

City of La Mesa

SERVICES AGREEMENT

Cannabis Tax Audit Services



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1. STANDARD AGREEMENT FOR PROFESSIONAL SERVICES

Between the City of La Mesa and
The Pun Group LLP
for Cannabis Tax Audit Services

This Agreement is entered into by City of La Mesa as of _____, by and between the City of La Mesa, a municipal corporation, hereinafter referred to as "the City", and The Pun Group LLP, hereinafter referred to as "Contractor."

WITNESSETH THAT:

WHEREAS, the City has adopted Resolution No. 2023- ;

WHEREAS, the City has need for professional services to perform cannabis tax audit services and is willing to compensate Contractor for such services;

WHEREAS, this agreement is based on Request for Proposals 23-09;

WHEREAS, the City desires to engage Contractor to render certain technical and professional services in the providing of said professional services; and

WHEREAS, Contractor is qualified to provide said professional services for cannabis tax audit service.

NOW THEREFORE, the parties do mutually agree as follows:

2. ENGAGEMENT OF CONTRACTOR

The City hereby agrees to engage Contractor and Contractor hereby agrees to perform the services set forth in this Agreement. This Agreement shall be for an initial term from the execution date of the Agreement through June 30, 2024 and may be renewed for an additional four one-year terms by mutual written consent of both parties. The City Manager shall have sole and exclusive right to exercise any options contained in this agreement on behalf of the City.

3. SERVICES TO BE PERFORMED BY CONTRACTOR

Contractor shall commence performance of the Project upon execution of this Agreement by both parties. The term "Project" as used in this Agreement shall include all of the tasks and items listed and described in Exhibit "A", attached hereto and incorporated herein as part of this Agreement.

4. KEY PROJECT PERSONNEL

Contractor agrees to provide the services of Kenneth H. Pun, CPA, CGMA, Engagement Partner; David Siris, CPA, Project Manager; and Masood Yousufzai, Revenue Analyst respectively for the full term of this contract. No substitutions will be made without prior written approval by the City. The City reserves the right to request specific qualifications for personnel substituted under this section.

5. CONTRACTORS

Contractor will utilize the services of the following subcontractors during the course of this study:

None.

Payment for such services shall be the responsibility of the Contractor. No substitution of proposed subcontractors shall be made without prior written approval by the City.

6. CITY REPRESENTATION

The Director of Finance for the City of La Mesa, or its designated representative, shall represent the City in all matters pertaining to the services rendered pursuant to this Agreement and shall administer said Agreement on behalf of the City. This person shall hereinafter be referred to as the "City's Representative."

7. RESPONSIBILITIES OF THE CITY

The City will provide the Contractor, or cause to be provided with, the following documents, services and site information, at no charge to the Contractor.

A. See Exhibit "A"

8. PERFORMANCE SCHEDULE

Both Contractor and the City recognize that time is of the essence in the completion of this work and the following schedule is dependent upon timely actions by the Contractor and the City. Accordingly, the Contractor shall complete all of the work outlined in Exhibit "A" and described in this Agreement in accordance with the following schedule:

TASK; TARGET DATE

A. See Exhibit "A"

The Contractor shall not be responsible for damages or be in default or deemed to be in default by reason of strikes, lockouts, accidents, or acts of God, or failure of City to furnish timely information or to approve or disapprove Contractor's work promptly, or delay or faulty performance by City, or governmental agencies.

9. COMPENSATION TO CONTRACTOR

Final payment of fees shall be upon delivery of approved final documents. Progress payments shall be made based upon evidence that the work is progressing satisfactorily as determined by the City's Project Manager and substantiated with detailed invoices. The amount to be billed shall be based on the Contractor schedule of fees for professional services and the actual time required for each activity. The schedule of fees and estimated time for the project are as shown in Exhibit "B" attached hereto and incorporated herein as part of this Agreement.

The total fee for professional services shall be billed at the rates as described on page 6 of Exhibit "B".

10. RECORDS

Contractor shall maintain adequate records to permit inspection audit of Contractor's time-and-material charges under this Agreement. Contractor shall make such records available to the City and to other public agencies responsible for approval, funding or auditing the project, during normal business hours upon reasonable notice. Nothing herein shall convert such records into public records and they will be available only to the City or to public agencies involved with approval, funding or audit functions. Such records shall be maintained by the Contractor for three (3) years following completion of the work under this Agreement.

11. METHOD OF COMPENSATION

The City shall compensate Contractor for the services performed hereunder on a monthly basis within thirty (30) calendar days of receipt of Contractor's invoice for the services performed. The Contractor shall provide documentation regarding time-and-material charges sufficient to meet normal auditing practice. Copies of the invoices for materials in excess of \$500 and subcontractor charges shall be submitted with the request for periodic payment.

The City shall promptly review invoicing and notify Contractor of any objection thereto in writing within fifteen (15) days of receipt of the invoice; absent such objection the invoice shall be deemed proper and acceptable.

In the event that any undisputed invoice is not paid within thirty (30) calendar days after receipt of the invoice by the City, it shall commence bearing interest on the date that the invoice was rendered at the rate of 1% per month and the City agrees to pay all accrued interest, together with the charges for services rendered.

12. ITEMS TO BE DELIVERED TO CITY

The following items shall be delivered by the Contractor to the City of La Mesa:

QUANTITY; TARGET DATE

- A. See Exhibit "A"

13. DESIGN CHANGES OR REVISIONS

No design changes or revisions will be required and no payment therefor will be made except pursuant to the provisions of this Agreement. No extra compensation shall be paid the Contractor for revisions required by reason of omissions or errors by the Contractor in the preparation of the original document, plans, working drawings, or specifications. Changes to the scope of this Agreement shall be negotiated prior to commencement of extra work.

14. ADDITIONAL SERVICES OUTSIDE SCOPE

Only after written authorization from the City, additional services that Contractor could provide, or cause to be provided, include the following:

- A. Additional work related to the Project but not included in the Scope of Work.
- B. Additional work caused by changes unrelated to the Scope of Work described herein.

Contractor will be compensated for Contractor time and direct personnel expenses as approved by the City. Payment for such additional services shall include Contractor's time at the rates shown on Exhibit "A".

15. HOLD HARMLESS

To the furthest extent allowed by law, Contractor shall indemnify, hold harmless and defend City and each of its officers, officials, employees, agents and volunteers from any and all loss, liability, fines, penalties, forfeitures, costs and damages (whether in contract, tort or strict liability, including but not limited to personal injury, death at any time and property damage), and from any and all claims, demands and actions in law or equity (including reasonable attorney's fees and litigation expenses) that arise out of, pertain to, or relate to the negligence, recklessness or willful misconduct of Contractor, its principals, officers, employees, agents or volunteers in the performance of this Agreement.

If Contractor should subcontract all or any portion of the services to be performed under this Agreement, Contractor shall require each subcontractor to indemnify, hold harmless and defend City and each of its officers, officials, employees, agents and volunteers in accordance with the terms of the preceding paragraph.

This section shall survive termination or expiration of this Agreement.

16. INSURANCE

Throughout the life of this Agreement, Contractor shall pay for and maintain in full force and effect all policies of insurance required hereunder with an insurance company(ies) either (i) admitted by the California Insurance Commissioner to do business in the State of California and rated not less than "A:VII" in Best's Insurance Rating Guide, or (ii) authorized by the City Manager or his/her designee at any time and in his/her sole discretion. The following policies of insurance are required:

- A. COMMERCIAL GENERAL LIABILITY insurance which shall be at least as broad as the most current version of Insurance Services Office (ISO) Commercial General Liability Coverage Form CG 00 01 and include insurance for "bodily injury," "property damage" and "personal and advertising injury" with coverage for premises and operations (including the use of owned and non-owned equipment), products and completed operations, and contractual liability (including, without limitation, indemnity obligations under the Agreement) with limits of liability of not less than the following:
 - o \$1,000,000 per occurrence

- \$2,000,000 general aggregate
- B. COMMERCIAL AUTOMOBILE LIABILITY insurance which shall be at least as broad as the most current version of Insurance Service Office (ISO) Business Auto Coverage Form CA 00 01 covering, Code 1 (any auto), or if Contractor has no owned autos, Code 8 (hired) and 9 (non-owned), with limits of liability of not less than \$1,000,000 per accident for bodily injury and property damage.
- C. WORKERS' COMPENSATION insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
- D. PROFESSIONAL LIABILITY (Errors and Omissions) insurance appropriate to Contractor's profession, with limits of liability of \$2,000,000 per claim/occurrence and \$2,000,000 policy aggregate.

Should Contractor maintain insurance with broader coverage and/or limits of liability greater than those shown above, City requires and shall be entitled to the broader coverage and/or the higher limits of liability maintained by Contractor. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to City.

Contractor shall be responsible for payment of any deductibles contained in any insurance policies required hereunder and Contractor shall also be responsible for payment of any self-insured retentions. Any deductibles or self-insured retentions must be declared to, and approved by, the City Manager or his/her designee. At the option of the City Manager or his/her designee, either: (i) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects to City, its elected officials, officers, officials, employees, agents and volunteers: or (ii) Contractor shall provide a financial guarantee, satisfactory to City Manager or his/her designee, guaranteeing payment of losses and related investigations, claim administration and defense expenses. At no time shall City be responsible for the payment of any deductibles or self-insured retentions.

All policies of insurance required hereunder shall be endorsed to provide that the coverage shall not be cancelled, non-renewed, reduced in coverage or in limits except after 30 calendar day written notice has been given to City. Upon issuance by the insurer, broker, or agent of a notice of cancellation, non-renewal, or reduction in coverage or in limits, Contractor shall furnish City with a new certificate and applicable endorsements for such policy(ies). In the event any policy is due to expire during the work to be performed for City, Contractor shall provide a new certificate, and applicable endorsements, evidencing renewal of such policy not less than 15 calendar days prior to the expiration date of the expiring policy.

The General Liability and Automobile Liability insurance policies shall be written on an occurrence form and shall name City, its elected officials, officers, officials, employees, agents and volunteers as an additional insured. Such policy(ies) of insurance shall be endorsed so Contractor's insurance shall be primary and no contribution shall be required of City, its elected officials, officers, officials, employees, agents and volunteers. The coverage shall contain no

special limitations on the scope of protection afforded to City, its elected officials, officers, officials, employees, agents or volunteers. The Workers' Compensation insurance policy shall contain a waiver of subrogation as to City, its elected officials, officers, officials, employees, agents and volunteers.

If the Professional Liability (Errors and Omissions) insurance policy is written on a claims-made coverage form:

- A. The retroactive date must be shown, and must be before the effective date of this Agreement or the commencement of work by Contractor.
- B. Insurance must be maintained and evidence of insurance must be provided for at least 5 years after completion of the work or termination of the Agreement, whichever first occurs.
- C. (iii) If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to the effective date of the Agreement, or work commencement date, Contractor must purchase extended reporting period coverage for a minimum of 5 years after completion of the work or termination of the Agreement, whichever first occurs.
- D. A copy of the claims reporting requirements must be submitted to City for review.
- E. These requirements shall survive expiration or termination of the Agreement.

