administrative costs charged to Measure I
- Assessment of internal controls and compliance with applicable requirements
- Regular coordination meetings with City staff and communication with the Oversight Committee



CITY of ESCONDIDO

STAFF REPORT

TIMELINE

MGO proposes the following annual schedule:

- **Planning and risk assessment:** Early summer following fiscal year-end
- **Fieldwork:** July–August
- **Draft report:** Early September
- **Final audit report issuance:** No later than September 30
- **Presentation to Oversight Committee:** As scheduled

This timeline complies with Measure I reporting requirements.

FIRM QUALIFICATIONS AND EXPERIENCE

MGO has conducted similar audits for numerous jurisdictions, including:

- Cities of Oakland, Fremont, Pleasant Hill, and Sacramento
- Counties of Santa Clara, San Mateo, and Contra Costa

The firm maintains full independence, holds an unmodified peer review rating, and participates in national governmental accounting and auditing standards committees.

FISCAL IMPACT

The proposed not-to-exceed fees are:

- **FY 2026:** \$33,040
- **FY 2027:** \$35,490
- **FY 2028:** \$36,590

Fees are all-inclusive and include audit fieldwork, reporting, and presentations.

CONCLUSION



CITY of ESCONDIDO

STAFF REPORT

The proposal submitted by Macias Gini & O'Connell LLP demonstrates strong qualifications, relevant experience, and an audit approach aligned with the Citizens' Oversight Committee's responsibilities under Measure I. The proposed scope and timeline are consistent with ordinance requirements and best practices for voter-approved tax oversight.

ATTACHMENT

- A) RFP No. 26-05 - Macias Gini & O'Connell LLP Submission

Request for Proposal No. 26-05
Measure I Local District Tax
Professional Auditing Services
for the
City of
Escondido

Submitted by

Macias Gini & O'Connell LLP

Linda Hurley, CPA

Partner

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San Diego, CA 92130

+1 (949) 296-4340

LHurley@mgocpa.com

November 7, 2025

MGO.

State and Local
Government

The City of Escondido

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SECTION 1

Transmittal Letter

mgo.



November 7, 2025

City of Escondido
Attn: Mr. Zack Beck, City Clerk
201 North Broadway
Escondido, CA 92025
zack.beck@escondido.gov

Dear Mr. Beck:

Macias Gini & O'Connell LLP (MGO) is pleased to submit this proposal to provide professional auditing services to the City of Escondido (City) in support of the Citizens Oversight Committee's (Committee) objectives under Measure I (Ordinance No. 2024-08). We are committed to delivering high-quality, independent audit services that promote transparency, accountability, and public trust. Our proposal outlines our approach to auditing the use of Measure I Local District Tax revenue for the fiscal years ending June 30, 2026, 2027, and 2028, with an option to extend for two additional one-year periods.

Experience

MGO is one of the largest providers of audit and assurance services to public agencies in California. We have extensive experience conducting compliance audits for voter-approved tax measures, including work for the cities of Oakland, Fremont, Sacramento, and counties such as Santa Clara and San Mateo. Our team understands the nuances of local government operations and the importance of ensuring that expenditures align with approved ordinances and public expectations.

Our professionals actively contribute to the development of governmental accounting standards through participation in AICPA and GFOA committees. This involvement supports our clients in receiving the most current and relevant guidance in the field.

Understanding of Scope

We understand that the selected firm will be responsible for auditing the financial activity of the Measure I Local District Tax Fund, verifying that expenditures are properly accounted for in the Operating or Capital Budgets, and approved by the City Council. The audit report must be issued annually, no later than 90 days following the conclusion of each fiscal year. We are prepared to meet this timeline and collaborate with the City's Finance Department to facilitate a smooth and efficient audit process.

This proposal is firm and binding upon submission and will remain valid through the City's evaluation and award process.

SECTION 1 | TRANSMITTAL LETTER

Item 1.

Value-Added Services

In addition to the required audit services, MGO offers complimentary technical support and training to our clients. We assist with the implementation of new accounting standards, provide guidance on internal controls, and offer access to our client education programs. These services are provided at no additional cost and reflect our commitment to long-term partnership and support.

Public Agency Clause

In accordance with Section VII, Item 24 of the RFP, we confirm that **Yes, this option is granted**. Other public agencies may participate in any award resulting from this solicitation, and MGO will honor the terms of the agreement accordingly.

Certification

As Partner and the designated representative of MGO, I, Linda Hurley, have the authority to act, contractually obligate, and negotiate on behalf of the firm.

Thank you for the opportunity to submit our proposal. We look forward to the possibility of working with the City of Escondido and supporting the Citizens Oversight Committee in its mission. Please feel free to contact me at +1 (949) 296-4340 or LHurley@mgoCPA.com with any questions.

Sincerely yours,



Linda Hurley, CPA

Client Service Partner / Project Manager

SECTION 2

Consultant/Firm Profile

mgo.

SECTION 2 | CONSULTANT/FIRM PROFILE

Firm overview

Founded in 1987 in Sacramento, California, Macias Gini & O'Connell LLP (MGO, a limited liability partnership) is one of the fastest-growing certified public accounting firms in the United States. We combine deep industry experience with well-established accounting and advisory solutions to deliver measurable results. Our clients include global corporations, innovative startups, nonprofit organizations, and public sector entities — including some of the largest government agencies in the country.



Our State and Local Government practice is one of the largest in the nation, with significant resources dedicated to serving this complex sector. We work with cities, counties, state agencies, special districts, and finance divisions, including general-purpose units of government and specialized authorities. Our experience includes engagements with the world's largest public pension system and numerous municipal entities.

MGO is actively engaged with national standards-setting bodies, which allows us to stay ahead of regulatory changes and provide informed guidance on technical matters and emerging issues.

Assurance professionals represent one-third of our talent. Our State and Local Government practice includes more than 100 governmental audit staff, supported by 40 supervisory personnel (supervisors through partners), with an average tenure of 25 years for partners, 11 years for management personnel, and five years for supervisors. Our long-tenured team is a testament to this philosophy and strengthens MGO's ability to maintain project continuity.

MGO today



SECTION 2 | CONSULTANT/FIRM PROFILE

Firm qualifications and experience

MGO is a leading provider of audit and advisory services for public sector entities in California and nationwide. With more than 35 years of experience, our state and local government practice serves cities, counties, special districts, and state agencies.

We have earned a reputation for delivering high-quality assurance services that support fiscal accountability, transparency, and sound governance. Our clients trust us to provide timely, insightful, and actionable audit results that help them navigate challenges such as growing debt, shrinking budgets, and increased demands for sustainability and public engagement. We take our commitment to “good government” seriously and work collaboratively to improve service delivery and strengthen public trust.

Our experience includes compliance audits for voter-approved sales and bond measures, toll fund audits, and consulting engagements that support oversight boards and public reporting. In the past five years, we have audited the use of restricted funds for:

- City of Fremont – Measures B, BB, F
- City of Oakland – Measures AA, B, BB, C, F, Z
- City of Pleasant Hill – Measure K
- City of Sacramento – Measure U
- County of Contra Costa – Measure X
- County of San Mateo – Measures A and W
- County of Santa Clara – Measure A

These audits were conducted in accordance with:

- Auditing Standards generally accepted in the United States of America (AICPA)
- Government Auditing Standards (GAO, 2018 revision – Yellow Book)

Additionally, we serve as a consultant to a San Francisco Bay Area county, providing quarterly analysis of program implementation, budgets, and expenditures for a local bond measure. We help summarize key metrics and maintain a publicly accessible dashboard to promote transparency and accountability.

Commitment to thought leadership and standards

MGO actively participates in national standards-setting bodies, including:

- AICPA State and Local Government Expert Panel
- AICPA Governmental Audit Quality Center Executive Committee
- AICPA Government Performance and Accountability Committee (GPAC)
- Government Finance Officers Association (GFOA) advisory committees

This involvement helps our clients access the most current guidance and best practices in the field. Our commitment to thought leadership provides valuable counsel on technical matters and emerging issues.

