



MARIPOSA COUNTY

Auditor ·



RESOLUTION - ACTION REQUESTED 2016-171

MEETING: April 19, 2016

TO: The Board of Supervisors

FROM: Debbie Isaacs, Auditor

RE: Approve Agreement with Smith & Newell

MINUTE ORDER ATTACHED

RECOMMENDATION AND JUSTIFICATION:

Approve a Four Year Agreement with Smith & Newell to Perform Various Audits for the County for Fiscal Years 15/16 through 18/19; and Authorize the Board of Supervisors Chair to Sign the Agreement.

Smith & Newell is the County's current independent auditor and also prepares the County's annual financial statements. Smith & Newell has submitted a proposal to continue providing these services to the County over a four year period at a total cost of \$234,100. The Auditor is satisfied with the level of expertise displayed by Smith & Newell personnel and believes that the proposal to extend audit services is equitable. The proposed agreement also involves the Mariposa County Grand Jury. Upon approval by the Mariposa County Board of Supervisors, the Agreement shall be submitted to the Grand Jury for approval as well.

The cost to conduct the required audits for Fiscal Year 2014/15 and that was paid from this fiscal year's budget was \$53,000. The proposal does include a slight increase for the services performed for each fiscal year.

BACKGROUND AND HISTORY OF BOARD ACTIONS:

The annual countywide audit is prescribed by law in Penal Code Section 925 and Section 25250 of the Government Code. The Board of Supervisors has previously made the awards for the County's independent audit contracts. The last such occurrence of this process was on July 26, 2011 when the Board of Supervisors approved a contract with Smith & Newell for the fiscal years ending June 30, 2012 through June 30, 2015 via resolution 11-369.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

Without securing the services of an independent auditor to conduct an audit of the County's financial records the County would be out of compliance with the law. If the Board chooses not to approve this contract with Smith & Newell then the Auditor would have to search for other potential auditing firms to conduct the legally required audits.

FINANCIAL IMPACT:

Cost by Fiscal Year:

FY 16/17 - \$54,400; FY 17/18 - \$61,150; FY 18/19 - \$58,300; FY 19/20 - \$60,250.

If approved, sufficient funding for the cost of the Agreement will be included in the Requested Budget for each of the four fiscal year periods. It should be noted that the additional cost to perform the Transit Audit in FY 17/18 will be funded by the Transportation Planning fund and not by the General Fund.

ATTACHMENTS:

**Mariposa County Audit Agreement - Signed by Smith & Newell (PDF)
Smith & Newell Proposal (PDF)**

CAO RECOMMENDATION

Requested Action Recommended



Mary Hodson, CAO

4/13/2016

RESULT: ADOPTED AS AMENDED BY CONSENT VOTE [UNANIMOUS]
MOVER: Rosemarie Smallcombe, District I Supervisor
SECONDER: Merlin Jones, District II Supervisor
AYES: Smallcombe, Jones, Long, Cann, Carrier



COUNTY of MARIPOSA

P.O. Box 784, Mariposa, CA 95338 (209) 966-3222



JOHN CARRIER, CHAIR
MARSHALL LONG, VICE-CHAIR
ROSEMARIE SMALLCOMBE
MARSHALL LONG
KEVIN CANN

DISTRICT V
DISTRICT III
DISTRICT I
DISTRICT III
DISTRICT IV

MARIPOSA COUNTY BOARD OF SUPERVISORS MINUTE ORDER

TO:	DEBBIE ISAACS/Auditor
FROM:	RENÉ LaROCHE, Clerk of the Board <i>RL</i>
SUBJECT:	Approve a Four Year Agreement with Smith & Newell to Perform Various Audits for the County for Fiscal Years 15/16 through 18/19; and Authorize the Board of Supervisors Chair to Sign the Agreement
Resolution:	16-171

The following direction was given by the Mariposa County Board of Supervisors on **April 19, 2016:**

CA5. Auditor RES-2016-171

Approve a Four Year Agreement with Smith & Newell to Perform Various Audits for the County for Fiscal Years 15/16 through 18/19; and Authorize the Board of Supervisors Chair to Sign the Agreement

No public input.

CORRECTION: CA5, amend the signature page to reflect the Foreperson of the Grand Jury as the signator rather than the Chairman of the Grand Jury Audit Committee.

RESULT: ADOPTED [UNANIMOUS]
MOVER: Rosemarie Smallcombe, District I Supervisor
SECONDER: Merlin Jones, District II Supervisor
AYES: Smallcombe, Jones, Long, Cann, Carrier

cc: Mary Hodson/County Administrative Officer
File

MARIPOSA COUNTY AUDIT AGREEMENT

THIS AGREEMENT is made and entered into on the date or dates listed below written by and among Smith & Newell, hereinafter referred to as “CPA” and the County of Mariposa, hereinafter referred to as “COUNTY”, and the Grand Jury of the County of Mariposa, hereinafter referred to as “GRAND JURY.”

Witnesseth:

- I. That for and in consideration of the sum hereinafter agreed, for the fiscal years 2015/16, 2016/17, 2017/18 and 2018/19 to be paid to CPA, the CPA agrees to provide services for the COUNTY pursuant to provisions of Section 925 of the California Penal Code and Section 25250 of the California Government Code.

