

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

214



FROM: Auditor-Controller

SUBMITTAL DATE:

January 31, 2005

SUBJECT: Amendment to the Contract for Additional Audit Services in Accordance with Board Policy A-18

RECOMMENDED MOTION: The Board of Supervisors:

1. Ratify the attached contract amendment
2. Approves and directs the Auditor-Controller to make the budget adjustment
3. Authorizes the Board Chair to execute the contract amendment of additional audit services in the amount of \$151,790 from Vavrinek, Trine, Day & Company, LLP.

Increase Appropriations	10000-1300100000-524560	\$113,790
Decrease Contingency	10000-1300100000-581000	\$113,790

BACKGROUND: Based on professional accounting standards, the County must prepare and have its annual financial report audited to include the County of Riverside and all its funds. Vavrinek, Trine, Day & Company, LLP (VTD) was contracted in accordance with a Board of Supervisors minute order (Agenda item 3.22, dated April 13, 2004) to perform the countywide financial audit for a five-year period, renewable in one year increments, in the aggregate amount of \$1,240,910.

As detailed in the attachment, an additional cost of \$79,915 is required to complete the County's CAFR and Single Audit; \$33,875 for completion of Riverside County Regional Medical Center financial audit in 2004, and \$30,000 additionally for 2005. The cost to prepare and file Federal Form 990 and State Form 190 tax returns and the State Controller's report for the County of Riverside Asset Leasing Corporation (CORAL) will be \$2,000 annually for the subsequent four years.

Robert E. Byrd

Robert E. Byrd
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 113,790	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 113,790	Budget Adjustment:	Yes
	Annual Net County Cost:	\$ 38,000	For Fiscal Year:	2004/05

SOURCE OF FUNDS: Contingency	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input checked="" type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE motions 1 and 3, and defer action on motion 2 for further budgetary assessment later in the fiscal year.

County Executive Office Signature *Dennis C. Hardin*

FISCAL PROCEDURES APPROVED
 ROBERT E. BYRD, Auditor-Controller
 Deputy
 Approved 2/8/05
 Departmental Concurrence

Policy Policy
 Consent Consent
 Dep't Recomm.:
 Per Exec. Ofc.:

Prev. Agn. Ref.: 3.22-4/13/04 **District:** **Agenda Number:**

3.28

COUNTY OF RIVERSIDE
 FEB - 8 6 51 P5
 OFFICE EXECUTIVE

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The following summarizes the circumstances and issues encountered and the corresponding increase of time incurred necessitating the request for additional audit services. The supporting information is presented by reporting unit as follows:

- I. Additional services requested by the County (CORAL)
During the course of the audit fieldwork and conversations with the Auditor-Controller, it was noted that the information tax returns (Federal Form 900 and State Form 190) and the state controller's report for the County of Riverside Asset Leasing Corporation (CORAL) had not been included in the original request for proposal.
- II. Single Audit
As presented in the VTD proposal dated December 31, 2003, the fee quotation was limited to the testing of four to six major programs, as defined by OMB Circular A-133. Based on VTD's risk assessment and clearly delineated criteria set forth under OMB Circular A-133, a total of eight major programs must be tested. The seventh major program identified is CFDA No. 93.959, Substance Abuse Grant. The Temporary Assistance to Needy Families (TANF) program was added as the eighth, CFDA No. 93.558.
- III. CAFR
The increase in costs was as a result of areas requiring additional testing. Additional testing was required to verify the information received from the departments and the need to verify processes and procedures. The areas requiring additional testing were:
 - 1. Accounts Payable – due to YE processing verifications
 - 2. CALPERS Obligation – due to concerns regarding the net pension obligations.
 - 3. Risk Management – due to concerns regarding County methodology not providing accurate estimated liabilities.
 - 4. Long Term debt and Leases – due to concerns of all liabilities being in the financial statements.
 - 5. Capital Assets – due to system glitches identified in the OASIS Capital Assets module.
 - 6. Deferred Revenue – due to concerns regarding lack of analysis by the departments on deferred revenue balances.
 - 7. Accounts Receivable – due to concerns regarding manual processes being used by departments and the validity of data in the financial system.
- IV. Riverside County Regional Medical Center
During VTD's fieldwork for the RCRMC, the following factors were encountered resulting in additional time incurred:
 - 1. Interim Audit – PBC listings were not ready for review
 - 2. Final Audit – Information received was not final and had to be amended and reviewed again.

The total hours and costs for each of the reporting units identified above, is summarized below:

<u>Reporting Unit</u>	<u>Hours</u>	<u>FY03/04</u>	<u>Subsequent Fiscal Years</u>
CORAL Forms 990 and 190	18		\$8,000
Single Audit	264	\$26,880	
CAFR	518	53,035	
RCRMC	384	33,875	30,000
	<u>1,184</u>	<u>\$113,790</u>	<u>\$38,000</u>

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The concerns presented by VTD will be presented in the Management letter and appropriate departmental responses will be provided at that time.

The budget adopted for Auditing Fees, did not include this cost and was based on the original contract. The Auditor Controller's budget that was adopted for FY 04-05, does not have any excess capacity to absorb these costs. It is therefore recommended that contingency funds be used for this budget adjustment and appropriate NCC adjustments be made for future years.

Attachment: VTD Contract Amendment