Additional capabilities and public sector service depth

As a full-service CPA and advisory firm, MGO offers a broad range of services that complement our audit capabilities. In addition to financial and compliance audits, we provide performance audits, operational assessments, internal control evaluations, and consulting services tailored to the needs of public sector entities.

Our capabilities include:



Governance, Risk and Compliance

- Internal Audit
- Anti-Money Laundering
- Entity-wide risk assessment
- Construction Audit



Management Consulting

- Revenue Organization
- Marketing Assessment
- Operation Alignment
- Policies and Procedures



Forensic Accounting and Litigation Support

- Fraud Investigations
- Vendor Audits
- Employee Investigations



Technology and Cybersecurity

- IT Governance
- IT Risk Assessment and Compliance
- IT Best Practices
- Cybersecurity Assessments



Assurance and Attestation

- Audits and Examinations
- Agreed-upon Procedures
- Performance Audits
- Cost Allocation

Each year, we offer complimentary eight-hour continuing professional education sessions to our clients. These sessions cover technical topics such as GASB updates and federal grant compliance, as well as operational subjects like risk assessments, cybersecurity, and internal controls. Before 2020, these trainings were hosted in person across multiple California locations. Since transitioning to a virtual format, our webinars have consistently drawn over 1,000 attendees annually.

MGO's deep-rooted investment in the state and local government sector positions us to deliver assurance, advisory, and technology services to agencies across California. We combine the attentiveness and responsiveness of a local firm with the depth and resources of a national practice. Our clients value our hands-on, service-oriented approach and our commitment to quality, reliability, and timely communication.

SECTION 2 | CONSULTANT/FIRM PROFILE

Independence

MGO is independent of the City of Escondido and all its components. We comply with the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct, as well as *Government Auditing Standards* (2018 revision) published by the U.S. Government Accountability Office (GAO). We also adhere to any requirements set by the state boards of accountancy and state CPA societies, as applicable.

License to practice in California

MGO and all key professional staff assigned to the engagement are properly licensed by the state of California to practice as Certified Public Accountants. MGO meets all requirements imposed by federal, state, and local laws, rules, and regulations.

Qualified to conduct business in California

MGO is in good standing and qualified to conduct business in California, as confirmed by our California Certificate of Good Standing.

| BOARD OF ACCOUNTANCY | | ISSUANCE DATE JULY 5, 1988 |
|--|--|--|
| | | EXPIRATION DATE JULY 31, 2026 |
| | | CURRENT DATE / TIME FEBRUARY 13, 2025 9:32:33 AM |
| LICENSING DETAILS FOR: 5230 | | |
| NAME: MACIAS GINI & O'CONNELL LLP LICENSE TYPE: CPA - PARTNERSHIPS LICENSE STATUS: CLEAR  PREVIOUS NAMES: MACIAS GINI & COMPANY LLP  MACIAS & PIERINI CPA'S  MACIAS & COMPANY CPAS  MACIAS & MIRANDA, CPAS | ADDRESS 500 CAPITOL MALL SUITE 2200 SACRAMENTO CA 95814 SACRAMENTO COUNTY MAP | |

External quality control review report

MGO's commitment to performing quality assurance work has been recognized by our clients and national standards setters. Under AICPA and *Government Auditing Standards*, public accounting firms are required to undergo a peer review of their accounting and auditing practice every three years by an independent firm.

The quality of our State and Local Government industry practice is evident from the results of our most recent peer review, which assessed the firm's system of quality control for accounting and auditing and included review government engagements performed under *Government Auditing Standards* (GAS), encompassing compliance audits under the Single Audit Act.

Firms can receive a rating of pass, pass with deficiency(ies), or fail. MGO received the highest-level rating of **pass**. The results of this and prior peer reviews provide independent validation of our commitment to providing quality assurance services. Please refer to our 2024 Peer Review Report shown on the following page.



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Report on the Firm's System of Quality Control

September 17, 2024

To the Partners of Macias, Gini & O'Connell LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Macias, Gini & O'Connell LLP (the firm), applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended March 31, 2024. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Macias, Gini & O'Connell LLP, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended March 31, 2024, 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*. Macias, Gini & O'Connell LLP has received a peer review rating of *pass*.

Haynie & Company

Assigned personnel

We have assembled a team of highly qualified professionals with extensive experience in governmental audits and compliance engagements. The proposed engagement team combines technical experience, industry knowledge, and proven leadership to support the successful completion of the City of Escondido's Measure I audit. Each team member brings:

- Broad experience in state and local government audits
- Specific experience in:
 - Program compliance audits
 - Financial, operational, and performance audits under Government Auditing Standards (GAGAS)
 - Internal control reviews and gap analyses
 - Process improvement assessments and ongoing monitoring
 - Technical guidance and liaison support for oversight committees and governing bodies
- Demonstrated technical proficiency and adherence to professional standards
- Continuing professional education in governmental accounting and auditing

Engagement team overview

- **Linda Hurley, CPA – Project Manager, Quality Control Partner, and Client Service Partner:** Oversees service quality, contract administration, and coordinates engagement resources.
- **Benjamin Lau, CPA, CGMA – Engagement Partner:** Leads the audit and oversees all aspects of the engagement execution, ensuring timely and compliant delivery.
- **Tina Yuan, CPA – Audit Supervisor:** Manages day-to-day audit activities and performs and supervises fieldwork.

KEY TEAM MEMBERS

Linda C. HurleyCLIENT SERVICE /
QUALITY CONTROL PARTNER**Benjamin Lau**

ENGAGEMENT PARTNER

Yongxin (Tina) Yuan

SUPERVISOR

SECTION 3

Audit Understanding and Approach

mgo.

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

Audit philosophy and scope understanding

MGO's approach to auditing the Measure I Local District Tax Fund is grounded in a deep understanding of public sector operations and a commitment to transparency, efficiency, and accountability. We recognize the importance of providing the Citizens Oversight Committee and the City of Escondido with a clear, timely, and independent assessment of how Measure I revenues are being used to support public safety, homelessness, capital infrastructure, and community services.

Our methodology begins with a tailored risk assessment based on the City's operating environment related to the Measure I funding. Drawing from our experience auditing other sales tax measures and targeted funding, we focus on areas of highest risk and adhere to Ordinance No. 2024-08 Section 3 Part F.

We propose a structured audit timeline aligned with the audit report issuance date on or before September 30 annually (within 90 days of each fiscal year-end). Weekly status meetings with City Finance Department staff will help track progress, resolve open items, and communicate preliminary findings.

MGO's audit methodology is scalable and adaptable, ensuring procedures are appropriately sized to the City's operations. Our senior professionals remain actively involved throughout the engagement—from planning through report issuance—to maintain quality and responsiveness.

We are confident that our proactive approach will result in a successful audit engagement that meets the Committee's expectations and supports the City's commitment to fiscal transparency.

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

Audit methodology and timeline

Engagement objectives

The objective of this engagement is to:

- Conduct a comprehensive audit and issue a report on the use of Measure I Local District Tax Fund revenue for the fiscal years ending June 30, 2026, 2027, and 2028.
- Evaluate whether expenditures were properly accounted for in the Operating or Capital Budgets and approved by the City Council, in accordance with Ordinance No. 2024-08 Section 3 Part F.
- Report on internal control and compliance over financial reporting in accordance with Government Auditing Standards.

General financial statement audit approach

Our audit approach is built upon our extensive experience serving governmental entities. Our knowledge enables us to focus our efforts on the areas of greatest audit risk and minimize the time required of your staff related to the financial schedule and compliance audits. Professionals with direct experience auditing cities and other governmental entities, specifically local tax measures, lead all phases of our audit. This section further describes our approach to the services we will provide to the City of Escondido and details our framework for planning and performing the audit.



01 Terms of engagement

We will audit the schedule of revenues and expenditures for Measure I sales tax. Our audits will be performed in accordance with generally accepted auditing standards and *Government Auditing Standards*. We will also audit the City's compliance with the requirements described in Ordinance No. 2024-08 in accordance with generally accepted auditing standards and *Government Auditing Standards*.

