

| | |
|---|--|
| Council/Agency Meeting Held: _____ | _____ City Clerk's Signature |
| Deferred/Continued to: _____ | |
| <input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied | |
| Council Meeting Date: 5/7/2007 | Department ID Number: FN 07-001 |

**CITY OF HUNTINGTON BEACH
REQUEST FOR CITY COUNCIL ACTION**

SUBMITTED TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

SUBMITTED BY: PENELOPE CULBRETH-GRAFT, DPA, CITY ADMINISTRATOR *[Signature]*

PREPARED BY: DAN T. VILLELLA, CPA, FINANCE DIRECTOR *[Signature]*

SUBJECT: APPROVE PROFESSIONAL SERVICES AGREEMENT WITH DIEHL, EVANS & COMPANY, LLP TO PERFORM FINANCIAL AUDIT SERVICES

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)

Statement of Issue:

Should the City Council approve a professional agreement with Diehl, Evans & Company, LLP to perform financial audit services

Funding Source:

This agreement will be paid from budgeted amounts in account 10035205.69355. Sufficient funds will be budgeted for the term of the agreement (fiscal year 2007/08, 2008/09, and 2009/10 budgets).

Recommended Action: Motion to:

Approve the professional service agreement between the City of Huntington Beach and Diehl, Evans & Company, LLP to perform Audit Services.

Alternative Action(s):

- Do not approve the agreement between the City of Huntington Beach and Diehl, Evans & Company, LLP and direct staff to solicit more proposals.
- Select one of the other firms that submitted proposals.

Analysis:

The City of Huntington Beach is required by charter to have an independent audit each year of its financial statements. This contract is for a financial audit of all funds of the City's reporting entity, a financial and compliance audit of the City's Redevelopment Agency, a Single Audit Report of the City's federal grant programs, and an AB 2766 Audit relating to the City's Air Quality Fund. The City Council will also receive a management letter that will detail recommendations to improve the City's control and financial management.

E-6

REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: 5/7/2007

DEPARTMENT ID NUMBER: FN 07-001

The audit is to be performed in accordance with auditing standards generally accepted in the United States and Government Auditing Standards issued by the Comptroller of the United States.

Staff sent out Request for Proposals (RFPs) for audit services to prospective independent auditors who had requested to be on a bidders' list or were listed on the California Society of Municipal Finance Officers' website. In addition, the RFP was posted on the City's website. Five proposals were received. The auditing firms were asked to submit cost proposals for fiscal years ending September 30, 2007, 2008, and 2009.

Below is a summary of the total base fee for the three years:

| | FYE 9/2007 | FYE 9/2008 | FYE 9/2009 | Total |
|---|------------|------------|------------|------------|
| Caporicci & Larson | \$ 42,200 | \$ 42,200 | \$ 42,200 | \$ 126,600 |
| Diehl, Evans & Company | \$ 43,900 | \$ 45,225 | \$ 46,590 | \$ 135,715 |
| Lance, Soll & Lunghard | \$ 43,290 | \$ 44,160 | \$ 45,050 | \$ 132,500 |
| Mann, Urrutia, Nelson CPAs & Associates | \$ 165,000 | \$ 162,100 | \$ 168,200 | \$ 495,300 |
| Moreland & Associates | \$ 48,000 | \$ 50,000 | \$ 52,000 | \$ 150,000 |

Staff analyzed and reviewed all five proposals based on a variety of factors including the firm's references, responsiveness to the RFP, qualifications and relevant experience, and resumes of key staff to be assigned on the engagement. Staff is thus recommending Diehl, Evans & Company to perform auditing services for the City of Huntington Beach. Diehl, Evans & Company is one of the oldest firms in California providing municipal auditing services, has competent staff that will be assigned to the engagement, and has provided excellent auditing services to the City of Huntington Beach in previous years (1985-1990 and 1997-2001).

Strategic Plan Goal: Not Applicable

Environmental Status: Not Applicable

Attachment(s):

| City Clerk's Page Number | No. | Description |
|--------------------------|-----|--|
| 3 | 1. | Professional Services Agreement with Diehl, Evans & Company to perform an audit of all funds of the City's reporting entity and a financial and compliance audit of the City's Redevelopment Agency. |
| 33 | 2. | Certificate of Insurance. |
| 39 | 3. | Professional Service Agreement Purchasing Certification. |

ATTACHMENT #1

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PROFESSIONAL SERVICES CONTRACT BETWEEN
THE CITY OF HUNTINGTON BEACH AND
DIEHL, EVANS & COMPANY, LLP FOR
AUDIT SERVICES

THIS AGREEMENT ("Agreement") is made and entered into by and between the City of Huntington Beach, a municipal corporation of the State of California, hereinafter referred to as "CITY, and DIEHL, EVANS & COMPANY, LLP, a limited liability partnership hereinafter referred to as "CONSULTANT."

WHEREAS, CITY desires to engage the services of a consultant to perform audit services; and

Pursuant to documentation on file in the office of the City Clerk, the provisions of the Huntington Beach Municipal Code, Chapter 3.03, relating to procurement of professional service contracts have been complied with; and

CONSULTANT has been selected to perform these services,

NOW, THEREFORE, it is agreed by CITY and CONSULTANT as follows:

1. SCOPE OF SERVICES

CONSULTANT shall provide all services as described in **Exhibit "A,"** which is attached hereto and incorporated into this Agreement by this reference. These services shall sometimes hereinafter be referred to as the "PROJECT."

CONSULTANT hereby designates Nitin P. Patel who shall represent it and be its sole contact and agent in all consultations with CITY during the performance of this Agreement.

2. CITY STAFF ASSISTANCE

CITY shall assign a staff coordinator to work directly with CONSULTANT in the performance of this Agreement.

3. TERM; TIME OF PERFORMANCE

Time is of the essence of this Agreement. The services of CONSULTANT are to commence on as soon as practicable after the execution of this Agreement by CITY (the "Commencement Date"). This Agreement shall expire on March 31, 2010, unless extended or sooner terminated as provided herein. All tasks specified in **Exhibit "A"** shall be completed no later than 48 months from the Commencement Date. The time for performance of the tasks identified in **Exhibit "A"** are generally to be shown in **Exhibit "A."** This schedule may be amended to benefit the PROJECT if mutually agreed to in writing by CITY and CONSULTANT.

In the event the Commencement Date precedes the date of final execution, CONSULTANT shall be bound by all terms and conditions as provided herein.

4. COMPENSATION

In consideration of the performance of the services described herein, CITY agrees to pay CONSULTANT on a time and materials basis at the rates specified in **Exhibit "B,"** which is attached hereto and incorporated by reference into this Agreement, a fee, including all costs and expenses, not to exceed One Hundred Thirty Five Thousand Seven Hundred Fifteen Dollars (\$135,715.00).

5. EXTRA WORK

In the event CITY requires additional services not included in **Exhibit "A"** or changes in the scope of services described in **Exhibit "A,"** CONSULTANT will undertake such work only after receiving written authorization from CITY. Additional compensation for such extra work shall be allowed only if the prior written approval of CITY is obtained.

