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

AGENDA ITEM NO. 9

DATE: September 16, 2009
TO: Local Agency Formation Commission
FROM: Rick Ballantyne, Executive Officer
SUBJECT: Authorize County Auditor-Controller to Prepare LAFCo Audit.

Background:

Fresno LAFCo had its last audit prepared in June of 2006. This audit was an “agreed upon procedures” audit prepared by the Fresno County Auditor/Controller’s Office. This audit was prepared at the request of the Commission upon departure of its former Executive Officer Michael Waicizis.

Discussion:

It has been the Commission’s practice to have an audit prepared at the time its Executive Officer leaves office. Also, since the agency is embarking upon greater autonomy and terminating employee and financial services previously provided for by the County of Fresno, it would seem to be an appropriate time to perform a similar “agreed upon procedures” audit covering fiscal years (FY) 2006/07 through 2008/09. Fresno LAFCo is not subject to audit requirements as are many other local governmental agencies since LAFCo does not receive funding from State and/or Federal governments—however, LAFCo is still accountable for insuring that funds are spend appropriately and are accounted for.

LAFCo’s financial records are maintained by the County Auditor/Controller’s Office. The Auditor’s Office has indicated its willingness to perform another “agreed upon procedures” audit for the Commission. While the Auditor/Controller’s Office has not prepared a formal estimate for such service, they have indicated that their hourly rate is \$68.00 and that an audit that they recently prepared took 188 hours for a total cost of \$12,784.

Discussions with the Financial Officer of the Council of Fresno County Governments indicate that audits prepared for the Council generally range from \$12,000 to \$15,000 depending upon the complexity of the audit and the size of the agency being audited. Given the smaller size of LAFCo and the numbers of transactions that would be necessary to review, it would appear that the audit should not be as expensive to prepare as other larger departments/agencies.

It would appear that there could be some benefits derived from allowing the County to perform the audit in that the Office is familiar with LAFCo operations, that they maintain LAFCo records and transactions, and that they prepared the last audit and have experience in working with this agency. They have also indicated a willingness to perform the proposed audit.

Recommendation:

Staff recommends that the County Auditor/Controller’s Office be requested to prepare a proposal outlining the parameters of the audit as well as an estimated cost for preparation for the

Commission's consideration. Once the proposal has been prepared, staff will present the proposal to the Commission for its review and direction.

An alternative action is to direct staff to prepare a *Request for Proposal* (RFP) to be sent out to reputable firms with experience in preparing similar audits for local governments and for the Commission to make its selection.