

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK  
(IBank)**

**STAFF REPORT**

**Issue:** Staff requests approval of the IBank Board of Directors (Board) to retain the services of CliftonLarsonAllen LLP (CLA), a certified public accounting firm, to act as IBank's auditor for fiscal years 2018-2019, 2019-2020, and 2020-2021. Further, IBank Staff requests that the Board authorize IBank's Executive Director (whether acting or appointed) to enter into a contract for auditing services between IBank and CLA.

**Background:** IBank has issued from time to time revenue bonds including its (i) Series 2014A Infrastructure State Revolving Fund Revenue Bonds, par amount totaling \$95,960,000 (Series 2014A Bonds), (ii) Series 2015A Infrastructure State Revolving Fund Revenue Bonds, par amount totaling \$90,070,000 (Series 2015A Bonds), and (iii) Series 2016A Infrastructure State Revolving Fund Revenue Bonds, par amount totaling \$141,600,000 (Series 2016A Bonds) (collectively the ISRF Bonds), to provide funds for direct loans to municipalities with the Infrastructure State Revolving Fund (ISRF) Program. To remain in compliance with the continuing disclosure agreements entered into by IBank in conjunction with the issuance of the ISRF Bonds, IBank is required to provide annual audited financial statements to the ISRF Bonds trustees and to a nationally recognized municipal securities information repository so long as the ISRF Bonds remain outstanding. In addition, Government Code Section 63035 requires IBank to include a Comprehensive Annual Financial Report (CAFR) with its Annual Activity Report each November.

IBank is required by its Audit Procurement Policy adopted by the IBank Board on April 24, 2007 to actively seek the participation of qualified firms to respond to a Request for Qualifications (RFQ) seeking proposals from auditing firms interested in providing auditing services to IBank. In accordance with the Audit Procurement Policy, IBank published its RFQ on February 14, 2019. In May 2019, IBank staff reviewed the RFQ responses and determined auditing firm CLA had provided the most favorable response. On or about July 1, 2019 it was discovered that IBank neglected to follow the Audit Procurement Policy in its entirety, by failing to submit a recommendation to the Board to contract with an auditor. This was overlooked since IBank is exempt from regular contracting rules on most of its contracts. At the same time of that discovery, it was also brought to IBank's attention that there was a distant familial connection between a CLA Principal and a member of IBank's Executive Team, although they only met and discovered the connection after IBank entered into contract with the firm. IBank immediately submitted a 30 day notice to CLA to inform the firm IBank was terminating the contract. The firm was told they would be eligible to re-apply and that IBank would disclose the issues at the Board meeting should they be re-selected. A postmortem meeting occurred with IBank's legal staff, Acting Executive Director, and Fiscal Manager. Corrections in the procedure were made and IBank carefully began the process of securing an auditor.

**Selection Process:** On or about July 14, 2019 IBank distributed an RFQ directly to the 14 firms listed on Exhibit A and posted the RFQ to IBank's website. CLA and Eide Bailly LLP provided the only responses to the RFQ. The two responses were reviewed by a committee consisting of the IBank's Acting Executive Director, the Loan Servicing Manager, and the Bond Financing Manager. Based upon the selection criteria specified in the RFQ, which prescribes the auditing firm's required minimum qualifications and experience, including without limitation, experience

auditing financial statements for the State of California or at least one State agency, department, board or authority in the last three years, the financial audit performed must have covered revenue bonds or general obligation bonds issued by a government entity, the competitiveness of the proposed fees, and the overall quality of the written response to the RFQ, the selection committee chose and recommends CliftonLarsonAllen LLP to provide auditing services to IBank for the fiscal years ending June 30, 2019, June 30, 2020, and June 30, 2021. Out of an abundance of caution and in the interest of full disclosure we would like to inform the Board that there is a distant familial connection between a CLA Principal and a member of IBank's Executive Team, although they only met and discovered the connection through conversation after they were originally hired. The relationship is so distant that it does not violate any IBank policy nor the Code of Professional Conduct, a collection of codified statements issued by the American Institute of Certified Public Accountants (AICPA). The distant relative of CLA removed himself entirely from the RFQ response and will not be working on or assigned to the IBank audit process, nor is he listed in the contract.