Contractor shall furnish City with all certificate(s) and applicable endorsements effecting coverage required hereunder. **All certificates and applicable endorsements are to be received by City and approved by City Manager or his/her designee prior to City's execution of the Agreement and before work commences.** Upon request of City, Contractor shall immediately furnish City with a complete copy of any insurance policy required under this Agreement, including all endorsements, with said copy certified by the underwriter to be a true and correct copy of the original policy. This requirement shall survive expiration or termination of this Agreement.

If at any time during the life of this Agreement or any extension, Contractor or any of its subcontractors fail to maintain any required insurance in full force and effect, all work under this Agreement shall be discontinued immediately, and all payments due or that become due to Contractor shall be withheld until notice is received by City that the required insurance has been restored to full force and effect and that the premiums therefore have been paid for a period satisfactory to City. Any failure to maintain the required insurance shall be sufficient cause for City to terminate this Agreement. No action taken by City hereunder shall in any way relieve Contractor of its responsibilities under this Agreement.

The fact that insurance is obtained by Contractor shall not be deemed to release or diminish the liability of Contractor, including, without limitation, liability under the indemnity provisions of this Agreement. The duty to indemnify City and its elected officials, officers, officials, employees,

agents and volunteers shall apply to all claims and liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by Contractor. Approval or purchase of any insurance contracts or policies shall in no way relieve from liability nor limit the liability of Contractor, its principals, officers, employees, agents, persons under the supervision of Contractor, vendors, suppliers, invitees, Contractors, subcontractors, or anyone employed directly or indirectly by any of them.

If Contractor should subcontract all or any portion of the services to be performed under this Agreement, Contractor shall require each subcontractor to provide insurance protection in favor of City, its elected officials, officers, officials, employees, agents and volunteers in accordance with the terms of each of the preceding paragraphs, except that the subcontractors' certificates and endorsements shall be on file with Contractor and City prior to the commencement of any work by the subcontractor.

17. OWNERSHIP OF WORK

All finished or unfinished documents, studies, reports, computer files and materials prepared by Contractor and subcontractors under this Agreement shall be considered the property of the City and will be turned over to the City upon demand, but in any event, upon completion of the Project. The Contractor shall be allowed to retain copies of documents for his permanent records, if desired.

The City and the Contractor will agree to keep trade/business information of the cannabis businesses confidential.

18. ASSIGNABILITY

Contractor shall not assign, delegate, or transfer this Agreement or any work hereunder, nor assign any monies due or to become due hereunder, except as expressly stated herein. In no event shall any contractual relation be created between any third party and the City without prior written consent of the City. A consent to one assignment shall not be deemed to be consent to any subsequent assignment.

19. INTEGRATION; AMENDMENTS

This Agreement sets forth the entire understanding of the parties with respect to the subject matter herein. There are no other agreements, expressed or implied, oral or written, except as set forth herein. This Agreement may be amended upon written mutual consent of both parties hereto. Amendment requiring changes in compensation shall be subject to the City's change order procedures.

20. NOTICES

Notices and requests to the City or Contractor shall be delivered at the following addresses, either served personally on the designated representative or by U.S. Postal Service at the following addresses:

City:

- Director of Finance
- City of La Mesa
- 8130 Allison Avenue, La Mesa, CA 91942, La Mesa, CA 91942
- (619) 463-6611

Contractor:

- Engagement Partner
- The Pun Group LLP
- 200 E. Sandpointe Ave., Suite 600, Santa Ana, CA 92707
- (949) 777-8801

21. DISPUTE RESOLUTION

The City shall require that all Contractors agree to submit any unresolved claims, counterclaims, disputes, controversies and other matters between them and the City or the Contractor and/or any subcontractors of any tier arising out of or relating to their agreement with the City or the breach thereof (“disputes”) first to mediation and then if not resolved, to non-binding arbitration prior to initiating suit or judicial proceeding.

If applicable – As provided in Public Contract Code section 9204, any claim filed by the Contractor on a public works project shall be reviewed by the City with 45 days and a written statement will be provided to the Contractor identifying what portion of the claim is disputed and what portion is undisputed. Upon receipt of a claim, the City and the Contractor may, by mutual agreement, extend the time period or it may be extended to allow City Council approval. The Contractor shall include reasonable documentation to support the claim. Any payment due on an undisputed portion of the claim shall be processed and made within 60 days after the City issues its written statement.

22. TERMINATION OF AGREEMENT FOR CAUSE OR CONVENIENCE

If, through any cause, the Contractor shall fail to fulfill in timely and proper manner his obligations under this Agreement, or if the Contractor shall violate any of the covenants, agreements, or stipulations of this Agreement, the City shall thereupon have the right to terminate this Agreement immediately by giving written notice to the Contractor of such termination and specifying the effective date thereof. In such event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs and reports prepared by the Contractor under this Agreement shall, at the option of the City, become its property and the Contractor shall be entitled to receive just and equitable compensation for any work satisfactorily completed hereunder.

In addition to termination for cause, the City may terminate this Agreement for City’s convenience upon not less than fifteen (15) days written notice to Contractor. Upon receipt of said notice, the Contractor shall immediately cease all work under this Agreement unless said notice provides

otherwise. If this Agreement is terminated as provided in this paragraph for City's convenience, the Contractor shall be required to provide to City all finished or unfinished documents, data, studies, services, etc., prepared by the Contractor as may be requested by City and such work shall become City's property upon payment to Contractor for the value of the work performed, less payments of compensation previously made.

Notwithstanding the above, the Contractor shall not be relieved of liability to the City for damages sustained by the City by virtue of any breach of the Agreement by the Contractor, and the City may withhold any payments to the Contractor for the purpose of set-off until such time as the exact amount of damages due the City from the Contractor is determined.

23. BUSINESS LICENSE

The Contractor, including all subcontractors, shall obtain a business license for work within the City of La Mesa pursuant to La Mesa Municipal Code Sections 6.08.010 through 6.08.240.

No payments shall be made to any Contractor until such business license has been obtained, and all fees paid therefor, by the Contractor and all subcontractors. Business license applications and information may be obtained from the Finance Department, City Hall, 8130 Allison Avenue, La Mesa, CA 91942-5502, (619) 667-1118 or online at cityoflamesa.us/buslic.

24. INTEREST OF MEMBERS OF THE CITY

No member of the governing body of the City and no other officer, employee, or agent of the City who exercises any functions or responsibilities in connection with the planning and carrying out of the program, shall have any personal financial interest, direct or indirect, in this Agreement; and the Contractor shall take appropriate steps to assure compliance.

25. INTEREST OF CONTRACTOR AND EMPLOYEES;

STATEMENT OF ECONOMIC INTERESTS

The Contractor covenants that he presently has no interest and shall not acquire interest, direct or indirect, in the study area or any parcels therein or any other interest which would conflict in any manner or degree with the performance of his services hereunder. The Contractor further covenants that in the performance of this Agreement, no person having any such interest shall be employed. City may require Contractor to complete and submit a Form 700, Statement of Economic Interests, in accordance with applicable law, to City Clerk.

26. FACILITIES AND EQUIPMENT

Contractor shall, at its sole cost and expense, furnish all facilities and equipment which may be required for furnishing services pursuant to this Agreement.

27. INDEPENDENT CONTRACTOR

At all times during the term of this Agreement, Contractor shall be an independent contractor and shall not be an employee of City. City shall have the right to control Contractor only insofar as the

results of Contractor's services rendered pursuant to this Agreement; however, City shall not have the right to control the means by which Contractor accomplishes services rendered pursuant to this Agreement.

28. PERS ELIGIBILITY INDEMNIFICATION

In the event that Contractor's employee providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS of the City, Contractor shall indemnify, defend, and hold harmless City for the payment of any employer and employee contributions for PERS benefits on behalf of the employee as well as for payment of any penalties and interest on such contributions which would otherwise be the responsibility of the City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Contractor's employees providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation and benefit including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contributions to be paid by City for employer contributions and/or employee contributions for PERS benefits.

29. TIME

Contractor shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary for satisfactory performance of Contractor's obligations pursuant to this Agreement.

30. CONTRACTOR NOT AGENT

Except as City may specify in writing, Contractor shall have no authority, express or implied, to act on behalf of City in any capacity whatsoever as an agent. Contractor shall have no authority, express or implied, pursuant to this Agreement to bind City to any obligation whatsoever.

31. NON-DISCLOSURE

The designs, plans, reports, investigations, materials and documents prepared or acquired by the Contractor pursuant to this Agreement (including any duplicate copies kept by the Contractor) shall not be shown to any other public or private person or entity, except as authorized by the City. The Contractor shall not disclose to any other public or private person or entity any information regarding the activities of the City except as authorized by the City.

32. SUBCONTRACTING

None of the services covered by the Agreement shall be subcontracted without the prior consent of the City. The Contractor shall be as fully responsible to the City for the acts and omissions of his subcontractors, and of persons either directly or indirectly employed by them, as he is for the acts and omissions of persons directly employed by him. The Contractor shall insert in each

subcontract appropriate provisions requiring compliance with the labor standards provisions of this Agreement.

33. CHANGES

The City may, from time to time, request changes in the Scope of Services of the Contract to be performed hereunder. Such changes, including any increase or decrease in the amount of the Contractor's compensation, which are mutually agreed upon by and between the City and the Contractor shall be incorporated to this Contract.

34. JOB SITE SAFETY

The general or prime Contractor who is responsible for means, methods and procedures of the project shall be responsible for job site safety.

The prime contractor and all subcontractors of all tiers shall:

- A. Be responsible for the safety of their respective employees as required by law.
- B. Come under the jurisdiction and supervision of the general or prime contractor's job site safety program.
- C. Exercise reasonable care to avoid risk of injury to others as required by the professional standard of care.

35. PREVAILING WAGES FOR PUBLIC WORKS PROJECTS

IF APPLICABLE

- A. No professional Contractor or subcontractor subject to the requirements of State of California's prevailing wages may be awarded a contract, or contracted with, for a public works project (submitted on or after April 1, 2015) unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5 [with limited exceptions from this requirement for bid purposes only under Labor Code section 1771.1(a)].
- B. This project is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

36. CONFLICT BETWEEN AGREEMENT AND OTHER DOCUMENTS

In the event of a conflict between this Agreement and any documents incorporated by reference in this Agreement, the terms and conditions of this Agreement shall supersede those contained in any such document incorporated by reference.

37. DATE OF AGREEMENT

The date of this Agreement shall be the date it shall have been signed by a duly authorized representative of City.

38. SIGNATURES

IN WITNESS WHEREOF, City and Contractor have executed the Agreement.