6. METHOD OF PAYMENT

CONSULTANT shall be paid pursuant to the terms of **Exhibit "B."**

7. HOLD HARMLESS

CONSULTANT hereby agrees to protect, defend, indemnify and hold harmless CITY, its officers, elected or appointed officials, employees, agents and volunteers from and against any and all claims, damages, losses, expenses, judgments, demands and defense costs (including, without limitation, costs and fees of litigation of every nature or liability of any kind or nature) arising out of or in connection with CONSULTANT's (or CONSULTANT's subcontractors, if any) negligent (or alleged negligent) performance of this Agreement or its failure to comply with any of its obligations contained in this Agreement by CONSULTANT, its officers, agents or employees. CONSULTANT will conduct all defense at its sole cost and expense. This indemnity shall apply to all claims and liability regardless of whether any insurance policies are applicable. The policy limits do not act as limitation upon the amount of indemnification to be provided by CONSULTANT.

8. PROFESSIONAL LIABILITY INSURANCE

CONSULTANT shall obtain and furnish to CITY a professional liability insurance policy covering the work performed by it hereunder. This policy shall provide coverage for CONSULTANT's professional liability in an amount not less than One Million Dollars (\$1,000,000.00) per occurrence and in the aggregate. A claims-made policy shall be acceptable if the policy further provides that the policy retroactive date coincides with or precedes the initiation of the scope of work (including subsequent policies purchased as renewals or replacements).

CONSULTANT will make every effort to maintain similar insurance during the required extended period of coverage following PROJECT completion. If insurance is terminated for any reason, CONSULTANT agrees to purchase an extended reporting provision of at least two (2) years to report claims arising from work performed in connection with this Agreement.

9. CERTIFICATE OF INSURANCE

Prior to commencing performance of the work hereunder, CONSULTANT shall furnish to CITY a certificate of insurance subject to approval of the City Attorney evidencing the foregoing insurance coverage as required by this Agreement; the certificate shall:

- A. provide the name and policy number of each carrier and policy;
- B. state that the policy is currently in force; and
- C. shall promise that such policy shall not be suspended, voided or canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice; however, ten (10) days' prior written notice in the event of cancellation for nonpayment of premium.

CONSULTANT shall maintain the foregoing insurance coverage in force until the work under this Agreement is fully completed and accepted by CITY.

The requirement for carrying the foregoing insurance coverage shall not derogate from CONSULTANT's defense, hold harmless and indemnification obligations as set forth in this Agreement. CITY or its representative shall at all times have the right to demand the original or a copy of the policy of insurance. CONSULTANT shall pay, in a prompt and timely manner, the premiums on the insurance hereinabove required.

10. INDEPENDENT CONTRACTOR

CONSULTANT is, and shall be, acting at all times in the performance of this Agreement as an independent contractor herein and not as an employee of CITY. CONSULTANT shall secure at its own cost and expense, and be responsible for any and all payment of all taxes, social security, state disability insurance compensation, unemployment compensation and other payroll deductions for CONSULTANT and its officers, agents and employees and all business licenses, if any, in connection with the PROJECT and/or the services to be performed hereunder.

11. TERMINATION OF AGREEMENT

All work required hereunder shall be performed in a good and workmanlike manner. CITY may terminate CONSULTANT's services hereunder at any time with or without cause, and whether or not the PROJECT is fully complete. Any termination of this Agreement by CITY shall be made in writing, notice of which shall be delivered to CONSULTANT as provided herein. In the event of termination, all finished reports shall, at the option of CITY, become its property and shall be promptly delivered to it by CONSULTANT.

12. ASSIGNMENT AND DELEGATION

This Agreement is a personal service contract and the work hereunder shall not be assigned, delegated or subcontracted by CONSULTANT to any other person or entity without the prior express written consent of CITY. If an assignment, delegation or subcontract is approved, all approved assignees, delegates and subconsultants must satisfy the insurance requirements as set forth in Sections 9 and 10 hereinabove.

13. CITY EMPLOYEES AND OFFICIALS

CONSULTANT shall employ no CITY official nor any regular CITY employee in the work performed pursuant to this Agreement. No officer or employee of CITY shall have any financial interest in this Agreement in violation of the applicable provisions of the *California Government Code*.

14. NOTICES

Any notices, certificates, or other communications hereunder shall be given either by personal delivery to CONSULTANT's agent (as designated in Section 1 hereinabove) or to CITY as the situation shall warrant, or by enclosing the same in a sealed envelope, postage prepaid, and depositing the same in the United States Postal Service, to the addresses specified below. CITY and CONSULTANT may designate different addresses to which subsequent notices, certificates or other communications will be sent by notifying the other party via personal delivery, a reputable overnight carrier or U. S. certified mail-return receipt requested:

TO CITY:

City of Huntington Beach
ATTN: Dan Villella
2000 Main Street
Huntington Beach, CA 92648

TO CONSULTANT:

Diehl, Evans & Company, LLP
2121 Alton Parkway, Suite 100
Irvine, CA 92606-4906

15. CONSENT

When CITY's consent/approval is required under this Agreement, its consent/approval for one transaction or event shall not be deemed to be a consent/approval to any subsequent occurrence of the same or any other transaction or event.

16. MODIFICATION

No waiver or modification of any language in this Agreement shall be valid unless in writing and duly executed by both parties.

17. SECTION HEADINGS

The titles, captions, section, paragraph and subject headings, and descriptive phrases at the beginning of the various sections in this Agreement are merely descriptive and are included solely for convenience of reference only and are not representative of matters included or excluded from such provisions, and do not interpret, define, limit or describe, or construe the intent of the parties or affect the construction or interpretation of any provision of this Agreement.

18. INTERPRETATION OF THIS AGREEMENT

The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties. If any provision of this Agreement is held by an arbitrator or court of competent jurisdiction to be unenforceable, void, illegal or invalid, such holding shall not invalidate or affect the remaining covenants and provisions of this Agreement. No covenant or provision shall be deemed dependent upon any other unless so expressly provided here. As used in this Agreement, the masculine or neuter gender and singular or plural number shall be deemed to include the other whenever the context so indicates or requires. Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provision contained herein and any present or future statute, law, ordinance or regulation contrary to which the parties have no right to contract, then the latter shall prevail, and the provision of this Agreement which is hereby affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law.

19. DUPLICATE ORIGINAL

The original of this Agreement and one or more copies hereto have been prepared and signed in counterparts as duplicate originals, each of which so executed shall, irrespective of the date of its execution and delivery, be deemed an original. Each duplicate original shall be deemed an original instrument as against any party who has signed it.

20. IMMIGRATION

CONSULTANT shall be responsible for full compliance with the immigration and naturalization laws of the United States and shall, in particular, comply with the provisions of the *United States Code* regarding employment verification.

21. LEGAL SERVICES SUBCONTRACTING PROHIBITED

CONSULTANT and CITY agree that CITY is not liable for payment of any subcontractor work involving legal services, and that such legal services are expressly outside the scope of services contemplated hereunder. CONSULTANT understands that pursuant to *Huntington Beach City Charter* Section 309, the City Attorney is the exclusive legal counsel for CITY; and CITY shall not be liable for payment of any legal services expenses incurred by CONSULTANT.

22. ATTORNEY'S FEES

In the event suit is brought by either party to construe, interpret and/or enforce the terms and/or provisions of this Agreement or to secure the performance hereof, each party shall bear its own attorney's fees, such that the prevailing party shall not be entitled to recover its attorney's fees from the nonprevailing party.

