

Create Opportunities

We promise to know you and help you.



December 7, 2018

Proposal to provide professional auditing and tax services to:

California State University, Los Angeles

Prepared by:

David Robydek, MBA, CPA, Principal

David.Robydek@CLAconnect.com

direct 626-204-7324 | fax 626-793-3631

Renée S. Graves, CPA, CGFM, Principal

Renee.Graves@CLAconnect.com

direct 626-857-7300 | fax 626-857-7302



CLAconnect.com

WEALTH ADVISORY

OUTSOURCING

AUDIT, TAX, AND
CONSULTING



CLA (CliftonLarsonAllen LLP)
301 North Lake Avenue, Suite 900
Pasadena, CA 91101
626-793-3600 | fax 626-793-3631
CLAconnect.com

December 7, 2018

Thomas Leung, University Controller
California State University, Los Angeles
5151 State University Drive
Los Angeles, CA 90032

Dear Mr. Leung, Audit Committee and Board of Directors:

Thank you for inviting us to propose our services to you. CLA gladly welcomes the opportunity to share our approach to helping California State University, Los Angeles Auxiliary Organizations (Auxiliary Organizations), and four auxiliaries, meet its need for professional services. The enclosed proposal responds to your request for audit and tax services for five fiscal years ending with June 30, 2019 to June 30, 2023, which includes two one-year renewal options.

The following key points summarize why we believe you would be an important client to us and how we differentiate our firm from our competitors:

The Auxiliary Organizations will benefit from our experience as a national leader in serving colleges and universities and related organizations, including other CSU auxiliary organizations.

We are a firm with both a California and a national presence, currently ranked in the top ten CPA firms nationwide, with over 110 offices across the country. One of the benefits in choosing CLA is that we are led by our industries, which includes staff through principals working within an industry about which they are passionate. Our firm's largest industry is the Public Sector Group, which includes government, nonprofit, and higher education industries, providing audits for over 2,100 government institutions, 7,500+ nonprofits and government organizations including 800+ foundations, and 350 higher educational institution audits nationwide. The staggering statistic is that **our firm provides over 830 federal compliance audits – the most by any firm in the country!**

The institutions of higher education that we audit range from budget sizes of less than \$1 million to over \$2 billion. The portfolio of clients includes CSU Auxiliaries, California Community Colleges, and a large number of public and private institutions of all types, allowing our dedicated teams the ability to gather best practices from around the country as well as from an assortment of types of colleges and universities. Our clients believe in us so much that we have grown our higher education practice exponentially while rarely losing a client. Our reputation is so strong within the higher education industry that the U.S. Department of Education has engaged us as their auditors for the entire agency. The National Association of College and University Business Officers (NACUBO) has also been a client of ours for over 15 years.

We believe if we are to serve our clients well, we need to have a service team that is extremely knowledgeable about your industry and the challenges within. We have over 200 staff, including 20 principals, who dedicate a large percentage of their time serving institutions of higher education and their auxiliary services. To best serve you, the team that is proposed to serve you is dedicated to serving colleges and universities and has vast experience in doing so.

Our dedication to the higher education industry extends to being very active in national, regional, and local associations as well as providing training, position papers, e-flashes, and many more educational opportunities directly related to the higher education industry. **Imagine a firm that will bring you best practices from around the world: that is what CLA will do for you!**

The Auxiliary Organizations will gain value-added operational advice as an outcome of our services.

One of CLA's major competitive advantages is that we provide so many services to a vast amount of government, nonprofit, and higher educational institutions that we have seen almost every change, issue, or opportunistic scenario at some point in our history. Over the years CLA has provided audit and tax services to a variety of Auxiliary operations on four different CSU campuses. We are familiar with dining services, bookstore operations, recreational centers, student unions, faculty-staff housing and sponsored and campus programs.

Being able to draw on that history is critical to furthering your mission efficiently and effectively. Our dedicated team of higher education professionals has either experienced or has the ability to tap the resources within CLA. We are a full-service financial firm with resources that help us understand the issues you face today and tomorrow. Whether your needs are gaining efficiencies; understanding the federal, state, or local tax regulations; advising on best practices on governance; receiving advice on complex college issues and best practices in capital campaigns; or just having a portal to over 400 other colleges and personal contacts within the U.S. Department of Education, we have the ability to provide solutions to your challenges. Our clients boast of the fact that when they call us, we usually answer the question without doing any research, as we probably have addressed the issue with another client. In the end, as a service provider, we have become an extremely valued partner to our clients.

Whether it is providing benchmarking of your peers or ideas to cut costs or increase revenues, our audit services will provide value-added opportunities beyond what you have received in the past. Given that our team is very knowledgeable about the nonprofit and/or higher education industry, they are able to identify opportunities to improve your Institutions throughout the audit.

The list of value-added opportunities you have with CLA at an affordable audit price is tough to pass up.

The Auxiliary Organizations will have the advantage of the high-quality and technical expertise for which we are known both locally and nationally in your industry.

Try to imagine a firm that has the answers before you have the questions. We are constantly working to understand changes in regulations, tax laws, or even the environment in which you work. In essence, we want to stay ahead of the issues that might evolve, so we are working toward a solution for the Auxiliaries before the change happens. The reason we are so successful with change is due to our vast experience in higher education and our dedication to quality.

From speaking at national, regional, and local conferences to assisting in developing new standards that all firms follow, we are actively involved in many of the changes in the audit and accounting industry, and can proactively advise our clients on the new opportunities. Our firm is well-known in the standard-setting process, as we have been a co-author of the nonprofit audit guide, the new standards on auditing alternative investments, and interpretations of UPMIFA as well as the future FASB and GASB pronouncements currently being worked on. We also have been asked by the U.S. Department of Education to review and respond to the new student financial aid audit guide that is currently in process. The advantage to you is an understanding of emerging issues or topics from the sources that have helped draft the rules. This also allows you to receive information much quicker than your peers.

CPA firms who specialize in audits are required to have a peer review of our work to assure we are meeting the industry's standards. Our most recent peer review, dated November 21, 2016, resulted in a rating of *pass*. To attain a peer review of this nature is very rare in the current Certified Public Accounting environment. Given the rarity of a pass with no comments, we believe we far exceed the industry's requirements.

In addition, the U.S. Department of Education Inspector General ("OIG") recently reviewed our financial statement and compliance audit files for a major college client. The results were nothing but positive; the OIG even exclaimed that we were "better than our peers," among other compliments. The OIG informed us that they commonly have several issues after reviewing audit workpapers, but this was not the case in their review of our audit files.

Again, the **U.S. Department of Education believes in our firm so much that they hired us to be their auditors!**

Continuity of staff.

Our firm is truly fortunate to have great people who have embraced our firm's mission to serve our clients. Our staff have the ability to be part of a firm that is dedicated to your industry so much so that our number-one industry is our Public Sector Group. This has translated to our staff wanting and achieving a career within CLA. **Our retention rate for staff in the higher education group has been better than 87 percent for the preceding three years when compared to the national average of approximately 77 percent.** Many of our clients are afforded the same staff year after year. We know that re-training staff on the operations and nuances of an institution can be very time-consuming and frustrating. We believe that due to our high staff retention rate, we can help you rather than having you train us.

Our firm provides resources on emerging issues.

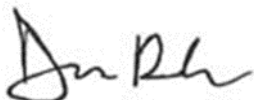
One of the great challenges for any institution is its efficient use of personnel and financial resources. The advantage our firm has over all others is our approach to educating each auxiliary on issues that not only will affect you today, but will prepare you for the future.

Our belief is that if we can educate our clients well in advance of the emerging issues, they will be in the best position for the future. Many years ago, our firm noted that standards and laws were changing at a rapid pace and that our clients did not have the time and resources to keep themselves informed of the changes. We saw a valuable chance to educate and converse with our clients about issues related to each institution. Therefore, in addition to the planning and exit meetings with management and board representatives, we would add a third meeting to discuss emerging industry issues to ensure that your board and management are fully informed of future challenges and opportunities.

Thank you for the opportunity to present this proposal. If you have any additional questions, please feel free to contact me at the number listed below.

Sincerely,

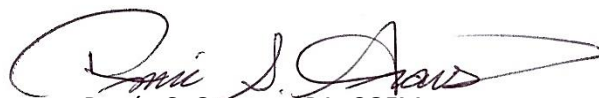
CliftonLarsonAllen LLP



David Robydek, MBA, CPA

Principal

David.Robydek@CLAconnect.com



Renée S. Graves, CPA, CGFM

Principal

Renee.Graves@CLAconnect.com

Table of Contents

Firm Overview	5
What makes us different?	6
Executive Summary	7
Why should the Auxiliary Organizations choose CLA?	7
Understanding of work to be performed	7
Understanding Your Industry	8
Higher education industry	8
Higher education and CSU Auxiliary experience	9
Single audit experience	10
Thought leadership and industry information	11
Industry participation	12
Additional services	12
Services Approach	13
Audit approach	13
Financial statement audit approach	13
Audit planning and assistance from you	18
Assistance from the Auxiliary Organizations' personnel	18
Single audit approach	19
Approach to be taken in drawing audit samples for purposes of tests of compliance	21
CLA's depth of capabilities	21
Audit Timeline	22
Engagement Team Experience and Resumes	23
Continuity of service	23
Auditor independence	24
Independence statement	24
References	29
Partial client listing	30
Professional Fees	31
Appendix	34
Quality control procedures and peer review report	34
Attachment A	37



Firm Overview

CLA exists to *create opportunities* for our clients, our people, and our communities through industry-focused wealth advisory, outsourcing, audit, tax, and consulting services. Our broad professional services allow us to serve clients more completely — from startup to succession and beyond.