The Pun Group LLP

By: _____

Kenneth H. Pun, CPA, CGMA, ENgagement Partner

Date: _____

CITY OF LA MESA,

A Municipal Corporation

By: _____

Dr. Mark Arapostathis, Mayor

Date: _____

By: _____

Greg Humora, City Manager

Date: _____

By: _____

Tammi ROYALES, Director of Finance

Date: _____

APPROVED AS TO FORM

By: _____

CITY ATTORNEY

Attachment: Exhibit A – Technical Proposal

Exhibit B – Cost Proposal

CITY OF LA MESA, CITY OF CHULA VISTA, AND COUNTY OF IMPERIAL

Submitted By:

Kenneth H. Pun, CPA, CGMA

Managing Partner
200 E. Sandpointe Ave., Suite 600, Santa Ana, CA 92707
(949) 777-8801 | ken.pun@pungroup.com

November 1, 2022

TECHNICAL PROPOSAL

Cannabis Tax Audit Services



**THE
PUN GROUP**
ACCOUNTANTS & ADVISORS



Kenneth H. Pun, CPA, CGMA
Founder & Managing Partner

WHY CHOOSE THE PUN GROUP LLP?

“ The Pun Group’s most valuable asset is our people, they and their deep experience drive our every interaction with clients. ”

- Big firm expertise, small firm values
- Personal attention meets technical expertise
- A unique firm culture
- Innovation embraced
- Achievable plans to move your organization forward

The Pun Group LLP is recognized for its professionalism and integrity and for providing clients with practical solutions unique to their circumstances and issues.
You will receive a superior level of service and a quality audit.

Thank You!

Thank you for allowing us to submit our qualifications to provide you with Cannabis Tax Audit Services.

A handwritten signature in black ink that reads "The Pun Group, LLP". The signature is written in a cursive, flowing style.

The Pun Group LLP
Certified Public Accountants and Business Advisors

City of La Mesa, City of Chula Vista, and the County of Imperial

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The Pun Group Wins 2022 “Best of Accounting” Award



The Pun Group is proud to have won 2022's Best of Accounting® award from ClearlyRated. ClearlyRated recognizes the best in staffing, accounting, and other professional services by recording Net Promoter Scores® (NPS) and reviews to measure client satisfaction.

This award is unique in the U.S. and Canada because it is the only accolade that relies solely on ratings submitted from third-party validated survey responses. Firms that receive a ClearlyRated award are recognized as “leading their industry through their ongoing commitment to service excellence.” The Pun Group received a positive 88.9% NPS, reflecting an exceptionally loyal and satisfied audience.

“Winners of the 2022 Best of Accounting award for client satisfaction have demonstrated their commitment to delivering exceptional client service, even as Covid-19 has forced them to reimagine and rebuild their approach to business,” said ClearlyRated's CEO and Founder, Eric Gregg.

Our firm excelled in five key areas: Responsiveness, Quality, Value, Needs Understanding, and Proactive Approach.

About ClearlyRated

Rooted in satisfaction research for professional service firms, ClearlyRated utilizes a Net Promoter® Score survey program to help professional service firms measure their service experience, build an online reputation, and differentiate on service quality.

“

“The Pun Group is not there to judge if a finance team is underperforming; they have the attitude to partner with the client to resolve issues and to streamline processes for the next audit.”

Roger R.

“

“We've been working with The Pun Group for years and they've always been responsive. Their fees are also much more reasonable than most.”

Graciela S.

“

“The firm's responsiveness and technical knowledge during the audit. My staff likes having Suralink (client's portal) whereby prepared by client schedules and requests for additional information can be easily uploaded.”

State & Local Client

“

“The Pun Group provides exceptional service on a consistent basis.”

David W.

City of La Mesa, City of Chula Vista, and the County of Imperial

Information Statement

SECTION 6

PROPOSAL PACKET, RFP 23-09

CANNABIS TAX AUDITING SERVICES**INFORMATION STATEMENT**

Legal Name of Organization: The Pun Group, LLP

Date Established: 2012

Legal Status, i.e., corporation, partnership, sole proprietorship
Limited liability partnership.

Officers/Owners of Organization:

| | |
|---|-------------------------|
| Name: Kenneth H. Pun, CPA, CGMA | Title: Managing Partner |
| Name: Gary Caporicci, CPA, CGFM, CFF | Title: Partner |
| Name: John F. Georger Jr., CPA, CIA, CGMA | Title: Partner |
| Name: Frances J. Kuo, CPA, CGMA | Title: Partner |
| Name: Coley Delaney, CPA | Title: Partner |
| Name: Vanessa I. Burke, CPA, CPFO | Title: Partner |
| Name: Andrew Roth, CPA | Title: Partner |

Number of Employees: Permanent – Full Time: 40 Part Time: _____Business Address: 200 E. Sandpointe Ave., Suite 600
Santa Ana, CA 92707

Contact Information:

Kenneth H. Pun, CPA, CGMA
Email: ken.pun@pungroup.com
Phone: (949) 777-8801 | Fax: (949) 777-8850

Organization Bank Name: Banc of California

Branch:

Address: 16840 Bernardo Center Dr., San Diego, CA 92128

Contact Name: Buck Rubin

The Agencies reserve the right to perform a credit check on your organization to obtain information regarding your organization's financial stability.

Are you or your organization currently engaged or involved in any litigation over the proprietary rights or patent rights for the software or services to be used for the City of La Mesa? N/A If yes, please attach explanation.



200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

November 1, 2022

City of La Mesa, City of Chula Vista, and the County of Imperial
Finance Department
8130 Allison Ave.,
La Mesa, CA 91942

Re: RFP 23-09, for Cannabis Tax Audit Services

Dear Sir or Madam:

Please allow us to introduce our Firm and share our qualifications and proposed audit plan for the City of La Mesa, City of Chula Vista, and the County of Imperial (“Agencies”) according to your Request for Proposals for Cannabis Tax Audit Services for one fiscal year with the option to renew for four (4) additional fiscal years.

The Pun Group LLP (the “Firm”) has the knowledge and experience necessary to become the Agencies’ next public accounting firm and the work plan to ensure a smooth audit process.

This letter is an acknowledgment of the Firm’s understanding of the work to be performed. We are offering our commitment to deliver all of the required work, complete the audit, and issue the necessary auditor’s reports within the periods outlined by the Agencies.

The Pun Group is the right choice for the City of La Mesa, City of Chula Vista, and the County of Imperial because:



We Understand the Demographics and Your Needs. The Pun Group is reputable for its governmental practice. We have been selected to provide services such as compliance audit services, cannabis regulatory compliance inspections, tax audits, and implementation of tax collection and tax audit policies and procedures to several municipalities such as the City of Stockton, the City of Salinas, City of San Bernardino, and the City of Chula Vista.



Recognized Leader in the Governmental Industry. We are a small national Firm with licenses in the States of California, Arizona, and Nevada and a proven leader in professional services to the government sector. All key engagement team professionals are licensed to practice as Certified Public Accountants and meet the Continuing Professional Education requirements under US GAO’s Government Auditing Standards to perform the proposed audits. The partners and all employees proposed to perform the requested services do not have a record of substandard audit work nor have any outstanding claim of substandard practice or unsatisfactory performance pending with the State Board of Accountancy or other professional organizations. In addition, we are members of the national AICPA Audit Quality Center.

We strongly believe that part of our success is credited to our professionals’ participation in various industry-leading organizations. Such affiliations are critical to addressing emerging accounting and auditing issues within the industry environment.

The Firm is the recipient of several awards, including the *SARC’s Award for Excellence in Knowledge, Value, and Overall Client Satisfaction (2021)*. This particular award results from positive feedback from our clients in an independent survey, demonstrating our Firm’s highest commitment to Federal standards, quality, and client satisfaction.



Award for Excellence
Recipient



City of La Mesa, City of Chula Vista, and the County of Imperial



You'll Work with a Team that Embraces Innovation and Continuous Improvement. Our Firm is committed to continuous improvement as it relates to service delivery. We embrace innovation and identify areas of technological enhancements in our audit and project management approaches. For example:

Secure Data File Transfer System. In order to improve audit efficiency, workflow management software plays an essential role between your organization and our engagement team. We employ a secure data file transfer system called Suralink. Suralink's dynamic request list is integrated with our secure file hosting system for seamless document-request coordination, including the upload of large-size files. It means all our requests are in one place, updated in real-time, and accessible by everyone working on the engagement. Not only makes the operation more cost-efficient, but it also enables you and your team to spend your time getting the job done, not reconciling a messy list of outstanding items. In addition, Suralink's dashboard allows you to visualize the process of document-request fulfillment.

AI Auditor. The Pun Group leverages the technology and research tools required to provide excellent services to its clients. With the usage of Artificial Intelligence (AI) technology, the Firm is capable of issuing all reports requested faster than other audit firms without exposing the Agencies to unnecessary risks.

Remote Auditing Capability. Remote working arrangements have suddenly become the "new normal" in these trying times. Our Firm has deployed top-notch technology and fully transitioned to "remote auditing," offering our clients the quality services they deserve while being fully "remote" or operating in a "hybrid" schedule. "Onsite" audits are still the Firm's preferred method, and we'll continue to offer and promote those as well.



Knowledge is Shared with You. As part of our pledge to keep you updated on new technical accounting and financial issues, we implemented our 2022 *Virtual Government Accounting Conference*, which qualifies for up to 15 hours of CPE – nearly double what other firms offer. These online sessions are free of charge and part of the service package provided to you. More details and dates can be found on the "*Client Training Webinars*" topic under this proposal.

The Pun Group is proud of its inclusive values and is an avid promoter of equality and diversity. In addition, the Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. We're proud of supporting affirmative-action philosophies and work hard to provide opportunities for self-enhancement to members of disadvantaged groups.

This proposal is a firm and irrevocable offer valid for ninety (90) days following the closing date for the receipt of all proposals.

Finally, we would like to emphasize one additional point: **We want to earn your trust and win your business!** We are confident that the energetic and experienced team we have assembled is the right one for the Agencies.

Our commitment to serving the City of La Mesa, City of Chula Vista, and the County of Imperial cannot be adequately conveyed in a letter, and I look forward to continuing the discussion with you. I'm assigned as your primary contact for contract negotiations and stand steadfast to serve as your engagement/lead partner. I'm also authorized to legally bind the Firm.

Should you have any questions or wish to discuss this proposal, please do not hesitate to contact me at (949) 777- 8801 or by email at ken.pun@pungroup.com.

Sincerely,

Kenneth H. Pun, CPA, CGMA | Managing Partner | The Pun Group LLP
4660 La Jolla Village Drive, Suite 100, San Diego, CA 92122

City of La Mesa, City of Chula Vista, and the County of Imperial

Statement of Company Background and Philosophy

About the Firm

The Pun Group LLP, Certified Public Accountants, and Business Advisors, founded in 2012, is a limited liability partnership. We are a full-service accounting firm comprised of fifty professionals providing auditing, accounting, and advisory services to our clients.

The Firm has become one of the “Top Accounting Firms” in Orange County according to the Orange County Business Journal and is also on the list of CalCPA Top 150 firms.

The combination of our hands-on experience and practical knowledge exercised by our audit professionals makes the Firm unique in our field. Our technical expertise and thorough understanding of current regulations and issues—along with the Firm’s commitment to hard work, integrity, and teamwork in every engagement—enable us to help our clients succeed.