23. SURVIVAL

Terms and conditions of this Agreement, which by their sense and context survive the expiration or termination of this Agreement, shall so survive.

24. GOVERNING LAW

This Agreement shall be governed and construed in accordance with the laws of the State of California.

25. SIGNATORIES

Each undersigned represents and warrants that its signature hereinbelow has the power, authority and right to bind their respective parties to each of the terms of this Agreement, and shall indemnify CITY fully for any injuries or damages to CITY in the event that such authority or power is not, in fact, held by the signatory or is withdrawn.

26. ENTIRETY

The parties acknowledge and agree that they are entering into this Agreement freely and voluntarily following extensive arm's length negotiation, and that each has had the opportunity to consult with legal counsel prior to executing this Agreement. The parties also acknowledge and agree that no representations, inducements, promises, agreements or warranties, oral or otherwise, have been made by that party or anyone acting on that party's behalf, which are not embodied in this Agreement, and that that party has not executed this Agreement in reliance on any representation, inducement, promise, agreement, warranty, fact or circumstance not expressly set forth in this Agreement. This Agreement, and the attached exhibits, contain the entire agreement between the parties respecting the subject matter of this Agreement, and supersede all prior understandings and agreements whether oral or in writing between the parties respecting the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by and through their authorized officers on _____, 20__.

DIEHL, EVANS & COMPANY, LLP

CITY OF HUNTINGTON BEACH, a municipal corporation of the State of California

By: Nitin P. Patel
NITIN P. PATEL

ITS: (circle one) General Managing Partner

Mayor

AND

By: Robert J. Callanan
ROBERT J. CALLANAN

City Clerk

ITS: (circle one) General Managing Partner

INITIATED AND APPROVED:
Paul T. Vellody
DIRECTOR OF FINANCE

REVIEWED AND APPROVED:
[Signature]
City Administrator

APPROVED AS TO FORM:
[Signature] 4.23.07
City Attorney MW 4-23-07
4.23.07

EXHIBIT "A"

A. STATEMENT OF WORK:

The Consultant will perform an audit of all funds of the City's reporting entity. The Consultant will also conduct a financial and compliance audit of the City's Redevelopment Agency. In addition, the Consultant will prepare additional reports as outline below in section B "Consultant's Duties and Responsibilities" item number 3.

B. CONSULTANT'S DUTIES AND RESPONSIBILITIES:

1. The Consultant will conduct the audit of all funds of the City's reporting entity in accordance with auditing standards generally accepted in the United States and Government Auditing Standards, issued by the Comptroller of the United States.
2. The Consultant will conduct a financial and compliance audit of the City's Redevelopment Agency in accordance to the provisions of laws and regulations identified in the Guidelines of Compliance Audits of California Redevelopment Agencies, issued by the State Controller.
3. The Consultant will also prepare the following reports:
 - a) Single Audit
 - b) Gann Review: Appropriation Limit Calculation
 - c) Management Letter: The Consultant will issue a separate "management letter" that includes recommendations for improvements in internal control that are considered to be non-reportable conditions.
 - d) AB 2766 Audit Report
4. The Consultant will retain all working papers and reports at the Consultant's expense for a minimum of three years. The Consultant will be responsible for making working papers available to the City of Huntington Beach or any governmental agencies included in the Audit of Federal Grants.

C. CITY'S DUTIES AND RESPONSIBILITIES:

1. The City Finance staff will provide normal cooperation and assistance during the audit including typing of confirmation requests, pulling and refilling of supporting documents and reconciliation of major asset and liability balances.
2. The City of Huntington Beach will prepare all financial statements.

EXHIBIT "A"

D. WORK PROGRAM/PROJECT SCHEDULE:

Audit Timing

| <u>Phase</u> | <u>Time Schedule</u> |
|--|----------------------|
| Entrance conference with key City staff. Discussion of any prior audit concerns and the performance of interim work. | July |
| Interim audit fieldwork and management review | July/August |
| Final audit fieldwork and review | January 1 - 31 |
| Exit conference to summarize the results of the fieldwork and to review significant findings | February 15 |
| Deliver draft copies of reports | March 1/March 31 |
| Deliver Final Reports | See Below |

Reports to Be Issued and Due Dates

| <u>Report</u> | <u>Final Due Dates</u> |
|---|------------------------|
| City of Huntington Beach - Comprehensive Annual Financial Report | March 1 |
| Redevelopment Agency of the City of Huntington Beach - Annual Report, Including Report on Compliance | March 31 |
| Management Letter | March 31 |
| Report on Compliance with Article XIII B Appropriation Limit | March 31 |
| Single Audit Reports: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u> | March 31 |
| Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <u>OMB Circular A-133</u> and Supplementary Schedule of Expenditures of Federal Awards. | |
| AB 2766 Report | March 31 |

EXHIBIT "B"

Payment Schedule

1. Charges for time during travel are normally not reimbursable and will only be paid if such time is actually used in performing services for CITY or as otherwise arranged with CITY.

2. CONSULTANT shall be entitled to a full payment towards the fixed fee set forth herein in accordance with the following fee schedule:

Total fees shall not exceed One Hundred Thirty Five Thousand Seven Hundred Fifteen (\$135,715.00). CONSULTANT agrees to inform the CITY when CONSULTANT is at the point of reaching the maximum limit per year. CONSULTANT shall not continue with any work effort over the amount of the maximum limit per year unless first authorized in writing by City authorized representative(s).

| Description of Services Provided | Estimated Hours | Year 1 | Year 2 | Year 3 |
|---|-----------------|------------------|------------------|------------------|
| Audit of City, including management letter | 376 | \$ 28,880 | \$ 29,750 | \$ 30,645 |
| Audit of Redevelopment Agency | 98 | 7,350 | 7,570 | 7,800 |
| OMB Circular A-133 Single Audit of Federal Grants of the City | 88 | 6,405 | 6,600 | 6,800 |
| Other Reports: | | | | |
| Gann Review | 4 | 140 | 145 | 150 |
| AB 2766 Reports | 15 | 1,125 | 1,160 | 1,195 |
| Total \$ (Not to Exceed) | 581 | \$ 43,900 | \$ 45,225 | \$ 46,590 |

Hourly Rates for services that may be requested outside the scope of the audits:

| Classification | Year 1 | Year 2 | Year 3 |
|-------------------|--------|--------|--------|
| Partner | \$ 175 | \$ 150 | \$ 185 |
| Manager | \$ 145 | \$ 149 | \$ 153 |
| Senior Accountant | \$ 95 | \$ 98 | \$ 101 |
| Staff Accountant | \$ 85 | \$ 88 | \$ 91 |

3. Delivery of work product: A copy of every memorandum, letter, report, calculation and other documentation prepared by CONSULTANT shall be submitted to CITY to demonstrate progress toward completion of tasks. In the event CITY rejects or has comments on any such product, CITY shall identify specific requirements for satisfactory completion.

4. CONSULTANT shall submit to CITY an invoice for each progress payment due. Such invoice shall:

- 1) Reference this Agreement;

- 2) Describe the services performed;
- 3) Show the total amount of the payment due;
- 4) Include a certification by a principal member of CONSULTANT's firm that the work has been performed in accordance with the provisions of this Agreement; and
- 5) For all payments include an estimate of the percentage of work completed.