**Scope of Services:** The Scope of Services, including without limitation, the completion of IBank's CAFR with audited financial statements beginning with the 2018-2019 fiscal year, is provided in the RFQ. CLA will prepare and express an opinion on the financial statements of IBank, a description of its general business activities, and the financial position of the California Infrastructure and Economic Development Bank Fund (CIEDB Fund), the California Infrastructure Guarantee Trust Fund (Guarantee Trust Fund), and the California Small Business Expansion Fund (Expansion Fund), and fairly present IBank's financial statements in conformity with the accounting principles and auditing standards generally accepted and the standards applicable to financial audits contained in Government Auditing standards used by the Comptroller General of the United States of America. Further, CLA will include such tests of the accounting records and such other auditing procedures as shall enable the auditors to express an opinion as to the accounts and financial statements.

**Firm's Qualifications:** CLA met all of the required qualifications listed in the RFQ. According to its application, CLA was established on January 2, 2012, and continues the legacy of quality, service, and experience that Clifton Gunderson and LarsonAllen has built for more than 60 years. CLA is a certified public accounting firm that has accountants licensed to practice accountancy in the State of California. CLA is a national professional services firm built around three entities - a public accounting and consulting firm, a wealth advisory firm and an outsourcing firm - highly integrated and seamless in the delivery of their services. CLA has one of the largest governmental audit and consulting practices in the country serving more than 2,100 governmental clients nationwide. Public sector clients represent approximately one-third of all firm-wide revenue. CLA employs more than 6,100 people, with more than 120 locations nationwide, and a global affiliation. CLA currently performs audit services for California Housing Finance Agency (CalHFA) and California State Water Resources Control Board. IBank's Fiscal Manager reached out to the CalHFA and spoke with Lori Hamahashi, Comptroller, for feedback on CLA's performance. Ms. Hamahashi spoke well of their professional relationship and CLA's performance.

**Competitive Fees:** CliftonLarsonAllen LLP's fees for performing the scope of services outlined in the RFQ will be based on the all-in fixed amount for each year's audit. The cost includes indirect and direct costs, start-up costs and expected out-of-pocket expenses. CLA's bid came in

at approximately 42% lower than Eide Bailly LLP; and approximately 57% lower than IBank’s prior auditing firm. The total all-inclusive fee schedules are as follows:

	<b>Fiscal Year 2018/2019</b>	<b>Fiscal Year 2019/2020</b>	<b>Fiscal Year 2020/2021</b>	<b>Total</b>
<b>Audit/Management Letter</b>	\$40,000	\$48,500	\$49,500	
<b>Total Fee Proposal</b>	<b>\$40,000</b>	<b>\$48,500</b>	<b>\$49,500</b>	<b>\$138,000</b>

**Recommendation:** Staff recommends approval of Resolution 19-16 retaining CliftonLarsonAllen LLP to act as IBank's auditor for fiscal years 2018-2019, 2019-2020, and 2020-2021 and authorizing IBank’s Executive Director to execute a contract on behalf of IBank for auditing services with CLA.

**Staff Report Prepared:** Nancee Robles, Acting Executive Director  
August 16, 2019

**Exhibit A**  
**Accounting Firms**

1. CliftonLarsonAllen LLP
2. Crowe Horwath LLP
3. Deloitte & Touche LLP
4. Demore, Hamric & Schneider, Inc.
5. Eide Bailly (under the name of Vavrinek, Trine, Day & Co. LLP)
6. Ernst & Young
7. Gilbert & Associates, Inc.
8. Grant Thornton
9. Macias, Gini & O'Connell LLP
10. Mann Urrutia Nelson CPA's Associates LLP
11. Nicholson & Olson
12. PricewaterhouseCoopers LLP
13. Richardson & Company
14. Schwartz Platz & Associates