

# **UMPQUA VALLEY FINANCIAL**

## **MUNICIPAL AUDITING SERVICES PROPOSAL**

**For**



### **CITY OF COBURG, OREGON and CITY OF COBURG URA**

**Proposal date: April 5, 2022**

**For the Fiscal Years Ending  
June 30, 2022 through June 30, 2024**

Contact Person:  
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# AUDIT PROPOSAL

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April 5, 2022

City of Coburg  
PO Box 8316  
91136 N. Willamette Street  
Coburg, OR 97408

Thank you for the opportunity to present this proposal for providing audit services to the City of Coburg and City of Coburg URA for fiscal years ended June 30, 2022 through June 30, 2024.

We continue to be committed to providing exceptional auditing and financial services to local governments. With 50+ years of combined governmental auditing and consulting experience, we are very aware of what helps local governments function best, and what challenges them most. Our audit team members are a solid, well-trained group with the skills, knowledge, experience to work for the benefit of the City.

As in the past, there have been numerous changes to auditing requirements and governmental financial reporting standards. To keep up with all those changes, we spend more than 80 hours per person per year in training programs and in the development of new and refined audit processes. You can again expect to work with a quality audit team who will provide you with current, accurate guidance any time you need, and whenever we find it useful or necessary to keep you up-to-date on matters relevant to the City of Coburg and the City of Coburg URA.

As part of our audit approach, we will continue to provide for the City managers, directors, and staff who are responsible for providing audit documents an online portal to securely send us audit-related files and documents throughout the year, at your convenience. COVID-19 has certainly made it necessary to go paperless as much as possible and otherwise work remotely. Although we hope we are all on the other side of that nightmare, we still plan to keep our onsite fieldwork to a minimum, but assure you that we anticipate spending at least three days at the City each of these next several years.

While we will spend the above-noted time on-site at the City, we will still, of course, dedicate the necessary amounts of time during the audit and throughout the year:

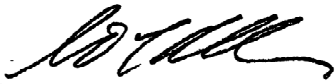
- Discussing with management improvements to policies and procedures for all activities of the City.
- Developing suggestions to improve the efficiency and effectiveness of the accounting systems.
- Promoting internal controls to minimize the risk of material misstatements due to errors, omissions or fraud, and
- Encouraging effective controls for compliance with rules and regulations related to accounting, budgeting, grant administration, and contracting.

We are excited about continuing to provide auditing service for The City of Coburg and the City's URA. We continue to serve fourteen other cities across Oregon, who have also engaged us to perform their annual audit for an average of eight years. We also now serve as the financial services provider to a local school district, we believe adds substantial value as an outside partner and advisor to other local governments that seek our advice, and adds value to the quality and effectiveness of the audit services we provide.

Our firm is committed to providing local governments with auditing and other professional services. Our staff's dedication to that work, elevates our qualifications to an extremely high level of professional expertise. Sadly, we have not been immune to the challenges that COVID-19 has presented each of us these last two years. To the degree that our past audit efforts are considered in measuring our qualifications for selecting the audit firm for 2022-24, I do hope you will take into account these extreme circumstances.

Please contact us if you have any questions or concerns about our audit capabilities, our audit approach, or any other details of this proposal.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Steve Tuchscherer', written over a faint horizontal line.

Steve Tuchscherer, CPA

**CONTACT INFORMATION****Umpqua Valley Financial, LLC**

171 NE Exchange Avenue

Roseburg, OR 97470

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Fax 541.464.8560

www.oregoncpas.com

email steve@oregoncpas.com

Federal EIN: 82-5425527

The firm is an equal opportunity Oregon professional corporation registered with the Oregon Secretary of State Corporation Division.

**HISTORY AND AUTHORITY OF THE FIRM**

Umpqua Valley Financial (formerly Steve Tuchscherer, CPA, PC) is a local CPA firm founded in 1993 by Steve Tuchscherer, CPA.

The firm employs nine professional staff, and two administrative staff.

The firm is currently licensed by the Oregon State Board of Accountancy to practice in the State of Oregon through December 31, 2021. The Firm license number is 2777.

Steve Tuchscherer, CPA holds Oregon CPA license #7097 and Oregon Municipal Auditor license #1114. Both licenses are current and valid through June 30, 2023.

