

SANTA BARBARA COUNTY BOARD AGENDA LETTER



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

Agenda Number:
Prepared on: 6/28/05
Department Name: Auditor-Controller
Department No.: 061
Agenda Date: 7/12/05
Placement: Administrative
Estimate Time: 0
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Robert W. Geis, C.P.A.
2101

STAFF CONTACT: Mike Struven
2134

SUBJECT: Amend Contract Maximum with KPMG for County's Financial Audit

Recommendation(s):

That the Board of Supervisors:

Authorize the Auditor-Controller to execute attached amendments increasing the contract maximum with KPMG LLP to complete the County's financial audit by \$35,000 for FY 02-03 to \$140,000 and \$35,000 for FY 03-04 to \$144,000.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 3. A strong, professionally managed County organization.

Executive Summary and Discussion:

These audit contracts are for two three year periods. FY 02-03 is the final year of the first contract and FY 03-04 is the first year of the second contract. Section 3 of the contracts made provision for adjusting the maximum fee in the event of circumstances that require additional services beyond the normal scope that is contemplated in the contract. The increase services are related to the additional work necessary to complete the Single Audit Reports for the Schedule of Expenditures of Federal Awards.

In FY 02-03 the Federal Medical program had to be audited as a major program for the first time. The County also had compliance findings for the first time in a number of years. These findings were in programs such as Medical, Food Stamps, Temporary Assistance to Needy Families and the Women Infants and Children program. The findings require detail explanation, management responses and corrective action plans.

In FY 03-04 because the County will file the prior audit beyond the nine month filing deadline we became a high risk auditee and had to increase testing of other programs. The findings of the prior year would also qualify the County as a high risk auditee. Similar findings occurred in FY 03-04 and the report is late therefore we will continue to be a high risk auditee for FY04-05. None of these findings resulted in questioned costs or loss of revenue.

The above action will provide the Auditor with the authority to authorize payments for the additional services within the terms of the agreement. The final single audit report for FY 02-03 is expected to be filed with the Board by July 31, 2005 and the single audit report for FY 03-04 prior to August 31, 2005.

For FY 04-05 we plan to work with the major departments that receive Federal Funds to improve the processes related to the Federal Schedule of financial assistance so we can meet the nine month deadline for filing the reports. Action plans related to findings will also have to be implemented so we can regain our status as a low risk auditee.

Mandates and Service Levels:

Government Code Section 25250, Health and Safety Code 33080, Penal Code Sections 925 and 926

Fiscal and Facilities Impacts:

These payments result in additional general fund expenditures in FY 03-04 that were accrued as expenditures at year-end in the Auditor-Controller department 061, program 2010, account 7324. This required a year-end budget adjustment for the additional costs. We will discuss with the federally funded programs the reimbursement of the additional costs via a direct charge or through the cost allocation plan.

Payments on this contract are normally budgeted as services and supplies in the Financial Reporting Cost Center (page D-322 in the 2002-03 Proposed Budget and D-346 in the 2003-04 Proposed Budget)

Special Instructions:

Concurrence:

None

COUNTY OF SANTA BARBARA

ROBERT W. GEIS, C.P.A.
Auditor-Controller

THEO FALLATI, C.P.A.
Assistant Auditor-Controller



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OFFICE OF THE AUDITOR-CONTROLLER

Contract Amendment 3

Contract BC 01187 was approved and executed on March 27, 2001 with the joint venture of KPMG LLP and Stoltey CPAs (a local vendor) to perform the County's Financial Audit, the Single Audit, the Santa Barbara Redevelopment Agency financial and compliance audits, and audit work on OCJP/DOJ grants. The contract began with fiscal year 2000-01 with options to renew for fiscal years 2001-02 and 2002-03. Contract amendment 2 expanded the scope for the OCJP/DOJ grant work.

Amendment 3: Increase the scope of audit services for FY 2002-03 for the Single Audit Reports for the Schedule of Expenditures of Federal Awards. This was due to the addition of Medical as a major program and ten compliance findings related to various Federal Award programs both issues caused an expansion of the required scope of work.

County Representative	Date
Robert W. Geis C.P.A.	
Auditor-Controller	

Contractor Representative	Date
Mark T. Thomas, Partner	
KPMG LLP	

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Contract Amendment 2

Contract BC 04190 was approved and executed on April 27, 2004 with the joint venture of KPMG LLP and Stoltey CPAs (a local vendor) to perform the County's Financial Audit, the Single Audit, the Santa Barbara Redevelopment Agency financial and compliance audits, and audit work on OCJP/DOJ grants. The contract began with fiscal year 2003-04 with options to renew for fiscal years 2004-05 and 2005-06.

Amendment 2: Increase the scope of audit services for FY 2003-04 for the Single Audit Reports for the Schedule of Expenditures of Federal Awards. This was due to additional test work required as a high risk auditee. Since our prior audit could not be completed by the due date federal guidelines classify you as high risk requiring more testing. Also, the addition of Medical as a major program and ten compliance findings in the prior audit (FY 02-03) required more programs to be tested in FY 03-04. A number of the same findings that occurred in the prior year continued through FY 03-04. These factors increased the scope of the audit.

County Representative	Date
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Auditor-Controller	

Contractor Representative	Date
Mark T. Thomas, Partner	
KPMG LLP	