Upon submission of any such invoice, if CITY is satisfied that CONSULTANT is making satisfactory progress toward completion of tasks in accordance with this Agreement, CITY shall approve the invoice, in which event payment shall be made within thirty (30) days of receipt of the invoice by CITY. Such approval shall not be unreasonably withheld. If CITY does not approve an invoice, CITY shall notify CONSULTANT in writing of the reasons for non-approval and the schedule of performance set forth in **Exhibit "A"** may at the option of CITY be suspended until the parties agree that past performance by CONSULTANT is in, or has been brought into compliance, or until this Agreement has expired or is terminated as provided herein.

5. Any billings for extra work or additional services authorized in advance and in writing by CITY shall be invoiced separately to CITY. Such invoice shall contain all of the information required above, and in addition shall list the hours expended and hourly rate charged for such time. Such invoices shall be approved by CITY if the work performed is in accordance with the extra work or additional services requested, and if CITY is satisfied that the statement of hours worked and costs incurred is accurate. Such approval shall not be unreasonably withheld. Any dispute between the parties concerning payment of such an invoice shall be treated as separate and apart from the ongoing performance of the remainder of this Agreement.

Audit Services RFP Consultant List

Gary Caporicci, Sr. Partner
Caporicci & Larson
9 Corporate Park, Ste. 100
Irvine, CA 92606

Paul Kaymark, Manager
Charles Z. Fedak & Co., CPA's
6081 Orange Avenue, 2nd Floor
Cypress, CA 90630

Patel Nitin, Partner
Diehl Evans & Co., LLP
2121 Alton Parkway, Ste. 100
Irvine, CA 92606-4906

Kevin Harper, CPA
3002 Seriana Court
Union City, CA 94587

Richard Kikuchi, Partner
Lance, Soll & Lunghard, CPA's
203 N. Brea Blvd., Ste. 203
Brea, CA 92821-4056

Michael Chu, Partner
Lance, Soll & Lunghard, CPA's
203 N. Brea Blvd., Ste. 203
Brea, CA 92821-4056

Michelle Nelson, Principal
Mann, Urrutia, Nelson, CPA's
2515 Venture Oaks Way, Ste. 135
Sacramento, CA 95833

Michael Harrison
Mayer, Hoffman, McCann, P.C.
2301 Dupont Drive, Ste. 200
Irvine, CA 92612

Marina Sloan, Client Services
MBIA MuniServices Company
1400 K. Street, Ste. 212
Sacramento, CA 95814

Rod Lemond, Partner
McGladrey & Pullen
3880 Lemon Street, Ste. 400
Riverside, CA 92501-3667

Stella Sherwood, Supervisor
Moreland & Associates
570 Rancheros Drive, Ste. 260
San Marcos, CA 92069

Charles Acocello, Partner
Moreland & Associates
1201 Dove Street, Ste. 680
Newport Beach, CA 92660

Kathryn Beseau, Partner
Moreland & Associates
1201 Dove Street, Ste. 680
Newport Beach, CA 92660

Michael Moreland, Partner
Moreland & Associates
1201 Dove Street, Ste. 680
Newport Beach, CA 92660

Kevin Weigant, COO
Municipal Auditing Services, LLC
PO Box 3465
Pinedale, CA 93650

Scott Manno, Manager
Rogers, Anderson, Malody & Scott,
LLP
290 North D Street, Ste. 300
San Bernardino, CA 92401

Greg Fankhanel, Partner
Teaman, Ramirez & Smith, Inc.
4201 Brockton Avenue, Ste. 100
Riverside, CA 92501

Kevin Pulliam, Partner
Vavrinek, Trine, Day & Co., LLP
8270 Aspen St.
Rancho Cucamonga, CA 91729

Mayer, Hoffman, McCann P.C
Attention: Ron Conrad
2301 Dupont Drive Ste. 200
Irvine, CA 92612

Macias, Gini & O'Connell, LLP
Attention: Calvin Lee
515 S. Figueroa Street, Suite #325
Los Angeles, CA 90071

DIEHL, EVANS AND COMPANY, LLP**PARTNERSHIP AGREEMENT**

This Agreement is made and entered into by and between:

P.H. Holtkamp Accountancy Corp.
Thomas M. Perlowski, CPA, APC
Michael R. Ludin, CPA
Harvey J. Schroeder, CPA, APC
Craig W. Spraker, CPA
Nitin P. Patel, CPA
Robert J. Callanan, CPA

hereinafter referred to as the Partners. Each of the parties is licensed as a Certified Public Accountant under the laws of the State of California. The Partners have been engaged in the practice of public accounting at various locations in the State of California, as a partnership under the firm name of DIEHL, EVANS & COMPANY, LLP. They now desire to amend and restate the terms and conditions of the Partnership Agreement dated November 29, 1990, as previously amended.

The parties to this Agreement agree to continue their Partnership in accordance with the laws of the State of California, and therefore agree as follows:

ARTICLE I – GENERAL:

Section 1. – The purpose and business of the Partnership shall be the practice of public accounting and such further activities as may be incident thereto.

Section 2. – The term of the Partnership shall continue from the effective date of this Agreement until terminated in accordance with the provisions of this Agreement or otherwise legally terminated. The separation of a Partner, whether by reason of death, withdrawal, termination, disability, bankruptcy, retirement or other reason, shall not terminate or dissolve this Partnership.

Section 3. – At the inception of this Agreement, some of the Partners are corporate entities. This Agreement has been written to allow for individual or corporate Partners. Where the context of the Agreement requires, the term “Partner” shall be construed to mean the individual or corporation

that is the Partner, or the shareholder of a corporation that is the Partner. No corporate Partner shall have more than one shareholder.

Section 4. – Where the context so requires, the masculine, feminine or neuter gender shall each include the others.

ARTICLE II – FIRM NAME:

Section 1. – The name of the Partnership shall be Diehl, Evans & Company, LLP. At any time this name may be changed by a vote of at least two-thirds (2/3) of the Partners and the filing of a fictitious name statement.

Section 2. – No partner withdrawing from the Partnership, for any reason, shall have the right to use the Partnership name, and such name shall become the property of the remaining Partners.

ARTICLE III- EFFECTIVE DATE:

Section 1 – This Agreement shall become effective January 1, 2005. It replaces and supersedes all prior Agreements between the Partners. Nothing in this Agreement is intended to or shall cause the recomputation, reallocation or other change of previously computed profits, capital account balances, or interests in the Partnership.

ARTICLE IV – ACCOUNTING:

Section 1. – The Partnership year shall be the calendar year. The basis of accounting shall be the accrual basis for all purposes except the reporting of taxable income, which shall be done on the cash basis.

Section 2. – In computing profits on the accrual basis, accounting principles generally accepted in the United States of America shall be applied on a consistent basis. However for purposes of this section deferred compensation payments made (per Article XIII) to a former Partner shall be treated as an expense of the Partnership as paid on a cash basis. For income tax purposes, such payments shall be considered payments of income under IRC Section 736(a).

ARTICLE V – CLASSES OF PARTNERS:

Section 1. – There shall be two classes of partners: General Partners and Conditional Partners. No distinction shall be made between these classes except as stated in this Article.