Steve Tuchscherer, CPA is a member of the Governmental Audit Quality Center.

**INDEPENDENCE**

All members of the firm are independent of the City of Coburg as defined by generally accepted auditing standards and US General Accounting Office's *Government Auditing Standards*, as required by the AICPA Code of Professional Conduct. All staff members are required to make annual independence representations, which are kept on file in our office.

**INSURANCE**

Umpqua Valley Financial has professional liability insurance coverage of \$2,000,000.

**PERSONNEL**

<b><u>Positions</u></b>	<b><u>Number of Staff</u></b>
Managers & Senior Associates	5
Professional Staff	7
Support Staff	2
<b><u>Total</u></b>	<b><u>14</u></b>

**RANGE OF SERVICES**

We specialize in providing auditing, accounting, and CAFR services to municipalities, special districts and not-for-profit entities. We also provide a full range of tax planning and preparation services for individuals and businesses, payroll services, as well as management advisory and consulting services, budgeting and financial projections, and investment, financial and retirement planning, and consulting. In January 2021, we began providing full financial services for a local school district.

**PEER REVIEW**

Steve Tuchscherer is a member of the American Institute of Certified Public Accountants (AICPA), which manages a Peer Review Program that is designed to assure the public that CPA firms provide services of the highest quality.

The firm had its most recent peer review in August of 2021. The firm received a peer review rating of pass with deficiencies. A copy of the report is included at the end of this proposal.

**JUDGMENTS**

Umpqua Valley Financial has no pending or expected litigation. Nor does Umpqua Valley Financial or its owner, Steve Tuchscherer have any financial reversals or other matters that would or will affect their viability and/or stability in any way.

**AUDIT TEAM MEMBERS**

The following individuals will be assigned to the audits of the City of Coburg:

<b><u>Name</u></b>	<b><u>Position</u></b>
Steve Tuchscherer	Engagement Manager
Jean Larson	Senior Manager
Josh Huffman	Senior Associate
Savannah Crawford	Senior Associate
Kassi Upright	Junior Associate
Desiree Gheer	Junior Associate
Savannah Hansen	Communications Manager

**STAFF RESUMES****STEVE TUCHSCHERER**

Steve graduated in 1990 from the University of Oregon, College of Business Administration with a Bachelor of Science degree. In 1993, shortly after earning his CPA and Oregon Municipal Auditors license, he founded the accounting firm in hopes of fulfilling his strong desire to provide quality, affordable accounting services to the local community. He has managed the practice since then, now employing more than a dozen people and serving more than 1000 clients each year. Among his clients are 44 cities, school Districts, and other special Districts in Oregon for whom the firm provides audit and advisory services.

Steve delivers significant governmental expertise. He has dedicated the last 28 years planning and performing audits for small and mid-sized governments, accumulating more than 20,000 hours of dedicated audit and advisory services during his career. His understanding and appreciation of governmental functions have been further enhanced through serving as a Roseburg City Councilor for five years and through participating on numerous government and non-profit Boards and Committees.

In addition to spending more than 80 hours each year in continuing education classes dedicated to honing his municipal audit skills, knowledge and experience, Steve also spends hundreds of hours each year with his staff in professional development training sessions. Furthermore, a significant amount of time throughout each year is spent with staff and clients researching and discussing GASB standards, analyzing complex reporting matters, and developing tools for government management and audit. Steve takes great pride in translating and summarizing complex information for clients, helping others appreciate and understand what is most often confusing and overwhelming.

Steve is a member of the following professional organizations:

- American Institute of Certified Public Accountants
- Government Audit Quality Center
- Oregon Society of Certified Public Accountants
- Government Finance Officers Association



**JEAN LARSON**

Jean came to Umpqua Valley Financial with over 30 years in Healthcare Financial Management. Here in Oregon, she served at Mercy Medical Center, as Controller for 17 years, and for their Physician Clinics for another 5 years. Before moving to Oregon, she worked in high level Financial Management for Hospitals in Massachusetts, Maryland, Ohio and as an Auditor in Kansas, where she completed the CPA exam.

While at UVF, Jean has assisted organizations with financial transition coverage, prepared Ground Emergency Medical Transportation (GEMT) cost reports, and with her experience in not-for-profit organizations, is providing financial and accounting guidance and assistance to Governmental entities.