Our professionals are immersed in the industries they serve and have specialized knowledge of their operating and regulatory environments. With more than 5,400 people, more than 110 U.S. locations, and a global affiliation, we bring a wide array of approaches to help clients in all markets, foreign and domestic.

5,400+
employees



RESOURCES
Including: **600+**
state and local
government professionals

INDUSTRY DRIVEN



We serve
2,100+
Governmental entities

60+
years
in business

HISTORY



FISCALLY STRONG



\$850
million in revenue



LOCATION

More than **110**
locations
nationwide

NATIONAL



Among the nations'
leading professional
services firm

With CLA by your side, you can find everything you need in one firm.



What makes us different?

You can depend on CLA for several uncommon advantages:

Deep industry specialization

Our people are industry practitioners first and foremost. You will work with professionals who know you, your organization, and your industry. We combine their knowledge with yours to make you stronger.



What you need in one firm

We offer planning and guidance from startup through succession, with particular care for the people behind the enterprise. Your team connects with a broad network of resources behind the scenes to support you.

Premier resource for nonprofits and government organizations

We place you — personally — at the core of our strategic focus because your success means a better world for all of us.



THE career-building firm

Our team members are personally invested in your success. You will work with entrepreneurial people, who are constantly developing capabilities to help you meet any challenge you face.

For more information about CLA, visit CLAconnect.com/aboutus.



Executive Summary

Why should the Auxiliary Organizations choose CLA?

At CLA, we develop sincere relationships with our clients; expressing our genuine interest in their respective industries; investing heavily in our personnel resources. Through this approach, we have grown to become one of the leading professional services firms in the nation. We have strong leadership and talent, commitment, and enthusiasm to provide our governmental clients excellent service in a cost-effective manner. We commit to providing you a high level of personalized, responsive service. Communication is as important to us as it is to you.

With CLA by your side, you can find everything you need in one firm. We know your industry, and we want to know you.

Understanding of work to be performed

We respond to your stated needs in a thorough and easy-to-follow manner. As requested, we propose to provide the following services for the year ending June 30, 2019 to June 30, 2023, which includes two one-year renewal options:

- Perform the audit of the financial statements of California State University, Los Angeles Auxiliary Organizations, which include Cal State L.A. University Auxiliary Services, Inc. (UAS), Associated Students of California State University, Los Angeles, Inc. (ASI), California State University, Los Angeles Foundation (Cal State LA, Foundation) University-Student Union, Inc. (USU) in accordance with generally accepted auditing standards and in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.
- Prepare management letter to include findings, observations, opinions, comments or recommendations regarding to internal controls, accounting systems, compliance with laws and any other material matter.
- Conform and comply with the California State University financial statement reporting and presentation policies and procedures.
- Report on internal control and compliance in accordance with OMB's Uniform Guidance (formerly OMB circulars A-21 and A-110), if applicable.
- Prepare IRS and state tax Forms 990, 990-T, 199, 109, and RRF-1, where necessary.
- Ensure the audits are in compliance with OMB's Uniform Guidance (formerly OMB Circular A-133), if applicable.
- Commit to meeting deadlines for the completion of each auxiliary's final audit drafts and final audit report in order for each auxiliary to meet both campus and Chancellor's Office reporting deadlines.
- Will provide a completion of an external peer review every three years.
- We will attend a pre-determined number of annual Audit Committee and Board of Directors meetings, according to the needs of each auxiliary.
- We will keep each auxiliary apprised of any FASB or GASB pronouncements or any audit rules and regulations which impact the organization in any material fashion.
- We will keep each auxiliary apprised of any changes to tax laws that impact the organization in any material fashion.



Understanding Your Industry

Higher education industry

CLA's experience in higher education

Higher education organizations are a dynamic, unique area of accounting, and require constant attention and monitoring. Our knowledge of your industry is crucial to offering actionable solutions. As a firm with more than 60 years of experience, we possess an exhaustive understanding of your challenges and are able to respond promptly and effectively to help meet them.

7,500+ nonprofit and government organizations, served including:

800+ foundations

350 institutions of
higher education

30+ community
college

These organizations have operating budgets ranging from under \$1 million to more than \$300 million, and assets ranging from \$1 million to over \$4 billion and over \$1 trillion within our public pension plan and federal government clients.

Therefore, CLA has extensive experience providing audit, tax, and consulting services to higher education clients of all sizes across the United States. Our industry and local professionals have the knowledge to adequately address your financial responsibilities so you can better focus each auxiliary's efforts on your mission. We believe this ability will allow for more frequent communication of ideas and information, as well as a more efficient, successful engagement—saving each auxiliary time and money. Our professionals understand that some of the common issues and attributes of these clients include:

- Volatile investment markets and recessionary pressures
- Valuation of alternative investments
- Proper accounting and cut-off for grants promised and made
- Changing regulations
- Demand for transparency, accountability, and verifiable impact
- Need for transparency at all levels

The Auxiliary Organizations will benefit from our experience as a national leader in serving the higher education industry. To serve our clients well, we believe we need to have service team members who are extremely knowledgeable about your industry and its challenges. From speaking at national, regional, and local conferences to assisting in developing new standards which all firms follow, we are actively involved in many of the changes in the audit and accounting industry and can proactively advise our clients on the new opportunities. CLA is known for being a part of the standard and regulation setting process, including being a part of writing or influencing the nonprofit audit guide, new standards on auditing alternative investments, new audit guide from the Department of Education, regulations on employee benefit plan audits, and changes in the Form 990. The advantage to you is the understanding of the emerging issues or changes before the public knows.



Participation in related college and university organizations

At CLA we take a great deal of pride in being thought leaders. There is a significant amount of uncertainty in any industry today, and with uncertainty comes anxiety. We recognize for our clients to be successful in these uncertain times, we must invest in gaining knowledge at a higher level, and use this knowledge to bring solutions to our clients so they can more effectively focus on charting a path for future success. The value to the Auxiliary Organizations is working with a provider who understands this evolving environment, and who will be able to offer critical insights we have gained through our own investments as well as best practices from working with similar institutions across the nation.

We are actively involved in a variety of higher education associations, and are frequent speakers on a variety of emerging industry audit and accounting related issues. Below is a summary of the associations where we are active.

NACUBO CACUBO EACUBO WACUBO SACUBO	Our active involvement on many levels with the National Association of College and University Business Officers established our knowledge and strengths and NACUBO is now a client. We have also been very involved with the Central, Eastern, Western and Southern Associations of College and University Business Officers as speakers, participants in meetings, and supporters of the annual conferences.
NASFAA	We have utilized the information and templates from National Association of Student Financial Aid Administrators for more than 20 years and utilize NASFAA's e-news letters to keep in front of the changes within the federal student financial aid requirements.
AICPA	Our CPAs are members of the American Institute of Certified Public Accountants (AICPA) and we actively attend the organization's events. Our lead Quality/Technical principal for our national nonprofit and government audit practice has been a member of the AICPA national conference committee and also has served as a reviewer for the annual revisions to the AICPA NonProfit Audit Guide and the annual AICPA publication, Not for Profit.
USDOE	We have been involved for many years in the training provided by the U.S. Department of Education (DOE) and we were selected by the DOE to be involved in the review of the audit guide for colleges and universities. Given the importance of being on the cutting edge of the DOE's direction, interpretations and their general activities is extremely important. We meet with representatives of the DOE on an ongoing basis to keep our firm and our clients well informed.
GAQC	CLA is one of the original members of the AICPA's Government Audit Quality Center. We receive current developments in accounting and auditing issues affecting compliance audits on a monthly basis.
ACUA	Our professionals attend and present on relevant topics at ACUA conferences.

Higher education and CSU Auxiliary experience

CLA has been serving institutions of higher education for more than 35 years, so we understand that these institutions operate in a unique environment. CLA is familiar with the challenges faced by colleges and universities and is able to respond promptly and effectively to help these organizations develop strategies to tackle challenges. In particular, we understand that colleges are faced with the challenge to keep tuition affordable while maintaining the growth necessary to provide a quality education to the ever-increasing number of students seeking higher education.



We currently deliver dependable and cost-effective audit and accounting services to more than 400 higher education entities across the nation. Due to our involvement with educational organizations and extensive experience serving higher education entities, we have developed a significant understanding of the issues and concerns faced by higher education institutions.