Section 2. – A Conditional Partner shall have no authority to borrow money on behalf of the Partnership, or to pledge, hypothecate, or otherwise encumber Partnership assets. A Conditional Partner shall have no equity interest in the Partnership beyond his capital account as shown on the Partnership books and records, maintained on the accrual basis in accordance with Article IV above, and shall not be entitled to deferred compensation or any other form of termination or separation payments.

Section 3. – A Conditional Partner shall have no vote with regard to the following items:

- A. The admission of a new Partner.
- B. The termination of a partner.
- C. The composition of the Compensation Committee or the allocation of profits between Partners.
- D. The method for the computation and payment of deferred compensation.
- E. The acquisition of all or part of an accounting practice.
- F. The sale of all or a part of the Partnership's practice, the sale of all or a portion of the Partnership, or the merger of the Partnership with another entity.
- G. Amendments to this Agreement
- H. Permanent disability of a Partner.
- I. The election of a Firm or Office Managing Director.
- J. The draws of a Partner.
- K. The name of the Partnership.

ARTICLE VI – MANAGEMENT OF THE PARTNERSHIP:

Section 1. – No Partnership meeting shall take place unless a majority of the Partners and a majority of the General Partners are present. The Firm Managing Director shall make every reasonable effort to keep each Partner advised of all pending Partnership issues, prospective decisions and actions taken.

Section 2. - The Firm Managing Director shall be elected by a majority of the Partners. The term of office shall be two years, or as otherwise voted on by a majority of the Partners. The Firm Managing Director shall be the official representative of the Partnership as required and as appropriate. The Firm Managing Director shall be responsible for ensuring that the Partnership's practices, procedures, policies and quality control system are being uniformly followed in all of the Partnership's offices. The Firm Managing Director shall also be responsible for all matters of Partnership administration, including insurance policies, supervising the preparation of Partnership manuals, ensuring that income tax returns are timely filed, and such other matters as are administrative in nature and affect the entire Partnership. The Firm Managing Director shall serve as chairman of all Partnership meetings, and shall call such meetings not less often than quarterly.

Section 3. – There shall be a Managing Director for each of the Partnership offices, elected by a vote of a majority of the Partners. A Managing Director of an office shall be responsible for ensuring that the Partnership's procedures, policies and quality control system are being uniformly followed in that office. A Managing Director shall also be responsible for all administrative matters affecting his office (but not those administrative matters that affect the Partnership as a whole). The term of office shall be two years, or as otherwise voted on by a majority of the Partners.

Section 4. – Each Partner shall have one vote at a Partnership meeting (except as provided in Article V above), and shall cast such vote in a responsible manner.

Section 5. – Each of the Partnership's clients shall be assigned to one of the Partners. The Managing Director of each office will be responsible for the assignment of clients among the Partners

located in that office. Each Partner shall be responsible for assuring that all work performed for their assigned clients is timely and in accordance with professional standards, and for the timely billing and collection of fees for such work.

ARTICLE VII - ADMISSION OF NEW PARTNERS:

Section 1. – New Partners shall be admitted to the Partnership, as Conditional Partners, upon a vote of more than two-thirds (2/3) of the General Partners. A newly admitted Partner shall be a Conditional Partner for a period of two years. A Conditional Partner will have all rights, duties, privileges and responsibilities of a Partner except as stated in Article V above. The two year period of Conditional Partnership may be shortened by affirmative vote of more than two-thirds (2/3) of the General Partners.

Section 2. – Upon the expiration of the period of Conditional Partnership, a Conditional Partner shall be either admitted as a General Partner or his interest in the Partnership shall be terminated.. Admission as a General Partner shall require an affirmative vote of more than two-thirds (2/3) of the General Partners. Admission as a General Partner shall cause no change in his status in the Partnership, except that the restrictions of Article V shall no longer apply.

Section 3. – Prior to the expiration of the period of Conditional Partnership, a Conditional Partner's interest in the Partnership may be terminated without cause by a vote of more than two-thirds (2/3) of the General Partners.

ARTICLE VIII – OUTSIDE ACTIVITIES:

Section 1. – Each Partner shall provide full-time service to the Partnership including its related businesses, and shall utilize his experience and reputation to advance the interests of the Partnership. No Partner shall engage in the practice of public accounting except as a member of the Partnership.

Section 2. – All compensation received by Partners as trustees, receivers, directors, instructors, etc., not including activities not related to public accounting, shall be considered Partnership income and shall be paid by the recipient to the Partnership.

Section 3. – No Partner shall be a director or hold office of any kind, other than a purely honorary office, without the approval of a majority of the Partners. A Partner may accept appointment to committees or election to office in accounting, religious, charitable, educational, service or fraternal organizations without such consent. Each Partner, before accepting a position in accordance with this Section, shall consider whether such acceptance is in the best interests of the Partnership, taking into account the type of organization, its reputation in the community, and its potential for becoming a client of the Partnership.

ARTICLE IX – ABSENCE FROM PARTNERSHIP ACTIVITIES:

Section 1. – Each partner shall be entitled to six weeks personal time off (PTO) in any one calendar year. Unused PTO in excess of three weeks shall not be carried over to succeeding years without the approval of a majority of the Partners.

Section 2. – In the event of any interruption of the performance of any Partner's services to the Partnership or to its clients on account of any temporary incapacity or illness, or any other reason, the Compensation Committee (see Article X below) shall, in the course of its formulating recommendations to the Partnership regarding profit allocations, give due consideration to the circumstances causing the interruption.

Section 3. – The determination that a Partner is permanently disabled shall terminate that Partner's interest in the Partnership. That determination shall be made only upon the affirmative vote of more than two-thirds (2/3) of the General Partners, not including the Partner whose disability is in issue. The Partners will consider the opinion of the affected Partner's personal physician, but will not be bound by the physician's opinion.

As of the time of the determination of permanent disability of a Partner, that Partner shall no longer be a Partner and shall no longer have any duties to perform with respect to any professional employment of the Partnership, nor shall he be privileged to perform any services in any such matter.

No votes at any Partnership meeting may thereafter be cast by him, and he shall not be entitled to any share of profits or losses thereafter.

Deferred Compensation payable by the Partnership to or for the account of a Partner determined to be permanently disabled shall be computed and paid in accordance with Article XIII (below).

ARTICLE X – ALLOCATION OF PARTNERSHIP PROFITS:

Section 1. – Partnership profits or losses will be allocated to each Partner after the conclusion of each year. The allocation of profits will be made by a vote of a majority of the General Partners, who will be advised by a Compensation Committee .

Section 2. – Net profits or losses of the Partnership for allocation purposes shall be determined in accordance with Article IV of this Agreement.

Section 3. – Payments to terminated Partners or their successors shall be the obligation of the Partnership.

Section 4. – The Compensation Committee shall recommend the allocation of profits in accordance with a formula and methods as determined annually by a vote of a majority of the General Partners. The committee shall be comprised of one Partner from the Irvine Office, one Partner from the Carlsbad/Escondido offices, and one Partner selected at large. Each Member of the Committee shall be appointed by a vote of a majority of the General Partners for a two year term.

Section 5. – In order to make an assessment of each Partner's contribution to the Partnership for the past year, the Committee will offer each Partner an opportunity to meet with them and to give such oral and written information as each Partner may desire.