**JOSH HUFFMAN**

Josh recently joined Umpqua Valley Financial, coming from an 20 year career in high level management in private industry. Josh has a Master's degree in Business Administration which he earned more than 10 years ago from Portland State University. Throughout his career he has worked with a wide array of managers in developing successful business enterprises. His knowledge and understanding of financial reporting and the value of internal controls provides skills that are sure to be valuable as both an auditor and advisor to each of our audit clients.

Josh's interpersonal skills are extraordinary. While attending Oregon State University, where he earned his Bachelor's Degree in Business Administration, he was president of his fraternity, and was honored with being Bennie the Beaver for two years! His dedication to serving others is extraordinary. We are very excited to have Josh as the newest member of our team.

**SAVANNAH CRAWFORD**

Savannah earned her Bachelor of Science degree from Oregon State University and her early career includes several years of upper management-level experience in Human Resources and financial administration prior to joining Umpqua Valley Financial. This professional foundation created a strong attention to detail, thorough organization management, careful documentation, and strategic problem solving - among many other skills. Furthermore, these core skills have helped her transition seamlessly into the accounting and auditing world in which she strives to continually provide consistent, efficient, and quality work.

Since joining Umpqua Valley Financial, Savannah has participated in the majority of municipal and not-for-profit audits completed by the firm. Throughout the audit process, she assists in preparing documentation, analyzing data, and finalizing the audit report. She is committed to offering all audit clients excellence and consistency while working closely with the audit team to meet and exceed client goals and expectations. We are pleased to have her join the audit team and have found her skills and expertise to be immensely valuable.

**KASSI UPRIGHT**

Kassi joined Umpqua Valley Financial after gaining financial experience in the banking industry, ultimately reaching the level of branch manager. She spends a roughly half of her time working on municipal audit work and providing support staff efforts for our financial and investments division. Her ability to organize information and process it quickly and carefully wins her high regards.

**DESIREE GHEER**

Desiree comes to Umpqua Valley Financial from a position previously held where she was responsible for medical billing, including government agency billing. That experience, the year she spent working on municipal audits last year, along with her ability and desire to learn has provided her with a valuable skill set. She has proven very reliable and earned her the position of Communication Manager, filling the seat of our most senior staff member who retired last year.

***CURRENT MUNICIPAL AUDIT CLIENTS***

A sample of municipal audits currently performed by Umpqua Valley Financial are:

Governmental Entity	Contact Person	Phone	since
Bandon, City of	Paula Burris	541-347-2437	2021
Elkton, City of	Gary Trout	541-584-2547	1996
Gold Hill, City of	Jessica Simpson	541-855-1525	2005
Harrisburg, City of, and HRA	Cathy Nelson	541-995-2211	2009
La Pine, City of, and La Pine URA	Brenda Bartlett	541-388-7888	2014
Lake County	Ann Crumrine	541-947-6030	2018
Lake County Education Service District	Sara Sarensen	541-947-3371	2018
Lakeside Rural Fire Protection District	Stephanie Stroud	541-269-1358	2013
Lakeview, Town of	Michele Parry	541-947-2029	2018
Myrtle Creek, City of	Sean Negherbon	541-863-3171	2017
Paisley School District #11	Mollie O'Leary	541-943-3111	2018
Paisley, City of	Melissa Walton	541-943-3173	2019
Port Orford-Langlois School District 2CJ	Don Staehely	541-348-2455	2018
Powers, City of	Stephanie Patterson	541-439-3331	2008
Scappoose, City of	Jill Herr	503-543-7146	2015
Sutherlin School District	Della Mock	541-459-2228	2002
Tangent, City of	Bev Manfredo	541-928-1020	2008
Turner, City of	Pamela Ray	503-743-2155	2010
Willamina School District	Lisa Anderson	503-876-4525	2003
Winston, City of	Ann Munson	541-679-6739	2014

A copy of any of the audit reports prepared by our firm for the above entities are available for review upon request, or you may view them at the Oregon Secretary of States website at <https://secure.sos.state.or.us/muni/public.do>.