To accomplish this goal with minimal disruption to you, it is imperative that communications are continuous and performed in a timely manner when obstacles occur or if any issues arise. We need to work as a team to accomplish our mutual goal, and we will develop a work plan that incorporates the needs, timing, and expectations of the audit from both perspectives.

02 Information gathering

The key element in effective audit planning is a thorough understanding of the City's operations related to Measure I. This includes the operating environment, internal accounting control structure, organizational structure, and governing legislation. Our experience in serving governmental entities provides us with the knowledge to develop a detailed understanding of these elements. Therefore, we can effectively identify the nature of significant account balances and transaction classes, assess risk, and design audit tests. Information gathering includes the following procedures:

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

- Review and become familiar with background documents including Ordinance No. 2024-08 and related policies and procedures obtained from the City.
- Determine significant areas or changes to the City's organizational structure relevant to Measure I, including relevant laws and regulations, investments, or accounting and financial reporting requirements.
- Review minutes of the City Council and Citizens Oversight Committee.
- Obtain an understanding of the accounting controls over Measure I transactions.
- Meet with appropriate representatives of the Citizens Oversight Committee to acquire additional knowledge about areas of risk.

03

Strategy and planning

Based on the information gathered, the engagement team will develop audit plans which respond to the areas we have identified as areas of risk as they relate to the financial reporting processes. During this process, we will:

- Evaluate the design of internal controls over Measure I, including:
 - cash receipts, including programmatic allocations,
 - cash disbursements, including allowability of activities and use of funds,
 - payroll allocations, and
 - administrative costs.
- Assess the risk of improper financial schedule presentation by evaluating the financial reporting process.
- Assess the risk of noncompliance with laws, regulations and contracts, including Ordinance No. 2024-08.
- Develop audit procedures to address our risk assessments

04

Execution

Based on the information gathered in the risk assessment process, we will:

- Perform tests of controls over financial reporting and compliance.
- Utilize analytical procedures to identify unusual or unique transactions and balances, and to determine if those amounts are properly recorded in the financial schedule.
- Implement audit procedures that govern key financial transaction streams. As exceptions become known, we will verify that our understanding is correct and, upon concurrence, communicate the information to appropriate auditee personnel.

05

Form opinion

The key element in this phase is to receive timely and accurate information. This eliminates unnecessary work for all parties involved. During this phase:

- The partners and supervisor review and verify that the financial schedule is presented in accordance with accounting principles generally accepted in the United States of America.
- Our technical reviewer also reviews the schedule to provide a “fresh” and “cold” assessment.
- MGO will issue our opinion on the financial schedule and the City’s compliance with Ordinance No. 2024-08 upon receipt of the management representation letter.
- MGO will also issue a report on internal control and compliance over financial reporting in accordance with Government Auditing Standards.

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

Approach to sampling and sample sizes

MGO follows the AICPA's audit standards and guidance for audit sampling. Audit sampling involves applying an audit procedure to less than 100% of the items within an account balance or class of transactions to evaluate the overall value or accuracy of the balance or class. Substantive test ("variables") sampling provides a technique for estimating the extent of monetary misstatement in a class of transactions or balances and can also be used for estimating the amount of a population. It answers the question "How much?" rather than "How many?" as in attribute sampling (e.g., the operation of a control). This method is typically used to determine if a balance is materially misstated. Sampling is particularly useful for performing substantive tests and determining appropriate sample sizes for substantive tests of recorded transactions (e.g., vouching of sales or purchases).

Based on our understanding of the City's operational environment and the requirements of Ordinance No. 2024-08, we typically utilize sampling techniques in the following areas:

- Testing disbursements and receipts for proper cut-off.
- Test of controls on selected significant transaction streams identified (e.g., cash disbursements, cash receipts, and payroll).

The application of sampling requires significant auditor judgment in areas such as:

- Considering alternative audit approaches other than using audit sampling.
- Defining the population and the sampling item.
- Assessing the overall risk level for related control, analytical procedures, and risk assessment activities.
- Determining materiality as a basis for calculating the tolerable misstatement (error).
- Selecting items for 100% examination.
- Determining the sample size, considering factors such as:
 - Expected misstatement (errors) to be found.
 - The effect of other tests on the account being tested.

MGO encourages the use of statistical sampling whenever practical, especially for substantive tests. We use the statistical sampling technique called Stratified Random Sampling (SRS). We typically begin by removing all individually significant items from the population for 100% examination before selecting a sample.

In summary, our sampling procedures include the following steps:

- Define the objective.
- Define the population and the sampling unit.
- Define tolerable misstatement.
- Remove items for 100% examination.
- Specify the desired level of sampling assurance and the acceptable risk of over auditing.
- Estimate the expected (anticipated) misstatement.
- Determine the sample size.
- Select the sample.
- Examine the sample items and evaluate the sample results.

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

Audit samples for tests of compliance

The sampling considerations for tests of compliance are similar to those used for tests of financial amounts, except the population and resulting sample sizes may be primarily driven by the size of the population being tested.

The AICPA's *Government Auditing Standards and Single Audits – Audit Guide* provides interpretative guidance for designing an audit approach that incorporates audit sampling to achieve audit objectives related to both compliance and internal control over compliance in a compliance audit. These principles will be applied to the audit of the Measure I Local District Tax Fund to support the Citizens Oversight Committee's mandate for transparency and accountability.

Information technology audit approach

Technology plays a critical role in financial reporting and compliance. As part of our audit, MGO will assess the City's information technology general controls (ITGCs) to determine the reliability of system-generated data and the effectiveness of controls supporting the Measure I Local District Tax Fund.

Our ITGC review will focus on:

- **Access controls** – Ensuring only authorized personnel can access financial systems and data.
- **System change management** – Evaluating controls over system updates and maintenance.
- **Segregation of duties** – Reviewing role-based access and automated enforcement of responsibilities.
- **Backup and recovery procedures** – Confirming safeguards for data integrity and business continuity.
- **Security and infrastructure** – Assessing physical and environmental protections for IT assets.

These procedures help us determine the extent to which we can rely on system outputs and inform our audit strategy for financial and compliance testing.

Application controls approach

Application controls help maintain the integrity, completeness, and validity of financial data processed by key systems. As part of our audit, MGO will assess the control environment over the City's significant financial applications to identify key risks and, where appropriate, test the related controls.

This approach enhances audit coverage and may reduce the need for manual documentation. Areas of focus may include:

- General ledger
- Cash receipts and disbursements
- Payroll and HR systems
- Procurement and vendor master file
- Financial reporting processes

Examples of application controls include input validation, authorization protocols, segregation of duties, and automated forensic checks. The scope of testing will be based on our preliminary risk assessment and understanding of the City's control environment.

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

Data science and intelligent automation for enhanced audit quality

For years, traditional audit approaches have remained largely unchanged, offering limited innovation in improving audit effectiveness, timeliness, and efficiency. At MGO, we have spent the past 15 years actively refining our audit methodology to incorporate advanced technologies and data-driven techniques that elevate the quality and value of our audits.

Intelligent Automation

We utilize intelligent automation tools such as DataSnipper to streamline audit workflows and reduce manual effort. Features like table snips, document matching, form extraction, and financial report comparison allow our teams to automate repetitive tasks at scale. This enables our professionals to focus on analyzing discrepancies and high-risk areas rather than spending time on document handling.

Data Science and Analytical Procedures

Our audit approach integrates data science to develop predictive expectations and identify exceptions within the financial environment. Rather than relying solely on prior-year comparisons, we analyze operational activities at the transaction level using substantive data mining techniques. This allows us to detect patterns, trends, and anomalies that inform tailored audit procedures focused on areas of greatest risk.

We employ IDEA (Interactive Data Extraction and Analysis) software to evaluate 100% of the data population, enabling us to:

- Identify outliers and anomalies using statistical techniques such as Benford's Law.
- Compare and combine related datasets.
- Detect gaps or duplicate records.
- Stratify and sample data for deeper analysis.

