

Auditor Selection

Finance, Administrative, & Procurement Subcommittee

May 8, 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.



California Government Code

- 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 either
 - 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 in maximum
 - A continued engagement with P&B for an additional 6-year commitment

Year ending	2024	2025	2026	2027	2028	2029	Total
Complete six year agreement	\$ 28,000	\$ 29,000	\$ 30,000	\$ 32,000	\$ 34,000	\$ 36,000	\$ 189,000
Three year + three one year options	\$ 28,000	\$ 29,000	\$ 30,000	\$ 32,500	\$ 34,500	\$ 37,000	\$ 191,000

- Staff is requesting approval to continue with P&B audit services under Kellin Gilbert as lead partner
- Staff is also requesting feedback on the above recommendations as to which would be best to bring to the Board for approval
- Next steps:
 - Go to the Board in May for approval
 - Amend the current P&B contract to align with Board approval
 - Initiate audit engagement in July



Thank you!



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