



City of Needles, California Request for City Council Action

☒ CITY COUNCIL ☐ NPUA ☐ SARDA ☒ HACN ☒ Regular ☐ Special

Meeting Date: August 8, 2023

Title: Housing Authority auditors for fiscal year ending 06/30/23

Background: The accounting firm Smith Marion & Co. with Douglas Englehart as the engagement partner has done the financial audits for the Housing Authority of the City of Needles for the last four fiscal years. Transitioning to a new firm is difficult because new audit firms need to be guided through all aspects of the operations. Since the Housing Authority is a new entity for the City, it would be beneficial to have an auditing firm that is already familiar with the operations.

Fiscal Impact: Not to exceed \$17,408 for the FY 22-23 audit, per proposal dated 06/22/23.

Recommendation: Staff recommends foregoing the bid process and retaining Smith Marion & Co. for the audit of the fiscal year ending June 30, 2023.

Submitted By: Barbara DiLeo, Finance

City Management Review:

Patricia G. RB

Date:

8/12/2023

Approved: ☐

Not Approved: ☐

Tabled: ☐

Other: ☐

Agenda Item: 9

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redlands, ca 92374



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ENGAGEMENT LETTER

Thursday, June 22, 2023

Housing Authority of the City of Needles
908 Sycamore Dr.
Needles, CA 92363

Ladies and Gentlemen:

This letter (Engagement Letter) confirms our understanding of our engagement to provide professional services to Housing Authority of the City of Needles.

OBJECTIVES AND LIMITATIONS OF SERVICES

Financial Statement Audit Services

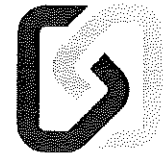
You have requested that we audit the financial statements of the Covered Entities (as described in Appendix I).

We have the responsibility to conduct and will conduct an audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS), with the objective of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, and issuing an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also will:

- § Identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.



- § Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Covered Entities' internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- § Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall financial statement presentation, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- § Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Covered Entities' ability to continue as a going concern for a reasonable period of time.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of the Covered Entities' financial statements addressed to the Board of Directors (Board). Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph to our auditor's report, or if necessary, withdraw from the engagement. If, during the performance of our audit procedures such circumstances arise, we will communicate to the Board our reasons for modification or withdrawal.

We will not assume management responsibilities on behalf of the Covered Entities. However, we will provide advice and recommendations to assist management of the Covered Entities in performing its responsibilities.

This engagement is limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.

We may also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

We also understand that the financial statements may include supplementary information which is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information may be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America with the objective of expressing an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Internal Control over Financial Reporting and Compliance and Other Matters

We will obtain an understanding of the Covered Entities' internal control relevant to the audit in order to determine the nature, timing, and extent of our audit procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Covered Entities' internal control.

The objective of our audit of the financial statements is not to report on the Covered Entities' internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Covered Entities' compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may exist and not be detected even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

Government Auditing Standards Audit Services

You have also requested that we audit certain Covered Entities' financial statements in accordance with the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). See services section of Appendix I for Entities audited under *Government Auditing Standards*.

In accordance with *Government Auditing Standards*, we will prepare a written report (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial statements. This report will (1) include any material weaknesses and significant deficiencies identified during the audit; (2) include any of the following that we identify or suspect: (i) instances of noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements or other financial data significant to the audit objectives; and (ii) instances of fraud that are material, either qualitatively or quantitatively, to the financial statements or other financial data significant to the audit objectives; (3) describe its purpose and (4) state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will also communicate in writing when:

- § Identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements comes to our attention during the course of our audit that has an effect on the financial statements or other financial data significant to the audit objectives that is less than material but warrants the attention of those charged with governance, or



§ We obtained evidence of identified or suspected instances of fraud that have an effect on the financial statements or other financial data significant to the audit objectives that are less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or instances of fraud directly to parties outside the auditee.

Pursuant to *Government Auditing Standards*, and subject to applicable provisions of laws and regulations, we are required to make appropriate individuals and certain audit documentation available in a timely manner to others, including Regulators, upon request. In addition, we may also be requested to make certain audit documentation available to Regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, Regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

In accordance with the requirements of *Government Auditing Standards*, a copy of our latest external peer review report of our firm can be obtained on our website smcocpa.com for your consideration and files.