Two key areas where we apply data-driven audit procedures include:

Payroll

- Examine payment frequency for transactions occurring prior to or after the fiscal period, transaction volume by day of the week, pay periods, and month.
- Examine top-paid employees by department.
- Review weekend transactions for anomalies.
- Identify ghost employees by comparing actual payments with HR records.
- Perform trend analysis of overtime by departments.
- Examine large or unusual transactions exceeding planning norms.

Vendor payments

- Examine vendors with large or unusual amounts disbursed during the year.
- Identify potential conflicts of interest by matching employee master file with vendor master file using common fields (such as address or name).
- Identify new vendors added to the master file and examine any unusually large payments.
- Identify payments to inactive or seldom-used vendors.
- Perform fraud risk assessment through Benford's Law Analysis.
- Identify checks issued on holidays or weekends.

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

Audit Resource Tools and Workflow Management

We conduct audits using a fully paperless **e-audit platform** designed for government financial statement and federal compliance audits. This platform automates trial balance workflows, financial statement generation, and workpaper documentation, ensuring accuracy and consistency throughout the engagement.

Key benefits include:

- **Efficient and effective workflow** — With powerful document management, real-time collaboration, direct scanning, online review, efficient clean-up, sophisticated lockdown, and advanced roll-forward, our e-audit tools enable us to work smarter and faster.
- **Engagement standardization** — Integrated knowledge coach modules and tools provide built-in industry-specific checklists, audit programs, and practice aids. These tools tailor workpapers based on gathered information, accumulate identified risks, and automatically flow information between workpapers.
- **Enhance review and audit process** — With history tracking, milestone creation, issue/review notes, diagnostics, a full annotation system, and online signoffs, the review and audit process are achieved entirely on-screen, with little need for paper.



To facilitate secure and efficient data exchange, we use Citrix ShareFile®, a SSAE 16-certified portal with 256-bit SSL/TLS encryption. This platform supports real-time collaboration and enforces a strict data retention policy, ensuring that sensitive information is protected and responsibly managed.

Analytical procedures

Auditing standards require the use of analytical procedures during the planning and overall review stages of the audit. These procedures may also be used throughout the engagement to:

1. Direct our attention during the planning stage to areas where amounts appear unusual, indicating the possibility that a material amount may be misstated.
2. Provide an important source of audit evidence at the execution stage through substantive analytical procedures.
3. Form an opinion on the financial statements by assessing the overall reasonableness of these statements.

Preliminary Analytical Reviews

Preliminary analytical procedures assist us in planning the nature, timing, and extent of auditing procedures that will be used to obtain evidential matter for specific account balances or classes of transactions. To accomplish this, we focus on enhancing our understanding of the City's operations and the transactions and events that have occurred since the last audit date, identifying areas that may represent specific risks relevant to the Measure I audit.

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

Our work will normally include comparisons of:

- Actual results to budget.
- Current year operating results and financial position with the prior year.
- Key financial and operating ratios with the prior year, the industry, and with each other.
- Relationships among elements of financial information within the period.
- Relevant non-financial information (e.g., number of employees, square footage, etc.).

Substantive Analytical Procedures (SAPs)

Substantive analytical procedures involve comparing an amount in the financial statements with what we would expect it to be, based on our knowledge of the organization and other audit evidence.

Our work typically involves:

- Using IDEA Data Analysis Software to extract and analyze data.
- Determining valid relationships between items being compared (e.g., interest expense and interest-bearing liabilities).
- Disaggregating information to compute ratios, percentages, and amounts for different funds separately.
- Using pivot tables to identify unusual or unexpected trends.

Using IDEA enables the audit team to summarize and stratify data to help identify the risk of fraud in financial statements. Examples of fraud detection tests include:

- Summarizing 100% of general ledger detail to identify unusual balances (e.g., high number of debits to revenue accounts or credits to expense accounts).
- Stratifying samples among high- and low-dollar value populations for better audit coverage.
- Performing analytical procedures using disaggregated data (e.g., revenue by month and by function).
- Extracting information to uncover potential fraud (e.g., searching vendor lists for similar names but different addresses).
- Isolating debits and credits in specific accounts to facilitate detailed analysis.

Overall Analytical Review

The overall review helps us assess the conclusions reached and evaluate the overall financial statement presentation. This review generally includes reading the financial statements and notes, considering the adequacy of evidence gathered in response to unusual or unexpected balances identified during the audit, and identifying any relationships or balances that warrant further investigation.

If the results of our overall review indicate that additional evidence is needed, we will conduct further analyses and/or testing to support our observations, findings, and audit opinion.

Assessing internal controls

During the strategy and planning phase of the audit, we will consider the City's internal controls over financial reporting and compliance to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements and compliance with Ordinance No. 2024-08.



01

Risk assessment

In Step 1, the financial statement risk assessment, audit plan, roles and responsibilities, and communication protocols are developed collectively with the engagement team members.

Activities

- Identify financial reporting risks (including fraud) via brainstorming sessions and interviews.
- Determine financial statement account risks by analyzing quantitative and qualitative factors, including the review of interim financial statements and budgetary documents.
- Identify relevant assertions and related risks.
- Review and evaluate the City's internal control system and risk assessment process to determine the level of risk and mitigating controls.
- Establish status reporting and communication protocols.
- Develop audit plans.

02

Entity-level controls assessment

The objective of Step 2 is to evaluate the City's entity-level control environment and information technology controls using the widely accepted COSO evaluation framework, as applicable. Although not directly involved with the processing of transactions, these pervasive controls can have a significant effect on the financial reporting process.

Activities

- Review appropriate elements of COSO for the City's internal control system.
- Perform information technology general control (ITGC) review.
- Document and test entity-level controls via walkthroughs, interviews, and detailed testing.
- Identify and test general controls over information technology systems upon which other significant application controls are dependent.
- Report key findings and discuss remediation steps.
- Prepare a summary of entity-level controls (including IT).

03**Transaction-level control assessment**

During Step 3, the engagement team will identify significant financial reporting and compliance controls for higher-risk areas. An assessment will be made as to whether controls are appropriately designed to mitigate the identified risks and have been placed in operation.

Activities

- Identify key financial reporting controls.
- Perform walkthroughs to assess design effectiveness and document results.
- Evaluate the risk of control failure, considering factors such as:
 - Past errors
 - Entity-level controls
- Develop/evaluate risk and control matrices of all key risks related to control points.
- Perform tests of application controls, as appropriate.
- Assess the design of controls.

04**Testing and reporting**

The final stage of our internal controls approach involves developing and executing a test plan of the transaction-level key controls. An assessment is made as to whether the controls are operating as intended to mitigate the associated risk. The nature, timing, and extent of testing is correlated with the risk of control failure determined in Step 3.

Activities

- Develop testing strategy and plan for key controls, including the nature, timing, and extent of testing.
- Execute testing and summarize results.
- Evaluate whether controls are operating effectively.
- Investigate root cause(s) of control weaknesses.
- Design substantive tests for account balances based on control testing results.

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

Identifying laws and regulations to include in testing

When planning and performing audit procedures, as well as evaluating and reporting the results, we recognize the potential for an illegal act to materially impact financial statements. This is particularly relevant in the context of the Measure I Local District Tax Fund, where compliance with Ordinance No. 2024-08 is essential.

Laws and regulations vary considerably in their relationship to the financial statements:

- **Direct and material effect on financial statements** — We consider laws and regulations that directly and materially impact the determination of financial statement amounts. For example, escheat or unclaimed property laws may affect recorded liabilities and revenues, and applicable laws and regulations may influence the amount of revenue accrued under government contracts. However, we assess such laws or regulations based on their known relationship to audit objectives tied to financial statement assertions, rather than from a legal standpoint.
- **Indirect effect on financial statements** — The Measure I program may be affected by numerous other laws and regulations, such as those related to occupational safety and health, equal employment, and other violations. Generally, these laws and regulations pertain more to operational aspects than to financial and accounting aspects, and their impact on financial statements is indirect. We typically do not have a sufficient basis to recognize potential violations of these laws. Their indirect financial effect usually arises from the need to disclose a contingent liability due to allegations or findings of illegality.