***FIRM QUALIFICATIONS***

Each staff member that will be assigned to the City of Coburg audit will have participated in a minimum of 40 hours of continuing education each of the last two years. We employ a wide range of continuing professional education resources and methods to ensure that every staff member has the required knowledge to fulfill their assignments optimally, and meet professional standards established by AICPA and GOA.

In order to provide professional services at the highest level, the firm maintains quality control (QC) policies and procedures. The ones that will most directly impact the City of COBURG audit include the following:

- Leadership that emphasizes ethics and integrity
- Engagement performance and documentation inspection and review by monitoring team
- Peer review of QC system and its results by external, licensed peer reviewer
- Communication and remediation of any noted deficiencies.

**APPROACH - OVERVIEW**

Steve Tuchscherer will act as the Engagement Manager and be directly involved in managing and performing critical aspects of the audit, including:

- Communications with the City's management and representatives of the City Council
- Supervising the audit team

Our commitment to the City of Coburg is to develop and maintain a healthy working relationship with the City's management team, as well as to establish a solid line of communication with the City Council members.

Our overall goal, as indicated earlier is to:

- Discuss with management improvements to policies and procedures for all activities of the City.
- Develop suggestions to improve the efficiency and effectiveness of the accounting systems.
- Promote internal controls to minimize the risk of material misstatements due to errors, omissions, or fraud, and
- Encourage effective controls for compliance with rules and regulations related to accounting, budgeting, grant administration, and contracting.

**AUDIT APPROACH – WORK PLAN SUMMARY**

The basic elements of our audit procedures are **non-sequential** since many of the audit steps within them will be performed and re-performed as information and circumstances change. Risk-based auditing, as currently mandated, is a continuum of risk assessments developed to determine where material misstatement in the financial statements may lie. As an example of our assessment, we ask ourselves, "Have internal controls been effective in preventing, or detecting and correcting significant errors or irregularities in the Meal-Time system?" Documenting this and many similar subjective assessments, and the information on which they are based, generates a considerable amount of our audit workload. The basic elements of risk-based auditing are to:

- Gain an Understanding of the Entity to be Audited
- Communicate with Audit Client Management and Governing Body
- Assess the Risks Related to the Audit
- Analyze Financial Information
- Perform Substantive Procedures
- Perform Test of Controls
- Review Audit Documentation
- Make Conclusory Judgements
- Issue Reports

***AUDIT APPROACH – WORK PLAN DETAILS***

The remainder of this Audit Approach section of our proposal describes in greater detail what we do as we work through each of these basic elements.

**UNDERSTANDING THE ENTITY**

During our preliminary work, we will visit the City's website and gather as much information relevant to the audit as possible. Including:

- The structure and members of the City Council and administrative staff
- City Council meeting minutes
- Current and prior year budgets
- Resolutions
- Adopted budget

**COMMUNICATING WITH THE AUDIT CLIENT**

Having learned as much as possible before hand, we will meet with management, staff and Council representatives in order to:

- Give you a chance to get familiar with who we are and how we work.
- Discuss how we can best serve the City.
- Solidify our understanding of the City and its internal controls.
- Allow each of you to express concerns about the City's control policies and procedures.

Our meetings may be in person, over the phone, or via the internet. During our field work, we will walk through many of the financial processes at the City with the staff members who normally perform those tasks to gain a thorough understanding of the internal controls. Any deficiencies encountered, along with our recommendations, will be discussed with the appropriate management so that corrective action can be taken, documented, and, when necessary, reported. During the current pandemic, the fashion of our meeting will be guided by State and Federal mandates.

Some of our communications are required to be in writing, and some require a written response from staff, management, and City Council representatives. Whenever possible, we use email to ask additional questions or request additional information. When the information is requested, we encourage the use of our electronic portal.

**ASSESSING RISK**

Throughout our audit work, we assess and document risk. As our understanding of the City's people, policies and procedures expand and evolve, our risk assessments change, and we modify our audit plans and procedures accordingly. This is a subjective, qualitative process, which we must then use to make objective, quantitative decisions. For each account balance in the financial statements, for each group of transactions (like revenues or expenditures), and for each disclosure in the notes to the financial statement, we will consider whether the risk of material misstatement is high enough to warrant further inquiries, testing, or verification.

