



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** Auditor-Controller  
**Department No.:** 061  
**For Agenda Of:** 2/4/2014  
**Placement:** Administrative  
**Estimated Tme:**  
**Continued Item:** NA  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors

**FROM:** Department Robert W. Geis, CPA x2100  
Director(s):  
Contact Info: Betsy Schaffer, CPA x2134

**SUBJECT:** Contract with Brown Armstrong Accountancy for County's FY 2013-14 Financial Audits

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: NA

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors approve and authorize the Chair to execute a contract with Brown Armstrong Accountancy Corporation ("Brown Armstrong") in an amount not to exceed \$150,720 to perform the following audit services:

1. the annual financial audit for the County,
2. the Single Audit,
3. the First 5 Commission's annual financial audit, and
4. the annual Treasury financial and compliance audits.

**Summary Text:**

State law requires that every Board of Supervisors cause an audit of the County's financial accounts and records (Govt. Code section 25250). State law also requires that every county First 5 Commission have an audit conducted and a report issued (Health & Safety Code section 130150) on or before October 15. Additionally, Government Code Section 26920(b) and Section 27134 require that financial and compliance audits of the assets in the County Treasury be performed.

The current contract with Brown Armstrong began with the fiscal year 2012-13 audit, and contains two options to renew for fiscal years 2013-14 and 2014-15. The contract price would have been \$128,000 for each year if the scope of services remained unchanged. However, this new contract for fiscal year 2013-14 (and an option to renew for fiscal year 2014-15) for \$150,720 reflects:

- the additional cost of \$10,000 for the Treasury audits discussed below,
- the elimination of the Successor Agency audit cost of \$12,280, and
- the cost to increase Brown Armstrong’s audit hours on the Single Audit by \$25,000, which is due to Internal Audit reducing their 400 hours of audit support to 200 hours. The 200 hours of Internal Audit time being freed up from the Single Audit will allow for more operational and other audits to be conducted by Internal Audit.

**Background:** Brown Armstrong has been the County’s independent audit firm for the past seven years (since the FY 2006-07 audit); their latest contract covered fiscal year’s 2012-13 audits. The County has been satisfied with the independent audit services provided by Brown Armstrong and wishes to retain, and as noted above, expand their services.

The Treasury audits are being added to the Brown Armstrong contract for the first time. Historically, these audits were conducted by Internal Audit. The transfer of these audits to Brown Armstrong is due to recent changes in auditing standards that require a stricter definition of independence. However, the quarterly cash counts and reviews, activities that do not fall under the new stricter definition, will still be conducted by Internal Audit.

**Performance Measure:**

1. Publish the County’s Comprehensive Annual Financial Report (CAFR) within 60 days of fiscal year end.
2. Receive an unqualified opinion on the County’s CAFR.
3. Receive the Government Finance Officers Association award for excellence on the County’s CAFR.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

<b><u>Funding Sources</u></b>	<b><u>Audit</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>
General Fund	Annual Financial Audit	\$ 65,000.00	\$ 65,000.00
General Fund	Single Audit	39,260.00	64,260.00
General Fund	Treasury Audit	-	10,000.00
Successor Agency Fund	Successor Agency Audit	12,280.00	-
First 5 Fund	First 5 Audit	11,460.00	11,460.00
<b>Total</b>		<b>\$ 128,000.00</b>	<b>\$ 150,720.00</b>

**Narrative:** The contract amount for the audits for fiscal year ending 6-30-14 is \$150,720 and covers the County and First 5 funds. The timing of the audit work spans two fiscal years; roughly one half of the contract will be paid from the current year’s budget and the remainder from next year’s budget. Approximately 35% of the General Fund costs are reimbursable through the Cost Allocation Plan from state and federal programs.

**Key Contract Risks (if applicable):**

Per Risk Assessment Worksheet, this has been determined to be a Low Risk contract.

**Staffing Impacts:**

**Legal Positions: 0**

**FTEs: 0**

**Special Instructions:**

Copy of signed contract to Auditor's Office.

**Attachments:**

Agreement for Services of Independent Contractor between the County of Santa Barbara and Brown Armstrong Accountancy Corporation.

**Authored by:**

Betsy Schaffer, Division Chief Financial Reporting, 805-568-2134

**CC:**

First 5; Treasurer-Tax Collector