



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 13-0457, **Version:** 1

Authorize the Chair To Sign Amendment No. 6 to Agreement No. A-11162 with Gallina, LLP in an amount not to exceed \$215,291 to perform audits of the following: 2012-13 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. 6 to Agreement No. A-11162 with Gallina, LLP in an amount not to exceed \$215,291 to perform audits of the following: 2012-13 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. 6 to Agreement No. A-11162 with Gallina, LLP in an amount not to exceed \$215,291 to perform the 2012-13 annual audits. The Board of Supervisors engaged the firm of Gallina, LLP to perform the Fiscal Year 2007-08 General Purpose Financial Statement and Single audits. Agreement A-11162 allowed the County to extend the agreement not more than two years based on the firm's successful completion of the prior year's audit.

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 financial and payroll system's significant makeover and process changes and the new addition of CaseWare Financial Reporting software which will be used to produce the County's financial statements, continuing with the current auditors will make for more efficient, timely and effective audit. In keeping with best practices, the independent audit partner (manager) will be new to Monterey County.

DISCUSSION:

Gallina, LLP has been the County's independent auditor for the past six 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. The 2012-13 independent audit will include the continued implementation of CaseWare Financial Reporting software which will be used to produce the County's financial statements.

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 (manager) 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.

The agreement includes the Moss Adams, LLP audit of Natividad Medical Center (NMC) as requested by the NMC Board of Directors. The addition of the Moss Adams audit increases the agreement cost by \$75,000.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed the amendment. The Grand Jury's Audit Committee has been provided a copy of this report and amendment.

FINANCING:

The total amount for this amendment is \$215,291, which has been included in the 2013-14 Recommended Budget. The contract amount includes funds for the General Purpose Financial Statement audit, Single audit and other audit segments including travel, per diem and out of pocket expenses. It should be noted that Gallina LLP's fees are equal to the fees charged for the 2010-11 and 2011-12 independent audits. For perspective, the cost of the 2007-08 was \$154,338, but did not include the Moss Adams, LLP audit of Natividad Medical Center.

Prepared by: Al Friedrich, CGFM, Assistant Auditor-Controller, 755-5343

Attachments:

Agreement No. #A-11162

Amendment No. 6 to Agreement #A11162

cc: Grand Jury Audit and Finance Committee