Normally, our audit does not include procedures specifically designed to detect illegal acts that indirectly affect the financial statements. However, the following procedures, performed for the purpose of forming an opinion on the financial statements, may bring possible illegal acts to our attention:

- Familiarity with the legal operational framework applicable to the Measure I program and its operations.
- Inquiring with management and the City's legal counsel about the accounting for and disclosure of loss contingencies.
- Asking management about laws and regulations that could have a significant impact on operations related to Measure I.
- Discussing with management the policies and procedures in place for identifying, evaluating, and accounting for litigation, claims, and assessments.
- Inspecting relevant documentation and correspondence with licensing or regulatory authorities.
- Obtaining written confirmation from management indicating they have disclosed all known events involving possible illegal acts, along with any actual or potential consequences which may arise.

SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

Quality control process

At MGO, our mission is to deliver outstanding service to our clients, remain responsive to our community, and uphold our pillars of quality and integrity. Our professionals are the cornerstone of the service we provide, and we support them with a robust system of quality controls designed to foster excellence.

Our quality control system includes a systematic review of all work, with increasing levels of scrutiny based on assessed risk. Each engagement undergoes a concurring review of reports prior to issuance, ensuring accuracy and compliance with professional standards. Only qualified, experienced professionals are assigned to the City's engagement, providing personalized, professional, and timely service. Our management personnel remain actively involved throughout the engagement, offering continuity and deep experience in government operations.

We maintain ongoing internal reviews during the engagement to confirm the conceptual soundness and technical accuracy of working papers. This continuous oversight helps guarantee that deliverables are completed on schedule. Additionally, MGO participates in an external peer review program conducted by an unaffiliated firm at least once every three years, further validating our commitment to quality.

Protection of client data

MGO adheres to all the City's policies regarding access to sensitive information and complies with the AICPA Code of Professional Conduct concerning client confidentiality. Our internal policies also reflect the requirements of the Health Insurance Portability and Accountability Act (HIPAA) for audits involving personal health information.

We prioritize data minimization, avoiding the collection or retention of personally identifiable information (PII) such as Social Security Numbers whenever possible. When PII is necessary, we implement strict safeguards, including secure file sharing systems and encrypted data transfer protocols. We classify data by sensitivity level—confidential, sensitive, or public—and apply appropriate security measures for each category, including secure off-site backup procedures aligned with recovery time objectives.

ISO 27001 certification

MGO's information security practices are governed by the ISO/IEC 27001 standard, the only auditable framework that addresses both technical controls and the overall management of information security. This certification reflects our commitment to protecting all corporate data, including financial records, intellectual property, employee details, and third-party information.

The ISO 27001 framework includes 114 controls across key areas such as:

- A.5 Information security policies
- A.6 Organization of information security
- A.7 Human resources security
- A.8 Asset management
- A.9 Access control
- A.10 Cryptography
- A.11 Physical and environmental security
- A.12 Operational security
- A.13 Communications security
- A.14 System acquisition, development, and maintenance
- A.15 Supplier relationships
- A.16 Information security incident management
- A.17 Information security aspects of business continuity management
- A.18 Compliance



SECTION 3 | AUDIT UNDERSTANDING AND APPROACH

All MGO systems—including network traffic, access control, and regulated change management—are monitored 24/7. We conduct annual risk analyses, access reviews, and penetration testing, and all staff are required to complete quarterly security awareness training.

Project management, communication, and clarifying questions

Listening generously is one of our firm's fundamental tenets. Effective listening and regular, proactive, two-way communication throughout the engagement are the cornerstone of MGO's approach to delivering high-quality service. Focusing on communication allows our team to gather the information necessary to perform the engagement, keep stakeholders updated on the status of services, and support the City in evaluating whether MGO's services meet expectations.

We hold weekly status meetings and provide frequent updates to keep project sponsors informed. These meetings include a summary of work conducted to date, work planned for the next two weeks, and any issues requiring management attention. In addition to scheduled meetings, MGO will communicate any emerging issues as they arise, rather than waiting for the next status report.

Our seasoned accounting professionals work closely with City staff to deliver services in a timely and efficient manner. Our approach allows management to focus on core responsibilities while leveraging our team's experience to improve the effectiveness of financial operations. The deployment of industry best practices and technology help reduce manual, labor-intensive processes, increasing the quality and reducing the cost of related services.

SECTION 4

Proposed Scope of Services

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SECTION 4 | PROPOSED SCOPE OF SERVICES

Evaluation of scope of work

The Committee has requested feedback on the proposed scope of services, including suggestions for clarification or improvement. Ordinance No. 2024-08 Section 3 Part F assigns the Committee the responsibility of issuing an annual audit report on revenue use. However, regulatory language often lacks detail on the required scope and applicable professional standards. Under AICPA standards, various engagement types can demonstrate compliance.

For example, one proposer asked during the RFP Q&A whether an agreed-upon procedures (AUP) engagement could be an acceptable alternative. We considered an AUP engagement but found the RFP lacked sufficient detail to develop procedures and a realistic fee. AUPs require the contracting entity to define specific procedures, which must be clear and non-interpretive. While some organizations prefer AUPs for their precision, they demand significant upfront collaboration and could delay contracting and affect fees.

Our proposal assumes a financial and compliance audit of a single schedule of Measure I revenues and expenditures, performed under GAAS and Government Auditing Standards. This approach offers enhanced assurance through stricter independence requirements, internal control and compliance reporting, and greater transparency—critical for special funds like Measure I. The resulting report will help the Citizens Oversight Committee and City Council verify proper fund use and assess internal controls and budgetary compliance.

Given the limited scope—a single financial schedule and ordinance compliance—we believe a financial and compliance audit provides similar effort to alternative scope and greater value. We recommend proceeding with the audit as proposed for year one and revisiting alternative engagements in future years once the Committee's oversight needs and the City's administration of Measure I are better understood.

Proposed engagement timeline

Our philosophy for a successful engagement is based on organization, communication, and coordination between the parties responsible for completing the engagement — MGO, the City of Escondido Finance Department, and other responsible management personnel. We take coordination seriously and regard it as an integral factor in the relationship.

We recognize the importance of timely completion of engagement tasks and deliverables. The timing of our audit procedures will be coordinated with City management to minimize disruption to operations and to support delivery of the audit report within the required 90-day window following the end of each fiscal year, as outlined in Ordinance No. 2024-08.

Customarily, our clients designate a point of contact to serve as a liaison between their team and MGO. This individual assists in arranging interviews and meetings, coordinating information and data requests, and providing other support as needed. Other staff may be called upon periodically to attend interviews and provide documentation in support of the engagement.

On the following page is our proposed timeline for the audit of the Measure I Local District Tax Fund. This schedule is flexible and will be finalized in collaboration with the Citizens Oversight Committee and City staff during the entrance conference.

SECTION 4 | PROPOSED SCOPE OF SERVICES

| Description | Timeline |
|--|--------------------------------------|
| Planning and Information Gathering | |
| Entrance conference – Discuss scope, expectations, and communication protocols | Week of June 15, 2026 |
| MGO to provide preliminary information request | June 22, 2026 |
| MGO to obtain and understanding of internal controls | Week of July 13, 2026 |
| MGO to conduct risk discussions, including fraud, with key City officials and Citizens Oversight Committee | July 13 – 31, 2026 |
| Execution | |
| City to provide trial balance | August 17, 2026 |
| MGO to design and execute tests of internal controls and substantive tests of yearend balances. | August 24 – September 4, 2026 |
| MGO to design and execute tests of compliance with Measure I requirements | August 24–September 4, 2026 |
| Completion and Reporting | |
| MGO to draft report | August/ September 2026 |
| MGO to provide draft report to the City | September 8, 2026 |
| City to provide report comments to MGO | September 11, 2026 |
| Exit conference - Discuss audit outcomes and outstanding items | Week of September 14, 2026 |
| MGO to provide 2 nd draft to the City and Commission to review | September 15, 2026 |
| Finalize and issue report | By September 30, 2026 |
| Present audit report and required communications to the Citizens Oversight Committee | October 2026 (if scheduled) |

Segmentation of the engagement

MGO's risk-based audit approach offers significant flexibility in our audit plans, allowing us to effectively allocate resources for the Measure I engagement. We understand the importance of the professional relationship between the City and its auditors, and we recognize that value comes from the knowledge, experience, and dedication the auditing firm provides.