MANAGEMENT'S RESPONSIBILITIES

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The management and the Board of the Covered Entities acknowledge and understand that they have responsibility for the following: (1) the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein; (2) the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; (3) for adopting sound accounting policies; (4) for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements; (5) to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud; (6) for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls; (7) adjusting the financial statements to correct material misstatements; (8) for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole; (9) provide us with the following: (i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and the compliance requirements applicable to its federal programs such as records, documentation, and other matters; and (ii) additional information that we may request from management for purposes of the audits; and (iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence; (10) identifying and ensuring that the Covered Entities comply with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known instances of noncompliance or suspected noncompliance with laws, regulations and provisions of contracts and grant agreements; (11) inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued; (12) distributing the reports issued by Smith Marion.



As required by auditing standards, we will make specific inquiries of management and the Board about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

Because of the importance of management's representations to the effective performance of our services, the Covered Entities' will release Smith Marion and its personnel from any claims, liabilities, costs and expenses relating to our services under this Engagement Letter attributable to any misrepresentations in the representation letter. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

With respect to the nonattest services we perform as described in Appendix I, management is responsible for the following: (1) making all management decisions and performing all management functions; (2) assigning a competent individual to oversee the services; (3) evaluating the adequacy of the services performed; (4) evaluating and accepting responsibility for the results of the services performed; and (5) establishing and maintaining internal controls, including monitoring ongoing activities.

Management and the Board also acknowledge and understand that they have responsibility for the preparation of the supplementary information in accordance with the applicable criteria. Management is also responsible for providing us written representations regarding the supplementary information. Management is also responsible for including our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information, and for including the audited financial statements with any presentation of the supplementary information that includes our report thereon or making the audited financial statements readily available to intended users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management acknowledges it is responsible for providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or single audit report. If such information is not provided on a timely basis prior to release of the report(s), the report(s) will indicate management did not provide written responses.

REPORTS, SERVICES, AND ASSOCIATED FEES

Appendix I to this Engagement Letter lists the reports we will issue and the services we will provide as part of this engagement and our fees for professional services to be performed under this Engagement Letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this Engagement Letter.

OTHER MATTERS

Smith Marion, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client



consent, except in limited circumstances. Smith Marion represents to management that Smith Marion will treat the Covered Entities' confidential information in accordance with applicable professional standards.

In an effort to facilitate efficient communication between Smith Marion and management related to the audit and to track engagement progress during the course of the engagement, Smith Marion may provide management with access to certain online tools. If such access is provided to management, they shall be responsible for: (i) its users' access and use of such tools (including the information its users may upload to such tools and compliance with all laws and regulations applicable to use or access by the Covered Entities' users outside of the United States (e.g. export control and data privacy laws and regulations)), and (ii) protecting the security of the account credentials in its possession for each user including timely informing Smith Marion when the Covered Entities' individuals' access should be removed. Management acknowledges that it shall not provide third parties (agents or contractors) with access to such tools without Smith Marion's written consent, use such tools as a system of record, nor use such tools other than for purposes of the audit engagement.

This Engagement Letter shall serve as management's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between Smith Marion and management and between Smith Marion and outside specialists or other entities engaged by either Smith Marion or management. Management acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of Smith Marion. Smith Marion will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

Smith Marion is comprised of both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this Engagement Letter. The audit documentation for this engagement is the property of Smith Marion. If Smith Marion receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request; or other legal process requiring it to disclose the Covered Entities' confidential information ("Legal Demand"), Smith Marion shall, unless prohibited by law or such Legal Demand, provide prompt written notice to management of such Legal Demand in order to permit it to seek a protective order. So long as Smith Marion gives notice as provided herein, Smith Marion shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event Smith Marion is requested or authorized by management, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which Smith Marion is not a named party or respondent, to produce Smith Marion's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or management, the Covered Entities shall reimburse Smith Marion for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.



TERMINATION

Either of us may terminate this Agreement immediately if the other becomes insolvent or otherwise ceases to carry on business or commits any material breach of this agreement that is either incapable of being remedied or is not remedied within 14 days of receipt of a notice requiring the breach to be remedied.

We may terminate this agreement if (a) you fail to meet your obligations under this agreement including to pay our fees within the time specified or to provide us with adequate information; or (b) there is a change of circumstances beyond our reasonable control (such as auditor independence or regulatory related developments) that prevents us from providing the services in Appendix I to you.

If this agreement is terminated (a) you agree to pay us the fees for any work we have done and any expenses we have incurred up to the date of termination; (b) where relevant, each of us will return to the other any documents or property of the other that it has, except that we may retain one copy of all information to allow us to satisfy our professional obligations and record keeping requirements; and (c) all services will terminate immediately and no final reports outlined in Appendix I will be issued to you.

