

To: Olin Woods, Chair, and Members of the
Yolo Local Agency Formation Commission

From: Cindy Tuttle, Interim Executive Officer
Terri Tuck, Commission Clerk

Date: November 14, 2011

Subject: Receive the Report From the Audit Subcommittee on the Recommendation to
Select Richardson and Company to Conduct an Independent Audit of the
Yolo LAFCO Financial Statements for Fiscal Years 2008-09, 2009-10, 2010-
11, and 2011-12 Not to Exceed \$23,195 and Authorize the Chair to Sign an
Agreement with the Selected Firm.

Recommended Action

1. Receive the report from the Audit Sub-Committee on the recommendation to select Richardson and Company to conduct an independent audit of the Yolo LAFCO Financial Statements for Fiscal Years 2008-09, 2009-10, 2010-11, and 2011-12 not to exceed \$23,195; and
2. Authorize the Chair to sign an agreement with the selected firm.

Reason for Recommended Action

Staff circulated a Request for Proposals (RFP) in August 2011. The LAFCO subcommittee interviewed the four firms that submitted proposals for independent auditing services for Yolo LAFCO Financial Statements. Richardson and Company was selected by the LAFCO subcommittee due to its LAFCO and extensive County experience and knowledge and competitive cost proposal.

COMMISSIONERS

*★ Public Member Olin Woods, Chair ★
★ County Member Matt Rexroad, Vice Chair ★
★ City Members Stephen Souza, Skip Davies ★ County Member Don Saylor ★*

ALTERNATE COMMISSIONERS

★ Public Member Robert Ramming ★ City Member Bill Kristoff ★ County Member Jim Provenza ★

STAFF

*★ Interim Executive Officer Cindy Tuttle ★
★ Commission Clerk Terri Tuck ★ Commission Counsel Robyn Truitt Drivon ★*

Fiscal Impact

If Richardson and Company is selected to conduct an audit of the Yolo LAFCO Financial Statements for Fiscal Years 2008-09, 2009-10, 2010-11, and 2011-12 not to exceed \$23,195.

Background

Yolo LAFCO received four proposals in response to its Request for Proposals for an independent audit of the Yolo LAFCO Financial Statements for the last three fiscal years and one subsequent annual audit for fiscal year 2011-12. On September 26, 2011, the Commission designated a LAFCO subcommittee, which included Chair Woods, Commissioner Saylor, and Interim Executive Officer Cindy Tuttle, to review the Independent Audit Services Proposals. The subcommittee interviewed all four firms that submitted proposals. The Interim Executive Officer verified references for the top two firms. The subcommittee selected a firm based on its evaluation of the audit services proposals, interviews, and references.

Attachments:

Attachment 1: Information sheet of professional auditing services who responded to the Request for Proposal

Attachment 2: Agreement between Richardson & Company and the Yolo LAFCO

RESPONSE TO PROPOSALS INFO SHEET

Professional Auditing Services for Yolo LAFCO

RFP due September 15, 2011

Accountant & Firm	Hourly Rates	Fees for 2008-09	Fees for 2009-10	Fees for 2010-11	Fees for 2011-12
Richard Gonzales Gallina LLP Roseville, CA	Partner \$200 hrly Mgr. \$150 Sup. Staff \$120 Staff \$90 Admin \$60 Total \$37,500	\$12,000	\$8,000	\$8,500	\$9,000
Jack Boden James Boden Boden Klein & Sneesby Roseville, CA	Partner \$190 hrly Sr. Staff \$145 Staff \$110 Admin \$80 Total \$24,350	\$7,500 (40 hrs)	\$5,100 (27 hrs)	\$5,100 (27 hrs)	\$6,650 (35 hrs)
Marilyn Everett Matson and Isom Chico, CA	Partners \$252 hrly Sr. Mgr. \$182 Mgr. \$160 Sr. \$114 Staff \$100 Total \$22,500			\$16,000 (3 FY's)	\$6,500
Joe Richardson Brian Nash Ingrid Sheipline Richardson & Co. Sacramento, CA	Principal/Audit Dir \$140 hrly Sr. Mgr. \$120 Staff \$70 Total \$23,195			\$15,995 (3 FY's) discounted by \$4,455 (200 hrs)	\$7,200 discounted by \$2,080 (92 hrs)

AGREEMENT № 2011-06

(Agreement with the certified public accounting firm of Richardson & Company for Professional Services)