To meet these expectations, we have developed a segmented plan, shown below, which outlines the estimated annual hours required for each phase of the audit. This plan is designed to achieve the City's objectives while addressing specific needs, and we may adjust the hours based on the schedule of new processes or accounting standard implementations to reflect the appropriate level of effort.

| Annual Financial and Compliance Audit Activities by Role | Estimated Hours |
|--|-----------------|
| Information Gathering and Planning | |
| Engagement Partner | 2 |
| Supervisors and Senior Associates | 20 |
| Total Planning and Information Gathering | 22 |
| Execution | |
| Engagement Partner | 4 |
| Supervisors and Senior Associates | 55 |
| Experienced and Staff Associates | 60 |
| Total Execution | 119 |
| Completion and Reporting | |
| Engagement Partner | 2 |
| Technical Review Partner | 2 |
| Supervisors and Senior Associates | 20 |
| Administrative Support | 2 |
| Total Completion and Reporting | 26 |
| Total Estimated Hours | |
| Engagement Partner | 8 |
| Technical Review Partner | 2 |
| Supervisors and Senior Associates | 95 |
| Experienced and Staff Associates | 60 |
| Administrative Support | 2 |
| Grand Total | 167 |

SECTION 5

Relevant Experience

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SECTION 5 | RELEVANT EXPERIENCE

Relevant experience

MGO has extensive experience conducting audits for governmental entities, including engagements similar in scope and complexity to the Measure I Local District Tax Fund audit.

As highlighted in Section 2, our experience includes compliance audits for voter-approved sales and bond measures, toll fund audits, and consulting engagements that support oversight boards and public reporting. In the past five years, we have audited the use of restricted funds for:

- City of Fremont – Measures B, BB, F
- City of Oakland – Measures AA, B, BB, C, F, Z
- City of Pleasant Hill – Measure K
- City of Sacramento – Measure U
- County of Contra Costa – Measure X
- County of San Mateo – Measures A and W
- County of Santa Clara – Measure A

Additionally, we serve as a consultant to a San Francisco Bay Area county, providing quarterly analysis of program implementation, budgets, and expenditures for a local bond measure. We help summarize key metrics and maintain a publicly accessible dashboard to promote transparency and accountability.

The following examples represent three significant audit engagements. These audits were selected based on their relevance to the services requested in this RFP, including financial and compliance audits of local tax measures and public funds.

| Client Name | COUNTY OF SANTA CLARA |
|----------------------------|--|
| Point of Contact | Annie Tom, Division Manager +1 (408) 299-5265 annie.tom@fin.sccgov.org |
| Scope of Work | Audit of the financial statements of the Measure A Housing Bond Projects Funds and consulting services supporting the Oversight Committee. |
| Date of Engagement | Fiscal year 2017 to present |
| Total Staff Hours | 250 |
| Engagement Partners | Benjamin Lau, David Bullock |

SECTION 5 | RELEVANT EXPERIENCE

| Client Name | | COUNTY OF SAN MATEO DEPARTMENT OF PUBLIC WORKS |
|----------------------------|--|--|
| Point of Contact | Nia Estonilo, Financial Services Manager +1 (650) 363-4100 asy@smcgov.org | |
| Scope of Work | <p>Examined management's assertion that the expenses of the County's Half-Cent Transportation Fund are limited to the improvement and maintenance of local transportation including street and road improvements as described in the 2004 San Mateo County Transportation Expenditure Plan for Measure A.</p> <p>Examined management's assertion that the expense of the County's Half-Cent Congestion Relief Fund, are limited to the operations described in the San Mateo Congestion Relief Plan for Measure W funds.</p> | |
| Date of Engagement | Fiscal year 2020 to present | |
| Total Staff Hours | 80 hours for Measure A and Measure W | |
| Engagement Partners | David Bullock, Annie Louie, and Scott Diem (Director-In-Charge) | |

| Client Name | | CITY OF PLEASANT HILL |
|----------------------------|---|-----------------------|
| Point of Contact | Erick Cheung, Chief Financial Officer +1 (925) 671-5231 echeung@pleasanthillca.org | |
| Scope of Work | Audit of the financial statements of the Measure K Fund | |
| Date of Engagement | Fiscal year 2017 to present | |
| Total Staff Hours | 50 | |
| Engagement Partners | Benjamin Lau, David Bullock | |

Resumes

Resumes of the engagement team start on the following pages.



Benjamin Lau, CPA, CGMA

Engagement Partner

Education and certifications

- University of California, Davis – B.A., Economics; Minor, Managerial Economics
- Certified Public Accountant, California
- Chartered Global Management Accountant

Associations

- American Institute of Certified Public Accountants
- Association of Government Accountants – Silicon Valley Chapter, Past President of the Board
- California Society of Certified Public Accountants
- GFOA Special Review Committee for ACFR Awards

PROPOSED ROLE AND RESPONSIBILITIES

- Lead and coordinate the overall delivery of the audit and technical assistance
- Lead project strategy and planning efforts
- Work closely with management team
- Available throughout the year to proactively identify issues

HOW I DELIVER VALUE TO YOU ...

I assist cities and associated entities in managing intricate regulations, confirming compliance, and averting fraud or loss. Through my guidance, they can establish strategic processes and governance frameworks to serve their constituents with transparency and excellence.

MY EXPERIENCE

With more than 25 years of experience providing auditing, accounting, and consulting services to the public sector, I have led audits for major cities, counties, and government agencies across California, including Oakland, San José, Fremont, and Palo Alto.

Government entities face complex challenges, and maintaining public trust is essential. I am passionate about driving efficiencies in financial statement audits by leveraging technology and best practices. For example, I have implemented CaseWare Connector applications to streamline processes and enhance the accuracy of client financial statements—a methodology that benefits organizations of all sizes and complexities.

SECTION 5 | RELEVANT EXPERIENCE

REPRESENTATIVE CLIENT EXPERIENCE

Local tax and bond measures

- City of Oakland
- City of Pleasant Hill
- County of Santa Clara

City governments and related entities

- Cupertino
- El Cerrito
- Foster City
- Fremont
- Modesto
- Mountain View
- Oakland
- Palo Alto
- Pleasant Hill
- Rohnert Park
- San Diego
- San Francisco
- San Jose
- Santa Ana
- Santa Rosa
- Sunnyvale

County governments and related entities

- Alameda
- Contra Costa
- Los Angeles
- Sacramento
- San Francisco
- San Mateo
- Santa Clara
- Tuolumne



Linda C. Hurley, CPA

Project Manager / Quality Control & Client Service Partner

Education and certifications

- St. Mary's College of California –B.S., Economics and Business Administration, Accounting
- Certified Public Accountant, California

Associations

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- California Municipal Finance Officers Association
- Government Finance Officers Association
- GFOA Special Review Committee (former member)
- BDO Alliance Governmental Roundtable (Group Leader Team)

PROPOSED ROLE AND RESPONSIBILITIES

- Consult with the engagement partner on technical accounting and auditing issues, including audit risk assessments
- Participate in client discussions about complex technical issues
- Review reports for compliance with financial reporting, compliance, and auditing standards
- Oversee contract administration and staffing resources assigned to the engagement
- Manage project timeline and client expectations
- Make presentations and coordinate communications with the Committee
- Provide timely and relevant information about new accounting and financial reporting standards
- Remain available throughout the year to proactively identify and resolve issues

HOW I DELIVER VALUE TO YOU ...

I take pride in offering financial and risk management advice to some of the largest and most complex cities, counties, and state agencies in the nation. My focus is on delivering peace of mind to my clients, whether it's through financial and compliance audit services or providing internal audit support to identify and address operational and fraud risks.

