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

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AGENDA ITEM NO.   6  

**DATE:** November 14, 2018

**TO:** Fresno Local Agency Formation Commission

**FROM:** David E. Fey, Executive Officer 

**BY:** Amanda Graham, Office Assistant

**SUBJECT:** Amendment of Fresno LAFCo's Financial and Accounting Procedures to Perform an Annual Financial Audit in Place of Current Biennial Audit

**RECOMMENDATION:** Amend Fresno LAFCo's Financial and Accounting Procedures Audit Policy

**Background**

As an independent agency, Fresno LAFCo is not subject to audit requirements as are many other local governmental agencies since LAFCo does not receive funding from the state and/or federal government. However, the Commission has expressed its interest in maintaining its fiscal accountability and insuring the public that its funds are spent appropriately.

**Amendment of Fresno LAFCo Financial and Accounting Procedures**

The Commission's Financial and Accounting Procedures stipulate that a financial audit be conducted every two years, when there is a change in Executive Officer, or upon the Commission's direction. The last audit was performed by Sampson, Sampson & Patterson, LLP and covered Fiscal Year 2015-2016 and was accepted by the Commission on August 8, 2018.

Based on staff's experience with the last two biennial financial audits, staff finds that there are economies of scale to be gained by conducting an audit annually instead of every other year, including more contemporary recollection of material facts and data on staff's part. Further, if the audits are performed by the same auditing firm, there is a potential benefit in reducing the start-up time and expenses. Finally, should an audit reveal discrepancies or issues that should be addressed, corrective action can be taken immediately rather than up to two years later.

For these reasons, staff recommends that the Commission amend its Financial and Accounting Procedures section A, Financial Audit Policy as follows:

Delete current text:

***A. Purpose***

...

### ***Financial Audit Policy***

~~*It is LAFCo policy to conduct financial audits and reviews every two years, when there is a change in Executive Officer, or upon the Commission's direction.*~~

And replace with the following text:

#### **A. Purpose**

...

### ***Financial Audit Policy***

*It is LAFCo policy to conduct annual financial audits, when there is a change in Executive Officer, or upon the Commission's direction.*

### **Fiscal Impact / Follow-up Actions**

The Commission typically budgets \$5,000 for its biennial financial audits. If the Commission approves this amendment, staff will issue a request for proposals from qualified accounting firms. Staff is interested in minimizing expenses associated with annual audits and will solicit proposals for both single-year service as well as proposals for five sequential years of service. Staff will then return to the Commission with a recommendation.