This Agreement is made this 14th day of November, 2011, by and between the YOLO COUNTY LOCAL AGENCY FORMATION COMMISSION ("LAFCo"), and RICHARDSON & COMPANY ("CONTRACTOR"), who agree as follows:

TERMS

1. CONTRACTOR shall perform the following personal services: See Exhibit B: Scope of Work
2. CONTRACTOR shall perform said services between December 1, 2011, and November 30, 2012.
3. The complete contract shall include the following Exhibits attached hereto and incorporated herein: Exhibit A: Insurance Requirements, Exhibit B: Scope of Work.
4. Subject to CONTRACTOR'S satisfactory and complete performance of all the terms and conditions of this Agreement, and upon CONTRACTOR'S submission of an appropriate claim, LAFCo shall pay CONTRACTOR an amount not to exceed \$23,195, as identified in the September 15, 2011 Proposal to Perform Independent Auditing Services.
5. CONTRACTOR, at his sole cost and expense, shall obtain and maintain throughout the entire term of this Contract, the insurance set forth in Exhibit A attached hereto.
6. CONTRACTOR shall defend, indemnify, and hold harmless LAFCo, its officers, officials, employees and agents from any and all claims, demands, liability, damages, cost or expenses (including but not limited to attorney fees) in law or equity that may at any time arise or be asserted based in whole or in part upon any negligent or other wrongful act or omission of the CONTRACTOR, its officers, agents, or employees.
7. CONTRACTOR shall comply with all applicable laws and regulations, including but not limited to any, which are promulgated to protect the public health, welfare and safety or prevent conflicts of interest. CONTRACTOR shall defend LAFCo and reimburse it for any fines, damages or costs (including attorney fees) that might be incurred or assessed based upon a claim or determination that CONTRACTOR has violated any applicable law or regulation.
8. This Agreement is subject to the County, the State of California and the United States appropriating and approving sufficient funds for the activities required of the Contractor pursuant to this Agreement. If the County's adopted budget and/or its receipts from California and the United States do not contain sufficient funds for this Agreement, LAFCo may terminate this Agreement by giving ten (10) days advance written notice thereof to the Contractor, in which even LAFCo shall have no obligation to pay the Contractor any further funds or provide other consideration and the Contractor shall have no obligation to provide any further services under this Agreement.
9. If CONTRACTOR fails to perform any part of this Agreement, LAFCo may notify the CONTRACTOR of the default and CONTRACTOR shall remedy the default. If CONTRACTOR fails to do so, then, in addition to any other remedy that LAFCo may have, LAFCo may terminate this Agreement and withhold any or all payments otherwise owed to CONTRACTOR pursuant to this Agreement.
10. Attached are licenses &/or certificates required by CONTRACTOR's profession (Indicating type; No.; State; & Expiration date), and CONTRACTOR certifies that he/she/it shall maintain them throughout this Agreement, and that CONTRACTOR's performance will meet the standards of licensure/certification.

11. CONTRACTOR understands that he/she is not an employee of LAFCo and is not eligible for any employee benefits, including but not limited to unemployment, health/dental insurance, worker's compensation, vacation or sick leave.

12. CONTRACTOR will hold in confidence all information disclosed to or obtained by CONTRACTOR which relates to activities under this Agreement and/or to LAFCo's plans or activities. All documents and information developed under this Agreement and all work products, reports, and related data and materials shall become the property of LAFCo. CONTRACTOR shall deliver all of the foregoing to LAFCo upon completion of the services hereunder, or upon earlier termination of this Agreement. In addition, CONTRACTOR shall retain all of its own records regarding this Agreement and the services provided hereunder for a period of not less than four (4) years, and shall make them available to LAFCo for audit and discovery purposes.

13. This Agreement constitutes the entire agreement of the parties, and no other agreements or representations, oral or written, have been made or relied upon by either party. This Agreement may only be amended in writing signed by both parties, and any other purported amendment shall be of no force or effect. This Agreement, including all attachments, shall be subject to disclosure pursuant to the California Public Records Act.

14. This Agreement shall be deemed to be executed within the State of California and construed in accordance with and governed by laws of the State of California. Any action or proceeding arising out of this Agreement shall be filed and resolved in a California State court located in Woodland, California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above by affixing their signatures hereafter.

