



Consent Item 6

TO: Ava Community Energy Authority Board of Directors

FROM: Jason Bartlett, Senior Finance Manager

SUBJECT: Consulting Services Agreement for Auditor Services

DATE: May 15, 2024

Recommendation

Approve a Resolution authorizing CEO, in consultation with Ava staff and legal counsel, to negotiate and execute a consulting services agreement with Pimenti & Brinker, LLP, to continue to provide financial audit services for a period of three years with an option to extend an additional three years, for a total period of six years.

Background and Discussion

All quarterly and annual financial statements are generated by our outsourced accounting firm, Maher Accountancy. In accordance with generally accepted accounting principles (GAAP), the annual financial statements undergo a third-party audit.

The audit is conducted after the close of the fiscal year on June 30th and typically ends with the October or November Board meeting, when the finalized Audited Financial Statements are presented by the auditors. Other related items are usually brought to the Board at this time as well, such as allocations to reserve funds and waterfall surplus allocations.

Led by lead audit partner. Brett Bradford, Pimenti & Brinker, LLP (“P&B”) has performed Ava’s annual financial audit for the last six years.

The State of California has specific requirements for auditor rotations. Specifically, Section 12410.6(b) of California Government Code states a local agency must change the lead audit partner at least once every six years¹.

To this end, Ava staff issued a request for proposals (“RFP”) in February of 2024 to solicit bids for audit services from qualified CPA firms. Each proposal was reviewed by staff members and processed through a standardized rubric for ranking based on evaluation criteria.

Ava received two strong proposals: one from Baker Tilly and one from P&B. Both proposals scored very high with the evaluation criteria and so both teams were invited to interview with staff. Based on the proposal evaluation and the responses to interview questions, staff makes the recommendation to continue Ava’s engagement with P&B for financial audit services.

Ava’s legal counsel has reviewed the previously cited code and has confirmed Ava can continue to receive audit services with P&B provided there is a new lead audit partner to replace Brett Bradford. P&B is proposing to assign Kellin Gilbert to replace Brett Bradford as lead audit partner through the engagement. Brett Bradford shall not serve as lead audit partner, coordinating audit partner or review the audit(s).

P&B stood out above Baker Tilly for a number of reasons.

- Depth of CCA experience. While both firms have ample experience in the public utility space, P&B has more specific experience in the CCA space. Aside from Ava, they currently provide audit services for PCE, SVCE, and Sonoma, and they have provided services for 3CE, Pioneer, San Diego Community Power, OCPA, MCE, and Clean Energy Alliance.
- Experience transitioning lead audit partners among multiple CCAs. They have experience in complying with the State code with the rotation of principal partners.
- Established systems and audit processes with Ava currently exist. The systems for establishing audits can be daunting to set up. P&B and Ava already have these in place and documentation trails of key practices, policies, and controls.
- Administration of robust processes that include sampling of bills, not offered by others.

¹ Government Code section 12410.6.(b) indicates that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.

https://www.sco.ca.gov/aud_auditor_rotation_requirements.html

- Most competitive fee arrangement. Both firms have modest increases with each year of engagement, P&B's was slightly lower and did not include additional administrative fees.
- Familiarity with Ava's finances. They have audited Ava's transactions for the last six years and have worked with Maher Accountancy in an efficient manner.
- P&B is located in Sonoma County and is owned and operated by its principal partners.

For these reasons, staff is recommending a continued engagement with P&B for an additional three years with the option for staff to renew the contract for up to an additional three years, for a total period not to exceed six years.

Fiscal Impact

The financial impact in each fiscal year is as follows:

- FY 2024-2025: \$28,000
- FY 2025-2026: \$29,000
- FY 2026-2027: \$30,000
- FY 2027-2028: \$32,500 (Optional)
- FY 2028-2029: \$34,500 (Optional)
- FY 2029-2030: \$37,000 (Optional)

For a total not to exceed of \$191,000.

Committee Recommendation

The Finance, Administrative, & Procurement Subcommittee has reviewed this item and has approved this matter to come to the Board for a vote.

Attachments

- A. Resolution to Authorize the CEO to Negotiate and Execute a Consulting Services Agreement with Pisenti & Brinker for Auditor Services
- B. Presentation

RESOLUTION NO. R-2024-XX
A RESOLUTION OF THE BOARD OF DIRECTORS
OF AVA COMMUNITY ENERGY AUTHORITY TO AUTHORIZE THE CEO TO
NEGOTIATE AND EXECUTE A CONSULTING SERVICES AGREEMENT WITH
PISENTI & BRINKER FOR AUDITOR SERVICES

WHEREAS The Ava Community Energy Authority (“Ava”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of Ava and parties to the JPA in March of 2020. The city of Stockton, located in San Joaquin County was added as a member of Ava and party to the JPA in September of 2022. The city of Lathrop, located in San Joaquin County, was added as a member to Ava and party to the JPA in October of 2023. On October 24, 2023, the Authority legally adopted the name Ava Community Energy Authority, where it had previously used the name East Bay Community Energy Authority since its inception.

WHEREAS Ava Community Energy (“Ava”) has contracted with Piseni & Brinker, LLP (“P&B”) for financial auditor services for the past six consecutive years, with Brett Bradford as the lead audit partner.

WHEREAS in February of 2024, Ava conducted a request for proposals (“RFP”) for financial auditor services and selected P&B as the highest scoring applicant for auditor services.

WHEREAS Section 12410.6(b) of California Government Code requires local agencies to rotate lead or coordinating audit partners every six consecutive years by either hiring a new firm or selecting a different lead audit partner from the firm to provide current services.