**ANALYTICAL PROCEDURES**

One of the most efficient ways to find errors or irregularities is by analyzing relevant information. We compare account balances with the current budget and prior year financial information. When applicable, we also evaluate a variety of ratios. We perform specific analytical procedures and document those results at both the preliminary and final review stages of the audit. Any time we discover unexpected results, we adjust our risk assessment(s) and pursue other audit procedures to validate the accuracy of an amount.

A great auditor, never stops asking the question, “Does that ‘look’ right?” We train our staff to think that way. We want each member of our team to constantly be looking at information with an eye for unusual amounts and circumstances, not just at specified points along the way, but at every step of the audit. We also encourage managers of our audit clients to develop and use the same skills as an important part of the internal controls.

**SUBSTANTIVE PROCEDURES – THE FIELD WORK**

A wide range of steps that we perform are considered substantive. They all equate to gathering information to provide us with assurances that amounts on the financial statements are not materially misstated.

These steps include sampling of accounting details, for example: verifying that a random selection of the utility billing accounts receivable are accurate, to demonstrate the likelihood that the total of utility billing receivables is accurate. Examining accounting records and source documents to support transactions recorded in the general ledger is also a common substantive procedure, as is examining reconciliations of various account balances with supporting documentation.

In the last 20 years, audit requirements have continued to compel auditors to perform risk-based auditing, which should have changed the number of substantive procedures substantially. Still, this is an audit area where we spend a significant portion of our field work time. As indicated before, however, we have trimmed the typical number days we spend at clients’ offices to just one, if any, by focusing our efforts on areas we identify as higher risk, and by encouraging the use technology whenever it is more efficient for all.

Many auditors continue to consume large amounts of their clients’ time retrieving, copying, generating, or printing documents and reports that have little or no audit value because they are still using older methods of auditing. This should be unacceptable and is something we work very hard to avoid. The multitude of seemingly insignificant boxes full of information that you may have been asked to assemble for audits in the past may not be so seemingly insignificant. In fact, it can be an enormous effort. If we determine during our planning and subsequent adjustments to our audit procedures that a box full of information does not provide us with substantial, relevant information, we do not ask for it, and we will be clear about what it is that we do need.

**TESTS OF CONTROLS**

The reasons for testing controls are twofold. One is specific to Single Audits, in which significantly weak controls must be reported. The other more common reason for testing

controls is to be able to reduce the amount of substantive testing necessary to complete the audit.

If we will be performing a Single Audit, we will do tests of controls, and will perform those types of tests for the City of Coburg audit.

### **REVIEW, CONCLUDE, REPORT**

As audit procedures are completed, we will technically review them for completeness, accuracy, and compliance with generally accepted auditing standards and with GAO's *Governmental Auditing Standards*, if a Single Audit is required. We will compare final trial balance amounts with the financial statements and evaluate the format and presentation of financial statements to ensure that they conform with generally accepted accounting principles.

We will meet with City Manager to discuss any matters we have determined to be significant. We will present a draft management letter at that time to guide our discussion. We will seek feedback about our comments and recommendations from the City Council. We are always open to revising our comments to make them more useful.

Finally, we will issue an Independent Auditors Report as required by generally accepted auditing standards, an Auditors Comments Report as required by Oregon Minimum Standards, and any other applicable or required reports.

### **AUDIT APPROACH – COMPUTERS AND TECHNOLOGY**

We use computers to assist us in auditing at nearly every level. Getting electronic data from accounting systems like Springbrook not only saves the client time by limiting the number of reports that need to be generated to just a few, but also saves resources, and provides us with a far superior examination.

### **AUDIT APPROACH – USE OF CITY STAFF**

We will ask for City assistance in gathering only documents necessary to complete the audit. Estimated time for such assistance is ten to thirty hours for the entire year. As noted, we will work closely with management to provide effective and efficient means for the City's staff to perform those procedures. We encourage the use of our portal throughout the year to save management time by not having to retrieve and handle documents a second time for the audit.

### **AUDIT APPROACH – PRESENTATION**

We will make a presentation to the City Council of the audited financial statements no later than the December or January meeting.