Section 6. – Partnership profits shall be allocated to Conditional Partners under their separate Conditional Partnership Agreements.

Section 7. – If the Partnership operates at a net loss for the year, such net loss shall be borne equally by the General Partners. Such losses shall be charged to each Partner's capital account.

ARTICLE XI – CAPITAL ACCOUNTS; PARTNERS' DRAWINGS:

Section 1. – Each Partner shall be entitled to withdraw the profits allocated to him, adjusted for the cash and capital needs of the Partnership, as determined from time to time by a vote of a majority of the Partners.

Any deficit in a Partner's accrual basis capital account shall be a liability of the Partner to the Partnership and, unless otherwise decided by a majority vote of the General Partners, such Partner shall not receive any draws or distributions until such deficit is eliminated.

Section 2. – Draws as determined above, shall be distributed to each Partner in semi-monthly installments. In the event a Partner withdraws funds from the Partnership in excess of the amount so determined, the Partner making the excess withdrawal, after being notified of his being overdrawn, will then have 30 days to repay the overdrawn amount. After that time, the semi-monthly draws of that Partner will be withheld and applied to the unpaid overdrawn amount until repaid in full, including interest. Such interest will be charged at a rate equal to 3 times the rate charged by the firm's bank on the firm's line of credit.

ARTICLE XII – TERMINATION OF PARTNERSHIP INTEREST:

Section 1. – The interest of a Partner in the Partnership shall terminate upon the occurrence of any of the following:

- A. Voluntary withdrawal, after 90 days written notice to the Firm Managing Director.
- B. Death or permanent disability (per Article IX, Section 3) of a Partner.
- C. Bankruptcy or insolvency or assignment of assets for the benefit of creditors of a Partner.
- D. Suspension or revocation of a professional accounting license by final action of the licensing authority.
- E. Upon a vote of more than two-thirds (2/3) of the General Partners (other than the Partner whose termination is being considered), subsequent to a written notice of

prospective grounds for termination due to a violation of the provisions of this Agreement, or any other misconduct, criminal act or willful inattention to the business welfare of the Partnership causing serious injury to the interests of the Partnership.

- F. The affirmative vote of more than two-thirds (2/3) of the General Partners to terminate the interest of a Conditional Partner.
- G. The failure of a Conditional Partner to be admitted as a General Partner at the expiration of the period of Conditional Partnership.
- H. Any other reason which the other General Partners by a vote of more than two-thirds (2/3) agree warrants termination.

Section 2. – A Partner's interest may be terminated, with or without cause, by vote of more than two-thirds (2/3) of the other General Partners. Written notice of such termination must be given to such Partner by the Firm Managing Director, stating the date on which such termination shall thereafter become effective. On and from the date so fixed, such terminated Partner shall have no right, title or interest in the Partnership except as set forth in this Agreement.

Section 3. – No Partnership profits shall be allocated to a terminated Partner for the period beyond the date of termination.

Section 4. – Any receivable on the Partnership's books from a terminated Partner shall, as of the date of termination, be charged against that Partner's capital account. In the event a terminated Partner's accrual basis capital account reflects a deficit, it shall be reclassified as a receivable of the Partnership.

Section 5. – Any payments due to or from a terminated Partner shall be governed by Article XIII.

Section 6. – No Partner shall terminate a portion (less than 100%) of his Partnership interest without the approval of more than two-thirds (2/3) of the remaining General Partners.

ARTICLE XIII – OTHER COMPENSATION:

Section 1. – Partners are required to furnish an automobile and shall be entitled to an auto allowance, as determined from time to time. Partners will additionally be entitled to reimbursement from the Partnership, at the same rate as employees, for automobile usage on Partnership business outside the county in which their office is located. Partners will be reimbursed for business-related expenses, including clients' meals paid for by them. Business entertainment in Partner's homes is expected but is not reimbursable.

Section 2. – It is recognized that the value of an individual to the Partnership is not adequately measured by an annual allocation of profits. Accordingly, a non-funded Deferred Compensation Plan is hereby established.

Section 3 – The amount due to a terminated Partner under the Deferred Compensation Plan shall be determined and paid in accordance with a formula and methods adopted by a vote of more than two-thirds (2/3) of the General Partners. Such deferred compensation plan shall be evidenced by a written document, approved and modified by the Partners from time to time.

Section 4. – Evidence of the Deferred Compensation Plan indebtedness of the Partnership to the terminating Partner shall be in the form of a statement, signed by the Firm Managing Director stating the total balance due, the date of the first payment and the date and amount of each scheduled payment.

Section 5. – If the Partnership merges with another entity or is acquired by another entity, including the acquisition of a substantial portion of the Partnership's business but excluding mergers wherein this Partnership is, in essence, acquiring another entity, previously terminated Partners shall be notified of the arrangements made for continuation of their Deferred Compensation Plan payments.

ARTICLE XIV – NON-COMPETITION:

Section 1. – In the event a terminated Partner or its shareholder subsequently performs, directly or indirectly, public accounting services for a Partnership client within 3 years after termination, such

terminated Partner (or Shareholder) shall compensate the Partnership, as liquidated damages, in an amount equal to the gross charges to the Partnership's work-in-process of that client, excluding chargeable expenses, for the fifteen months prior to the terminated Partner's first performing such services. The amount of these gross charges represents a good faith determination by all parties of the damages which the Partnership is likely to suffer. The Partnership shall deduct such liquidated damages from any and all amounts due the terminated Partner.

ARTICLE XV – PROVISION FOR PARTNERSHIP TERMINATION:

Section 1. – The Partnership may be terminated at any time by a vote of more than two-thirds (2/3) of the General Partners.

Section 2. – At any time during the pendency of a withdrawal notice and before the effective date of withdrawal, a termination of the Partnership may be voted in accordance with the provisions of this Agreement. If this is done, the dissolution proceedings, the liquidation of assets, and the distribution of proceeds shall ensue and the notice of withdrawal shall be of no effect.

ARTICLE XVI – MISCELLANEOUS:

Section 1. – No Partner shall sell or otherwise transfer all or any portion of his Partnership interest to any individual or other entity not a General Partner of the Partnership. No shareholder of a corporate Partner shall sell or otherwise transfer all of any portion of the ownership of the corporate Partner to any individual or other entity not a General Partner of the Partnership.

Section 2. – No waiver of any breach of any of the terms, provisions, or conditions of this Agreement shall be construed or held to be a waiver of any other breach, or an acquiescence in or consent to any further or succeeding breach of the same covenant or condition. No delay or omission to exercise or assert any right or remedy under this Agreement shall impair such right or remedy or shall be construed as a waiver thereof or as a waiver of any right or remedy subsequently arising under this Agreement.

Section 3. – In the event of any conflict with other Agreements, the provisions of this Agreement shall prevail over those of any Agreement or Agreements relating to any operating Partnership or agent, and the terms of any other such Agreement or Agreements shall not modify the provisions hereof.

Section 4. – No Partner and no one acting by authority of or for a Partner may pledge, hypothecate, or in any manner transfer his interest in the Partnership or his interest in any of its assets, receivables, records, documents, files, or clientele, all such rights and interests of each Partner being personal to him and nontransferable and nonassignable (except that other Partners of the Partnership may succeed to such rights or some of them in accordance with the terms of this Agreement).

