



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: June 5, 2007  
Placement: Administrative  
Estimated Tme:  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

---

**TO:** Select\_Board(s)  
**FROM:** Department Robert W. Geis, CPA (x2100)  
Director(s)  
Contact Info: Robilyn Eggertsen, CPA (x2134)  
**SUBJECT:** Amend Contract Maximum with KPMG LLP for County's Single Audits for fiscal years 2004-05 and 2005-06.

---

**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** County Executive

As to form: Yes

**Recommended Actions:**

- a) Authorize the Auditor-Controller to execute the attached amendment increasing the contract maximum with KPMG LLP by \$56,400 to a new total of \$265,166 for the FY 2004-05 audit.
- b) Authorize the Auditor-Controller to execute the attached amendment increasing the contract maximum with KPMG LLP by \$20,000 to a new total of \$200,000 for the FY 2005-06 audit.
- c) Approve budget revision in the amount of \$76,400.

**Summary Text:**

The County is required to have an annual audit per government code section 25250 and an OMB Circular A-133 "Single Audit" whenever the County expends federal funds in excess of \$500,000 per year; the County received \$125 million in FY 2004-05. This contract amendment is for the fiscal years 2004-05 and 2005-06 audits. Section 3 of the contract made provision for adjusting the maximum fee in the event of circumstances requiring additional services beyond the normal scope contemplated in the contract. The increased services are for additional work necessary to complete the Single Audit Reports in accordance with OMB Circular A-133 and Government Auditing Standards.

**Background:**

This audit contract began with fiscal year 2003-04, with options exercised for fiscal years 2004-05 and 2005-06. The contract's scope of work is to perform Santa Barbara County's financial audit and Single

Audit, the Santa Barbara County Redevelopment Agency’s (RDA) financial and compliance audits, and audit work on OCJP/DOJ grants.

Beginning in FY 2003-04 the County was designated as a high-risk auditee due to the previous year’s Single Audit being filed after the nine-month filing deadline, and due to numerous findings (10) in the report. The high-risk auditee designation subjects the County to additional programs being audited. The Single Audit issues have continued with each of the subsequent audits. The FY 2003-04 single audit uncovered 23 findings, 9 of which were considered reportable conditions (*significant deficiencies in the design or operation of an internal control over compliance*); the FY 2004-05 single audit uncovered 20 findings, 11 of which were considered reportable conditions and one a material weakness (*the design or operation of internal controls that do not reduce to a relatively low level the risk that non-compliance with applicable laws or regulations would be material to a Federal program*) in the Foster Care Program. The FY 2005-06 single audit will have findings.

The County will continue as a high-risk auditee until it has both submitted the Single Audit Report on time and without any qualifying findings for two sequential years. To this end, the Auditor’s Office initiated an ongoing Single Audit process improvement effort in FY 04-05 that focuses on increasing awareness in the grant-recipient departments of the importance of accurate and timely information for the Schedule of Expenditures of Federal Awards and methods for achieving, along with increased scrutiny and analysis by the Auditor’s Office of the inputs. This effort is in addition to the steps, detailed in the Single Audit Reports, that the departments are taking to correct their audit findings, and should result in the County’s return to a low-risk auditee status. As a low-risk auditee, fewer programs will be audited translating into decreased audit fees in future years.

Previously, your Board approved contract amendments in the amounts of \$95,666 for FY 2004-05 and \$62,700 for FY 2005-06 for the increased scopes of the Single Audits and RDA audit.

**Fiscal and Facilities Impacts:**

Budgeted: No

**Fiscal Analysis:**

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund	\$ 76,400.00		
State			
Federal			
Fees			
Other:			
Total	\$ 76,400.00	\$ -	\$ -

The County’s annual audit is funded in the Auditor-Controller’s budget as services and supplies in the Financial Reporting Division. The added costs associated with the significantly expanded scope of the single audit can be absorbed in the current professional services budget due to salary savings within the department; a transfer of appropriations from salaries and benefits to services and supplies is requested in the attached budget revision. A significant portion of these costs (approximately 40%) will be claimed through the County cost allocation plan in fiscal year 2008-09 to be reimbursed by federal and state funds.

**Staffing Impacts:**

**Legal Positions:**

**FTEs:**

**Special Instructions:** Please provide a copy of the minute order to the author listed below.

**Attachments:**

- a/b) Contract Amendment number 4 to board contract 04190
- c) Budget Revision

**Authored by:**

Robilyn Eggertsen (568-2134)

**cc:**