Our Partners’ Group—which includes Kenneth Pun, Frances Kuo, Coley Delaney, Andrew Roth, Vanessa Burke, John Georger Jr., and Gary Caporicci — provides auditing, accounting, and advisory services to numerous governmental entities throughout the United States. With more than two hundred years of combined experience in the industry, we have become a trusted business partner and are well-respected as leaders in the industry in one of the fastest-growing firms. With nearly 100 government and not-for-profit audit clients, our Partners have a real passion for the industry and believe we are unmatched in our municipal experience. The firm also meets professional standards generally accepted in the United States of America and the standards applicable to financial audits contained in ‘*Government Auditing Standards*’ issued by the Comptroller General of the United States.

The Firm’s headquarters are located in Orange County, California, with four branches in San Diego, Walnut Creek/Sacramento (California), Las Vegas (Nevada), and Phoenix (Arizona).

Our *San Diego* office, located at 4660 La Jolla Village Drive, Suite 100, San Diego, CA 92122, will perform the requested services for the Agencies. However, we may assign additional staff from our other offices to the engagement at no extra cost to the Agencies. No subcontractors will be used in this engagement.

Global Capabilities

The Pun Group LLP is an independent member of Allinial Global, an association of over 100 independent accounting and consulting firms. Based in North America, Allinial Global offers international support by connecting its member firms to providers and global networks of accounting firms worldwide.

OUR FIRM AT A GLANCE



50 full-time auditing, accounting, tax and advisory professionals



One of the fastest growing firms serving California, Nevada and Arizona



Client retention rate: 90 - 95%



5 offices across 3 states



OUR AFFILIATIONS



City of La Mesa, City of Chula Vista, and the County of Imperial

Full-Time Government Auditors

As full-time government auditors, we understand that governmental entities do not operate independently but in an increasingly complex web of local, state, and federal relationships. We know how these relationships work, what they mean at the local level, and how every public organization’s focus on resource management is critical to success.

Also, while many accounting Firms can provide services, not all can build an excellent working relationships with their clients. The Pun Group LLP prides itself on developing lasting, personal relationships with our clients. Our hands-on partner involvement and low personnel turnover are crucial tools to our success and are highly beneficial to the Agencies.

Local Office’s Information Technology (IT) Audit Capabilities

The Pun Group LLP continues our efforts to invest in our IT system to enhance our security further and promote audit efficiency.

Top security for your data is the key to our success. When we have your data virtualized, our Firm takes all the preventive steps to avoid putting your information at risk. Our In-House IT administrator maintains our server to ensure our IT environment is continuously updated with the latest security fixes. Through VPN and Microsoft Remote Desktop, our In-House network administrator can lock down files and system access from a single point, limiting the ability of remote sites to take data from our server.

Access to systems from anywhere and anytime. With more mobility being the norm rather than the exception, our engagement team needs robust access to the engagement files when they are working in your office. Accounting and Auditing Software applications are installed in our “Private” server and can be securely accessed through VPN and Microsoft Remote Desktop. The Firm uses CCH ProSystem fx® Engagement for audit documentation, which allows real-time synchronization of the work papers and instant collaboration quality control review.

Secure Data File Transfer System. In order to improve audit efficiency, workflow management software plays an essential role between your organization and our engagement team. We employ a secure data file transfer system called *Suralink*. *Suralink*’s dynamic request list is integrated with our secure file-hosting system for seamless document-request coordination. It means all our requests are in one place, updated in real-time, and accessible by everyone working on the engagement. As a client, you no longer have to manually maintain a spreadsheet amongst several people, only to repeat the process in a day or two. Not only makes the operation more cost-efficient, but it also enables you and your team to spend your time getting the job done, not reconciling a messy list of outstanding items. The *Suralink* dashboard, as shown below, allows you to visualize the process of document-request fulfillment.



BIG FIRM EXPERTISE. SMALL FIRM VALUES.

Our professional backgrounds at major national firms showed us how to solve complicated business and accounting challenges, but the sense of personal connection was missing.

We launched The Pun Group because we believe every client deserves to work with experienced business advisors and CPAs who have the time – and take the time – to create an authentic connection. Every client is our top priority!



A UNIQUE CULTURE.

“Personalization” is not just a buzzword – it’s part of our firm’s culture. We take a personal approach to everything we do. We collaborate with our clients, so they’re always part of the process. We listen to our staff to make sure they have the right support and resources to do a great job. Getting to know others and discovering how we can serve them better is not just a sign of good business practices; it’s a sign of good people.



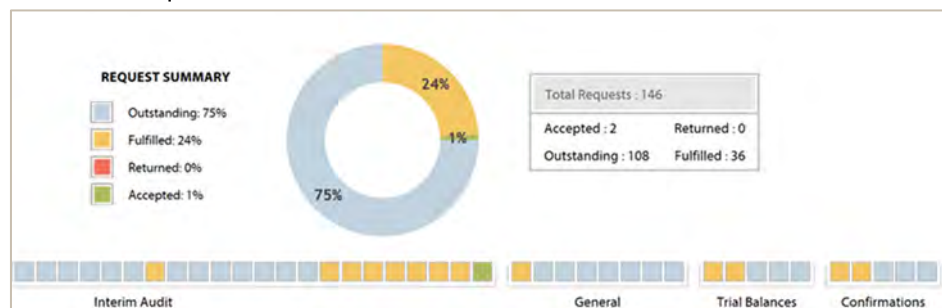
INNOVATION EMBRACED.

New ideas keep you ahead of the game. From leveraging the value of emerging technologies to further refining trusted processes, we adopt proven solutions to meet your needs.



WHERE YOU GO, WE GO. WHERE YOU GROW, WE GROW.

Our success is defined by how you achieve yours. Partner with accomplished accounting and financial professionals who are laser-focused on taking your business to the next level.



City of La Mesa, City of Chula Vista, and the County of Imperial

Our Services

Our partners and seasoned professionals are always available, guiding clients through their periods of rapid growth as well as difficult times. We are able to do that by offering a portfolio of accounting services that are as diverse as the jurisdictions and entities themselves. The Pun Group ^{LLP} has successfully provided professional auditing, accounting, financial reporting, and management advisory/consulting services to a broad spectrum of governmental entities.



ASSURANCE

- Financial statements audits
- Compliance audits
- Performance audits
- Internal audits
- Service organization controls audits



ADVISORY

- Operational reviews/risk advisory services
- Forensic investigation
- Financial condition analysis
- Organizational structure review
- Cash flow analysis
- Debt restructuring consultation
- Litigation restructuring consultation



OTHER SERVICES

- Assistance with the preparation and review of the Annual Comprehensive Financial Report
- Government property lease excise tax compliance review
- Sub-recipient monitoring
- Implementation of new GASB pronouncements
- Audit readiness services
- Contract Finance Director/Accountant services

Federal or State Desk Review

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

Disciplinary Action

State regulatory bodies or professional organizations have taken no disciplinary action against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers, or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the City of La Mesa, City of Chula Vista, and the County of Imperial.

City of La Mesa, City of Chula Vista, and the County of Imperial

Description of Approach to Scope of Work

Scope of Work, Audit Approach, and Methodology

The City of La Mesa, City of Chula Vista, and the County of Imperial are requesting the Firm to perform Cannabis Tax Audit Services. The Firm will provide the requested services by:

- Obtaining an understanding of the Agencies' request
- Utilizing our experience and background in the cannabis tax audit services
- Obtaining an understanding of the Agencies' cannabis tax ordinance and other industry regulations

In addition, the Firm will:

- 1) Provide technical and policy expertise to the Agencies related to the operations and understanding of the Cannabis Industry to ensure compliance with state and local law.
- 2) Facilitate at least three stakeholder meetings (informational kick-off, workshop for input, and final draft or process review).
- 3) Recommend Agencies' policies and procedures for tax collection and tax audits, including the development of recommended internal control standards and record-keeping/audit-related administrative policies and procedures to ensure optimal cannabis operator compliance with state and local laws.
- 4) Provide assistance with Track and Trace System Evaluation.
- 5) Monitor business tax reporting to ensure compliance with applicable laws.
- 6) Conduct audits annually or as recommended per industry standards or practice.
 - a) Represent the Agencies for purposes of examining records related to cannabis tax to identify and confirm any errors/omissions leading to the deficit of payments to the Agencies.
 - b) For each error/omission identified and confirmed, prepare the appropriate documentation to facilitate recovery of revenue due to the Agency, including any applicable penalties and interest.
 - c) Prepare and provide to the appropriate parties requests for corrective action and revenue recovery.
 - d) Meet with designated Agency staff as necessary to review findings and recommendations.
 - e) Provide any additional assistance as necessary to support the Agency in recovering and preventing tax delinquencies.
 - f) Perform tax audits to industry best practice standards of quality and detail for basic cash businesses.

For City of Chula Vista – Inventory Audit Scope of Services

The Firm will:

1. Provide assistance in cannabis on-site inventory audit, reporting, and analysis.
2. Provide assistance in the development of inventory audit policies and procedures.

Approach to Work

In order to deliver the services requested by the Agencies, the Firm will perform the following steps:

| | |
|--|---|
| Cannabis Business Gross Receipts and Square Footage Taxes | <ul style="list-style-type: none"> • Evaluate consistency between gross receipts and other information reported on financial statements to what was reported to the California Department of Tax and Fee Administration for sales and use tax, cannabis excise tax, and/or cultivation tax. • Evaluate consistency between gross receipts reported on financial statements to gross receipts reported to the Agencies. • Verify the cultivation canopy as compared to the maximum canopy reported on the business license application. Cultivation canopy is measured by the aggregate area of vegetative growth of live marijuana plants on the premises, including the area occupied by vertically and horizontally stacked canopies, in compliance with the Agencies' Code. This will be calculated by measuring the distance of all cultivation canopies in square feet. |
|--|---|

City of La Mesa, City of Chula Vista, and the County of Imperial

Collection and Audit of any Cannabis Tax

Collection and Audit of any Cannabis Tax (Continued)

- Ensure each cannabis facility is complying with applicable portions of the Agencies' Code and is submitting the true amount of gross receipts and tax.
- Review business license tax returns submitted by the business and collected by the Agencies and compare to each business's records for the time period identified by the Agencies to determine the accuracy and timeliness of gross receipts returns filed with the Agencies:
 - a. Trace and verify the gross receipts reported on the quarterly gross receipts returns prepared by the business to gross receipts recorded in the business's accounting records to verify that these were in accordance with the Agencies' regulations;
 - b. Verify compliance with Agencies' Code.
 - c. Verify the reasonableness of reported revenues of the cannabis businesses by performing additional procedures necessary to reach a conclusion.
- Following the completion of a business license tax audit of each cannabis facility, we will issue all reports to the Agencies in accordance with applicable standards from generally accepted auditing standards (GAAS).
- The report for each cannabis business license tax audit will include the following information:
 - a. The overall conclusion of whether or not the cannabis business paid all required business license taxes and fees for the time period specified.
 - b. Any exceptions, errors, or areas of noncompliance were identified as a result of the procedures performed. This includes any significant deficiency in the design or operation of the internal control structure, including but not limited to the following areas: cash handling, inventory control, point of sale systems, and any other areas that the auditor deems necessary for purposes of accurately reporting business license taxes due to the Agencies.
 - c. Express an opinion regarding the taxes remitted to the Agencies by the cannabis business, or state that an opinion cannot be expressed in the auditor's report. If the Firm concludes, it cannot express an overall opinion. The engagement team will state the reasons, therefore, in the auditor's report.
- Examine records and documentation that demonstrate that all cannabis goods have been obtained from, and are provided to, other licensed cannabis businesses and that details all the revenues and expenses, and assets and liabilities of the business.
- Examine books of account, invoices, copies of orders and sales, shipping instructions, bills of lading, weigh bills, bank statements, including canceled checks and deposit slips, and all other records necessary to show all transactions of the cannabis business.