Our engagement herein is for the provision of the audit services for the periods described in Appendix I, and it does not extend to any periods for which we are not engaged as auditors.

This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall constitute the entire agreement between Smith Marion and the Covered Entities with respect to the subject matter hereof and thereof, and supersede all other previous oral and written representations, understandings or agreements relating to the subject matter of this agreement.

We shall be pleased to discuss this Engagement Letter with you at any time. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Respectfully,

Douglas E. Englehart, CPA, MSA | Principal
Smith Marion & Co.,
1940 Orange Tree Lane Suite 100
Redlands, CA 92374



RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of the Covered Entities by:

Signature: _____

Print Name: _____

Title: _____

Date: _____



APPENDIX I

REPORTS, SERVICES, AND ASSOCIATED FEES

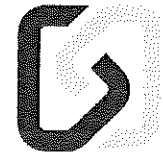
Professional standards prohibit us from performing services for audit clients where the fee for such services is contingent, or has the appearance of being contingent, upon the results of such services.

Professional standards also indicate that independence may be impaired if fees for professional services are outstanding for an extended period of time; therefore, it is important that our fees be paid promptly when billed. If a situation arises in which it may appear that our independence would be questioned because of past due unpaid fees, we may be prohibited from issuing our audit report and associated consent.

Invoices will be payable upon presentation and will be submitted monthly during the course of the engagement. Any discrepancy regarding a billing must be communicated within 10 days from the date received; otherwise, it shall be considered correct and payable. Billings become delinquent if not paid within 60 days of the invoice date. Past due accounts or invoices will incur a late payment penalty, assessed at the rate of 1.5% (18% annually) of the delinquent account balance each month, not to exceed maximum as permitted by law. Payments received on account will first be credited against any delinquency charges and then against the invoice balance. If billings are past due in excess of 60 days, we will stop work until your account is brought current or withdraw from the engagement.

Our fees are based on the anticipated cooperation from your personnel and the assumption that the accounting records are in satisfactory condition for the audit. We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. We anticipate that when the draft report is received that management will be diligent in their review of the document and submit revisions once the review is complete. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner or more than one revision is made to the documents submitted to you for review, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. Items that would cause additional time and an increase in fees would include, but not limited to, prior period audit adjustments not being posted and changes to the report after finalization. If we encounter unexpected circumstances, we will bring them to your attention immediately, to avoid any delays in completing the audit.

In an action or proceeding to enforce any provision of this agreement, to collect unpaid fees or secure a judgment for nonpayment of fees, the prevailing party will be awarded reasonable attorneys' fees and costs incurred in that action or proceeding or in efforts to negotiate the matter. If this matter is referred to a collection agency, we shall be entitled to recover reasonable collection agency fees incurred in the matter.



APPENDIX I

Covered Entity(ies), their respective financial statements, and the period(s) covered by this Engagement Letter are as follows:

ENTITY NAME	FINANCIAL STATEMENTS	PERIOD(S)
Housing Authority of the City of Needles	Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; Statement of Cash Flows; and Notes to Financial Statements.	As of and for the year ended June 30, 2023.

The engagement fees and services are as follows:

ENTITY NAME	SERVICE DESCRIPTION	SERVICE TYPE	FEE
Housing Authority of the City of Needles	Audit of financial statements	Attest	\$12,808
Housing Authority of the City of Needles	Preparation of financial statements in their entirety.	Nonattest	\$2,375
Housing Authority of the City of Needles	Preparation and IPA certification of Audited REAC submission.	Nonattest	\$1,706
Housing Authority of the City of Needles	Preparation/consulting on MDA preparation	Nonattest	\$519
Total fees			\$17,408

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redlands, ca 92374



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AGREED-UPON PROCEDURES (AUP) ENGAGEMENT LETTER

Thursday, June 22, 2023

Housing Authority of the City of Needles
908 Sycamore Dr.
Needles, CA 92363

Ladies and Gentlemen:

This letter (AUP Engagement Letter) confirms our understanding of our engagement to provide professional services to Housing Authority of the City of Needles (the Authority).

OBJECTIVES AND LIMITATIONS OF SERVICES

You have requested that we perform certain agreed-upon procedures (Procedures) for the Authority as set forth in Appendix II.