Section 5. – In the event of a controversy or claim arising out of this Agreement which cannot be settled by the Partners or their legal representatives, it shall be mediated in accordance with the rules of the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction.

Section 6. – It is agreed that the invalidity or unenforceability of any article, section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any one or more of the other articles, section, paragraphs, or provisions, and that the parties hereto will execute any further instruments or perform any acts that are or may be necessary to effectuate all and each of the terms and provisions of this Agreement.

Section 7. – Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors, and legal representatives of the Partners.

Section 8. – No portion of the business of the Partnership shall be sold, and no merger of the Partnership with another accounting practice shall occur without the approval of more than two-thirds (2/3) of the General Partners. In the event a General Partner dissents to a merger and withdraws from the Partnership prior to or concurrently with such merger, that dissenting Partner will be considered a

terminating Partner. Any payments due such terminating Partner shall be determined in accordance with Article XIII.

Section 9. – Personal expenses of the Partners shall not be paid by the Partnership.

ARTICLE XVII – AMENDMENT:

Section 1. – This Agreement may be amended by a vote of more than two-thirds (2/3) of the General Partners, and such amendment shall be binding upon all Partners, including Conditional Partners and dissenting General Partners.

Section 2. – Notwithstanding Section 1 above, no amendment to this Agreement that affects the rights of a previously-terminated Partner shall be effective without the consent of such previously-terminated Partner.

SIGNATURES

Philip H. Holtkamp 2/3/05
Philip H. Holtkamp Accountancy Corp. Date
Philip H. Holtkamp, CPA, President

Thomas M. Perlowski 2/3/05
Thomas M. Perlowski, CPA, APC Date
Thomas M. Perlowski, CPA, President

Michael R. Ludin 2/3/5
Michael R. Ludin, CPA Date

Harvey J. Schroeder 2/3/05
Harvey J. Schroeder, CPA, APC Date
Harvey J. Schroeder, CPA, President

Craig W. Spraker 2-3-5
Craig W. Spraker, CPA Date

Nitin P. Patel 2/3/05
Nitin P. Patel, CPA Date

Robert J. Callanan 2/3/05
Robert J. Callanan, CPA Date

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ATTACHMENT #2

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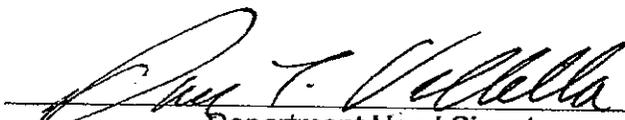


INSURANCE AND INDEMNIFICATION WAIVER MODIFICATION REQUEST RECEIVED

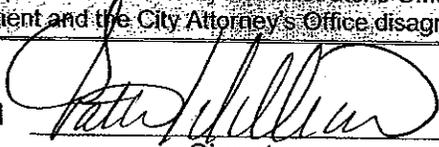
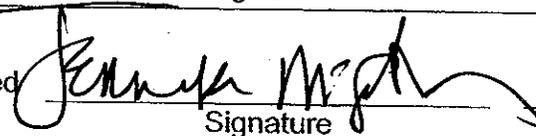
MAR 27 2007

City of Huntington Beach
City Attorney's Office

1. Requested by: Valaya Chitchakkol
2. Date: February 28, 2007
3. Name of contractor/permittee: Diehl, Evans & Company
4. Description of work to be performed: The Consultant will perform an audit of all funds of the City's reporting entity. The Consultant will also conduct a financial and compliance audit of the City's Redevelopment Agency. Further details on the scope of work is described in Exhibit A of the agreement attached.
5. Value and length of contract: \$135,715 / 3 year contract
6. Waiver/modification request: See Summary of Waiver Requests
7. Reason for request and why it should be granted: Reasons are included in the Summary of Waiver Requests
8. Identify the risks to the City in approving this waiver/modification: SEE ATTACHED


Department Head Signature

3/6/07
Date:

| APPROVALS | | | |
|--|--|--|----------------|
| Approvals must be obtained in the order listed on this form. Two approvals are required for a request to be granted. Approval from the City Administrator's Office is only required if Risk Management and the City Attorney's Office disagree. | | | |
| 1. Risk Management | <input checked="" type="checkbox"/> Approved <input type="checkbox"/> Denied |  | <u>3/27/07</u> |
| | | Signature | Date |
| 2. City Attorney's Office | <input checked="" type="checkbox"/> Approved <input type="checkbox"/> Denied |  | <u>3.28.07</u> |
| | | Signature | Date |
| 3. City Administrator's Office | <input type="checkbox"/> Approved <input type="checkbox"/> Denied | _____ | _____ |
| | | Signature | Date |
| If approved, the completed waiver/modification request is to be submitted to the City Attorney's Office along with the contract for approval. Once the contract has been approved, this form is to be filed with the Risk Management Division of Administrative Services | | | |

The Risk to the City:

We see minimal risk to the City for waiving the professional liability insurance because Diehl, Evans & Company exceptional credit rating (see attached credit rating from D&B report) and because of the financial standing (see attached financial statement).

ACORD**CERTIFICATE OF LIABILITY INSURANCE**OF ID PM
DIEHEV1

DATE (MM/DD/YY)

03/02/07

| | |
|---|--|
| PRODUCER Mitchell & Mitchell-Lic0620650 250 Bel Marin Keys Blvd, Bld E Novato CA 94949 Phone: 415-883-2525 Fax: 415-883-7752 | THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. |
| | INSURERS AFFORDING COVERAGE |
| INSURED Diehl, Evans & Company, LLP Joan Snyder, Firm Admin. 2121 Alton Parkway, Suite #100 Irvine CA 92606-4906 | INSURER A: CNA CPA Program |
| | INSURER B: |
| | INSURER C: |
| | INSURER D: |
| | INSURER E: |

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| INSR LTR | TYPE OF INSURANCE | POLICY NUMBER | POLICY EFFECTIVE DATE (MM/DD/YY) | POLICY EXPIRATION DATE (MM/DD/YY) | LIMITS | |
|----------|--|--|----------------------------------|-----------------------------------|-------------------------------------|-----------|
| | GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC | | | | EACH OCCURRENCE | \$ |
| | | | | | FIRE DAMAGE (Any one fire) | \$ |
| | | | | | MED EXP (Any one person) | \$ |
| | | | | | PERSONAL & ADV INJURY | \$ |
| | | | | | GENERAL AGGREGATE | \$ |
| | | | | | PRODUCTS - COMP/OP AGG | \$ |
| | AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS | APPROVED AS TO FORM <i>Jennifer McGrath</i> JENNIFER McGRATH, City Attorney 3/30/07 | | | COMBINED SINGLE LIMIT (Ea accident) | \$ |
| | | | | | BODILY INJURY (Per person) | \$ |
| | | | | | BODILY INJURY (Per accident) | \$ |
| | | | | | PROPERTY DAMAGE (Per accident) | \$ |
| | GARAGE LIABILITY <input type="checkbox"/> ANY AUTO | | | | AUTO ONLY - EA ACCIDENT | \$ |
| | | | | | OTHER THAN AUTO ONLY: EA ACC | \$ |
| | | | | | AGG | \$ |
| | EXCESS LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$ | | | | EACH OCCURRENCE | \$ |
| | | | | | AGGREGATE | \$ |
| | | | | | | \$ |
| | | | | | | \$ |
| | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY | | | | WC STATU-TORY LIMITS | OTH-ER |
| | | | | | E.L. EACH ACCIDENT | \$ |
| | | | | | E.L. DISEASE - EA EMPLOYEE | \$ |
| | | | | | E.L. DISEASE - POLICY LIMIT | \$ |
| X | OTHER Prof. Liability | APL 188122222 | 10/01/06 | 10/01/07 | 3,000,000 | Per Claim |
| | | | | | 3,000,000 | Aggregate |