***SCHEDULE OF ESTIMATED AUDIT HOURS***

The proposed schedule for audit services for the City of Coburg for the fiscal year ending June 30, 2022 is as follows:

Proposed Audit Schedule	
Engagement Letter & Contract	August 20 - September 10
Pre-audit Conference, Planning Engagement	September 20 - September 30
Preliminary and General Procedures	September 25 - October 15
Prepare Draft Audit Report	October 25 - November 30
Technical Review	October 20 - November 20
Exit Conference	November 1 - December 10
Prepare, Sign & Review Final Audit Report	December 1 - December 20
Present Audit Report to City Council	December or January Meeting

City of Coburg						
Name	Position	Hourly Rate	Estimated Hours			Estimated Fees
			On-site	Off-site	Total	
Steve Tuchscherer	Engagement Manager	\$ 200	16	16	32	\$ 6,400
Jean Larson	Senior Manager	170	16	18	34	5,780
Josh Huffman	Senior Associate	140	16	18	34	4,760
Savannah Crawford	Senior Associate	140	16	16	32	4,480
Kassi Upright	Junior Associate	90	24	16	40	3,600
Desiree Gheer	Junior Associate	90	24	16	40	3,600
Savannah Hansen	Comm. Mgr/Support Staff	\$ 75	0	10	10	\$ 750
Total Estimated Audit Fee			112	110	222	\$ 29,370

City of Coburg URA						
Name	Position	Hourly Rate	Estimated Hours			Estimated Fees
			On-site	Off-site	Total	
Steve Tuchscherer	Engagement Manager	\$ 200	4	8	12	\$ 2,400
Jean Larson	Senior Manager	170	0	8	8	1,360
Josh Huffman	Senior Associate	140	4	8	12	1,680
Savannah Crawford	Senior Associate	140	0	8	8	1,120
Kassi Upright	Junior Associate	90	0	8	8	720
Desiree Gheer	Communications Manager	90	0	8	8	720
Savannah Hansen	Comm. Mgr/Support Staff	\$ 75	0	6	6	\$ 450
Total Estimated Audit Fee			8	54	62	\$ 8,450



**PROPOSED FEES - SUMMARY**

The hours listed above for the 2021-22 audit are expected to be very similar for the 2022-23 and 2023-24 audits.

<b>City of Coburg</b>	
Fiscal Year	Audit Fee
2021-22	\$ 29,340
2022-23	30,500
2023-24	\$ 31,750

<b>City of Coburg URA</b>	
Fiscal Year	Estimated Audit Fee
2021-22	\$ 8,450
2022-23	8,700
2023-24	\$ 9,000

The proposed fees for the above fiscal year ***do not include*** amounts for Single Audit work. Should a Single Audit be necessary, the fee will increase between **\$3,500 and \$4,500**. If other unanticipated complications or changes to auditing standards and GASB requirements occur during any audit period, we will inform the City Manager of the estimated additional fees and the reason for the changes prior to beginning such additional work.

As part of the audit process, we look forward to providing a variety of assistance by phone and emails throughout the year. We do not charge additional fees for those conversations and communications as they are most often mutually beneficial.

**PROPOSED FEES – ADDITION SERVICES RATES**

Any unusual conditions encountered during the course of the audits where services of the auditing firm must be extended beyond normative work anticipated will be performed only after written notification and acceptance by the City Manager. Fees for such additional work will be charged at hourly rates as follows:

Engagement Manager	\$ 200
Senior Manager	170
Senior Associate	140
Communications Manager	90
Junior Associate	90
Support Staff	\$ 75

References		
Amity School District No. 4J 807 Trade St., Amity, OR 97101	Ann Adams 541-835-2171	<a href="mailto:ann.adams@amity.k12.or.us">ann.adams@amity.k12.or.us</a>
Lake County Education Service District 357 North L Street, Lakeview, OR 97630	Sara Sarensen 541-947-3371	<a href="mailto:ssarensen@lakeesd.k12.or.us">ssarensen@lakeesd.k12.or.us</a>
City of Harrisburg PO Box 378, Harrisburg, OR 97446	Cathy Nelson 541-995-6655	<a href="mailto:cnelson@ci.harrisburg.or.us">cnelson@ci.harrisburg.or.us</a>
Sutherlin School District #130 531 E. Central Ave., Sutherlin, OR 97479	Della Mock 541-469-2228	<a href="mailto:della.mock@sutherlin.k12.or.us">della.mock@sutherlin.k12.or.us</a>
City of Tangent PO Box 251, Tangent, OR 97389	Bev Manfredo 541-928-1020	<a href="mailto:bev@cityoftangent.org">bev@cityoftangent.org</a>
City of Turner PO Box 456, Turner, OR 97392	Pamela Ray 503-743-2155	<a href="mailto:pray@cityofturner.org">pray@cityofturner.org</a>
City of Scappoose 33568 E Columbia Ave, Scappoose, OR 97056	Jill Herr 503-543-7146	<a href="mailto:jherr@cityofscappoose.org">jherr@cityofscappoose.org</a>
City of Myrtle Creek PO Box 940, Myrtle Creek, OR 97457	Eadie Calkins 541-863-3171	<a href="mailto:ecalkins@ci.myrtle-creek.or.us">ecalkins@ci.myrtle-creek.or.us</a>