City of La Mesa, City of Chula Vista, and the County of Imperial

Methodology and Segmentation of Engagement

Cannabis Tax Audit

Once an audit date has been confirmed with the Licensee, a pre-audit list of documentation we will need in order to perform our audit will be provided to the Licensee prior to the audit date. Firm dues dates for all documentation will be communicated through the letter.

Below is an example of what documents we will need in order to perform the business license audit:

- Copy of business license.
- Download from the Licensee P.O.S or other ERP for all sales transactions for the period under audit.
- Obtain a copy of the business license tax remittance under audit.
- Detailed general ledger for the period under audit for sales and purchase transactions.
- Obtain federal and state tax returns.
- Obtain sales tax returns.
- Cash / safe log or bank statements for the period under audit.

We will conduct an interview with the Licensee to obtain an understanding of their internal controls over cash receipts, revenue, sales, purchases, or other identified significant transaction classes to determine what processes and procedures are in place to properly identify and record those transactions. Suppose inadequate controls are not in place; additional procedures or testing samples may be needed.

Our Firm will also use MindBridge AI Auditor to perform financial analysis of 100% of sales and purchase transactions, with zero scriptings, meaning we can provide greater assurance than ever before. With Ai Auditor, cumbersome CAAT tools are a thing of the past, and with them goes the associated risk of missing errors or fraud that may lurk in financial data. The AI platform is stacked with traditional tests based on domain expertise and business rules. The analysis is also greatly enhanced. Statistical methods like regression and Benford's Law are applied, as are numerous machine learning algorithms and AI seeded with knowledge from the domain expertise of some of the world's top CPAs.

We will then calculate the cost of goods sold and evaluate whether the amount is reported accurately to the tax returns and other reports.

In addition, we will:

- Compare sales data from the general ledger or P.O.S. to the sales tax returns and investigate any significant variances.
- Test sales, purchase, and cash log / safe transactions on a sample basis and obtain the necessary supporting documents related to the transaction to determine the accuracy and whether identified controls are being followed.
- For cultivation facilities, compare the total maximum canopy as indicated on the business license application with the auditor-measured maximum canopy.

City of La Mesa, City of Chula Vista, and the County of Imperial

Tasks and Deliverables

- Initial meeting with the Agencies' dedicated team to determine the competition schedule of the audits of business licenses and finalize the report template.
- We request the Agencies to initially communicate to all licensees that audits will be performed by a third-party auditor within an agreed-upon timeframe.
- Our project team will reach out to licensees to confirm onsite audit dates.
- Our project team will also facilitate and assist licensees in gaining access to the secured Suralink portal and walkthrough pre-audit request items to Licensee.
- Engagement team to review all the uploaded documentation prior to the onsite audit and run a detailed general ledger on the MindBridge Ai Auditor software. Also, our team will detail our audit work plan and make sample selections based on the risk analysis identified through the system.
- Based on the analysis performed and sample selection, our audit team will perform a site visit and obtain audit evidence in order to complete our audit task.
- After completion of the audit task, a draft custom-tailored report and presented to the Agencies for review.
- Upon completion and approval from Agencies officials, we will obtain Management Representation Letter from the Licensee and finalize the report.

Other Specific Tasks

All specific tasks that we will require are clearly communicated and agreed upon at the initial meeting with the Agencies. We request the Agencies staff to formally communicate a clear timeframe and completion schedule with the Licensee, and the audit task will be completed by the Firm. Our firm's responsibility is to communicate with the Agencies on the progress and any challenges identified timely.

Our project team will obtain copies of all business license tax remittances for licensees for the period under audit and will perform testing surrounding the completeness of the sales transactions to report any differences between our audit and the tax remittances.

All findings will be communicated to the Agencies and the Licensee upon the completion of our analysis.

City of La Mesa, City of Chula Vista, and the County of Imperial

Statement of Qualifications

Firm's Experience with Municipalities

The Pun Group LLP has performed numerous audits of organizations subject to financial and compliance audits. These audits were performed under auditing standards generally accepted in the United States, Government Auditing Standards, Uniform Guidance (formerly known as OMB Circular A-133), and its Compliance Supplement (when applicable), Office of the State Controller's Minimum Audit Requirements and Reporting Guidelines.

A representative list of our current clients is as follows:

| Municipalities | Dates | Financial Audit | Single Audit | GFOA Certificate | Total Hours |
|----------------------------|----------------|------------------------------------|--------------|------------------|-------------|
| City of Adelanto | 2021 – Present | Yes | Yes | Yes | 700 |
| City of Alameda | 2019 – Present | Accounting and Consulting Services | | | 150 |
| City of Arvin | 2013 – Present | Yes | Yes | N/A | 400 |
| City of Bell | 2018 – Present | Yes | Yes | Yes | 520 |
| City of Bradbury | 2012 – Present | Yes | N/A | N/A | 150 |
| City of Calexico | 2007 – Present | Yes | Yes | N/A | 750 |
| City of Clovis | 2006 – Present | Yes | Yes | Yes | 500 |
| City of Coachella | 2017 – Present | Yes | Yes | Yes | 410 |
| City of Cottonwood, AZ | 2007 – Present | Yes | Yes | Yes | 400 |
| City of Corona | 2021 – Present | Yes | Yes | Yes | 640 |
| Town of Corte Madera | 2022 – Present | Yes | Yes | N/A | 400 |
| Town of Danville | 1999 – Present | Yes | Yes | Yes | 400 |
| City of Douglas, AZ | 2020 – Present | Yes | Yes | Yes | 300 |
| City of Desert Hot Springs | 2013 – Present | Yes | N/A | N/A | 700 |
| City of Gardena | 2007 – Present | Yes | Yes | Yes | 700 |
| City of Gilroy | 2020 – Present | Yes | Yes | Yes | 640 |
| City of Glendora | 2017 – Present | Yes | Yes | Yes | 430 |
| City of Gustine | 2017 – Present | Yes | N/A | N/A | 400 |
| City of Hemet | 2015 – Present | Yes | Yes | N/A | 380 |
| City of Hercules | 2020 – Present | Yes | Yes | Yes | 450 |
| City of Lakewood | 2013 – Present | Yes | Yes | Yes | 380 |
| City of Lomita | 2020 – Present | Accounting and Consulting Services | | | 150 |
| City of Lodi | 2018 – Present | Yes | Yes | Yes | 760 |

City of La Mesa, City of Chula Vista, and the County of Imperial

| Municipalities | Dates | Financial Audit | Single Audit | GFOA Certificate | Total Hours |
|---|----------------|---------------------|--------------|------------------|-------------|
| City of Lynwood | 2016 – Present | Yes | Yes | Yes | 585 |
| City of Madera | 2019 – Present | Yes | Yes | Yes | 470 |
| City of Montebello | 2022 – Present | Yes | Yes | Yes | 600 |
| City of Napa | 2019 – Present | Yes | Yes | Yes | 750 |
| City of National City | 2013 – Present | Yes | Yes | Yes | 600 |
| City of Palm Springs | 2020 – Present | Yes | Yes | Yes | 1,000 |
| City of Patterson | 2017 – Present | Yes | Yes | Yes | 450 |
| City of Placerville | 2008 – Present | Yes | Yes | N/A | 400 |
| City of Redlands | 2022 – Present | Yes | Yes | Yes | 650 |
| City of Ridgecrest | 2009 – Present | Yes | Yes | Yes | 300 |
| City of Rohnert Park | 2020 – Present | Yes | Yes | Yes | 700 |
| City of San Mateo | 2021 – Present | Yes | Yes | Yes | 900 |
| City of Santa Clarita | 2022 – Present | Yes | Yes | Yes | 1,216 |
| City of Seal Beach | 2017 – Present | Yes | Yes | Yes | 410 |
| City of Shafter | 2017 – Present | Yes | Yes | Yes | 400 |
| City of Stockton | 2012 – Present | Yes | Yes | N/A | 3,000 |
| City of Tracy | 2021 – Present | Yes | Yes | Yes | 960 |
| City of Visalia | 2021 – Present | Yes | Yes | Yes | 650 |
| Imperial County Transportation Commission | 2020 – Present | Yes | Yes | Yes | 600 |
| Nevada County Transportation Commission | 2021 – Present | Compliance Services | 450 | | |
| San Diego Metropolitan Transit System | 2005 – Present | Yes | Yes | Yes | 1,850 |
| Shasta Regional Transportation Agency | 2015 – Present | Yes | N/A | N/A | 400 |
| Alameda County Water District | 2018 – Present | Yes | Yes | N/A | 550 |
| Carmel Area Wastewater District | 2022 – Present | Yes | Yes | N/A | 150 |
| CAWD/PBSCD Wastewater Reclamation Project | 2022 – Present | Yes | N/A | N/A | 150 |
| Central Basin Water District | 2018 – Present | Yes | Yes | N/A | 400 |
| Las Virgenes Municipal Water District | 2014 – Present | Yes | N/A | N/A | 400 |
| Los Angeles County Law Library | 2020 – Present | Yes | N/A | N/A | 180 |
| Marina Coast Water District | 2012 – Present | Yes | N/A | Yes | 240 |
| Menlo Park Fire Protection District | 2015 – Present | Yes | Yes | Yes | 240 |

City of La Mesa, City of Chula Vista, and the County of Imperial

| Municipalities | Dates | Financial Audit | Single Audit | GFOA Certificate | Total Hours |
|---|----------------|------------------------------------|--------------|------------------|-------------|
| NALEO Educational Fund and NALEO | 2020 – Present | Yes | N/A | N/A | 300 |
| Olivenhain Municipal Water District | 2019 – Present | Yes | Yes | Yes | 200 |
| Padre Dam Municipal Water District | 2020 – Present | Yes | Yes | Yes | 250 |
| Rancho Murieta Community Services District | 2019 – Present | Accounting and Consulting Services | | | 800 |
| Rancho Santa Fe Fire Protection District | 2015 – Present | Yes | N/A | N/A | 120 |
| San Bernardino County Emergency Training Center | 2020 – Present | Yes | N/A | N/A | 50 |
| San Bernardino County Preschool Services Department | 2020 – Present | Yes | Yes | N/A | 150 |
| San Bernardino County Fire Protection District | 2016 – Present | Yes | N/A | N/A | 200 |
| San Elijo Joint Powers Authority | 2016 – Present | Yes | N/A | N/A | 146 |
| Santa Fe Irrigation District | 2019 – Present | Yes | N/A | N/A | 250 |
| Sweetwater Authority | 2022 – Present | Yes | Yes | Yes | 270 |
| South Bay Cities Council of Governments | 2020 – Present | Yes | N/A | N/A | 100 |
| South Orange County Water Authority | 2017 – Present | Yes | Yes | Yes | 240 |
| South Bay Regional Public Communications Authority | 2015 – Present | Yes | N/A | N/A | 100 |
| Southwestern Community College District | 2009 – Present | Yes | Yes | N/A | 720 |
| Valley Sanitary District | 2015 – Present | Yes | N/A | Yes | 140 |
| West Valley Mosquito and Vector Control District | 2016 – Present | Yes | N/A | N/A | 100 |
| Zone 7 Water Agency | 2020 – Present | Yes | Yes | Yes | 400 |

City of La Mesa, City of Chula Vista, and the County of Imperial

Who We Are

The engagement team was carefully selected to provide the Agencies with all the services needed to complete the audit successfully. Your assigned Engagement and Technical Partners will be personally involved in the project, leading a team that has significant experience in *governmental auditing*. You can be confident that our broad experience and technical capabilities will allow us to provide technical support, interpret findings, and offer practical solutions to any issues that may arise.