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS

Prior Acts Date: FULL PRIOR ACTS

| | | | |
|--|----------|--|--|
| CERTIFICATE HOLDER | N | ADDITIONAL INSURED; INSURER LETTER: | CANCELLATION |
| INSURED City of Huntington Beach Finance Department 2000 Main Street Huntington Beach CA 92648-2702 | | | SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL <u>30</u> DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE Paul W. Morris <i>Paul Morris</i> |

ACORD 25-S (7/97)

© ACORD CORPORATION 1988

Diehl, Evans & Company
Summary of Waiver Requests

Contract Exceptions:

Section 8 – Hold Harmless

Request: Diehl, Evans & Company requests deletion of the following statement in the first sentence:

“except such loss or damage which was caused by the sole negligence or willful misconduct of CITY, CONSULTANT will conduct all defense at its sole cost and expense and CITY shall approve selection of CONSULTANT’s counsel.”

Reason: The phrase “sole negligence or willful misconduct” appears to shield the City from any liability if City official or employees were “partially” (but not solely) negligent, or where the City was involved in misconduct, although “not willful”. The firm does not customarily sign such agreements.

Insurance Waivers:

Section 9: Professional Liability Insurance

Request: Diehl, Evans & Company requests deletion of the following two sentences:

“The above mentioned insurance shall not contained a self-insured retention, “deductible” or any other similar form of limitation on the required coverage except with the express written consent of the CITY.”

CONSULTANT shall notify CITY of circumstances or incidents that might give rise to future claims.

Reason: The firm’s insurance coverage for professional liability is \$3,000,000 per claim/\$3,000,000 aggregate with a \$50,000 deductible (see attached for a letter from Diehl, Evans & Company).

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY)
2/28/07

PRODUCER
Alliant Insurance Services
1620 FIFTH AVENUE
SAN DIEGO, CA 92101
KY REDING, ACCOUNT EXECUTIVE

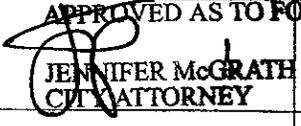
THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED
Diehl, Evans & Company, LLP
2121 Alton Parkway, Suite 100
Irvine CA 92606

COMPANIES AFFORDING COVERAGE

| | |
|-----------|----------------------------|
| COMPANY A | Hartford Casualty Ins. Co. |
| COMPANY B | National Liability & Fire |
| COMPANY C | |
| COMPANY D | |

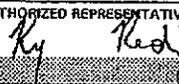
COVERAGES
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| CO LTR | TYPE OF INSURANCE | POLICY NUMBER | POLICY EFFECTIVE DATE (MM/DD/YY) | POLICY EXPIRATION DATE (MM/DD/YY) | LIMITS |
|--------|--|---|----------------------------------|-----------------------------------|--|
| A | GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT | 72SBARB3837 | 12/31/06 | 12/31/07 | GENERAL AGGREGATE \$ 4000000 PRODUCTS - COMP/OP AGG \$ 4000000 PERSONAL & ADV INJURY \$ 2000000 EACH OCCURRENCE \$ 2000000 FIRE DAMAGE (Any one fire) \$ 300000 MED EXP (Any one person) \$ 10000 |
| A | AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS | 72SBARB3837 | 12/31/06 | 12/31/07 | COMBINED SINGLE LIMIT \$ 2000000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE \$ |
| | GARAGE LIABILITY <input type="checkbox"/> ANY AUTO | APPROVED AS TO FORM  JENNIFER McGRATH CITY ATTORNEY | | | AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EACH ACCIDENT \$ AGGREGATE \$ EACH OCCURRENCE \$ AGGREGATE \$ |
| | EXCESS LIABILITY <input type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM | | | | WC STATUTORY LIMITS OTH-ER EL EACH ACCIDENT \$ 1000000 EL DISEASE - POLICY LIMIT \$ 1000000 EL DISEASE - EA EMPLOYEE \$ 1000000 |
| B | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY THE PROPRIETOR/PARTNERS/EXECUTIVE OFFICERS ARE: <input type="checkbox"/> INCL <input type="checkbox"/> EXCL OTHER | 0100017231061 | 12/31/06 | 12/31/07 | * 10 DAYS NOC FOR NONPAYMENT |

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS
 Re: Operations of the Named Insured. The City of Huntington Beach, it's agents, officers and employees are included as Additional Insured ATIMA per policy wording attached.

CERTIFICATE HOLDER
 City of Huntington Beach
 Attn: Risk Management
 2000 Main Street
 Huntington Beach, CA 92648

CANCELLATION
 SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL *30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE


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ATTACHMENT #3

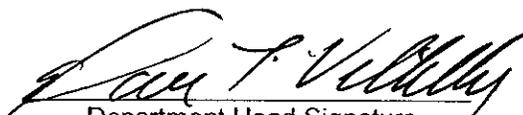
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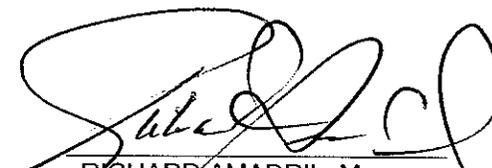


CITY OF HUNTINGTON BEACH

Professional Service Contracts Purchasing Certification

1. Date: 4/10/2007
2. Department: Finance
3. Requested by: Robert Sedlak
4. Name of consultant: Diehl, Evans & Company LLP
5. Attach the written statement of the specification, conditions and other requirements for the requested services that was provided to solicited consultants in your answer to 11 of this form.
See Exhibit A
6. Amount of the contract: \$135,715
7. Are sufficient funds available to fund this contract?¹ Yes No
8. Is this contract generally described on the list of professional service contracts approved by the City Council?¹ Yes No
9. Company number and object code where funds are budgeted: 10035205.69355
10. Is this contract less than \$50,000? Yes No
11. Does this contract fall within \$50,000 and \$100,000? Yes No
12. Is this contract over \$100,000? Yes No
(Note: Contracts requiring City Council Approval need to be signed by the Mayor and City Clerk. Make sure the appropriate signature page is attached to contract.)
13. Were formal written proposals requested from at least three available qualified consultants?
 Yes No
14. Attach list of consultants from whom proposals were requested (including a contact telephone number).
See attached for list of consultants from whom proposals were requested. The Request for Proposal was also posted on the California Society of Finance Officer's (CSMFO) website and the City's website.
15. Attach proposed scope of work.
See Exhibit A
16. Attach proposed payment schedule.
See Exhibit B


Department Head Signature


RICHARD AMADRIL, Manager
Purchasing/Central Services

1. If the answer to this question is "No," the contract will require approval from the City Council.

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