

JEFFERY S. BURGH
AUDITOR-CONTROLLER

COUNTY OF VENTURA
800 SOUTH VICTORIA AVE.
VENTURA, CA 93009-1540



ASSISTANT
AUDITOR-CONTROLLER
JOANNE McDONALD

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MICHELLE YAMAGUCHI

April 9, 2019

Honorable Board of Supervisors
County Government Center
Hall of Administration
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: Approve the Audit Agreement with Vavrinek, Trine, Day & Co., LLP, Authorize the Auditor-Controller to Approve Amendments of the Audit Agreement Subject to Conditions, and Approve the Business Associate Agreement with Vavrinek, Trine, Day & Co., LLP

RECOMMENDATIONS:

1. Approve the enclosed contract ("Audit Agreement") with Vavrinek, Trine, Day & Co., LLP ("VTD"), at a total cost not-to-exceed \$180,652 for the independent annual Single Audit, Gann Calculation and Audit of Treasury Assets for the fiscal year (FY) ending June 30, 2019.
2. Authorize the Auditor-Controller to approve amendments to the Audit Agreement due to changes in the scope of services and/or irregularities or unforeseen conditions requiring additional audit procedures and to increase the contract cost up to 10% of the original Audit Agreement amount.
3. Approve the enclosed Business Associate Agreement with VTD in connection with the performance of the Audit Agreement.

FISCAL IMPACT:

Mandated: Yes

The County is required to undergo an annual Single Audit in conformity with the provisions of the United States Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Source of Funding: General Fund, Auditor-Controller's Office
 Funding Match Required: None
 Impact on Other Departments: Annual research and reporting requirements by various departments throughout the County.

<u>Summary of Revenue and Total Costs</u>	<u>FY 2018-19 Cost for Audit of Year End June 30, 2019</u>	<u>FY 2019-20 Cost for Audit of Year End June 30, 2019</u>
Revenue	\$ -	\$ -
Costs - Direct		
Single Audit, Gann Calculation	50,000	109,722
Audit of Treasury Assets	-	20,930
Indirect – Department	<u>minimal</u>	<u>minimal</u>
Total Costs	<u>50,000</u>	<u>130,652</u>
Net County Cost including Indirect Costs	<u>\$ 50,000</u>	<u>\$130,652</u>

The total contract amount of \$180,652 includes the Single Audit at \$158,650, the Gann Calculation at \$1,072, and the Audit of Treasury Assets at \$20,930. The cost of the FY 2018-19 audit is based on the audit of four major federal programs. If the number of programs required to be audited increases, we will return to your Board with a contract modification and budgetary adjustments, if necessary. It is estimated that \$50,000 will be expended in FY 2018-19 for the audit. Appropriations for this estimated expenditure are available in the Auditor-Controller's Office adjusted budget for FY 2018-19. The remainder is expected to be expended in FY 2019-20 subject to appropriation of funds by the Board of Supervisors in the budgetary process.

Current Fiscal Year Budget Projections:

FY 2018-19 Budget Projection for Auditor-Controller's Office - Division 1500				
	Adopted Budget	Adjusted Budget	Projected Budget	Estimated Savings (Deficit)
Appropriations	\$ 15,903,571	\$ 17,336,258	\$ 17,313,159	\$ 23,099
Revenues	\$ 9,133,703	\$ 9,133,703	\$ 9,134,145	\$ 442
Net Cost	\$ 6,769,868	\$ 8,202,555	\$ 8,179,014	\$ 23,541

Projections as of February 28, 2019

DISCUSSION:

The County's Single Audit Report (SAR) for the year ending June 30, 2019 will include the annual audit of the County's basic financial statements as reported in the annual Comprehensive Annual Financial Report (CAFR) and a financial/compliance audit of all federal assistance programs. The County expended \$190 million in federal assistance for the year ending June 30, 2018. In addition, the Gann calculation, a management letter (if applicable), and an audit of Treasury Assets will be provided.

The audit will meet both OMB *Uniform Guidance* and rating agency requirements. Since the County must meet federal audit requirements, will continue to need the funding flexibility afforded by debt issuance, and has continuing disclosure requirements under existing debt issuances, an independent financial audit should now be scheduled.

VTD was previously selected to perform SAR work through a competitive bid process conducted in March 2014, and the County's prior agreements with VTD provided for not-to-exceed fixed pricing of \$170,515 annually for three years (SAR 2014, SAR 2015 and SAR 2016) with two option to renew years that were negotiated at \$173,025 (SAR 2017) and \$176,000 (SAR 2018). VTD was selected because they offered the best value considering such factors as experience with and knowledge of County operations, size of the firm and availability of resources, independence, audit approach and experience with similar size counties.

After careful consideration staff determined that it was in the County's best interest to request a one-year quote from VTD for SAR 2019. The Audit Agreement (Exhibit 1) before you today is for a not-to-exceed amount of \$180,652 for SAR 2019, representing a modest 2.6% increase over the prior year.

For purposes of efficiency and to ensure the SAR work is completed in a timely manner going forward, your Board is also requested to authorize the Auditor-Controller to approve amendments to the Audit Agreement due to changes in the scope of services and/or irregularities or unforeseen conditions requiring additional audit procedures and to increase the cost of the Audit Agreement up to 10% of the original Audit Agreement amount.

The Business Associate Agreement (Exhibit 2) is brought before your Board to facilitate VTD's performance of services under the Audit Agreement. In the performance of procedures under the Audit Agreement, it may become necessary for VTD to request information that is protected under the Privacy Rule. The County's 2018 Administrative Policy Manual requires that Business Associate Agreements entered into in connection with a separate contract for services with related expenditures exceeding \$100,000 be subject to approval by the Board of Supervisors.

Honorable Board of Supervisors
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This letter has been reviewed by the County Executive Office and by County Counsel. If you have any questions regarding this recommendation, please call me at 805-654-3151.

Sincerely,

A handwritten signature in blue ink, appearing to read 'JEFFERY S. BURGH', written over a horizontal line.

JEFFERY S. BURGH
Auditor-Controller

Attachments:

- Exhibit 1 - Audit Agreement
- Exhibit 2 - Business Associate Agreement

C: Michael Powers, County Executive Officer
Leroy Smith, County Counsel