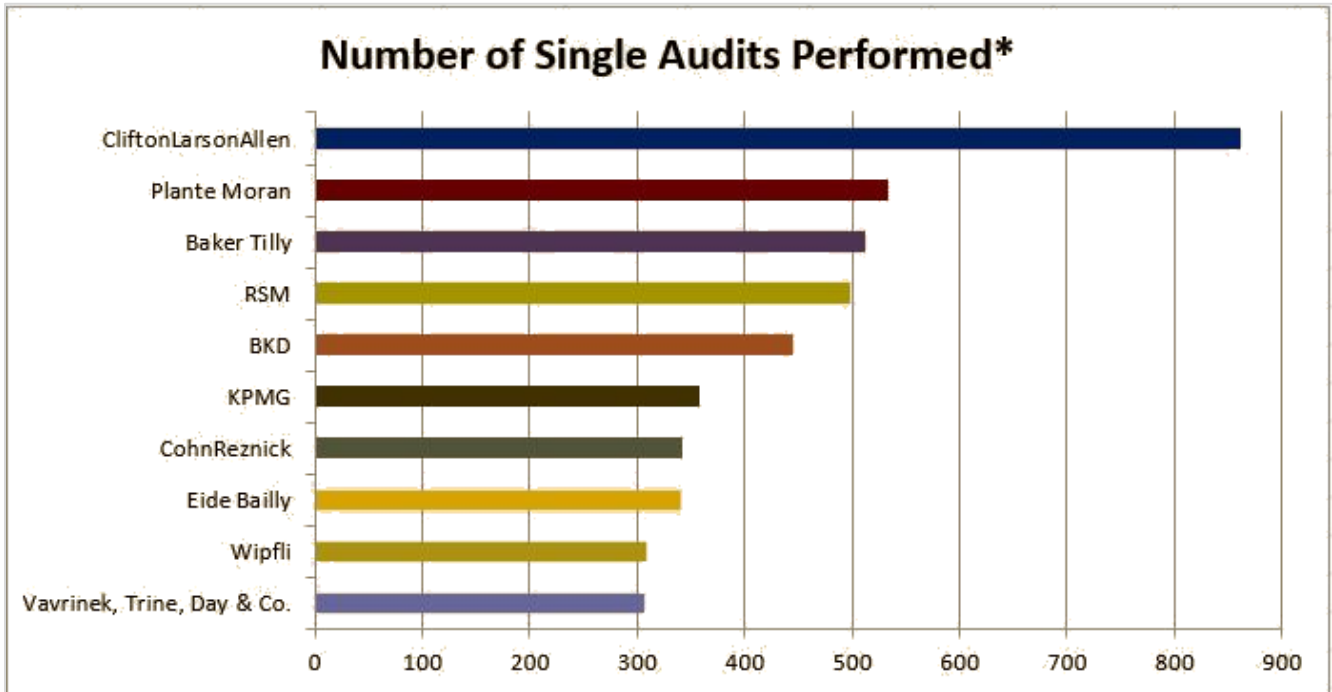
We understand institutions of higher education and related auxiliary operations, including the CSU system. We understand the importance of timing when it comes to providing the supplementary schedules for the system-wide audit. We are familiar with accounting and financial reporting requirements that are of importance, including long-term debt (system revenue bonds), complex endowments, investment portfolios and contributions.

We recognize the daily challenges, such as compliance, assurance, specialized nonprofit tax issues, budget preparation, and funding for expansion of services that higher education entities face. Through the objective advice of your local engagement team, we can continue to help you face the challenges and opportunities of today, along with those that will impact your operations tomorrow.

Single audit experience

CLA has become the national leader in providing audit, tax and many other financial services to government entities similar to each auxiliary. Our client portfolio of government and nonprofit organizations represents nearly half of the firm’s total revenues. You will benefit from CLA’s experience in this area. As outlined in the following table, **CLA performs more single audits annually than any other firm in the nation. CLA performs the largest number of single audits in the United States!** We audited more than **\$28.8 billion dollars in federal funds in 2016**. Specifically, your proposed audit team consists of professionals with a minimum of 10 years of experience auditing federal funds.

The table below illustrates CLA’s experience in serving organizations that receive federal funds and demonstrates our firm’s dedication to serving nonprofits and governmental organizations:



*The information for the firms above was pulled from the Federal Audit Clearinghouse for audits with fiscal year ends between January 1, 2016 – December 31, 2016.



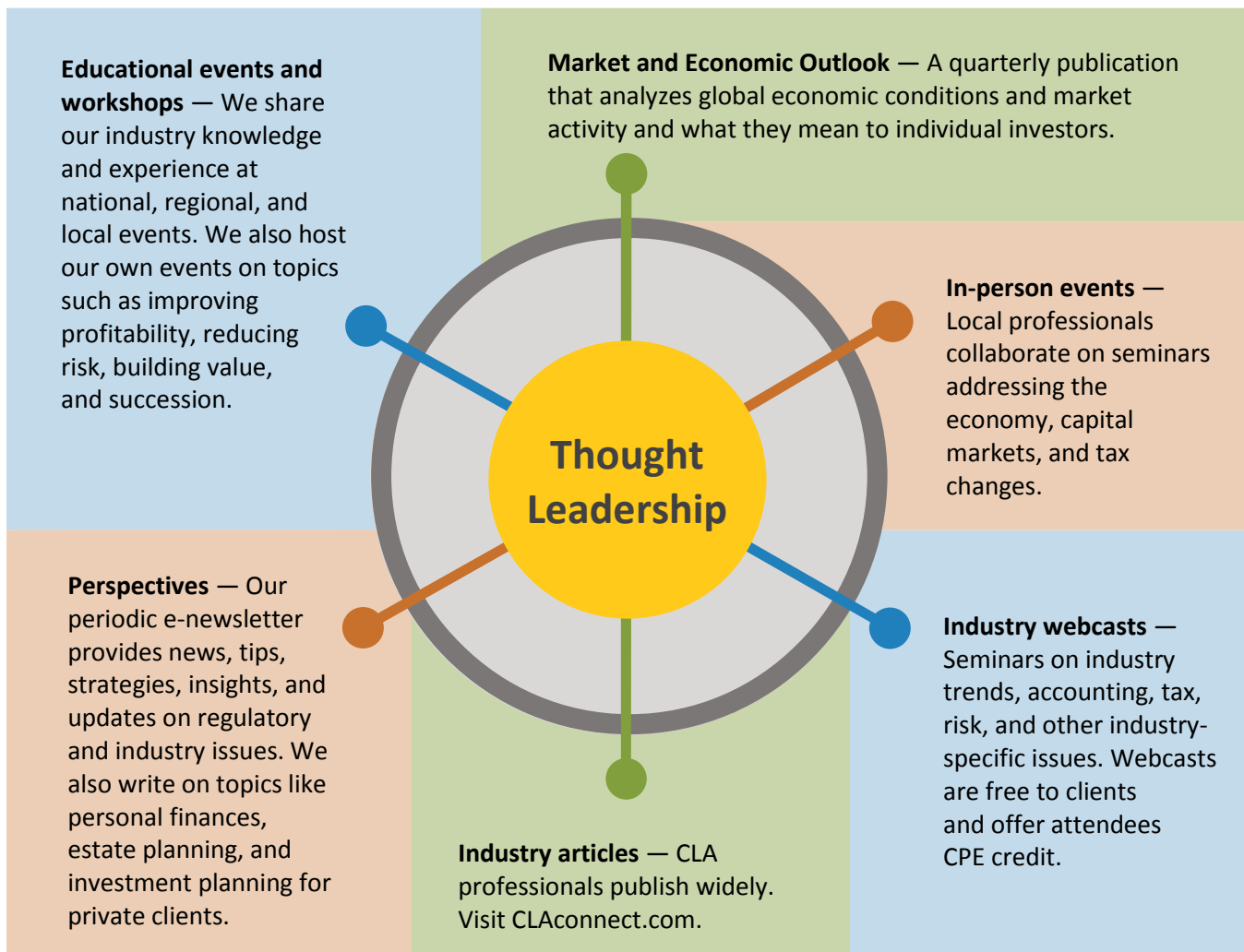
In the current environment of increased oversight, it is more important than ever to find qualified auditors who have significant experience with federal grants specific to each auxiliary and can enhance the quality of each auxiliary's single audit. Therefore, the single audit will be performed by a team of individuals who are managed by personnel who specialize in single audits in accordance with OMB's UG and who will offer both knowledge and quality for the Auxiliary Organizations. As part of our quality control process, the single audit will be reviewed by a firm Designated Single Audit Reviewer.

The AICPA clarified auditing standard, AU-C 801 "Compliance Audits" requires risk-based concepts to be used in all compliance audits including those performed in accordance with OMB UG. Our risk-based approach incorporates this guidance.

The Auxiliary Organizations need an audit firm experienced in performing single audits and a familiarity with the specific programs in which you are involved. You will benefit from CLA's experience in this area!

Thought leadership and industry information

CLA goes beyond the numbers and offers value-added solutions. Rest assured, you will hear from us throughout the year. We send periodic email publications and host webcasts to keep clients and friends of the firm informed of relevant industry updates. Below are just a few of the resources we offer. You can register for our webcasts and find our extensive resource library on our website, CLAconnect.com.



Industry participation

CLA actively supports industry education as a thought leader and industry speaker. Our firm focuses on supporting the educational needs of the industry through nationally sponsored trade events. Our team of nonprofit and government professionals is sought after, both as educators and as experienced speakers who are invited to speak and teach at major professional events by leading trade associations.

Additional services

In addition to the services outlined in the Service Approach for this proposal, CLA collectively offers a wide breadth of highly-customized services and capabilities to meet our clients' wants and needs, including a sampling of the following:

- Financial statement and forensic audits
- Fraud risk assessment and investigations
- Internal audit, risk assessments, and evaluations
- Strategic, financial, and operational consulting
- Implementation assistance for complex accounting standards
- Outsourced accounting and public administration
- ACA Reporting
- Strategic, business, and capital planning
- Operational and financial systems consulting
- Organizational and financial health assessment
- Operations and performance improvement
- Training and educational seminars
- Self-insured medical and PBM claim audits
- Telecom cost savings assessments
- IT security and network vulnerability assessments

We pride ourselves on taking the initiative to meet each and every need of our clients, and therefore are always prepared to take on additional projects. However, independence is our first concern when providing additional services. Independence can easily become impaired when providing consulting services; therefore, we do not provide any services to our audit clients beyond those allowed.

If additional work is requested by the Auxiliary Organizations outside of the scope of the audit, we will discuss with you our proposed fee for additional services prior to beginning the new services.