We have the responsibility to conduct and will conduct the Procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the Procedures is solely the responsibility of PIH-REAC. Consequently, we make no representation regarding the sufficiency of the Procedures. Because the Procedures do not constitute an examination or review, we will not express an opinion or conclusion on whether the electronic submission of the items listed in the "UFRS Rule Information" column agrees with the related hard copy documents within the audit reporting package. Furthermore, an agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations

Subject to the remainder of this paragraph, we will issue a written report (Report) upon completion of the Procedures listing the procedures performed and our findings. The Report is intended solely for the use of the Authority and the U.S. Department of Housing and Urban Development, REAC, and should not be used by anyone other than these specified parties. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC. Circumstances may arise in which we deem it necessary to withdraw from the engagement. If, during the performance of the Procedures such circumstances arise, we will communicate to the Board our reasons for withdrawal.

We will not assume management responsibilities. However, we will provide advice and recommendations to assist management in performing its responsibilities.

This engagement is limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.



MANAGEMENT'S RESPONSIBILITIES

You are responsible for designing, implementing, and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements.

You are responsible for the electronic submission of the items listed in the "UFRS Rule Information" listed in the attached schedule as of and for the year ended June 30, 2023 and that it is in accordance with the hard copy documents also listed in the attached schedule; and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedure on the subject matter, (2) additional information that we may request for the purpose of performing the agreed-upon procedure, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing the procedure.

You agree to retain a copy of the Uniform Guidance reporting package in its entirety.

REPORTS, SERVICES, AND ASSOCIATED FEES

Appendix II to this AUP Engagement Letter lists the reports and services we will provide as part of this engagement.

Our fee for these services is a flat fee defined in the audit engagement letter. That fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In addition, fees for any special related projects, such as research and/or consultation on special business or financial issues, will be billed separately from this fee and may be subject to written arrangements supplemental to those in this AUP Engagement Letter.

TERMINATION

Either of us may terminate this Agreement immediately if the other becomes insolvent or otherwise ceases to carry on business or commits any material breach of this agreement that is either incapable of being remedied or is not remedied within 14 days of receipt of a notice requiring the breach to be remedied.

We may terminate this agreement if (a) you fail to meet your obligations under this agreement including to pay our fees within the time specified or to provide us with adequate information; or (b) there is a change of circumstances beyond our reasonable control (such as auditor independence or regulatory related developments) that prevents us from providing the services in Appendix II to you.



If this agreement is terminated (a) you agree to pay us the fees for any work we have done and any expenses we have incurred up to the date of termination; (b) where relevant, each of us will return to the other any documents or property of the other that it has, except that we may retain one copy of all information to allow us to satisfy our professional obligations and record keeping requirements; and (c) all services will terminate immediately and no final reports outlined in Appendix II will be issued to you.

OTHER MATTERS

The attest documentation for this engagement is the property of Smith Marion & Co. and constitute confidential information. However, we may be requested to make certain attest documentation available to the Secretary of Housing and Urban Development, the HUD Inspector General, and the Government Accountability Office or their representatives, pursuant to authority given to them by law or regulation. We will notify you of any such request. If requested, access to such attest documentation will be provided under the supervision of Smith Marion & Co. personnel. Furthermore, upon request, we may provide copies of selected attest documentation to HUD or the Government Accountability Office representatives. HUD and the Government Accountability Office may decide to distribute the copies or information contained therein to others, including other governmental agencies.

At the conclusion of our engagement, we will require a representation letter from management that, among other things, will confirm management's responsibility for the presentation of the electronic submission and the financial statements and supplemental information included in the Uniform Guidance reporting package.

We appreciate the opportunity to be of service and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

We very much appreciate the opportunity to serve you.

Respectfully,

Douglas E. Englehart, CPA, MSA | Principal
Smith Marion & Co.
1940 Orange Tree Lane Suite 100
Redlands, CA 92373



RESPONSE:

The AUP Engagement Letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Housing Authority of the City of Needles by:

Signature: _____

Print Name: _____

Title: _____

Date: _____



APPENDIX II

REPORTS AND SERVICES

Period covered by AUP Engagement Letter are as of and for the year ended:

June 30, 2023

Expected reports to be issued are as follows:

Independent Auditors' Report on Applying Agreed-Upon Procedures

Services to be performed:

REAC Attest Services

Procedures: Attest as to whether the following UFRS Rule Information submitted in the HUD electronic REAC system agrees to its respective Hardcopy Documents

Procedure	UFRS Rule Information	Hardcopy Documents
1	Balance Sheet and Revenue and Expense (Data lines 111 to 13901)	Financial Data Schedule of all CFDA's, If Applicable
2	Footnotes (data element G5000-010)	Footnotes to the audited basic financial statements
3	Type of Opinion on FDS (data element G3100-040)	Auditors Report on Supplemental Data
4	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)

