

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: Auditor-Controller *SPK*

BOARD AGENDA # \*B-1

Urgent

Routine

AGENDA DATE June 5, 2012

CEO Concurs with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Approval to Retain the Certified Public Accounting Firm of Brown Armstrong Certified Public Accountants to Conduct the Annual County Audit for Fiscal Year Ending June 30, 2012

STAFF RECOMMENDATIONS:

1. Approve contracting with the certified accounting firm of Brown Armstrong Certified Public Accountants to conduct the annual County audit for the fiscal year ending June 30, 2012.
2. Authorize the Purchasing Agent to negotiate and sign the final master agreement and any amendments and future projects relating thereto.

FISCAL IMPACT:

Brown Armstrong Certified Public Accountants ("Auditor") have proposed auditing services for the fiscal year ended June 30, 2012. The cost of \$103,000 includes the auditing of the County Annual Financial Report (\$61,800) and the Single Audit (\$41,200). The cost is consistent with the prior year fee. If approved, this will be the sixth consecutive year that the Auditor has conducted the annual County audit.

BOARD ACTION AS FOLLOWS:

No. 2012-266

On motion of Supervisor Chiesa, Seconded by Supervisor Monteith  
and approved by the following vote,

Ayes: Supervisors: Chiesa, Withrow, Monteith, De Martini, and Chairman O'Brien

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) \_\_\_\_\_ Denied

3) \_\_\_\_\_ Approved as amended

4) \_\_\_\_\_ Other:

MOTION:

*Christine Ferraro*

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

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**FISCAL IMPACT (continued):**

The County Financial Report and the Single Audit portion (\$103,000) of the audit is prorated and charged through the Countywide Cost Allocation Plan to all non-General Fund departments (\$77,980) and one General Fund Department, Sheriff's Office Court Security (\$710). This distribution generates revenue of \$78,690 to the Board of Supervisor's budget. The difference between the audit cost of \$103,000 and \$78,690 in revenue, results in a net cost to the Board of Supervisors budget of \$24,310. The net cost represents the portion of the auditing fee not allocated to General Fund departments as a result of County policy. All necessary budget adjustments will be made as part of the 2012-2013 Final Budget.

The Treasury Oversight Committee has approved the agreement with the Auditor for the Treasury Oversight Compliance audit.

The Auditor will be performing the audit for the Endowment Investment Fund. Per Board Agenda item B-10, dated January 29, 2002, the Auditor-Controller has the authority to select and approve the audit contract for Endowment Investment Fund.

A new project included in the Fiscal Year 2012-2013 Brown Armstrong Certified Public Accountants master agreement pertains to the Tobacco Securitization audit. The California County Tobacco Securitization Agency (the Agency) is a Joint Powers Agency created in accordance with Chapter 5 of Division 7 of Title I of the Government Code of the State of California, dated as of November 15, 2000, by and among the County of Stanislaus, the County of Merced, the County of Sonoma, the County of Kern, and as of May 31, 2002, includes the County of Marin, the County of Placer, and the County of Fresno. The County of Alameda was added on August 15, 2002, and the County of Los Angeles was added on January 24, 2006. The Agency is governed by a Board of Commissioners which includes designees of the Board of Supervisors of each member county.

As part of the Agency agreement, each participating County must form a non-profit corporation (NPC). The NPC for Stanislaus County is the Stanislaus County Tobacco Funding Corporation. Each NPC is required, on a rotating basis, to contract with a certified public accountant to conduct an annual audit of the accounts and records of the Agency, as required by Section 6505 of the Government Code. For fiscal year-end June 30, 2012, Stanislaus County is responsible for coordinating the audit on behalf of the Agency. An audit report is to be filed with the Auditor-Controller. Costs associated with the audit will be charged equally to the members of the Agency.

Outside the scope of the above engagement, Brown Armstrong Certified Public Accountants will also provide auditing services for other programs. Below is a listing of these programs and the fees associated with the costs of the conducting the program audits:

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- Health Services Agency Clinics and Ancillary Services Enterprise Fund - \$36,100
- Sheriff's Office Inmate Welfare Fund Physical Inventory - \$1,350
- Sheriff's Office Inmates Welfare Fund- \$9,820
- District Attorney Auto Insurance Fraud Program- \$2,800

**DISCUSSION:**

The Auditor has agreed, in principle, to the terms and conditions of the contract. The scope of the work to be performed is as follows:

1. The Auditor shall provide services under the Agreement and this Project for the auditing services for fiscal year ending June 30, 2012. All work shall be performed in compliance with all Federal, State, and local laws, ordinances and codes and in a manner set forth by industry guidelines and standards.
2. The County of Stanislaus desires the Auditor to express an opinion on the fair presentation of its basic financial statements in conformity with the generally accepted accounting principles.

The Auditor shall also be responsible for performing certain limited procedures involving Required Supplementary Information. The procedures meet the Governmental Accounting Standards Board requirements as mandated by generally accepted auditing standards.

The Auditor is not required to audit the schedule of expenditures of federal awards. However, the Auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements. The term "in-relation-to" means that based on certain audit steps performed, the Auditors achieved confidence that the schedules were fairly represented.

The reports to be produced and delivered under this contract by the Auditors are as follows:

1. Audit plan and schedule
2. Independent Auditor's Report
3. Required Audit Communication (SAS 114)
4. Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls And/Or Financial Reporting

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5. Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards
6. Report on Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133

If this agenda item is approved, Brown Armstrong will enter into a contract with Stanislaus County to complete the audit for Fiscal Year 2011-2012. The annual audit contract must be approved by the Board prior to commencement of the auditing services. The terms of the annual contract allow the County to terminate the agreement at any time.

During the course of the audit, regular status meetings will be held to ensure timely completion of the audits. Government Code §25250 gives the Board of Supervisors the authority to employ the services of an independent certified public accountant to perform the examination of the County's financial statements. This audit may be performed in coordination with the investigations conducted by the Grand Jury under Penal Code §925.

The Federal Single Audit Act of 1984 (as amended in 1996) requires all counties in California to annually undergo a Single Audit. Congress has stated that the purpose of the Act is to: (1) Improve the financial management and accountability of state and local governments with respect to federal financial assistance programs; (2) Establish uniform requirements for audits of federal financial assistance to state and local governments; (3) Promote the efficient and effective use of audit resources; and (4) Assure that federal departments and agencies rely upon and use audit work performed during a Single Audit, to the maximum extent practical.

**POLICY ISSUES:**

Approval of this contract to conduct the required Annual County and Single Audit for fiscal year ended June 30, 2012 supports the Board's priority of Efficient Delivery of Public Services and meets legal requirements. County policy on contracting requires Board of Supervisors approval of contracts over \$100,000.

**STAFFING IMPACTS:**

The General Ledger (GL) division of the Auditor-Controller's office will be responsible for providing information and responding to specific requests made by the auditors. One of the primary responsibilities of the GL division is the production of the County's financial statements.

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The Assistant Auditor-Controller will coordinate, monitor and schedule the audit in conjunction with the audit firm.

**CONTACT PERSON:**

Kashmir Gill, Assistant Auditor-Controller

Telephone: (209) 525-6579