Because of the “familiarity threat” under the professional audit and independence standards that may exist in long-term relationships with audit firms, the Firm is committed and has sufficient resources to rotate engagement partners, managers, and or supervisors assigned to the Agencies’ audit with personnel with similar or higher qualifications and experience in order to overcome this threat.

If the Firm changes key personnel, we will provide the Agencies with a written notification. **Engagement partners, managers, and specialists will only be changed with the express prior written permission from the Agencies.** Audit personnel may be replaced only by those with similar or better qualifications and experience.

About the Team Assigned to the Project

The engagement team was carefully selected to provide the Agencies with all the services needed to complete the scope of services successfully. They are fully qualified to perform financial accounting services for the Agencies, and their extensive experience will be critical to the process. You can be confident that our broad experience and technical capabilities will allow us to provide technical support, interpret findings, and offer practical solutions to any issues that may arise.

The Pun Group Engagement Team



Kenneth H. Pun, CPA, CGMA | Engagement Partner

With over twenty years of public accounting experience in the State and Local Government sector, Mr. Pun is the Managing Partner and an Assurance Partner at the Firm. Ken specializes in audits and management consulting for governmental organizations and has served as the Contract Deputy Finance Director for the City of San Marino in 2017. Mr. Pun also serves as the Chair of the California Society of CPAs Governmental Auditing Accounting Committee. He has been nominated for this year’s Innovative Practitioner of the Year 2020 award by AICPA’s CPA.com. He is a Certified Public Accountant and a Chartered Global Management Accountant.



David Siris, CPA | Project Manager

David Siris draws more than nine years of governmental accounting experience. Mr. Siris has successfully performed audits and other attestation services for several governmental and non-profit agencies. Working as an Engagement Manager, he will assist Mr. Pun in all issues related to cannabis tax policies, fiscal analysis, compliance reviews, tax audits/assessments, and providing best practices to ensure all state and local laws are followed. He is a Certified Public Accountant.



Masood Yousufzai | Revenue Analyst

Masood is a Supervisor within the Firm who draws more than six years of governmental accounting experience. As a Revenue Analyst, he will work directly with Mr. Siris, focused on financial reports, forecasts, ledgers and journals, and fiscal data analysis. Mr. Yousufzai will utilize his background in policy development related to the remittance of tax, as well as the City’s ability to collect taxes due, to provide the requested services to the City.

Continuing Education and Professional Development

Because of our commitment to providing the highest quality of services to the Agencies, we provide our professionals with technical training to ensure our people stay current on topics within the industry sectors and better equip themselves to serve our clients.

City of La Mesa, City of Chula Vista, and the County of Imperial

All professionals are required to obtain continuing education that exceeds the requirements of the American Institute of Certified Public Accountants (AICPA) and, where applicable, *Government Auditing Standards*. Our professionals participate in continuing education programs through the following means:

- Governmental Accounting and Auditing Conference sponsored by AICPA.
- Webinar sponsored by AICPA Government Audit Quality Center.
- Annual Conference sponsored by California Society Municipal Finance Officers.
- Governmental Accounting and Auditing Conference sponsored by CalCPA.
- The Pun Group in-house training on government-specific topics, including but not limited to: GASB updates, Government Auditing Standards Revision, Fraud in State and Local Governments, COSO Internal Control-Integrated Framework, Audit of State and Local Governments, Single Audit, and Mindbridge AI Auditors™.



In 2021, our government professionals received an average of 52 hours of continuing professional education, compared with the 40 hours of accounting industry requirement.

By expanding our knowledge through these seminars/conferences, we can provide the right solutions to our clients.

Staff Continuity

The Pun Group LLP is committed to maintaining staff continuity throughout audit engagements, and we can assure you that the partners assigned to this audit will be involved throughout the entire contract term.

While we cannot guarantee that our staff-level members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. Also, we offer benefits, including retirement plans, medical plans, profit-sharing programs, and continuing education.

Quality-Control System

Our Firm meticulously monitors the quality and contents of our reports. The Pun Group LLP is 100% committed to providing only the highest grade of work possible for our clients and for those who rely on our audits. The Firm strives to exceed professional industry standards because of the continuing respect for our clients and our emphasis on creating long-lasting relationships. The Pun Group LLP works exclusively with those who share the same moral integrity and values.

Our quality-control system has been crafted with excellence in mind. It not only meets AICPA standards but also matches our own elevated standards, which include following various professional development activities.

Engagement Team Resumes

The City of La Mesa, City of Chula Vista, and the County of Imperial deserve experienced professionals who work as a team. The Pun Group LLP will provide qualified professionals to perform the audit. No subcontractors will be utilized to perform the requested services. Resumes for key engagement team members are presented as follows:

City of La Mesa, City of Chula Vista, and the County of Imperial



Kenneth H. Pun

CPA, CGMA

Engagement Partner



EMAIL

ken.pun@pungroup.com



WEBSITE

www.pungroup.cpa

Expertise:



CITIES



COUNTIES



TRANSPORTATION AGENCIES



ENTERPRISE OPERATIONS



CANNABIS AUDIT & COMPLIANCE



NOT-FOR-PROFIT

Licensed to Practice in: California

EXPERIENCE

Kenneth H. Pun is the Managing Partner and an Assurance Partner at The Pun Group LLP, which he founded in 2012 after serving in senior-level positions for well-established national and regional firms. Under his leadership, The Pun Group has become one of the “*Top Accounting Firms*” in Orange County, according to the Orange County Business Journal. The Pun Group is also on the list of CalCPA’s Top 150 firms.

Prior to founding The Pun Group, Ken served clients in a variety of industries, including small to very large state and local governmental agencies, insurance companies, not-for-profits, healthcare, technology, and manufacturing and distribution clients. His career in public accounting was spent primarily with Regional firms and National firms.

Leveraging more than 21 years of public accounting experience, Ken has earned a reputation of being a trusted advisor to governmental and Healthcare organizations throughout California and neighboring states. Municipalities and public agencies engage him because of his premier level of client service, commitment, and innovative methods of increasing operational efficiencies and reducing costs.

Ken maintains his deep commitment to professional education through his work as an instructor for the California Education Foundation. He has authored training materials in governmental accounting and auditing, such as Financial Reporting for State and Local Governments, 2018 Government Auditing Standards, and Single Audit Fundamentals for California Education Foundation. He is also the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits. He advises clients on those topics at influential industry forums. Internally, Ken mentors audit teams by providing direction and technical guidance to ensure adherence to the firm’s quality controls.

EDUCATION

University of California, Riverside

B.S. Degree – Business Administration, Emphasis in Accounting

LEADERSHIP & AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Past Chair, CalCPA Governmental Accounting and Auditing Committee
- Member, CalCPA California Committee on Municipal Accounting
- Member, CalCPA Governmental Accounting and Auditing Conference Planning Committee
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, CSMFO Professional Standards Committee
- Speaker, CSMFO Conference (2014 and 2018)
- Instructor, CalCPA Education Foundation
- Technical Reviewer, CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits

RELEVANT EXPERIENCE

- | | |
|--|---|
| <ul style="list-style-type: none"> • City of Stockton • City of Palm Springs • City of Lakewood • City of Pomona • City of Clovis | <ul style="list-style-type: none"> • City of San Bernardino • City of Desert Hot Springs • City of National City • City of Redding • City of Shafter |
|--|---|

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thompson Reuters, AICPA, and CalCPA Education Foundation, including:

- Governmental and Nonprofit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.

City of La Mesa, City of Chula Vista, and the County of Imperial



David Siris
CPA
Project Manager

 **EMAIL**
david.siris@pungroup.com

 **WEBSITE**
www.pungroup.cpa

Expertise:

-  CITIES
-  COUNTIES
-  TRANSPORTATION AGENCIES
-  ENTERPRISE OPERATIONS
-  NOT-FOR-PROFIT
-  CANNABIS AUDIT & COMPLIANCE

Licensed to Practice in:
California

EXPERIENCE

David Siris, CPA, is a Manager at The Pun Group LLP with more than ten (10) years of experience in providing accounting and audit services, internal control and risk evaluation, and business consulting to privately held and public companies. Mr. Siris has worked with clients in a variety of industries, including cannabis, manufacturing and distribution, large not-for-profits entities, and government entities.

David has been responsible for managing, planning, and performing financial and regulatory external and internal audits and for developing and conducting internal control procedures and risk assessment evaluations. He has evaluated key processes within companies to determine areas of operating inefficiencies or potential internal control weaknesses and developed findings into recommended courses of action and into report comments and recommendations for resolution.

Mr. Siris has also provided accounting support services to local not-for-profits and governments, including financial statement analysis and preparation.

EDUCATION

Cal State University Fullerton, California
B.S. Degree - Finance

LEADERSHIP & AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT EXPERIENCE

- City of Stockton – Cannabis Audit
- Other Commercial Cannabis Audits
- City of Stockton – Cannabis Audit
- City of Salinas – Cannabis Audit

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thompson Reuters, AICPA, and CalCPA Education Foundation, including:

- Governmental and Non-profit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates
- Preparation of Tax Returns for Not-for-Profits

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.

City of La Mesa, City of Chula Vista, and the County of Imperial



Masood Yousufzai

Revenue Analyst



EMAIL

masood.yousufzai@pungroup.com



WEBSITE

www.pungroup.cpa

Expertise:



CITIES



TRANSPORTATION
AGENCIES



ENTERPRISE
OPERATIONS



NOT-FOR-PROFIT



CANNABIS AUDIT
& COMPLIANCE

EXPERIENCE

Masood Yousufzai is a Supervisor at The Pun Group LLP with more than six years of experience in providing accounting and audit services, internal control and risk evaluation, and business consulting to privately held and public companies with clients in a variety of industries, including large not-for-profits entities, insurance carriers, manufacturing and distribution, and government entities. Mr. Yousufzai worked as an Internal Audit and Special Projects Manager prior to joining the Firm.