Services Approach

Audit approach

In forming our overall approach, we have carefully evaluated our past experience serving clients similar to each auxiliary. ***We are confident that the proposed mix of personnel we have chosen, based on skill set and qualifications, will allow us to successfully issue all of the required reports within the deadlines established by each auxiliary and in accordance with the scope of services indicated in the RFP.*** We also understand the importance of building upon and learning from the prior year's work and place a significant emphasis on maintaining staff continuity from one year to the next. Involving the same key personnel on the engagement each year allows us to increase our familiarity with each auxiliary, maximize efficiencies, and develop a positive working relationship with your staff.

On the following pages, we have outlined our comprehensive technical work plan to complete the scope of work, all of which has been designed to minimize disruptions to the Auxiliary Organizations.

Financial statement audit approach

Our audit objective extends beyond the issuing of an opinion on financial statements. We believe that a good audit yields substantial information for management and is a valuable tool in recognizing opportunities and identifying areas that can be strengthened. An effective audit performed by our team will also provide:

- An objective look at your policies and procedures
- Valuable suggestions for improvements in your financial operations and other areas
- An analysis of trends and unusual variations from year to year
- Protection for current and future resources through improved internal controls
- A deterrent to embezzlement and other fraudulent activities

Benefits of CLA's Risk-Based Approach

Our audit services are designed to protect the interests of management by concentrating on high-risk areas. Risk identification is the first step of the audit process, providing the basis upon which the overall plan is developed. Our risk assessment process involves consideration of the following types of risk:

- **Inherent risk** – that an error in the accounting and reporting process may occur
- **Control risk** – that internal control systems designed to prevent/detect errors may fail
- **Audit detection risk** – the risk that audit procedures may fail to detect errors

Through careful consideration of the above risks and their interrelationships, we will develop an audit plan and related procedures that concentrate our efforts on those elements of your financial statements that involve the greatest risk. At the same time, we will avoid the unnecessary application of commonplace and traditional procedures to low-risk areas.

We expect that the majority of our audit hours will be concentrated in the high-risk audit areas. Our approach is not to review every account with extensive substantive testing. While substantive testing remains part of the process, we first identify relationships and truly learn about your operations.



Commitment to communication with management

As you will see, we are committed to ongoing communication throughout the engagement. Continual communication starts when an engagement letter is issued, continues until the completion or closeout of an engagement, and throughout the remainder of the year. We believe effective communication is critical to a

Generally Accepted Government Auditing Standards

Generally accepted government auditing standards, also known as Government Auditing Standards, are standards set by the Government Accountability Office (GAO) and incorporate all of the requirements of generally accepted auditing standards; however, they added several additional items. Government Auditing Standards describe the ethical principles that are the foundation of governmental audits and establish requirements for the scope of audit work, auditor qualifications and independence, competence of the audit staff, exercise of professional judgment, and quality control and external peer reviews, as well as standards for planning, supervision, and reporting. For example, some of the additional requirements extend beyond generally accepted auditing standards in the following ways:

- More extensive documentation requirements related to independence than in the AICPA independence standards
- More restrictive continuing professional education requirements
- More requirements relating to communication during the planning stage of the audit
- An unconditional requirement that auditors must use professional judgment in planning, performing, and reporting on audits and attestation engagements
- More requirements for considering the results of previous audits and attestation engagements
- More extensive reporting requirements, which including planning and performing procedures to develop the elements of the findings that are relevant and necessary to achieve the audit objectives
- More extensive quality control and assurance requirements
- Additional considerations relating to audit documentation requirements

successful engagement. This communication includes the exchange of ideas and advice as changes are considered or implemented by the entity or the accounting profession.

During the engagement, we will hold regular status meetings with each auxiliary to ensure day-to-day operations, results, and any issues are commonly understood and addressed. The objectives of tracking and formally reporting the engagement status are to:

- Provide a consistent technique for monitoring progress against plan
- Identify any issues quickly to allow for timely corrective action
- Provide an objective rather than subjective evaluation of status
- Provide timely information on a regular basis
- Assist with obtaining buy-in of any audit recommendations on a timely basis

Our proactive measures ensure communications, both written and oral, are ongoing, relevant, and routine to our engagements. Our commitment to this practice ensures open lines of communication and often prevents and/or mitigates service delivery issues. Our professionals are trained in documenting observations, recommendations, business issues, and new developments as part of their daily routine.



We will conduct our financial statement audit in four primary phases, as shown below:



Continuous Communication Throughout

Methodology. *Our audit is performed based on a risk-based approach. We conduct our audits under the concept of “understanding the entity.” This concept is based fundamentally on the fact that the Auxiliary Organizations are unique. By understanding the Auxiliary Organizations, we gain the necessary perspective for performing an effective audit. Our audit approach places particular emphasis on the planning phase to determine maximum efficiency and effectiveness.*

Phase 1: Assessment

The assessment phase of an engagement starts when an engagement letter is issued.

Upon notice of contract award, we will prepare a contract and engagement letter. We will communicate our plan to start the work and to discuss the audit process. These discussions are intended to accomplish the following:

- Identify key management and staff involved in the audit
- Identify primary audit liaisons
- Introduce our audit team and identify key CLA contact personnel
- Discuss the timetable
- Explain our means and ways of communication
- Inquire about any issues, which we may need to be aware of
- Discuss logistics and administrative matters
- Complete a preliminary assessment of risk based on a review of prior year workpapers and knowledge of your organization

Through all phases of the audit, we think it is important to have regular communications with each Auxiliary Organizations’ management to discuss the status of the engagement. We will provide timely communication of any critical issues, concerns, and potential findings with the person primarily responsible for the area and our audit liaisons.

We will be available to meet with key management prior to issuance of the final audit report. This meeting will highlight some of the results of the audit, any outstanding items, and reporting and issuing processes.

Phase 2: Planning & Strategy

The main objective of the planning phase is to identify significant areas and design efficient audit procedures. We will accomplish our planning by following the methodology below:

- Conduct an entrance meeting – the audit team will meet with each Auxiliary Organizations’ personnel to mutually agree on an outline of responsibilities and timeframes. The agenda will include but not be limited to the following:
 - Establish audit approach and timing schedule



- Assistance to be provided by the Auxiliary Organizations' personnel
 - Application of generally accepted accounting principles
 - Initial audit concerns
 - Concerns of the Auxiliary Organizations' management
 - Establishment of report parameters and timetables
 - Progress reporting process
 - Establish principal contacts
- Confirm an understanding of the operations of each auxiliary, including any changes in its organization, management style, and internal and external factors influencing the operating environment. We will utilize reference materials such as the budget and related materials, organizational charts, manuals and programs, financial, and other management information systems
 - Identify significant accounts and accounting applications, critical audit areas, significant provisions of laws and regulations, and relevant controls over operations
 - Determine the likelihood of effective Information Systems (IS) - related controls
 - Perform a preliminary overall risk assessment
 - Confirm protocol for requesting information from and meeting with the business office staff.
 - Establish a timetable for the fieldwork phase of the audit
 - Determine a protocol for using Interactive Data Extraction and Analysis (IDEA), our data extraction and analysis software, to facilitate timely receipt and analysis of reports from management
 - Compile an initial comprehensive list of items to be prepared by each auxiliary, and establish mutually agreed upon deadlines

We will document our planning through preparation of the following:

- **Entity Profile.** This profile will help us confirm an understanding of the Auxiliary Organizations' activities, organizational structure, services, management, key employees and regulatory requirements
- **Preliminary Analytical Procedures.** These procedures will assist in planning the nature, timing and extent of auditing procedures that will be used to obtain evidential matter. They will focus on enhancing our understanding of the financial results, and will be used to identify any significant transactions and events that have occurred since the last audit date, as well as to identify any areas that may represent specific risks relevant to the audit
- **General Risk Analysis.** This will contain our overall audit plan, including materiality calculations, fraud risk assessments, overall audit risk assessments, effects of our IS assessment, timing, staffing, client assistance, a listing of significant provisions of laws and regulations and other key planning considerations
- **Account Risk Analysis.** This document will contain the audit plan for the financial statements, including risk assessment and the extent and nature of testing by assertion
- **Prepared by Client Listing.** This document will contain a listing of schedules and reports to be prepared by each Auxiliary Organizations' personnel with due dates for each item

One of the key elements in the planning of this audit engagement will be the heavy involvement of principals and managers. We will clearly communicate any issues in a timely manner, and will be in constant contact with the Auxiliary Organizations as to what we are finding and where we expect it will lead.

We will develop our audit programs during this phase. Utilizing the information we have gathered and the risks identified we will produce an audit program specifically tailored to the Auxiliary Organizations. This program will detail by major section the nature and types of tests to be performed. We view our programs as living documents, subject to change as conditions warrant.



Phase 3: Systems Evaluation

During the systems evaluation phase, we will gain an understanding of the internal control structure of the Auxiliary Organizations for financial accounting and relevant operations. Next, we will identify control objectives for each type of control that is material to the financial statements, and then identify and gain an understanding of the relevant control policies and procedures that effectively achieve the control objectives. Finally, we will determine the nature, timing, and extent of our control testing and perform tests of controls.

This phase of the audit will include testing of certain key internal controls:

- Electronic data, including general and application controls reviews and various user controls
- Financial reporting and compliance with laws and regulations

We will test controls over certain key cycles. One audit efficiency initiative is to rely heavily on internal controls when appropriate, and to creatively look at internal control testing to make it as efficient as possible. This means not routinely performing detailed tests of transactions using large samples. We first seek to identify key controls, and then identify possible testing through alternative methods, such as observation, interviews, and re-performance. These tests serve not only to gather evidence about the existence and effectiveness of internal control for purposes of assessing control risk, but also to gather evidence about the reasonableness of an account balance.

We will also develop our internal control tests to assess the compliance with certain provisions of laws, regulations, contracts, and grants for which noncompliance could have a direct and material effect on the determination of financial statement amounts. Our use of multi-purpose tests allows us to provide a more efficient audit without sacrificing quality.