WHEREAS P&B’s response to the RFP proposed Kellin Gilbert as lead audit partner to replace Brett Bradford and Brett Bradford shall not serve as lead audit partner, coordinating audit partner or review the audit(s).

WHEREAS Ava wishes to engage with P&B, with Kellin Gilbert as lead audit partner, for financial auditor services for three years, with the option for Ava staff to renew for up to an additional three years, for a period not to exceed six consecutive years.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF AVA COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. In consultation with legal counsel and staff, the CEO is hereby authorized to negotiate and execute a Consulting Services Agreement with Pimenti & Brinker for three years for financial audit services with the option for Ava staff to renew the engagement for up to an additional three years for a period not to exceed six consecutive years.

Section 2. Compensation under this Consulting Services Agreement will be \$28,000 for the fiscal year 2023-2024 audit, \$29,000 for the fiscal year 2024-2025 audit, \$30,000 for the fiscal year 2025-2026 audit, \$32,500 for the fiscal year 2026-2027 audit, \$34,500 for the fiscal year 2027-2028 audit, and \$37,000 for the fiscal year 2028-2029 audit, for a total compensation not to exceed \$191,000.

ADOPTED AND APPROVED this 15th day of May, 2024.

Jack Balch, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board

Auditor Consulting Services Agreement

Board of Directors

May 15, 2024



Background & Discussion

- All quarterly and annual financial statements are generated by our accountant firm, Maher Accountancy
- Each fiscal year, Ava has its annual financial statements audited by an external, qualified CPA firm
- The audit officially starts the first business day in July and generally ends with the October or November Board meeting, where the finalized Audited Financial Statements are presented to the Board by the Auditors along with any other related items
- Pisenti & Brinker, LLP (P&B) conducted Ava's first financial audit in 2018 through the most recent audit in 2023, and were chosen by RFP
- Section 12410.6.(b) of California Government Code states a local agency must change the lead audit partner at least once every six years
- Brett Bradford of P&B has been Ava's lead audit partner for the last six consecutive years
- Ava has conducted a new RFP for Auditor Services issued in February of 2024
- P&B's proposal explicitly states Kellin Gilbert as lead audit partner to replace Brett Bradford
- After review of the responding firms, P&B has scored the highest in review and is Staff's recommendation for audit services.



- Section 12410.6.(b) of California Government Code states:

“Government Code section 12410.6.(b) indicates that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.”

From the California State Controller Office at https://www.sco.ca.gov/aud_auditor_rotation_requirements.html



Audit Services Request for Proposals

- February of 2024, Ava issued a formal request for proposals (RFP) for auditing services from qualified CPA firms
- Each proposal was reviewed by staff members and processed through a standardized rubric for ranking based on evaluating criteria
- The two best responses:
 - **Baker Tilly**, who conducts audit services for MCE, CPA, NCPA, and SMUD, among many other public utility entities in California and across the nation
 - **Pisenti & Brinker**, who has been Ava's auditor for the last six consecutive years and currently provides audit services for PCE, Sonoma Clean Power, and SVCE, among many other public utility entities in California
- The top two firms were interviewed, and Staff convened to evaluate responses
- Based on the evaluation of the proposals and the responses to interview questions, Staff makes the recommendation to proceed with engaging audit services from Pisenti & Brinker.



Pisenti & Brinker Recommendation

- Pisenti & Brinker's proposal was selected as the best response for a number of reasons
 - Depth of CCA experience
 - P&B provides audit services to the largest number of CCAs. In addition to Ava, this includes Peninsula Clean Energy, Sonoma Clean Power, Silicon Valley Clean Energy, 3CE, Pioneer Community Energy, San Diego Community Power, OCPA, and Clean Energy Alliance. P&B has experience transitioning lead audit partners among multiple CCAs as well.
 - Established Systems and Audit Processes
 - The systems for establishing audits can be daunting to set up. P&B and Ava already have systems in place and documentation trails of key practices, policies, and controls to ensure an efficient audit process, which is needed to meet contractual obligations for timely audit reporting.
 - Of note, there is a regulatory proceeding related to new Financial Security Requirements (FSR) underway that may require 1-2 formal audits annually, so a known audit provider may assist in meeting new regulatory needs
 - P&B administers a robust audit process that includes a sampling of bills, which was not offered by others
 - Most competitive fee arrangement
 - While both firms had similar fees for the first year, and both firms had modest increases with each year of engagement, P&B's fees were lower in each year and Baker Tilly had an additional 3% administrative fee
 - Familiarity with Ava's finances
 - P&B has audited Ava's financial transactions for the last six years and has worked with Maher Accountancy in an efficient manner
 - Firm location, structure, & history
 - P&B has operated out of Sonoma County for the last 65 years and is privately owned and operated by its principal partners. Total of 6 partners and ~90 staff



Recommendation & Committee Guidance

- Staff is recommending to proceed with a continued engagement with P&B for an additional 3-year commitment with the option to renew each year for an additional 3 years for a total term length not to exceed six years
- The total cost for the six years is \$191,000
 - FY 2024-2025: \$28,000
 - FY 2025-2026: \$29,000
 - FY 2026-2027: \$30,000
 - FY 2027-2028: \$32,500 (Optional)
 - FY 2028-2029: \$34,500 (Optional)
 - FY 2029-2030: \$37,000 (Optional)
- Staff is requesting approval to continue with P&B audit services under Kellin Gilbert as lead partner
- Next steps:
 - Execute a Consulting Services Agreement with P&B
 - Initiate audit engagement in July



Thank you!



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