
**FRESNO LOCAL AGENCY FORMATION COMMISSION (LAFCo)
EXECUTIVE OFFICER'S REPORT**

AGENDA ITEM NO. 6

DATE: December 2, 2009
TO: Fresno Local Agency Formation Commission
FROM: Rick Ballantyne, Executive Officer
SUBJECT: Consider Approval of Engagement Letter for Preparing Fresno LAFCo Transition Audit.

Discussion:

- It is traditional that an audit be conducted when the Executive Officer leaves office. During consideration of LAFCo's 2009/2010 Preliminary Budget, LAFCo's Executive Officer did advise the Commission of his decision to retire with his last day of service being January 8, 2010. Consistent with past administrative practice, the Commission did request that an "agreed upon" audit be prepared by the Fresno County Auditor/Controller's Office for an 18-month period.
- Staff did recently meet with the Auditor's Supervising Accountant, Lawrence Seymour, to review and discuss an "agreed upon" audit. The audit will review LAFCo's accounting records for the last 18 months; inspect required "Conflict of Interest" filings; inspect travel expenses; inspect payroll expenditures; and inspect fixed assets. The procedures to be undertaken are consistent with previously conducted transition audits prepared for other departments by the Auditor's Office.
- The attached "engagement letter" has been prepared by the Auditor/Controller's Office and provides a listing of specific information to be reviewed and included within the audit. Additional information may be added to the report if the Commission desires.
- Staff will assist the Auditor's Office in providing all requested public documents and records to insure that a comprehensive review may be made.

Recommendation – Approve Auditor's Office Engagement letter as set forth in Exhibit "A" attached.

Exhibit "A"



Auditor-Controller/Treasurer-Tax Collector

November 23, 2009

Richard Ballantyne, Executive Director
Local Agency Formation Commission
2115 Kern Street, Suite 310
Fresno CA, 93721

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for the Local Agency Formation Commission.

We will apply the agreed-upon procedures which Local Agency Formation Commission Management has specified, listed in the attached schedule, to transactions and accounting records of the Local Agency Formation Commission as of and for the 18 month period ended December 11, 2009. This engagement is solely to assist the Local Agency Formation Commission in determining the security of purchased assets and proper accounting for revenue, payroll, and non-payroll transactions in accordance with accounting principles generally accepted in the United States of America. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion on the transactions and accounting records. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of Local Agency Formation Commission, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and nothing in this engagement letter should be construed as limiting its distribution. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

You are responsible for the presentation of the accounting transactions in accordance with accounting principles generally accepted in the United States of America and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, and/or experience to oversee the nonattest services we provide, and for evaluating the adequacy and results of those services and accepting responsibility for them.

Vicki Crow, C.P.A. is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We plan to begin our procedures on approximately November 30, 2009 and, unless unforeseeable problems are encountered, the engagement should be completed by December 11, 2009. At the conclusion of our engagement, we will require a representation letter from management that, among other things, will confirm management's responsibility for the security of agency assets and proper accounting for revenue, payroll, and non-payroll transactions in accordance with accounting principles generally accepted in the United States of America.

We estimate that our fees for these will range from \$5,440 to \$6,800. You will also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. Additional expenses are estimated to be \$0. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require they acknowledge in writing their responsibility for the sufficiency of procedures.

Sincerely,



Vicki Crow, C.P.A.
Auditor-Controller/Treasurer-Tax Collector
County of Fresno, California

[Attachment]

VC:LS

RESPONSE:

This letter correctly sets forth the understanding of the Local Agency Formation Commission.

By: _____
Title: _____
Date: _____

Attachment

1. Randomly select a sample of revenue transactions, up to 35% of total revenue for the 18 month period ending December 31, 2009, and inspect supporting documentation for authorization, accounting, and compliance with applicable requirements; County of Fresno Master Schedule of Fees.
2. Randomly select a sample of expenditure transactions, up to 35% of total expenditures for the 18 month period ending December 31, 2009, and inspect supporting documentation for authorization, accounting, and compliance with Local Agency Formation Commission requirements.
3. Randomly select 50% of the individuals that work for and with the Local Agency Formation Commission that are required to file Form 700 annually with the Clerk to the Board of Supervisors and inspect the most recently submitted Form 700's for completeness and compliance with submission deadlines.
4. Inspected 100% of the Form FCAC-255s filed with the Auditor-Controller/Treasurer-Tax Collector for quarter ending September 30, 2009 for completeness and compliance with submission deadlines.
5. Inspect 100% of salaries and benefits of all personnel employed by the Local Agency Formation Commission for the past 18 months. Timesheets will be inspected for completeness and authorization and the salaries and will be recalculated and compared against approved salaries.
6. Inspect 100% of fixed assets maintained by the Local Agency Formation Commission for condition, location, identification, and accounting and tracking.