Phase 4: Testing & Analysis

The extent of our substantive testing will be based on results of our internal control tests. It has been our experience that governmental entities, like the Auxiliary Organizations, often have a system of internal controls that, with appropriately designed tests and correlation to account balances, can be used to limit the extent of account balance substantiation testing.

Audit sampling will be used only in those situations where it is the most effective method of testing. Before deciding to sample, we will consider all possible approaches and audit techniques. Items where, in our judgment, acceptance of some sampling risk is not justified will be examined 100 percent. These may include unusual items or items for which potential misstatements could individually equal or exceed tolerable error.

After identifying individually significant or unusual items, we will decide on the audit approach for the remaining balance of items by considering tolerable error and audit risk. This may include (1) testing a sample of the remaining balance; (2) lowering the previously determined threshold for individually significant items to increase the percent of coverage of the account balance; or (3) applying analytical procedures to the remaining balance. When we elect to sample balances, we will use IDEA to efficiently control and select our samples.

Our workpapers during this phase will clearly document our work as outlined in our audit programs. We will also provide the Auxiliary Organizations with status reports during the course of the audit



fieldwork. As in all phases of the audit, we will be in communication with the Auxiliary Organizations to determine that all identified issues are resolved in a timely manner. We will also hold a final exit conference with the Auxiliary Organizations to summarize the results of our fieldwork and review significant findings.

Phase 5: Reporting & Follow-up

Reports to management will include oral and/or written reports regarding:

- Independent Auditors' Report
- Management Letter, if necessary
- Written communication to those charged with governance
- Separate IT report on findings and observations
- Emerging issues
- Ongoing support for the governing board and the Auxiliary Organizations' management

Once the final reviews of working papers and financial statements are completed, which is a process that actually starts while the fieldwork is in process, our opinion, the financial statements, and management letter and other formal reports will be issued.

The Auxiliary Organizations will be provided a draft of any comments that we propose to include in the management letter, enabling you to review the comments for accuracy prior to final release. Any items that come to our attention that are not what we consider major items may be discussed verbally with management and not included in the management letter. Our management letter will include items noted during our analysis of your operations. We will also make a formal presentation of the results of the audit to those charged with governance.

Audit planning and assistance from you

In devoting the appropriate time for the planning of any audit engagement, CLA involves our entire engagement team in the planning process to identify risk areas, generate ideas for maximum efficiency, and to develop a cohesive approach. We will also involve the entity's personnel and management in the planning process to maximize the benefit of assistance from your staff as well as promote efficiency and avoid unnecessary or duplicate work. We have seen this translate into savings for our clients, including significant amounts of internal time and minimizing any issues associated with a transition.

Assistance from the Auxiliary Organizations' personnel

We request that each entity provide access to all records required for the audits and other requirements of the contract. In addition, we request that you assign a "project coordinator" through whom we will communicate and coordinate activities. We do not foresee needing your staff other than during normal business hours.

To assist in this process, we will provide a detailed Prepared by Client (PBC) list early in the engagement. We will ask that your accounting staff provide us with standard schedules, as well as additional requested supporting items. We anticipate that your accounting personnel will need to locate and submit to us certain invoices, vouchers, cancelled checks, and other documents and records. We are extremely flexible as to the format in which we receive this information and will ensure, through the use of the latest technology that your personnel will not be asked to perform any unnecessary or extensively disruptive tasks.

We will depend on your staff to provide us with as much information as possible, in an effort to limit everyone's time on the engagement and, ultimately, to save your organization money.



Single audit approach

In the current environment of increased oversight, it is more important than ever to find qualified auditors who have significant experience with federal grants specific to each auxiliary and can enhance the quality of each auxiliary's single audit. Therefore, the single audit will be performed by a team of individuals who specialize in single audits in accordance with *OMB's Uniform Guidance* and who will offer both knowledge and quality for the Auxiliary Organizations. As part of our quality control process, the single audit will be reviewed by a firm Designated Single Audit Reviewer.

The OMB's Uniform Guidance (2 CFR Part 200) is effective for federal grants made on or after December 26, 2014. This affects how federal grants are managed and audited and impacts every organization that receives federal assistance. Grant compliance can be a confusing topic and many of our clients rely on their federal funding as a major revenue source, so it is important that they understand what these changes mean to their organization. As a leader in the industry, CLA was out in front of these changes and informed our clients of how to be proactive about these changes and how these changes could impact their entity. CLA professionals are available to provide guidance and tools tailored to the Auxiliary Organizations' needs, and to assist in compliance with the new rules.

The AICPA clarified auditing standard, AU-C 801 "Compliance Audits" requires risk-based concepts to be used in all compliance audits including those performed in accordance with 2 CFR Part 200. Our risk-based approach incorporates this guidance.

We will conduct our single audit in three primary phases, as shown below:



Phase 1: Risk Assessment & Planning

The risk assessment and planning phase will encompass the overall planning stage of the single audit engagement. During this phase, we will work closely with the Auxiliary Organizations' management to determine that programs and all clusters of programs are properly identified and risk-rated for determination of the major programs for testing. We will also review the forms and programs utilized in the prior year to determine the extent of any changes which are required.

We will accomplish this by following the methodology below:

- Determine the threshold to distinguish between Type A and B programs, including the effect of any loans and loan programs
- Utilizing the preliminary Schedule of Expenditure of Federal Awards, we will identify the Type A and significant Type B programs (25% of Type A threshold) in accordance with the Uniform Guidance (UG)
- Identify the programs tested and the findings reported for the past two fiscal years. Determine and document the program risk based on the past two single audits

- Prepare and distribute Type B program questionnaires to determine risk associated with Type B programs
- Determine the major programs to be tested for the current fiscal year based on the previous steps
- Based on our determination of the major programs, we will obtain the current year compliance supplement to aid in the determination of Direct and Material Compliance requirements, and customize the audit program accordingly
- Determine the preferred methods of communication during the audit

Phase 2: Major Program Testing

We will determine the programs to be audited based on the risk assessment performed in the planning phase. We will perform the audit of the programs in accordance with UG.

To accomplish this, we will perform the following:

- Schedule an introductory meeting and notify the Auxiliary Organizations' management of the major programs for the current fiscal year
- Plan and execute the testing of the expenditures reported on the Schedule of Expenditures of Federal Awards
- Perform tests of compliance and internal controls over compliance for each major program identified
- Schedule periodic progress meetings to determine that schedules are adhered to and identify issues as they arise
- Conduct entrance and exit conference meetings with each grant manager

Phase 3: Final Assessment & Reporting

We will re-perform the steps noted in the preliminary assessment and planning stage once the final Schedule of Expenditures of Federal Awards is received to determine if additional major programs were identified.

Based on the final determination of the programs we will perform the following:

- Identify Type A and significant Type B programs which were not previously identified.
- Re-assess the risk and determine if we are required to audit additional programs.
- Perform compliance testing at the entity wide level related to procurement and cash management requirements.
- Perform testing to validate the status of prior year findings for those programs not selected for audit.
- Prepare the Schedule of Findings and Questioned Costs.
- Conduct exit conference with the Auxiliary Organizations' management to review drafts of required reports:
 - Independent Auditors' Report on Internal Control over financial reporting and on compliance and other matters based on an audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Throughout the single audit, we will maintain communication through periodic progress meetings with those designated by the Auxiliary Organizations. These meetings will be on a set schedule, but as frequently as the



Auxiliary Organizations determines. During these meetings, we will discuss progress impediments and findings as they arise.

Approach to be taken in drawing audit samples for purposes of tests of compliance

We follow the guidance of AU-C Section 530, Audit Sampling, in using statistical and nonstatistical approach. We use quality control material in all our audit engagements. These forms guide our staff through a logical process of assessing inherent risk, control risk, and combined audit risk, followed by an assessment of appropriate sample size for testing.

Because our sample sizes are affected by many variables, a statement about sample sizes cannot be made in absolute terms. However, with regard to sample selection, we will generally utilize representative sampling for internal control and compliance tests, including those related to single audit compliance.

In general terms, sample sizes for compliance and controls testing obtained via our guidance usually fall into categories of 25, 40, or 60 depending on circumstances. Where the population being tested is less than 100 items, we will use the 20%, 30%, or 40% of the population depending on our control risk assessment. We are usually able to cover a substantial portion of the compliance and controls testing with one sample, resulting in a very efficient approach.

CLA's depth of capabilities

CLA has one of the largest public sector audit and consulting practices in the country. CLA brings extensive experience providing a variety of audit and consulting services to higher education institutions, state and local government entities, and nonprofit organizations, including internal audits, agreed-upon procedures, compliance and performance audits, financial statement audits, single audits in accordance with the Uniform Guidance, and a variety of other consulting services.

- Audit and assurance
- Tax
- Consulting
- CLA Intuition® financial modeling
- Employee benefit plans
- Executive search
- Forensic
- Information security
- Intacct
- Litigation support
- Receivership
- Risk management
- Technology
- Transaction support valuation
- Outsourcing

CLA Services



- Audit and assurance (including Uniform Guidance audits and grant compliance audits)
- Outsourced accounting and internal audit services
- Federal, state, and local tax compliance and consulting, including succession planning, cost segregation studies, and information security
- Employee benefit plan audit, tax, and consulting
- Forensic accounting and data analytics, including Student Financial Aid Fraud Investigation Support
- Continuing professional education sessions
- NCAA agreed-upon procedures

CLA Services for Higher Education



Audit Timeline

We are committed to performing this work within the desired time periods established by the Auxiliary Organizations, and have the resources to continue to efficiently manage this project. We are well-balanced when it comes to workload issues, and will have no problem meeting each auxiliary’s deadlines. Our practice is well-rounded in terms of industries served and services provided; therefore, we do not experience the workload compression that other firms might experience during particular busy seasons. This means better client service for the Auxiliary Organizations and timelier audits.