CONTRACTOR:

LAFCo:

Joe R. Richardson

Olin Woods, Commission Chair
Local Agency Formation Commission

Joe R. Richardson, CPA, MBA
Richardson & Company
550 Howe Avenue, Suite 210
Sacramento, CA 95825
916-564-8727

APPROVED AS TO FORM:
Robyn Truitt Drivon, Commission Counsel

CERTIFICATION: I hereby certify under the penalty of perjury that all statements made in or incorporated into this Agreement are true and complete to the best of my knowledge. I understand and agree that LAFCo may, in its sole discretion, terminate this Agreement if any such statements are false, incomplete, or incorrect.

Contractor Signature

EXHIBIT A

SERVICE CONTRACT INSURANCE REQUIREMENTS

- A. During the term of this Agreement, Contractor shall at all times maintain, at its expense, the following coverages and requirements. The comprehensive general liability insurance shall include broad form property damage insurance.
1. Minimum Coverages (as applicable) - Insurance coverage shall be with limits not less than the following:
 - a. **Comprehensive General Liability** – \$1,000,000/occurrence and \$2,000,000/aggregate
 - b. **Automobile Liability** – \$1,000,000/occurrence (general) and \$500,000/occurrence (property) [include coverage for Hired and Non-owned vehicles.]
 - c. **Professional Liability/Malpractice/Errors and Omissions** – \$1,000,000/occurrence and \$2,000,000/aggregate (If any engineer, architect, attorney, accountant, medical professional, psychologist, or other licensed professional performs work under a contract, the contractor must provide this insurance. If not, then this requirement automatically does not apply.)
 - d. **Workers' Compensation** – Statutory Limits/**Employers' Liability** - \$1,000,000/accident for bodily injury or disease (If no employees, this requirement automatically does not apply.)
 2. The LAFCo, its officers, agents, employees and volunteers shall be named as additional insured on all but the workers' compensation and professional liability coverages. (Evidence of additional insured may be needed as a separate endorsement due to wording on the certificate negating any additional writing in the description box.)
 3. Said policies shall remain in force through the life of this Agreement and, with the exception of professional liability coverage, shall be payable on a "per occurrence" basis unless the LAFCo Risk Manager specifically consents in writing to a "claims made" basis. For all "claims made" coverage, in the event that the Contractor changes insurance carriers Contractor shall purchase "tail" coverage covering the term of this Agreement and not less than three years thereafter. Proof of such "tail" coverage shall be required at any time that the Contractor changes to a new carrier prior to receipt of any payments due.
 4. The Contractor shall declare all aggregate limits on the coverage before commencing performance of this Agreement, and the LAFCo's Risk Manager reserves the right to require higher aggregate limits to ensure that the coverage limits required for this Agreement as set forth above are available throughout the performance of this Agreement.
 5. Any deductibles or self-insured retentions must be declared to and are subject to the approval of the LAFCo Risk Manager.

6. Each insurance policy shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Director (ten (10) days for delinquent insurance premium payments).
 7. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII, unless otherwise approved by the LAFCo Risk Manager.
 8. The policies shall cover all activities of Contractor, its officers, employees, agents and volunteers arising out of or in connection with this Agreement.
 9. For any claims relating to this Agreement, the Contractor's insurance coverage shall be primary, including as respects the LAFCo, its officers, agents, employees and volunteers. Any insurance maintained by the LAFCo shall apply in excess of, and not contribute with, insurance provided by Contractor's liability insurance policy.
 10. The insurer shall waive all rights of subrogation against the LAFCo, its officers, employees, agents and volunteers.
- B.** Prior to commencing services pursuant to this Agreement, Contractor shall furnish the Director with original endorsements reflecting coverage required by this Agreement. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All endorsements are to be received by, and are subject to the approval of, the LAFCo Risk Manager before work commences. Upon LAFCo's request, Contractor shall provide complete, certified copies of all required insurance policies, including endorsements reflecting the coverage required by these specifications.
- C.** During the term of this Agreement, Contractor shall furnish the Director with original endorsements reflecting renewals, changes in insurance companies and any other documents reflecting the maintenance of the required coverage throughout the entire term of this Agreement. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. Upon LAFCo's request, Contractor shall provide complete, certified copies of all required insurance policies, including endorsements reflecting the coverage required by these specifications.

EXHIBIT B

Scope of Services

The proposed Scope of Services for this Agreement consists of, but may not be limited to, the tasks set out below and further detailed in the Richardson and Company Proposal to Perform Independent Auditing Services for the Yolo Local Agency Formation Commission (LAFCO).

The fieldwork and audit for Fiscal Years ended June 30, 2009, 2010, and 2011 may begin after execution of a contract. The field work and audit for Fiscal Year 2011-12 will begin after the books for that year are closed in 2012. An audit plan and project schedule will be determined and agreed to by LAFCO and the selected audit firm.

