



# Monterey County

168 West Alisal Street,  
1st Floor  
Salinas, CA 93901  
831.755.5066

## Board Report

Legistar File Number: A 16-175

June 28, 2016

**Introduced:** 6/2/2016

**Version:** 1

**Current Status:** Agenda Ready

**Matter Type:** BoS Agreement

Authorize the Chair to Sign Amendment No. 9 to Agreement No. A-11162 with Gallina, LLP in an amount not to exceed \$187,800 to perform audits of the following: 2015-16 General Purpose Financial Statements, Single Audit, the Public Improvement Corporation, the Treasury Oversight Committee, the Monterey County Financing Authority and the Secure Families Project.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

Authorize the Chair to Sign Amendment No. 9 to Agreement No. A-11162 with Gallina, LLP in an amount not to exceed \$187,800 to perform audits of the following: 2015-16 General Purpose Financial Statements, Single Audit, the Public Improvement Corporation, the Treasury Oversight Committee, the Monterey County Financing Authority and the Secure Families Project.

### SUMMARY:

The Office of the Auditor-Controller recommends the Board authorize the Chair to sign Amendment No. 8 to Agreement No. A-11162 with Gallina, LLP in an amount not to exceed \$187,800 to perform the 2015-16 annual audits. The Board of Supervisors first engaged the firm of Gallina, LLP to perform the Fiscal Year 2007-08 General Purpose Financial Statement and Single audits.

Based on the implementation and Go-Live of the ERP Systems (Performance Budget, Advantage Financial, Advantage HRM and SymPro Debt and Investment), the Board has authorized additional extensions in order to take advantage of the firm's knowledge of these new systems. The Office of the Auditor-Controller is requesting another one year extension of the agreement. Given the addition of CaseWare Financial Reporting software which was used for the first time in 2013-14 to produce the County's Comprehensive Annual Financial (CAFR), continuing with the current auditors will make for a more efficient, timely and effective audit. In keeping with best practices, the independent audit partner was changed for the 2013-14 annual audits.

### DISCUSSION:

Gallina, LLP has been the County's independent auditor for the past eight years. During that period, the firm has experienced the conversion from Legacy Financial and Payroll systems to the new ERP Systems - Performance Budget, Advantage Financial, Advantage HRM and SymPro Debt and Investment. They have spent numerous hours understanding the County's new chart of accounts and its effect on our annual financial statements. The County also adopted changes in appropriations from Major Objects to Departments which also affected the

annual financial statement presentation. In 2013-14, CaseWare Financial Reporting software was used for the first time to produce the County's Comprehensive Annual Financial (CAFR). The cost of the audit reflects a decrease from prior years in acknowledgment of the increased capacity the County has undertaken in preparing for the audit and the in-house preparation of the Comprehensive Annual Financial Report.

In the past, the County found it desirable to insure auditor "independence" by rotating audit firms. In terms of the need for audit firm rotation, significant research has demonstrated the audit partner rotation is as effective as audit firm rotation. In fact, academic research on audit tenure consistently indicates that audit firm rotation does not improve audit quality. It should be also noted that the Office of the State Controller supports audit partner rotation as a viable option to audit firm rotation, while keeping the continuity of understanding of the client's accounting environment.

The audit will be conducted according to Generally Accepted Government Auditing Standards (GAGAS). In preparation of the County's financial statements, the Office of the Auditor-Controller follows Generally Accepted Accounting Principles (GAAP) for Governments and Government Accounting Standards Board (GASB) statements. All departments and agencies under the jurisdiction of the Board of Supervisors are included in the County's financial statements. The office of the Auditor-Controller has begun preparation of an RFP/RFQ during the next year for fiscal year 2016-17 audits.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed the amendment.

FINANCING:

The total amount for this amendment is \$187,800, which has been included in the fiscal year 2016-17 Recommended Budget. The contract amount includes funds for the General Purpose Financial Statement audit, Single audit and other audit segments.

Prepared by: Maria Papurello, Administrative Services Assistant, 755-5084

Approved by: Michael J. Miller, CPA, CISA, Auditor-Controller, 755-5040

Attachments:

Gallina Agreement No. A-11162

Gallina Amendments Nos. 1-8

Gallina Amendment No. 9