Please see the below chart for the estimated timeframe for interim and year-end audit work. However, the timing of this work will be mutually agreed upon to ensure timely completion no later than 75 days after year-end.

Activities	Apr/May		Jun/Jul		Aug/Sept	
Planning and Transition						
Pre-interim visit (first year only and 1-2 day duration) – conduct risk assessment, engagement planning, and gather permanent file documents; meet with management to develop understanding of timelines and expectations for teams	■	■				
Meet with the Audit Committee to discuss audit process and develop audit plan as well as required brainstorming with members (SAS 99)	■	■	■			
Review data processing activities and controls (part of 2 days above)		■				
Identify and resolve accounting issues and concerns	■	■				
Develop overall audit approach and engagement plan		■				
Provide a client assistance letter for financial statement audit (both interim and final fieldwork)		■				
Preliminary/Interim Audit Activities						
Review detailed audit approach for critical issues			■			
Conduct test of controls			■			
Perform analytical review procedures and preliminary substantive UG procedures			■			
Major federal programs dual-purpose testing (internal controls and compliance)			■			
Plan for preparation of IRS Form 990 (if requested)			■	■		
Final Audit and Reporting						
Perform year-end substantive procedures				■	■	
Hold audit exit conference, end of fieldwork					■	
Review draft financial statements and prepare related letters					■	
Meet to review draft financial statements and related letters					■	
Finalize and issue financial statements and compliance audits					■	■
Presentation to the Audit Committee					■	■
Prepare the federal and related state tax filings						■



Engagement Team Experience and Resumes

An experienced engagement team has been aligned to provide the most value to your organization. The team members have performed numerous engagements of this nature and will commit the resources necessary to provide top quality service throughout the engagement. Following are our proposed management team members:

The most important resource any business has is people — the right people.

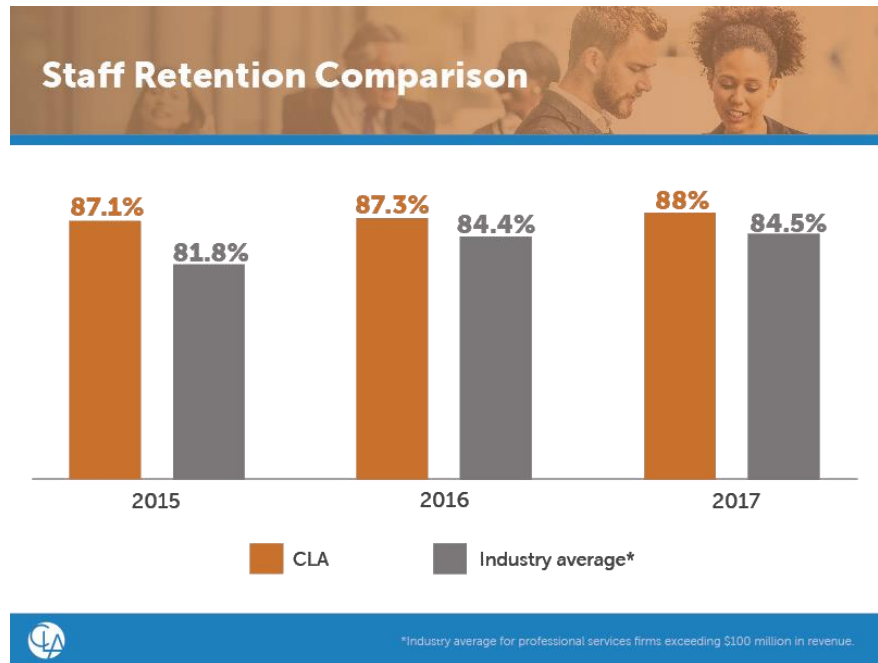
Engagement Team	Role	Years of Experience
David Robydek, MBA, CPA	Engagement Principal	10+
Renée S. Graves, CPA, CGFM	California Higher Education Practice Leader	30+
Tina Henton, MST, CPA	Tax Principal	20+
Syed Farhan, CPA	Manager	5+

Detailed biographies are available in the Appendix of this proposal.

Continuity of service

We are committed to providing continuity throughout this engagement. It is our policy to maintain the same staff throughout an engagement, providing maximum efficiency and keeping the learning curve low. We are also flexible in exploring alternative strategies to non-mandatory rotation policies.

In any business, however, turnover is inevitable. When it happens, we will provide summaries of suggested replacements and will discuss re-assignments prior to finalizing. We have an adequate number of qualified staff members to provide the Auxiliary Organizations with top service over the term of the engagement.



CLA is committed to maintaining high staff retention rates, which we believe are a strong indicator of service quality. Continuity results in increased efficiency and quality because staff assigned to the engagement will not have to go through a “learning curve” with annual engagements or each new project. Client staff spends less time orienting the engagement team, and more time working toward goals. With a solid, steady engagement team, each year brings the additional benefits of trust and familiarity. High retention rates also indicate that our staff members have the resources they need to perform their tasks and maintain a positive work/life balance.



Auditor independence

While our primary purpose is to serve as your independent auditor, CLA offers many other services that you may find useful. Requests by the Auxiliary Organizations for such services will be considered on a project-by-project basis to ensure compliance with the following requirements of our independence standards and Government Auditing Standards Amendment No. 3, *Independence*:

- Auditors should not perform management functions or make management decisions; and
- Auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit

Independence statement

CLA hereby certifies that it is independent with respect to California State University, Los Angeles and its Auxiliaries as defined by generally accepted auditing standards and the U.S. Government Accountability Office's Government Auditing Standards or the American Institute of Certified Public Accountants.

CLA has no professional relationships with and has not provided non-audit services to or involving California State University, Los Angeles and its Auxiliaries or any of its component units for the past five years. Furthermore, we are not aware of any other professional relationships that could affect our impartiality or the appearance of impartiality involving California State University, Los Angeles and its Auxiliaries or any of its component units for the past five years. CLA will not provide non-audit services to California State University, Los Angeles or any of its component units during the term of the contract that would require our firm to perform management functions or make management decisions for the client, or would lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that CLA would be auditing our own work.



David Robydek, MBA, CPA

CLA (CliftonLarsonAllen LLP)

Principal
Pasadena, California

Phone 626-204-7324
David.Robydek@CLAconnect.com



Profile

David is a principal in CLA's Pasadena, California office. He has more than 10 years of experience. He is a dedicated higher education industry professional, with experience serving public universities, private colleges and universities, community college systems, supporting foundations and other educational institutions.

David has extensive experience in auditing various federally assisted programs awarded by the Department of Education, National Science Foundation, National Institutes of Health, Department of Health and Human Services, and several other funding agencies.

Technical experience

- Public universities
- Community college systems
- Private colleges and universities
- Non-commercial radio and television
- Uniform Guidance related compliance requirements
- Research and Development
- Student Financial Aid
- Foundations
- Religious organizations
- Independent schools
- Nonprofit acquisitions
- Implementation of financial accounting standards
- Charitable gifts and donor issues, endowments

Education and professional involvement

- Master's in business administration from the University of Wisconsin
- Bachelor's in accounting from the University of Wisconsin
- Certified Public Accountant from the state of California
- American Institute of Certified Public Accountants (AICPA), member
- National Association of College and University Business Officers



Renée S. Graves, CPA, CGFM

CLA (CliftonLarsonAllen LLP)

Principal
Glendora, California

626-857-7300
Renee.Graves@CLAconnect.com



Profile

Renée is a principal with more than 30 years of experience planning, directing and supervising audits of special districts, auxiliary and nonprofit organizations, retirement communities and community college districts. Renée provides consulting services as an interim CFO and for year-end closing and internal control reviews and analyses. She conducts accounting workshops and addresses organizations such as the California Association of School Business Officials, the Association of Chief Business Officials, and the California Society of CPAs, as well as conducting internal workshops on the requirements of California Proposition 39. She currently serves on the California Board of Accountancy Peer Review Oversight Committee, is a former member of the California State Society of CPAs Accounting and Auditing Committee, and is a former Director of the Cal Poly Accounting Alumni Association. In addition to being a Certified Public Accountant, Renée is a Certified Government Financial Manager.

Technical experience

- State and local government entities
- Special districts
- Community colleges, including bookstore operations
- Nonprofit entities
- Foundations
- Retirement communities

Education and professional involvement

- Bachelor of science in accounting, Cum Laude from California State Polytechnic University, Pomona
- Certified Public Accountant in the state of California
- Certified Government Financial Manager
- American Institute of Certified Public Accountants (AICPA), member
- California Society of Certified Public Accounts (CalCPA), member
- California Board of Accountancy Peer Review Oversight Committee
- Audit Committee Member, San Bernardino County
- California Association of School Business Officials
- Past Chair and Finance Chair, La Verne Chamber of Commerce
- Past Chairperson, Community College Research and Development Committee
- American Woman's Society of Certified Public Accountants
- 2001 Alumni Inductee into the Cal Poly Accounting Hall of Fame

Speaking engagements

- Association of Chief Business Officials, presenter
- Community College Internal Auditors, presenter
- Foundation Summit, presenter

Community involvement

- Pomona Unified School District Foundation, Treasurer
- San Bernardino County, Audit Committee Member



Tina Henton, MST, CPA

CLA (CliftonLarsonAllen LLP)

Principal
Glendora, California

626-857-7300
Tina.Henton@CLAconnect.com



Profile

Tina is a principal with more than 20 years of experience planning, directing, and supervising financial and compliance audits of organizations including nonprofits, community college and K-12 school districts, colleges, and universities. She is also a leading member of our tax department, with experience performing tax planning, consulting, and compliance, including assisting nonprofit clients with the annual filing of their information returns, and preparing individual and trust tax returns. Tina has significant experience completing Single Audits under the Uniform Guidance and has received an advanced Single Audit certificate from the AICPA. She has also assisted several clients with reporting standards for pensions and other post-employment benefits. Tina conducts accounting workshops and presents at conferences for statewide associations.