**Emerald CPA Group, LLP**

450 Country Club Road, Suite 155  
Eugene OR 97401

### Report on the Firm's System of Quality Control

August 6, 2021

To the Member of  
Umpqua Valley Financial, LLC  
and the Peer Review Committee of the Oregon Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Umpqua Valley Financial, LLC (the firm) in effect for the year ended March 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

#### **Firm's Responsibility**

The firm is responsible for designing 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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

#### **Peer Reviewer's Responsibility**

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

Phone 541 255 2888 Fax 541 345 3358  
[www.emeraldcpa.com](http://www.emeraldcpa.com)

**Required Selections and Considerations**

Engagements selected for review included an engagement performed under *Government Auditing Standards* including a compliance audit under the Single Audit Act.

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

**Deficiencies Identified in the Firm's System of Quality Control**

We noted the following deficiencies during our review:

1. Quality control standards and the firm's quality control policies and procedures addressing engagement acceptance and continuance were not fully complied with during the review year. The firm's quality control policies and procedures state that the firm will only accept specific engagements when it has determined that it has the requisite competence and capabilities (including adequate time) to perform the engagement. The firm accepted eleven new audit engagements and lost a key staff member, resulting in significant strain on the firm's personnel and the owner's ability to effectively supervise the engagements. As a result, we noted documentation and performance matters as follows. On an initial audit, there was no documentation of the required inquiries of the predecessor auditor or review of their workpapers as a basis for reliance on the beginning balances, and adequate procedures were not performed on the beginning balances. On the same audit, there were no confirmations obtained on accounts and contract receivables other than property taxes, no justification for not obtaining was them documented and only analytical procedures were performed. On all three audits reviewed there was little documentation of procedures performed on the pension and OPEB liabilities, other than copies of the actuarial valuations and the audited schedules of the individual employer amounts. Although the firm was clearly relying on the plan's actuary and auditor, there was no documentation that the firm evaluated their competency. We also noted that the representation letters on all three audits reviewed were dated and signed prior to the report dates.
2. Quality control standards and the firm's quality control policies and procedures require adequate continuing professional education (CPE) in the areas of the firm's practice. Although the owner and staff were in compliance with all applicable regulatory requirements, CPE was inadequate or ineffective in the areas of risk assessment, single audits and nonprofit accounting. On all three audits, we noted that while internal controls were adequately documented, there was no documentation of walkthroughs or procedures other than inquiry to assess whether the controls were implemented. In the risk assessment documentation, we noted incorrect identification of relevant assertions in some areas, certain significant audit areas assessed at the audit area level rather than the assertion level, and the identified audit approach was not always consistent with the assessed risk. Extended procedures were performed in some areas, but were not added to the audit programs. As the result there was poor linkage between the risk assessment and the audit programs used. On the single audit, we noted that the direct and material

compliance elements were not correctly identified. The documentation of risk assessment for these elements indicated moderate control risk, but Uniform Guidance requires the auditor to plan to achieve low control risk. This resulted in failure to test cash management (reimbursement requests) and some of the special tests and provisions. Additionally, there was no sampling documentation for the eligibility test. On a review engagement of a nonprofit organization, the new standards for financial statement presentation were not adopted, other than changing the caption on net assets. The new disclosure on liquidity and availability of financial resources was missing and a statement of functional expenses or similar information in the notes was not presented. Expenses were presented only by natural classification and not by function. All three audits were considered nonconforming due to the risk assessment deficiencies and the single audit of a school district was also considered nonconforming due to the single audit deficiencies.