MY EXPERIENCE

For more than 28 years, I have provided auditing, accounting, and consulting services to the public and private sectors. I have served as the audit partner for the cities of Fresno, Los Angeles, Riverside, San Diego, San Francisco, and San José; the counties of Alameda, Contra Costa, Fresno, Los Angeles, Orange, and Santa Clara; and state agencies in California, Hawaii, and Oregon, many of which include agreed-upon procedures and operational assessments for a variety of subject matters.

I enjoy presenting to accounting and financial professionals on topics such as the AICPA's Risk Assessment Standards, internal control, communicating audit findings, Single Audits, pension and OPEB accounting and reporting, and investment reporting and disclosures.

SECTION 5 | RELEVANT EXPERIENCE

REPRESENTATIVE CLIENT EXPERIENCE

City governments and related entities

- Antioch
- Encinitas
- Foster City
- Fresno
- Huntington Beach
- La Habra
- Los Angeles
- Pleasanton
- Riverside
- Rohnert Park
- San Diego
- San Francisco
- San Jose
- Santa Ana
- Santa Rosa

County governments and related entities

- Alameda
- Contra Costa
- Orange
- Fresno
- Los Angeles
- San Mateo
- Santa Clara
- Solano
- Yolo

Other governmental agencies

- California Public Employees' Retirement System (CalPERS)
- Home Forward (formerly Portland Housing Authority)
- Housing Authority of the City of Los Angeles
- Orange County Employees Retirement System
- San Diego City Employees' Retirement System
- State of Oregon, Department of Forestry



Yongxin (Tina) Yuan, CPA

Supervisor

Education and certifications

- University of California, Irvine – The Paul Merage School of Business
 - Master of Accountancy (MAcc)
 - Bachelor of Arts in Accounting and Business/Management
- Certified Public Accountant, California

Associations

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants

PROPOSED ROLE AND RESPONSIBILITIES

- Plan and coordinate logistics of audit work, such as status meetings and document requests with client contacts
- Communicate with the client throughout the engagement
- Prepare, review, and update audit plan with engagement manager and/or partner
- Supervise staff performing audit work, assist with questions that arise during the audit work and review staff work
- Perform substantive and analytical procedures and document the results for complex financial statement areas

HOW I DELIVER VALUE TO YOU ...

I am passionate about precision and efficiency. My focus is ensuring audits run smoothly, deadlines are met, and deliverables exceed expectations.

MY EXPERIENCE

With more than six years of experience, I have served multiple municipalities and government entities across California. My responsibilities include compiling data for financial statements, preparing workpapers and supporting schedules, performing detailed tests, auditing cash reconciliations, and reviewing transactions such as cash receipts, disbursements, capital assets, accounts payable, sales, and payroll. I also prepare adjusting and closing journal entries.

As an engagement supervisor, I oversee staff work and uphold quality throughout the audit process. I currently serve in this role for audits of the City of Mountain View, the City of San José, County of Santa Clara, and the Santa Clara Housing Authority.

REPRESENTATIVE CLIENT EXPERIENCE

Local tax and bond measures

- County of Santa Clara

City governments and related entities

- Fremont
- Mountain View
- Palo Alto
- San Francisco
- San José
- Santa Rosa
- Sunnyvale

County governments and related entities

- Alameda
- San Mateo
- Santa Clara

SECTION 6

Manager/Key Staff

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Engagement leadership

Benjamin Lau, CPA, CGMA – Engagement Partner

With more than 25 years of experience auditing government entities, Benjamin will lead the engagement and oversee all phases of the audit. He will supervise the audit team, review all deliverables, and manage the delivery of services on time and in compliance with the City's requirements. Benjamin's active involvement throughout the engagement supports quality assurance and staffing continuity.

Linda Hurley, CPA – Project Manager, Quality Control Partner, and Client Service Partner

Linda brings more than 28 years of experience in governmental auditing and will serve in three key roles for this engagement. As **Project Manager**, she will be the principal contact for the Committee, responsible for coordinating all aspects of the engagement, managing timelines, and ensuring smooth communication. As **Client Service Partner**, she will oversee service delivery and remain available year-round to address emerging issues. As **Quality Control Partner**, she will review all deliverables to confirm compliance with Government Auditing Standards and MGO's internal policies. Linda's availability throughout the engagement promotes continuity and responsiveness.

Tina Yuan, CPA – Audit Supervisor

Tina has more than 6 years of experience in governmental auditing. She will manage day-to-day audit activities, coordinate fieldwork, and perform supervisory reviews of working papers. Tina will serve as the primary point of contact for scheduling and information requests during fieldwork, ensuring timely communication and issue resolution.

Resumes and representative experience for each team member are provided in Section 5.

Commitment to professional standards and staffing continuity

MGO confirms that all engagement team members meet the continuing professional education requirements outlined in Government Auditing Standards. Each auditor completes at least 80 hours of CPE every two years, including 24 hours directly related to government auditing and accounting. Our training covers technical topics such as GASB updates, federal compliance, internal controls, and cybersecurity.

We also prioritize staffing continuity. Engagement leaders and key personnel will remain assigned throughout the audit. If changes become necessary, replacements will have comparable qualifications and experience, and we will coordinate with the City for approval. No additional costs will be incurred for transition or training.

SECTION 7

Cost Proposal

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Proposed costs

Our fee philosophy is to foster long-term client relationships by offering quality service at fair and competitive rates. We are sensitive to the City's need to control and contain costs and have developed a pricing model that allows us to provide a high level of experience and commitment without compromising quality.

Our not-to-exceed fee proposal is based on our understanding of the services requested in the RFP and any addenda, and assumes the following:

- Most audit work will be conducted remotely, including interviews and status meetings via videoconference.
- The City will designate an internal project manager to assist with scheduling and coordination.
- The City has documented policies, procedures, and job descriptions available to support the audit.
- Financial records and supporting documentation are readily accessible in electronic format.

Should these assumptions change, our proposed fees may require adjustment. If we encounter difficulties—such as unavailable records or unexpected audit issues—we will meet with City staff to discuss the situation and any potential fee revisions before additional work is performed.

Rates for additional professional services

Additional services requested outside the scope of this RFP will be performed only if authorized through a contract addendum. These services will be billed at our standard hourly rates in effect at the time of service, based on the level of responsibility and experience required.

Please note that our acceptance of an agreement to perform the services described in this proposal is contingent upon the satisfactory completion of our client acceptance procedures.

The **Schedule of Professional Fees**, detailing estimated hours, billing rates, and total fees by personnel type—including all meetings, conference calls, site visits, and deliverables—is presented on the following page. No additional charges will be incurred unless mutually agreed upon in writing.

Schedule of Professional Fees - Fiscal Year Ending June 30, 2026

| Personnel Type | Hours | Standard Hourly Rate | Quoted Hourly Rate | Total |
|--|-------|----------------------|--------------------|---------------------|
| Partners/Directors | 10.00 | \$ 550.00 | \$ 425.00 | \$ 4,250.00 |
| Managers | - | 400.00 | 300.00 | - |
| Supervisors | 25.00 | 295.00 | 240.00 | 6,000.00 |
| Seniors | 70.00 | 240.00 | 190.00 | 13,300.00 |
| Staff | 60.00 | 195.00 | 155.00 | 9,300.00 |
| Administrative | 2.00 | 125.00 | 95.00 | 190.00 |
| MAXIMUM ALL-INCLUSIVE NOT TO EXCEED TOTAL | | | | \$ 33,040.00 |

Schedule of Professional Fees - Fiscal Year Ending June 30, 2027

| Personnel Type | Hours | Standard Hourly Rate | Quoted Hourly Rate | Total |
|--|-------|----------------------|--------------------|---------------------|
| Partners/Directors | 10.00 | \$ 565.00 | \$ 450.00 | \$ 4,500.00 |
| Managers | - | 410.00 | 325.00 | - |
| Supervisors | 30.00 | 300.00 | 240.00 | 7,200.00 |
| Seniors | 70.00 | 250.00 | 200.00 | 14,000.00 |
| Staff | 60.00 | 200.00 | 160.00 | 9,600.00 |
| Administrative | 2.00 | 125.00 | 95.00 | 190.00 |
| MAXIMUM ALL-INCLUSIVE NOT TO EXCEED TOTAL | | | | \$ 35,490.00 |