Technical experience

- Nonprofit entities
- K-12 School Districts
- Joint Power Authorities
- Community Colleges and Universities, including:
 - ε Associated student
 - ε Foundations
 - ε Auxiliary services
 - ε Student financial aid
 - ε Bookstore operations
 - ε Student unions
 - ε Food services
 - ε Grants and federally funded programs

Education and professional involvement

- Masters of science in taxation from Golden Gate University
- Bachelor of science in business administration/accounting, cum laude from California Polytechnic University, Pomona
- Certified Public Accountant in the state of California
- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants

Speaking engagements

- 2017 Community College Foundations Summit, presented “Current Tax Issues Affecting Not-for-Profit Entities”
- California Association of School Business Officials, annual conference, presenter
- California Community College Internal Audit Conference, presenter
- Association of College Business Officials, annual conference, presenter
- California Society of Municipal Finance Officers, annual conference, presenter

Community involvement

- La Verne Chamber of Commerce, Treasurer
- Ramona Middle School Band, Treasurer



Syed Farhan, MSA, CPA

CLA (CliftonLarsonAllen LLP)

Director
Glendora, California

626-857-7300
Syed.Farhan@CLAconnect.com



Profile

Syed is a director at our CLA Glendora office. He has more than five years of experience in financial and compliance audits. He specializes in governmental audits including K-12 school districts as well as community colleges, and nonprofit entities. Syed has a thorough understanding of the various government accounting and compliance requirements. He brings both knowledge and experience to the engagements to which he is assigned to and is a pivotal member of our team.

Technical experience

- Public universities
- Community colleges and related foundations
- Private colleges and universities
- Uniform Guidance related compliance requirements
- Student Financial Aid
- Nonprofit organizations
- Local governments

Education and professional involvement

- Master's of science in accounting from Wayne State University
- Bachelor's of science in management from Wayne State University
- Certified Public Accountant in the state of Michigan
- California Society of Certified Public Accountants (CalCPA), member



References

We recognize that quality of service, relevant experience, and depth of resources will be key factors as you prepare to select a firm to serve your audit needs. We encourage you to contact our references for a first-hand account of our ability to meet contract objectives, adhere to deliverable schedules, and provide added value. We are confident that our references will attest to the competence, professionalism, and client service provided by CLA. We are pleased to provide you with the following references, who can describe their experience in greater detail:

Coast Colleges Auxiliaries

Client Contact	Ms. Rachel Snell, Director of Internal Audit
Phone Number	714-438-4654
Address	1370 Adams Avenue, Costa Mesa, CA 92626
Services Provided	Financial audits and compliance reviews for eight auxiliary entities, including three associated student organizations, four foundations and one enterprise corporation

California State University, East Bay Auxiliaries

Client Contact	Ms. Debra Chaw, Vice President of Finance and Administration
Phone Number	510-885-3803
Address	25800 Carlos Bee Boulevard, Hayward, CA 94542
Services Provided	Financial and compliance audit and tax return preparation for the three auxiliaries

San Diego Community College District Auxiliaries

Client Contact	Ms. Bonnie Ann Dowd, Vice Chancellor
Phone Number	619-388-6555
Address	3375 Camino del Rio S, San Diego, CA 92108
Services Provided	Financial audit for four separate foundations and district auxiliary organizations

University of Alaska and Foundation

Client Contact	Mr. Myron Dosh, CFO
Phone Number	907-450-8079
Address	2025 Yukon Drive 208B, Fairbanks, AK 99775
Services Provided	Financial audit and tax return preparation

Vanguard University and Foundation

Client Contact	Ms. Jill Robinson, Controller
Phone Number	714-619-6670
Address	55 Fair Drive, Costa Mesa, CA 92626
Services Provided	Tax return preparation and consulting



Partial client listing

Below is a representative sampling of higher education clients served by CliftonLarsonAllen firm-wide.

- AIB College of Business
- Alexandria Tech And Community College Foundation
- Arizona State University
- Augsburg College
- Augustana College
- Ball State University
- Bethany College
- Bethel University & Foundation
- Bethune-Cookman University
- Big Bend Community College Foundation
- Cal Poly Pomona ASI
- California Baptist University
- California State University, Easy Bay Auxiliary Entities
- Capella University
- Cardinal Stritch University
- Carleton College
- Carroll Community College & Foundation
- Catonsville Community College Foundation
- Cecil College & Foundation
- Citrus Community College Foundation
- Claremont Lincoln University
- Clatsop Community College & Foundation
- Coast Community College District
- Colorado Community College System
- Colorado State University
- Community College of Baltimore County
- Danville Area Community College
- Essex Community College Foundation, Inc.
- Hamline University
- Harford Community College & Foundation
- Harrisburg Area Community College & Foundation
- Hillsborough Community College & Foundation
- Humboldt State University Auxiliary Entities
- Kansas University
- Illinois Central College & Education Foundation
- Illinois Eastern Community College
- Illinois State University
- Illinois Wesleyan University
- Kansas State University
- Lake Region State College
- Macalester College
- Madison Area Technical College
- Maricopa Community Colleges
- Medical University of South Carolina
- Metro State University
- Metropolitan Community College & Foundation
- Montgomery College & Foundation
- Mount Ida College, Massachusetts
- Mt. San Antonio Community College Auxiliary
- Mt. San Antonio Community College Foundation
- North Dakota State University
- North Dakota University System
- Northwestern Health Sciences University
- Norwich University
- Ocean County College
- Oregon University
- Oregon State University
- Parker University
- Pasadena City College Foundation
- Pennsylvania State System of Higher Education
- Polk State College Foundation
- Remington College
- Red Lake College & Foundation
- Riverland Community College
- Rochester Community & Technical College
- San Diego Community College District
- Seminole Community College Foundation
- Southeastern University
- Southern Illinois University
- Southwestern Illinois Community College & Foundation
- Spokane Tribal College
- Spoon River College
- St. John's University
- St. Louis Community College
- University of Alaska Foundation
- University of Illinois Foundation
- University of Illinois Law School
- University of Illinois Research Park
- Vanguard University Foundation
- Washington State University & Foundation
- West Virginia Higher Education Policy Commission
- Wichita State University



Professional Fees

Our fees are based on the timely delivery of services provided, the experience of personnel assigned to the engagement, and our commitment to meeting your deadlines.

CLA understands the importance of providing our clients with value-added approaches. We propose to provide routine, proactive quarterly meetings — as part of our fee — that will allow us to review and discuss with you the impact of new accounting issues, as well as any other business issues you are facing and how they should be handled. This level and frequency of interaction will no doubt enable CLA to help you tackle challenges as they come up, and take full advantage of every opportunity that presents itself.

Audit Services	2019	2020	2021	2022	2023
Cal State L.A. University Auxiliary Services, Inc.	\$ 44,900	\$ 46,500	\$ 48,000	\$ 49,700	\$ 51,500
Cal State L.A. University Auxiliary Services, Inc. Uniform Guidance	14,700	15,200	15,700	16,200	16,800
Cal State L.A. University Auxiliary Services, Inc. Children's Center	12,200	12,600	13,000	13,500	14,000
Associated Students of California State University, Los Angeles, Inc.	16,100	16,700	17,200	17,900	18,600
University-Student Union, Inc.	19,600	20,300	21,000	21,800	22,500
California State University, Los Angeles Foundation	19,600	20,300	21,000	21,800	22,500
Tax Services	2019	2020	2021	2022	2023
Cal State L.A. University Auxiliary Services, Inc.	3,200	3,300	3,400	3,500	3,600
Associated Students of California State University, Los Angeles, Inc.	2,000	2,100	2,200	2,300	2,400
University-Student Union, Inc.	2,000	2,100	2,200	2,300	2,400
California State University, Los Angeles Foundation	2,000	2,100	2,200	2,300	2,400
Total Fees	\$ 136,300	\$ 141,200	\$ 145,900	\$ 151,300	\$ 156,700

The fees presented above are based on CLA performing the audit and tax for all four entities. The fee would increase by 15% if done individually.

AUDIT REPORTS, FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION, MANAGEMENT LETTER and REQUIRED MEETINGS

Staff	Cal State L.A. University Auxiliary Services, Inc.	Associated Students of California State University, Los Angeles, Inc.	University- Student Union, Inc.	California State University, Los Angeles Foundation	Total
Principal	36	8	10	10	64
Manager	139	31	39	39	248
Senior	203	46	55	55	359
Staff	209	47	56	56	368
	587	132	160	160	1039



TAX RETURNS

Staff	Cal State L.A. University Auxiliary Services, Inc.	Associated Students of California State University, Los Angeles, Inc.	University- Student Union, Inc.	California State University, Los Angeles Foundation	Total
Principal	2	2	2	2	8
Manager	6	4	4	4	18
Senior	9	5	5	5	24
Staff	9	5	5	5	24
	26	16	16	16	74

We have found over the years that our clients don't like fee surprises, neither do we. We commit to you, as we do all of our clients, that:

- We will be available for brief routine questions at no additional charge, a welcome investment in an on-going relationship.
- Any additional charges not discussed in this proposal will be mutually agreed upon up front.
- We will always be candid and fair in our fee discussions, and we will avoid surprises.