Masood has been responsible for managing, planning, and performing financial and regulatory external and internal audits and for developing and conducting internal control procedures and risk assessment evaluations. He has evaluated key processes within companies to determine areas of operating inefficiencies or potential internal control weaknesses and developed findings into recommended courses of action and into report comments and recommendations for resolution.

Mr. Yousufzai has provided accounting support services to local not-for-profits and governments, including financial statement analysis and preparation.

EDUCATION

California State University Bakersfield

B.A. Political Science

California State University Northridge

M.P.A. Degree – Public Administration

University of California Irvine

Applied Accounting Program

LEADERSHIP & AFFILIATIONS

- Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT EXPERIENCE

- City of Bell
- City of Desert Hot Springs
- City of Seal Beach
- City of Corona
- City of Perris
- City of Gardena
- City of Palm Springs
- City of Phoenix (Subrecipient Monitoring)
- City of San Jose (Subrecipient Monitoring)
- South Bay Cities Council of Governments

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thompson Reuters, AICPA, and CalCPA Education Foundation, including:

- Governmental and Nonprofit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.

City of La Mesa, City of Chula Vista, and the County of Imperial

Peer Review

Being a member of the American Institute of Certified Public Accountants (AICPA), The Pun Group LLP is required to obtain an independent peer review of our audit and accounting practice every three (3) years. The peer reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complied with the AICPA's stringent standards for quality control and issued a peer review rating of "Pass."

Our Firm's Peer Review is currently underway. A copy of our most recent peer review is presented.



City of La Mesa, City of Chula Vista, and the County of Imperial

License to Practice in California

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants and meet the Continuing Professional Education requirements under US GAO's Government Auditing Standards to perform the proposed audits.

Firm Registration:

California State Board of Accountancy Number – PAR 7601
Federal Identification Number – 46-4016990

Business License

If selected, the Firm will obtain and maintain a valid City of La Mesa, City of Chula Vista, and the County of Imperial Business License while conducting any work under the contract.

Independence

The Pun Group LLP requires all employees to adhere to strict independence standards concerning the Firm's clients. These independence standards exceed, in many instances, the rules promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group LLP certifies that it is independent of the City of La Mesa, City of Chula Vista, and the County of Imperial. The Firm meets independence requirements defined by the United States Government Accountability Office's (US GAO's) Government Auditing Standards and the American Institute of Certified Public Accountants (AICPA). Based on that, we have not identified an instance that constitutes a conflict of interest relative to performing the services requested by the Agencies.

In addition, the Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers, or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the City of La Mesa, City of Chula Vista, and the County of Imperial.

Insurance

If selected, the Firm will maintain the minimum insurance requirements during the entire execution of the agreement with the City of La Mesa, City of Chula Vista, and the County of Imperial. Within ten days from the implementation of the contract, we will furnish the City of La Mesa, City of Chula Vista, and the County of Imperial with satisfactory evidence of the insurance requirements and proof that each carrier is required to give at least 30 days prior written notice of the cancellation of any policy during the entire period of the agreement. The City of La Mesa, City of Chula Vista, and the County of Imperial will be named as additional named insured under the Firm's policies.

A sample of our current policy can be found in the appendices section of this proposal.

City of La Mesa, City of Chula Vista, and the County of Imperial

Contract Experience - References

The Pun Group LLP has performed the following examples of some of the engagements with similar requirements as the City of La Mesa, City of Chula Vista, and the County of Imperial's proposal. Additional references are available upon request. Please feel free to contact these agencies to learn more about their experiences working with us.

City of Stockton

City Hall, 425 N. El Dorado St.
Stockton, CA 95202

Mr. Matt Paulin, CFO

Phone: (209) 937-8460 | Email: Matt.Paulin2@stocktonca.gov

Services Provided: Agreed-upon procedures related to the payment of tax, operators, permit – audit/reporting requirement, and access to records and facilities of all licensed cannabis businesses located within the City for the period of January 1, 2018, through December 31, 2018, January 1, 2019 – December 31, 2019, and January 1, 2020 – December 31, 2020. Services included:

- Obtain and read the City's Cannabis Business License Tax SMC.
- Obtain from licensees all quarterly gross receipts reports submitted to the City for the years ended December 31, 2018, and 2019.
- Obtain from licensees all cannabis business license tax forms submitted to the City for the years ended December 31, 2018, and 2019.
- Compare the gross sales obtained from the Licensee's records to the amounts reported to the City for the years ended December 31, 2018, and 2019.
- Identify all revenues to be included in the tax calculation and recalculate taxes remitted to the City for the years ended December 31, 2018, and 2019.
- Determine whether the annual business license tax was calculated correctly and if any additional fees are owed to the City for the years ended December 31, 2018, and 2019.

City of San Bernardino

290 North D Street
San Bernardino, CA 92401

Ms. Elizabeth Mora-Rodriguez, Assistant Planner

Phone: (909) 384-7272 ext: 3075 | Email: Mora-Rodriguez_EI@SBCity.org

Services Provided: Agreed-upon procedures related to the payment of tax, operators, permit – audit/reporting requirement, and access to records and facilities of all licensed cannabis businesses located within the City for the period of January 1, 2020, through December 31, 2020. Services included:

- Obtain and read the City's Cannabis Business License Tax Ordinance SMC.
- Obtain from licensees all quarterly gross receipts reports submitted to the City for the year ended December 31, 2020.
- Obtain from licensees all cannabis business license tax forms submitted to the City for the year ended December 31, 2020.
- Compare the gross sales obtained from licensees' records to the amounts reported to the City for the year ended December 31, 2020.
- Identify all revenues to be included in the tax calculation and recalculate taxes remitted to the City for the year ending December 31, 2020.
- Determine whether the annual business license tax was calculated correctly and if any additional fees are owed to the City for the year ended December 31, 2020.

City of La Mesa, City of Chula Vista, and the County of Imperial

City of Salinas

City Hall, 200 Lincoln Avenue
Salinas, CA 93901

Megan Hunter, Director of Community Development Department
Phone: (831) 758-7387 | Email: meganh@ci.salinas.ca.us

Services Provided: Agreed-upon procedures related to the payment of tax, operators, permit – audit/reporting requirement, and access to records and facilities of all licensed cannabis businesses located within the City for the period of January 1, 2020, through December 31, 2020, and January 1, 2021 – December 31, 2021. Services included:

- Obtain and read the City's Cannabis Business License Tax SMC.
- Obtain from licensees all quarterly gross receipts reports submitted to the City for the years ended December 31, 2020, and 2021.
- Obtain from licensees all cannabis business license tax forms submitted to the City for the years ended December 31, 2020, and 2021.
- Compare the gross sales obtained from the Licensee's records to the amounts reported to the City for the years ended December 31, 2020, and 2021.
- Identify all revenues to be included in the tax calculation and recalculate taxes remitted to the City for the years ended December 31, 2020, and 2021.
- Determine whether the annual business license tax was calculated correctly and if any additional fees are owed to the City for the years ended December 31, 2020, and 2021.

City of La Mesa, City of Chula Vista, and the County of Imperial

Let's Get to Work.

Benefits of Choosing The Pun Group LLP

The Pun Group LLP is recognized for its professionalism and integrity and for providing clients with practical solutions unique to their circumstances and issues. Our Firm prides itself on being able to provide personalized client services, and with that sentiment in mind, we have carefully chosen our engagement teams. The Pun Group's primary objective is to give the City of La Mesa, City of Chula Vista, and the County of Imperial solutions and directions led by highly experienced and capable partners who can successfully implement the work and produce the results you expect. This philosophy and mindset allow us to provide a superior level of service and a quality audit.


We trust that this proposal has given you the information needed about the Firm, the engagement team members, the overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the City of La Mesa, City of Chula Vista, and the County of Imperial while providing you with the excellent level of service that you expect and deserve.

Thank You

Thank you for allowing us to submit our qualifications to provide you with Cannabis Tax Audit Services. Please direct inquiries to:

Kenneth H. Pun, CPA, CGMA
Managing Partner
Email: ken.pun@pungroup.com
Phone: (949) 777-8801 | Fax: (949) 777-8850

Sincerely,



The Pun Group LLP
Certified Public Accountants and Business Advisors

City of La Mesa, City of Chula Vista, and the County of Imperial

Appendix A – Available Training

Strengthen Your Accounting Knowledge: TPG Client Training Webinars

We pride ourselves in leading the governmental auditing profession nationwide and statewide. Members of our team have been assigned to the AICPA and State Government Accounting and Audit committees. Our membership with these two levels of government keeps us current, and such involvement helps our Firm with the constant changes in accounting and auditing standards, laws and regulations, and compliance provisions, which have created an unprecedented complexity in public accounting for state and local governments.


Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues. Since last year, by implementing “Webinars,” we’ve been expanding our horizons and offering our clients 15 hours of Continuing Professional Education (CPE). These sessions are **free of charge** and part of the service package provided to our clients.

CPE courses we offer:



City of La Mesa, City of Chula Vista, and the County of Imperial

Appendix B – Certificate of Insurance

| | | | | |
|---|--|---|--|-------------------------------|
|  | | CERTIFICATE OF LIABILITY INSURANCE | | DATE (MM/DD/YYYY) 3/1/2022 |
| THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER. | | | | |
| IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s). | | | | |
| PRODUCER Wood Gutmann & Bogart 15901 Red Hill Ave., Suite 100 Tustin CA 92780 | | CONTACT NAME: Sarah Caballero PHONE (A/C, No, Ext): 714-824-8300 FAX (A/C, No): 714-573-1770 E-MAIL ADDRESS: scaballero@wgbib.com | | |
| INSURED The Pun Group, LLP 200 East Sandpointe Avenue, Suite 600 Santa Ana CA 92707 | | INSURER(S) AFFORDING COVERAGE INSURER A : Great Divide Insurance Company INSURER B : Travelers Property Casualty INSURER C : Valley Forge Insurance Co. INSURER D : National Fire Ins Co. INSURER E : INSURER F : | | NAIC # 25674 20508 |

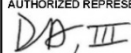
COVERAGES CERTIFICATE NUMBER: 80570923 REVISION NUMBER:

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.

| INSR LTR | TYPE OF INSURANCE | ADDL SUBR INSD. WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS |
|----------|---|---------------------|--------------------------|-------------------------|-------------------------|---|
| C | <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> \$0 deductible GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER: | Y | 7013134445 | 3/1/2022 | 3/1/2023 | EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COM/POP AGG \$ 4,000,000 \$ |
| D | <input type="checkbox"/> AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS | | 7013117845 | 3/1/2022 | 3/1/2023 | COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$ |
| B | <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$ | | 7013136468 | 3/1/2022 | 3/1/2023 | EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ 1,000,000 \$ |
| D C | <input type="checkbox"/> WORKERS COMPENSATION AND EMPLOYERS' LIABILITY <input type="checkbox"/> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below | Y/N N/A | 7013134493 7013136289 | 3/1/2022 3/1/2022 | 3/1/2023 3/1/2023 | <input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER No Deductible E L EACH ACCIDENT \$ 1,000,000 E L DISEASE - EA EMPLOYEE \$ 1,000,000 E L DISEASE - POLICY LIMIT \$ 1,000,000 |
| A | E&O Retro 12/29/11 | | CAB20235902 | 3/1/2022 | 3/1/2023 | 3,000,000 agg 1,000,000 |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 Great Divide Insurance Company AM Best Rating A+ XV

Certificate holder(s) is/are named as additional insured per attached endorsements subject to the terms & conditions of the policy:
 General Liability Additional Insured & Waiver of Subrogation # SB146932G
 General Liability Primary & Contributory #CNA80103XX
 Umbrella Policy follows form for General Liability, Auto Liability and Employers Liability
 Auto Primary and Non-Contributory & Waiver of Subrogation #CA00011013
 Auto Designated Insured #IL 02 70 07 20
 See Attached...

| | |
|--|--|
| CERTIFICATE HOLDER PROOF OF INSURANCE | CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE  |
|--|--|

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ACORD 25 (2014/01)

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ORANGE COUNTY ■ SAN DIEGO ■ BAY AREA ■ LAS VEGAS ■ PHOENIX

www.pungroup.cpa

CITY OF LA MESA, CITY OF CHULA VISTA, AND COUNTY OF IMPERIAL

Submitted By:

Kenneth H. Pun, CPA, CGMA

Managing Partner
200 E. Sandpointe Ave., Suite 600, Santa Ana, CA 92707
(949) 777-8801 | ken.pun@pungroup.com

November 1, 2022

COST PROPOSAL

Cannabis Tax Audit Services



**THE
PUN GROUP**
ACCOUNTANTS & ADVISORS



Kenneth H. Pun, CPA, CGMA
Founder & Managing Partner

WHY CHOOSE THE PUN GROUP LLP?