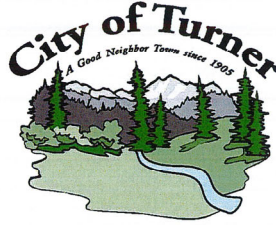
3. Quality control standards and the firm's quality control policies and procedures addressing monitoring have not been complied with to provide reasonable assurance that the engagements are being performed in accordance with professional standards. The firm's quality control policies and procedures require that monitoring procedures, including post-issuance engagement reviews be performed and documented annually. Although the firm did prepare such documentation, no significant matters were noted in the most recent monitoring report, although it did note the need to hire an additional CPA with municipal audit experience, and the need for more thorough use of risk assessment practice aids. However, based on the issues noted in the peer review, it appears that the procedures performed were not adequate to identify noncompliance with professional standards, particularly at the engagement level. In our opinion, the lack of adequate monitoring contributed to the engagements previously noted that did not conform with professional standards in all material respects.

#### Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of Umpqua Valley Financial, LLC in effect for the year ended March 31, 2020 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*. Umpqua Valley Financial, LLC has received a peer review rating of *pass with deficiencies*.

*Emerald CPA Group, LLP*

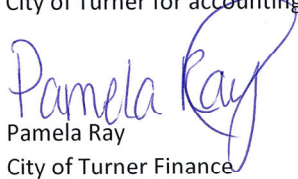
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Over the last seven years The City of Turner has utilized the services and expertise of Umpqua Valley Financial (formerly Steve Tuchscherer, CPA, PC) for our annual audit. The audit process can be a daunting task, however, Umpqua Valley Financial has made this process virtually painless. Upon receiving an audit prep sheet, we begin uploading these items to their secure audit portal, allowing the auditors time to look over the data prior to their site visit. Their questions we receive during the interim, while thorough, are always concise with respect for our time and busy schedules. The audit report we receive at the end of the process is accurately and professionally presented.

Having worked in the accounting field for more than twenty years, I must say that Umpqua Valley Financials' audit process is the most streamlined I've experienced. The professional and friendly replies I receive to questions and concerns make it a pleasure to deal with their staff. They have been patient with our office as we've experienced growing pains with new personnel and with my own questions regarding the unique accounting and budget laws regarding municipalities. In short, they are a pleasure to work with and are highly recommended by The City of Turner for accounting and audit services.

  
Pamela Ray  
City of Turner Finance

\*ADA Accommodations Provided Upon Request\*

\*The City of Turner is an Equal Opportunity Employer and Provider\*



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Jeff Clark, Superintendent  
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Phone: 503-835-2171  
Fax: 503-835-5050

May 15, 2018

To Whom It May Concern:

It is my privilege to write a letter of recommendation for our auditing firm, Umpqua Valley Financial, LLC. Umpqua Valley Financial, LLC (formerly Steve Tuchscherer, CPA, PC) has served as the auditor for our district for fifteen years. Even after all of these years, Amity School District has no plans to seek the services of another auditing firm, which is a testament to a positive working relationship.

As you can imagine, dealing with the auditors may create some anxiety for the business office and program managers. That is not the case in working with Umpqua Valley Financial, LLC, and there are several things that stand out to me as I consider the services they provide to us. They are professionals in every way, measuring our work by the highest auditing standards, and yet, they are easy to work with. If there are minor issues that surface during the audit, they don't make the issue bigger than it needs to be, but rather ensure that we address the situation and move forward. Throughout the year, the auditors are readily available to answer questions as they arise which enables us to stay on top of our work. There have been times when it became necessary for us to reschedule the audit, and Umpqua Valley Financial has been very willing to accommodate our request for a change.

Amity School District is a small district with only a few individuals who have direct contact with the auditors. However, we receive the time and attention that we need from them. Because of the service they provide to us each year, we have confidence in Umpqua Valley Financial, LLC, and we know that we are a valued client regardless of our size. This speaks well of them as an auditing firm.

If you have further questions, please feel free to contact me at (503) 835-2171.

Sincerely,



Ann Adams  
Deputy Clerk/Business Manager

An Equal Opportunity Employer