Schedule of Professional Fees - Fiscal Year Ending June 30, 2028

| Personnel Type | Hours | Standard Hourly Rate | Quoted Hourly Rate | Total |
|--|-------|----------------------|--------------------|---------------------|
| Partners | 10.00 | \$ 580.00 | \$ 465.00 | \$ 4,650.00 |
| Managers | - | 420.00 | 335.00 | - |
| Supervisors | 30.00 | 310.00 | 250.00 | 7,500.00 |
| Seniors | 70.00 | 260.00 | 205.00 | 14,350.00 |
| Staff | 60.00 | 205.00 | 165.00 | 9,900.00 |
| Administrative | 2.00 | 125.00 | 95.00 | 190.00 |
| MAXIMUM ALL-INCLUSIVE NOT TO EXCEED TOTAL | | | | \$ 36,590.00 |

Final word on fees

At MGO, we truly care about serving our clients and providing them with an extraordinary experience. If you are currently weighing your options and fees are a major concern, we are happy to discuss the scope of our services with you. Our team goes above and beyond to deliver exceptional results, and we believe that it is about more than just completing the job. Let's talk about how we can work together to achieve your goals.

SECTION 8

Noncollusion Declaration

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NONCOLLUSION DECLARATION

TO BE EXECUTED BY PROSPECTIVE CONSULTANT AND SUBMITTED WITH PROPOSAL

The undersigned declares:

The foregoing proposal submitted in response to the City of Escondido's Request for Proposals is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The proposal is genuine and not collusive or sham. The prospective consultant has not directly or indirectly induced or solicited any other prospective consultant to put in a false or sham proposal, and has not directly or indirectly colluded, conspired, connived, or agreed with any prospective consultant or anyone else to put in a sham proposal, or to refrain from submitting a proposal. The prospective consultant has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the proposal price of the prospective consultant or any other prospective consultant, or to fix any overhead, profit, or cost element of proposal price, or of that of any other prospective consultant. All statements contained in the proposal are true. The prospective consultant has not, directly or indirectly, submitted their proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, organization, proposal depository, or to any member or agent thereof to effectuate a collusive or sham proposal, and has not paid, and will not pay, any person or entity for such purpose.

Each individual executing this declaration on behalf of a prospective consultant that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that they have full power to execute, and does execute, this declaration on behalf of the prospective consultant.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on November 7, 2025.

Date

Signature

Title Linda Hurley

Of Macias Gini & O'Connell LLP

Signature

Title

Of

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY
MICHAEL R. MCGUINNESS, City

Attorney By: _____

SECTION 9

Exceptions to Sample Agreement

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Proposed changes to the Consulting Agreement

We have carefully reviewed the City of Escondido's Consulting Agreement and respectfully submit the following requested modifications for consideration.

Revision #1

1. Indemnification, Duty to Defend, and Hold Harmless.

- a. [Please use this subsection (and delete subsections b and c, below) if this is a **NON-CONSTRUCTION** contract and *is not* regarding a DESIGN PROFESSIONAL (see subsection c for types of DESIGN PROFESSIONALS)] CONSULTANT (including CONSULTANT's agents, employees, and subcontractors, if any) shall indemnify, **defend**, and hold harmless the CITY, its officials, officers, agents, employees, and volunteers from and against any and all claims, demands, actions, causes of action, proceedings (including but not limited to legal and administrative proceedings of any kind), suits, fines, penalties, judgments, orders, levies, costs, expenses, liabilities, losses, damages, or injuries, in law or equity, including without limitation the payment of all consequential damages ~~and attorney's fees and other related litigation costs and expenses~~ (collectively, "Claims"), of every nature caused by, arising out of, or in connection with CONSULTANT's performance of the Services or its failure to comply with any of its obligations contained in this Agreement, except where caused by the sole negligence or willful misconduct of the CITY.
- b. [Please use this subsection (and delete subsections a and c) if this is a **CONSTRUCTION** contract and *is not* regarding a DESIGN PROFESSIONAL] CONSULTANT (including CONSULTANT's agents, employees, and subcontractors, if any) shall indemnify, **defend**, and hold harmless the CITY, its officials, officers, agents, employees, and volunteers from and against any and all claims, demands, actions, causes of action, proceedings (including but not limited to legal and administrative proceedings of any kind), suits, fines, penalties, judgments, orders, levies, costs, expenses, liabilities, losses, damages, or injuries, in law or equity, including without limitation the payment of all consequential damages ~~and attorney's fees and other related litigation costs and expenses~~ (collectively, "Claims"), of every nature caused by, arising out of, or in connection with CONSULTANT's performance of the Services or its failure to comply with any of its obligations contained in this Agreement, except where caused by the active negligence, sole negligence, or willful misconduct of the CITY.
- c. [Please use this subsection (and delete subsections a and b, above) if this is a contract regarding a **DESIGN PROFESSIONAL** (Types of DESIGN PROFESSIONALS include: licensed architect, landscape architect, professional engineer, professional land surveyor)] CONSULTANT (including CONSULTANT's agents, employees, and subcontractors, if any) shall indemnify, **defend**, and hold harmless the CITY, its officials, officers, agents, employees, and volunteers from and against any and all claims, demands, actions, causes of action, proceedings (including but not limited to legal and administrative proceedings of any kind), suits, fines, penalties, judgments, orders, levies, costs, expenses, liabilities, losses, damages, or injuries, in law or equity, including without limitation the payment of all consequential damages ~~and attorney's fees and other related litigation costs and expenses~~ (collectively, "Claims"), of every nature caused by, arising out of, or in connection with CONSULTANT's performance of the Services or its failure to comply with any of its obligations contained in this Agreement, except where caused by the active negligence, sole negligence, or willful misconduct of the CITY, and only to the extent such Claims arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of CONSULTANT. Further, in no event shall the cost to defend charged to the CONSULTANT exceed the CONSULTANT's proportionate percentage of fault.

SECTION 9 | EXCEPTIONS TO SAMPLE AGREEMENT

- d. CONSULTANT (including CONSULTANT's agents, employees, and subcontractors, if any) shall indemnify, ~~defend~~, and hold harmless the CITY, its officials, officers, agents, employees, and volunteers from and against any and all Claims caused by, arising under, or resulting from any violation, or claim of violation, of the San Diego Municipal Storm Water Permit (Order No. R9-2013-0001, as amended) of the California Regional Water Quality Control Board, Region 9, San Diego, that the CITY might suffer, incur, or become subject to by reason of, or occurring as a result of, or allegedly caused by, any work performed pursuant to this Agreement.
- e. All terms and provisions within this Section 8 shall survive the termination of this Agreement.

Requested revision:

Remove the language that requires MGO (CONSULTANT) to “defend” the CITY for all liability, including attorney’s fees.

Recommendation:

Strike references to “defend/defense” and the right to attorney’s fees, as these provisions may compromise MGO’s insurance coverage. Our professional liability insurance is designed to protect the CITY’s interests and otherwise adheres to its coverage requirements. Additionally, MGO recommends including the following provision:

- “CONTRACTOR may be liable to the CITY for indemnification if CONSULTANT is found liable in a legal finding, court order, or adjudication of CONSULTANT’s negligence, fault, act, failure to act, omission, or violation of any state or federal law and/or regulation.”

Justification:

A provision requiring MGO to defend the CITY could compromise MGO’s E&O insurance coverage, as such claims are not considered covered under MGO’s existing policies. Specifically, our E&O policies do not cover defense or indemnity obligations that exceed the definition of a “claim” under the terms of the policy. This provision would require MGO to defend and pay attorneys’ fees for such claims without coverage under an available policy.

MGO & You

We're excited to explore the opportunities.

Linda Hurley, CPA
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