Fee considerations

The fee proposal is based on the following:

- The Auxiliary's personnel will provide assistance periodically throughout the year and during the assurance fieldwork with regard to account analysis and provision of year-end account reconciliation workpapers and schedules.
- The Auxiliary's personnel will prepare the year-end tax workpapers and schedules to the extent performed in prior years, which we will complete, review, and examine.
- The assurance reports will be delivered in accordance with each auxiliary's deadlines. The tax returns will be completed by a mutually agreed upon date sufficient to allow timely filings.
- Satisfactory completion of our firm's normal client acceptance procedures.
- Professional standards and regulations currently in effect. We reserve the right to modify your proposed fee if professional standards or regulations change for any engagement period.
- No significant changes in the operations of the Auxiliaries subsequent to the date of this proposal.
- Preparation of the state income tax returns filed in the prior year.

Ongoing consultation

We do not anticipate the Auxiliaries will receive additional billings related to the annual audit procedures, as we anticipate cooperation from staff and receipt of information for timely completion of your audit. It is also our policy not to bill you for routine telephone calls. Our quoted fee includes routine general consultation throughout the year, however, if you seek a written opinion, or if the issue requires us to perform research, we will bill you at our standard rates for these services. We will discuss these fees with you before we conduct our work.



We have a 24-48 hour response policy to return calls/emails from your supervisory committee, board, or management to provide effective and timely communication. CLA's personnel are always available to provide assistance by telephone without additional cost to you. If the person you need to talk to is not available at the time you call, we will contact him/her and have him/her get back to you. We have a number of qualified principals on our staff that can provide you with timely and competent assistance.

Our last word on fees — we are committed to serving you. Therefore, if fees are a deciding factor in your selection of an accounting firm, we would appreciate the opportunity to discuss with you the scope of our audit plan.

At CLA, it's more than just getting the job done.



Appendix

Quality control procedures and peer review report



In the most recent peer review report we received a rating of *pass*, which is the most positive report a firm can receive. We are proud of this accomplishment and its strong evidence of our commitment to technical excellence and quality service. The full report is provided on the following page.

In addition to an external peer review, we have implemented an intensive internal quality control system to provide reasonable assurance that the firm and our personnel comply with professional standards and applicable legal and regulatory requirements. Our quality control system includes the following:

- A quality control document that dictates the quality control policies of our firm. In many cases, these policies exceed the requirements of standard setters and regulatory bodies. Firm leadership promotes and demonstrates a culture of quality that is pervasive throughout the firm's operations. To monitor our adherence to our policies and procedures, and to foster quality and accuracy in our services, internal inspections are performed annually.
- Quality control standards as prescribed by the AICPA. The engagement principal is involved in the planning, fieldwork, and post-fieldwork review. In addition, an appropriately experienced professional performs a risk-based second review of the engagement prior to issuance of the reports.
- Hiring decisions and professional development programs designed so personnel possess the competence, capabilities, and commitment to ethical principles, including independence, integrity, and objectivity, to perform our services with due professional care.
- An annual internal inspection program to monitor compliance with CLA's quality control policies. Workpapers from a representative sample of engagements are reviewed and improvements to our practices and processes are made, if necessary, based on the results of the internal inspection.
- Strict adherence to the AICPA's rules of professional conduct, which specifically require maintaining the confidentiality of client records and information. Privacy and trust are implicit in the accounting profession, and CLA strives to act in a way that will honor the public trust.
- A requirement that all single audit engagements be reviewed by a designated single audit reviewer, thereby confirming we are in compliance with the standards set forth in OMB Circular A-133.



System Review Report

To the Principals of CliftonLarsonAllen LLP
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP (the "firm") applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended July 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations [Service Organizations Control (SOC) 1 and SOC 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended July 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. CliftonLarsonAllen LLP has received a peer review rating of pass.



Cherry Bekaert LLP
November 21, 2016

Attachment A



Attachment A

1. Indicate below the number of audit engagements completed by the proposed accounting firm by type and industry in the previous year.

Engagement Type	Public Education	Other Government	Other Not-for-Profit	Total
A-133 Audit Engagements	104	308	551	963
GASB Audit Engagements	124	1,125	-	1,249
FASB Audit Engagements	146	-	4,455	4,601
Other Audit Engagements	47	221	1,485	1,753
Total	421	1,654	6,491	8,566

Minimum Experience and Proficiency

2. Experience and Proficiency in Auditing both GASB and FASB 501(c)3 Not-for-Profit Organizations, Government, and Public Education Institutions

- A. List 10 not-for-profit, government, or public education clients that are currently audited by the proposed audit firm, including at least 5 GASB clients.

	Client Name	Client Website	Phone Number	Industry	Type of Organization (Foundation, Union, etc.)	Reporting Standards (enter GASB or FASB)
1	California State University Auxiliaries and Ancillaries	www.csueastbay.edu	Debra Chaw 510-885-3803	Education	Foundations; ASI	GASB
2	Humboldt State University Auxiliaries and Ancillaries	www.humboldt.edu	Joyce Lopes 707-826-3351	Education	Foundations; ASI; Enterprise	GASB
3	Coast Community College District	www.cccd.edu	Daniela Thompson 714-438-4654	Education	Foundations; ASI; Enterprise	GASB and FASB
4	San Diego Community College District	www.sdccd.edu	Bonnie Ann Dowd 619-388-6555	Education	Foundations; Enterprise	GASB and FASB
5	South Orange County Community College District	www.socccd.edu	Kim McCloud 949-582-4664	Education	(4) Foundations	GASB
6	Foothill-De Anza Community College District	www.fhda.edu	Kevin McElroy 650-949-6201	Education	(2) Foundations	GASB and FASB
7	Long Beach Community College District	www.lbcc.edu	John Thompson 562-938-4102	Education	District, Foundation	GASB and FASB
8	University of Alaska and University of Alaska Foundation	www.alaska.edu	Myron J. Dosch 907-450-8079	Education	University, Foundation	GASB and FASB
9	Vanguard University and Vanguard University Foundation	www.vanguard.edu	Jill Robinson 714-619-6670	Education	University, Foundation	FASB
10	Thunderbird School of Global Management, a component unit of Arizona State University	www.asu.edu	James Daniels 480-727-2446	Education	Component Unit	GASB

3. Experience and Proficiency in Performing OMB Circular A-133 Single Audits (Not Applicable if the Auxiliary Organization Receives Total Annual Federal Grants less than \$500,000)

A. List 5 clients audited according to OMB Circular A-133 Single Audit Act in the last 3 years and indicate the type of grants audited (financial aid, Research & Development, ARRA, etc.)

	Client Name	Client Website	Phone Number	Industry	Type of Grants	Office Location that Performs the Audit
1	California State University, East Bay	www.csueastbay.edu	Debra Chaw 510-885-3803	Education	Research and Development	Pasadena
2	Coast Community College District	www.cccd.edu	Daniela Thompson 714-438-4654	Education	Financial Aid; Dept. of Education	Glendora
3	South Orange County Community College District	www.socccd.edu	Kim McCloud 949-582-4661	Education	Financial Aid; Dept. of Education	Glendora
4	Foothill-De Anza Community College District	www.rhda.edu	Kevin McElroy 650-949-6201	Education	Financial Aid; Dept. of Education	Glendora
5	University of Alaska and University of Alaska Foundation	www.alaska.edu/foundation	Myron Dosh 907-450-8079	Education	Research and Development	Pasadena

Governmental Auditing Standards (GAS) Compliance

4. **Engagement Team Members' Competence and Continuing Education:** All financial statement audits of CSU recognized auxiliary organizations are required to be performed in accordance with GAS. According to GAS 3.46, auditors responsible for planning, directing, conducting, or reporting on government audits should complete at least 80 hours of Continuing Professional Education (CPE) every 2 years and a minimum of 20 hours each year. Twenty-four of the 80 hours of CPE must be related to government auditing.

A. For each of the proposed engagement team members, list below whether they are CPAs and also whether each has completed the GAS required continuing education requirements (24 hours of government, 80 hours of qualifying CPE). (CPE requirements are to be met prior to signing an engagement letter).

Name of Engagement Team Member	Job Title	Office Location of Audit Firm	Phone Number	CPA (Yes/No)	GAS CPE (Yes/No)
David Robydek	Principal	Pasadena	626-204-7324	Yes	Yes
Renée S. Graves	Principal	Glendora	626-857-7300	Yes	Yes
Tina Henton	Principal	Glendora	626-857-7300	Yes	Yes
Syed Farhan	Director	Glendora	626-857-7300	Yes	Yes

B. For each member of the prospective engagement team listed in the table above, indicate how many years of audit experience he/she has in the following industries and engagements.

Category	Industry Type			Audit Engagement Type		
	Public Education	Other Government	Other Not-For-Profit	A-133	GASB	FASB
Partners:						
David Robydek	11	11	11	11	11	11
Renée S. Graves	30	30	30	30	30	30
Tina Henton	18	18	18	18	18	18
Managers:						
Syed Farhan	5	5	5	5	5	5
Seniors:						
Staff:						

5. **External Peer Review:** CSU requires that all accounting firms of auxiliary organizations have an onsite peer review conducted every three years and received an unqualified opinion. Please provide a copy of the most recent peer review report for the proposed audit firm and answer the questions below:

a. What was the date of the last peer review report?	November 21, 2016
b. What was the peer review period year-end date?	July 31, 2018
c. What was the opinion in the peer review report?	Pass