LAFCO requires an audit that covers the general purpose financial statements and supporting documentation and schedules for the fiscal years ended June 30, 2009 through June 30, 2012. The audit is to be conducted in accordance with generally accepted auditing standards accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, as well as any other current and applicable federal, state, local or programmatic audit requirements.

A separate Management Letter will be issued that includes recommendations, if any, for improvements in internal control that are considered to be significant deficiencies or material weaknesses.

LAFCO staff will cooperate with and will be available during the audit and will assist by providing information, analysis, documentation, schedules, and explanations. LAFCO staff will prepare the Management Discussion and Analysis (MD&A). The audit firm is responsible for preparation, editing, printing, tabbing, and binding of the audit report.

All working papers and reports are to be retained at the auditor's expense for a minimum of five (5) years and shall make working papers available to LAFCO on request.

SECTION I

ADJUSTMENTS TO COUNTY'S ACCOUNTING SYSTEM

Based on experience in working with the County's accounting system, audit adjustments may be needed to ensure the financial statements are presented on the accrual basis of accounting. Areas where adjustments may be need are as follows:

- Accounts receivable: Revenues earned as of June 30 but not yet received.
- Accounts payable: Expenditures incurred but not invoiced or paid until after June 30
- Deferred revenue: Revenues received that have not yet been earned
- Accrued payroll: June payroll and benefits not paid until July
- Accrued compensated absences: The value of unused vacation and sick leave benefits
- Accrued other post-employment benefits: Actuarially determined value of future post-employment benefits

SECTION II

AUDIT APPROACH

In order to issue an unqualified opinion on the financial statements as of June 30, 2009, an audit of the balance sheet amounts as of July 1, 2008 will need to be done to ensure proper cut-off of these accounts is obtained.

The audit will concentrate on those areas of highest risk and not in areas that have no material risk to the financial statements. An assessment of the internal controls will be performed for the purpose of determining the procedures necessary to perform the audit and any recommended enhancements to internal controls noted during the audit will be communicated to management and the Commission. The audit approach to this engagement is divided into three stages as follows:

Initial Planning

A smoothly-run audit is based upon the early identification and resolution of reporting and auditing issues. To obtain a better understanding of LAFCO and the external and internal environments in which it operates the following will be performed:

- Examine significant contracts and agreements to determine the effect on the nature and extent of the auditing procedures
- Meet with staff to obtain an understanding of internal control structures, policies and procedures
- Document the flow of information through the accounting system, including procedures performed by the County
- Prepare walkthrough memos with the assistance of staff

Program Development

A risk assessment and evaluation of internal controls will provide the basis for determining the nature, timing, and extent of audit procedures for specific transactions and accounts. Gaining an understanding of internal control will be in accordance with Statement of Audit Standard (SAS) Nos 104 through 111. Focus will be on obtaining an understanding of the control environment, risk assessment, information and communication, and monitoring components by doing the following:

- Document LAFCO's control environment and perform a walkthrough of significant area to assess control risk for the purpose of planning substantive tests
- Perform additional testing of internal controls as needed based on risk assessment

An overall audit program is the end product of the initial planning. The primary purpose of this phase is to assess the likelihood of material error in the accounts and transactions and to determine the most cost effective and cost efficient mix of audit procedures. In developing the audit program, the aim will be to:

- ▶▶ Provide a complete audit program for all important financial statement amounts
- ▶▶ Eliminate redundant audit procedures
- ▶▶ Use audit procedures which accomplish more than one purpose

The audit approach is based on an analysis and understanding of the external and internal risk currently facing LAFCO. This approach provides a uniform method for developing and

documenting the basis for the audit program. LAFCO staff will be provided a list of documents, account analyses and other items that will be needed during the audit.

Program Execution

The following tests will be performed using either random or systematic sample selection methods:

- Transactions processed through the accounting system
- Account balances
- Compliance with laws, regulations and contracts

Analytical procedures will be utilized in all areas of the audit, especially for receivables and revenues and expenses. All requested tasks will be performed as one integrated engagement and the timing of the field work will be scheduled to minimize the disruption of day-to-day operations. Computer software will be utilized for all work paper preparation and developing the trial balance used to prepare the financial statements. The LAFCO budget will be used to determine the need for restrictions, commitments or assignments of fund balance as well as to perform analytical procedures for comparison to actual revenues and expenses.