“ The Pun Group’s most valuable asset is our people, they and their deep experience drive our every interaction with clients. ”

- Big firm expertise, small firm values
- Personal attention meets technical expertise
- A unique firm culture
- Innovation embraced
- Achievable plans to move your organization forward

The Pun Group LLP is recognized for its professionalism and integrity and for providing clients with practical solutions unique to their circumstances and issues. You will receive a superior level of service and a quality audit.

Thank You!

Thank you for allowing us to submit our qualifications to provide you with Cannabis Tax Audit Services.

A handwritten signature in black ink that reads "The Pun Group, LLP". The signature is written in a cursive, flowing style.

The Pun Group LLP
Certified Public Accountants and Business Advisors

Cities of La Mesa and Chula Vista, and the County of Imperial

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Total All-Inclusive Maximum Price.....1

Other Information2



The Pun Group Wins 2022 "Best of Accounting" Award



The Pun Group is proud to have won 2022's Best of Accounting® award from ClearlyRated. ClearlyRated recognizes the best in staffing, accounting, and other professional services by recording Net Promoter Scores® (NPS) and reviews to measure client satisfaction.

This award is unique in the U.S. and Canada because it is the only accolade that relies solely on ratings submitted from third-party validated survey responses. Firms that receive a ClearlyRated award are recognized as "leading their industry through their ongoing commitment to service excellence." The Pun Group received a positive 88.9% NPS, reflecting an exceptionally loyal and satisfied audience.

"Winners of the 2022 Best of Accounting award for client satisfaction have demonstrated their commitment to delivering exceptional client service, even as Covid-19 has forced them to reimagine and rebuild their approach to business," said ClearlyRated's CEO and Founder, Eric Gregg.

Our Firm excelled in five key areas: Responsiveness, Quality, Value, Needs Understanding, and Proactive Approach.

About ClearlyRated

Rooted in satisfaction research for professional service firms, ClearlyRated utilizes a Net Promoter® Score survey program to help professional service firms measure their service experience, build an online reputation, and differentiate on service quality.



"The Pun Group is not there to judge if a finance team is underperforming; they have the attitude to partner with the client to resolve issues and to streamline processes for the next audit."

Roger R.



"We've been working with The Pun Group for years and they've always been responsive. Their fees are also much more reasonable than most."

Graciela S.



"The firm's responsiveness and technical knowledge during the audit. My staff likes having Suralink (client's portal) whereby prepared by client schedules and requests for additional information can be easily uploaded."

State & Local Client



"The Pun Group provides exceptional service on a consistent basis."

David W.

Cities of La Mesa and Chula Vista, and the County of Imperial

Total All-Inclusive Maximum Price

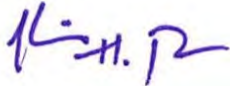
Certification

We are committed to the performance of a high-quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, our partners will provide advice and consultation as needed at no additional cost to the Cities of La Mesa and Chula Vista, and the County of Imperial.

Name of Firm: The Pun Group LLP – Certified Public Accountants and Business Advisors
Contact Name: Kenneth H. Pun, CPA, CGMA
Contact Email Address: ken.pun@pungroup.com

Authorization to Represent the Firm

I, the undersigned, certify I am duly authorized to represent The Pun Group LLP and am empowered to submit this bid. In addition, I certify I am authorized to contract with the Cities of La Mesa and Chula Vista, and the County of Imperial on behalf of the Firm.



November 1, 2022

Kenneth H. Pun, CPA, CGMA | Managing Partner
The Pun Group LLP

Date

Cities of La Mesa and Chula Vista, and the County of Imperial

Total All-Inclusive Maximum Price

Our proposed fees for Cannabis Tax Audit Services for one fiscal year with the option to renew for four (4) additional fiscal years, are as follows:

| City of La Mesa Services: | TOTAL |
|---|-------------------------|
| Provide technical and policy expertise to the Agencies related to the operations and understanding of the Cannabis Industry to ensure compliance with state and local law. | \$6,000/Licensee |
| Facilitate at least three stakeholder meetings (informational kick-off, workshop for input, and final draft or process review). | Included |
| Recommend Agencies' policies and procedures for tax collection and tax audits including the development of recommended internal control standards and record keeping/audit related administrative policies and procedures to ensure optimal cannabis operator compliance with state and local laws. | Included |
| Provide assistance with Track and Trace System Evaluation. | Included |
| Monitor business tax reporting to ensure compliance with applicable laws. | Included |
| Conduct audits annually or as recommended per industry standards or practice. | Included |
| Total all-inclusive maximum price - Year 1 (*) (**) | \$6,000/Licensee |

* Price quoted per Licensee. The total amount will depend on the number of licensees being audited each fiscal year.

** There will be an increase of 2%/year for each subsequent fiscal year (Fiscal Years 2 through 5).

Cities of La Mesa and Chula Vista, and the County of Imperial

| City of Chula Vista Services: | TOTAL |
|---|--------------------|
| Provide technical and policy expertise to the Agencies related to the operations and understanding of the Cannabis Industry to ensure compliance with state and local law. | \$6,000/Licensee * |
| Facilitate at least three stakeholder meetings (informational kick-off, workshop for input, and final draft or process review). | Included |
| Recommend Agencies' policies and procedures for tax collection and tax audits including the development of recommended internal control standards and record keeping/audit related administrative policies and procedures to ensure optimal cannabis operator compliance with state and local laws. | Included |
| Provide assistance with Track and Trace System Evaluation. | Included |
| Monitor business tax reporting to ensure compliance with applicable laws. | Included |
| Conduct audits annually or as recommended per industry standards or practice. | Included |
| Additional Services For Chula Vista Only: | |
| Provide assistance in cannabis on-site inventory audit, reporting and analysis. ⁽¹⁾ | \$3,500 - \$5,000 |
| Provide assistance in the development of inventory audit policies and procedures. ⁽²⁾ | \$250/hour |
| Total all-inclusive maximum price - Year 1 ^{(*) (**)} | See Below |

* Price quoted per Licensee. The total amount will depend on the number of licensees being audited each fiscal year.

** There will be an increase of 2%/year for each subsequent fiscal year (Fiscal Years 2 through 5).

⁽¹⁾ Cannabis on-site inventory and report analysis will range from \$3,500 - \$5,000, depending on the scope/size of work. The team will discuss with the Agencies and obtain approval before starting any related work.

⁽²⁾ Development of inventory audit policies and procedures is quoted as \$250/hr. Based on our experience, the price range is \$15,000 - \$25,000. The team will discuss with the Agencies and obtain approval before starting any work-related.

Cities of La Mesa and Chula Vista, and the County of Imperial

| County of Imperial Services: | TOTAL |
|---|-------------------------|
| Provide technical and policy expertise to the Agencies related to the operations and understanding of the Cannabis Industry to ensure compliance with state and local law. | \$6,000/Licensee |
| Facilitate at least three stakeholder meetings (informational kick-off, workshop for input, and final draft or process review). | Included |
| Recommend Agencies' policies and procedures for tax collection and tax audits including the development of recommended internal control standards and record keeping/audit related administrative policies and procedures to ensure optimal cannabis operator compliance with state and local laws. | Included |
| Provide assistance with Track and Trace System Evaluation. | Included |
| Monitor business tax reporting to ensure compliance with applicable laws. | Included |
| Conduct audits annually or as recommended per industry standards or practice. | Included |
| Total all-inclusive maximum price - Year 1 (*) (**) | \$6,000/Licensee |

* Price quoted per Licensee. The total amount will depend on the number of licensees being audited each fiscal year.

** There will be an increase of 2%/year for each subsequent fiscal year (Fiscal Years 2 through 5).

Cities of La Mesa and Chula Vista, and the County of Imperial

Other Information

Out of Pocket Expenses in the Total Maximum Price and Reimbursement Rates

The Firm's policy is to maintain flexible billing rates to meet the needs of clients and help them control costs. In the interest of starting our long-term relationship, we will absorb expenses such as travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the Cities of La Mesa and Chula Vista, and the County of Imperial. The Firm will also absorb these costs.

Rates for Additional Professional Services

Below are the Firm's hourly billing rates, delineated by staffing levels:


| Hourly Billing Rates | |
|----------------------|--------|
| Partner(s) | \$ 275 |
| Director(s) | \$ 250 |
| Senior Manager(s) | \$ 225 |
| Manager(s) | \$ 200 |
| Supervisor(s) | \$ 175 |
| Senior Accountant(s) | \$ 150 |
| Staff Accountant(s) | \$ 125 |
| Clerical | \$ 100 |

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added to a written agreement prior to commencing audit work. The Firm and the Agencies will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the above-quoted hourly rates.

Manner of Payment

Engagement Team members are required to maintain timesheets detailing the date, number of hours, and work performed for every audit task. The Firm will collect these timesheets and bill the Cities of La Mesa and Chula Vista, and the County of Imperial at the rates outlined in the Total All-Inclusive Maximum Price section in four stages: (1) at the conclusion of the planning phase, (2) at the conclusion of the interim phase, (3) at the conclusion of the Year-End phase, (4) and after presentation and acceptance of the final audit reports. Interim billings will cover a period not less than a calendar month. The billing amounts generally break down as follows:

| Work Performed | % of Proposal Amount |
|--|----------------------|
| Planning | 10% |
| Interim | 40% |
| Fieldwork | 40% |
| Presentation and Acceptance of Reports | 10% |



ORANGE COUNTY ■ SAN DIEGO ■ BAY AREA ■ LAS VEGAS ■ PHOENIX

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