Penal Code Section 925 reads as follows:

The grand jury shall investigate and report on the operations, accounts, and records of the officers, departments, or functions of the county including those operations, accounts, and records of any special legislative district or other district in the county created pursuant to state law for which the officers of the county are serving in the ex officio capacity as officers of the districts. The investigations may be conducted on some selective basis each year, but the grand jury shall not duplicate any examination of financial statements which has been performed by or for the Board of Supervisors pursuant to Section 25250 of the Government Code; this provision shall not be construed to limit the power of the grand jury to investigate and report on the operations, accounts and records of the officers, departments, or functions of the county. The grand jury may enter into a joint contract with the Board of Supervisors to employ the services of an expert as provided for in Section 926.

Government Code Section 25250 reads as follows:

At least biennially the Board of Supervisors shall examine and audit, or cause to be audited, the financial accounts and records of all officers having responsibility for the care, management, collection, or disbursement of money belonging to the county or money received or disbursed by them under authority of law. The audit shall encompass the immediately preceding one-year period, or any portion thereof not included in a prior year audit. This financial audit may be performed in coordination with the investigations conducted by the grand jury under Section 925 of the Penal Code, or the Board of Supervisors may resolve to accept reports delivered pursuant to Section 933 of the Penal Code in lieu of its own separate examination if such reports are found to fulfill some or all of the requirements of this section. In connection with the requirements of this Section and Section 25253, the Board of Supervisors may employ the services of an independent certified public accountant or licensed public accountant to perform an examination of the financial statements in accordance with generally accepted auditing standards.

The **CPA** will conduct an audit of the **COUNTY** for the period from July 1, 2015 to June 30, 2019 on a fiscal year basis, except as otherwise provided in the **AGREEMENT**, and as determined based upon the attached response to Request for Proposals, which is incorporated herein by reference. Specifically, the **CPA** shall provide reports on the following:

1. Financial Statement Audit.
2. Single Audit Report as described in OMB Circular A-133.
3. Transportation Development Act (Non-transit Purposes).
4. Triennial Transportation Performance Audits.
5. Transit Fund Audit.
6. Management Report.

CPA will audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **COUNTY** as of June 30, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement **COUNTY**'s basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of the engagement, **CPA** will apply certain limited procedures to **COUNTY**'s RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Supplementary information other than RSI, such as the combining non-major fund statements will also accompany **COUNTY**'s financial statements. **CPA** will subject the supplementary information to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole.

Based on information that the **COUNTY** provides, **CPA** will perform non-audit services which include compiling the financial statements including all footnote disclosures, all required supplementary information, with the exception of the Management Discussion and Analysis report, all combining schedules and the GASB 34 required full accrual Government Wide Statements.

CPA will perform the single audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The Schedule of Federal Expenditures will be prepared based on information provided by the **COUNTY** and will include required additional disclosures on the California Office of Emergency Services programs and Board of Corrections awards. **CPA** will issue a report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and a report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.

CPA will audit the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mariposa County Transportation Commission and the financial statements of the Mariposa County Transit Fund, which is considered a fund of the **COUNTY**, as of June

30, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended. **CPA** will conduct audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that **CPA** plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Audit will also include assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

For the year ended June 30, 2017, **CPA** will perform a Triennial Performance Audit of the Mariposa County Transportation Commission and the Mariposa County Transit Fund. These audits will be performed in accordance with guidance contained in the Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, published by the California Department of Transportation. The purpose of this performance audit will be to evaluate the efficiency, effectiveness, and economy of the operation of the Mariposa County Transportation Commission and the Mariposa County Transit Fund.

CPA may issue a management report if issues are noted where improvements could be implemented.

- II. **CPA** agrees to appear in person before the **GRAND JURY**, the Audit Committee, and/or the Board of Supervisor of the **COUNTY** at any time during the performance of the **AGREEMENT**, and to consult with and report as to the progress of the audit and all other matters pertaining thereto, when requested to do so by the **GRAND JURY**, the Audit Committee, the County Administrative Officer, or the Board of Supervisors.
- III. **CPA** may consult with the County Counsel of the **COUNTY** on legal problems arising during the course of the audit.
- IV. **CPA** shall consult with the County Administrative Officer of the **COUNTY** and the **GRAND JURY** concerning the preliminary findings of the audit as they are developed.
- V. **CPA** shall commence all in a timely manner (assuming timely availability of records by **COUNTY**) allowing for orderly completion of the audit by March 15th following the close of each fiscal year ending at June 30th. All audits shall be completed, and final reports delivered, by March 15th with the exception of the "Transportation Audits" which require an audit report 180 days after the close of the fiscal year, (December 31st of the year following the close of the fiscal year). For the "Transportation Audits" all audits shall be completed, and final reports delivered, by December 15th. All audits shall be conducted according to those generally accepted auditing standards as recognized by the American Institute of Certified Public Accountants.
- VI. **CPA** shall have access to and shall be permitted to use figures, tabulations, statistical schedules, and other data already assembled or prepared by the County Administrative Officer, the County Auditor, the County Treasurer, or the personnel of their respective offices for **COUNTY** purposes, but such statements shall not be copied verbatim and used as a representation of results of services for the final report of audit. This does not preclude the use of these statements in the audit report where acknowledgement is made that the County Auditor or the County Treasurer prepared them. Neither the County Auditor nor the County Treasurer nor any members of their respective staffs shall be employed by **CPA** in connection with the audit nor shall the County Auditor nor the County Treasurer nor any personnel in their respective

departments be called upon to perform any service other than the performance of the regular duties of their respective offices.

- VII. **CPA** shall supervise the work of all persons selected by it. In the event **CPA** sub-contracts any portion of this work, **CPA** agrees to select only such auditing firms and certified public accountants as may be approved in writing by the **GRAND JURY** and the **COUNTY** prior to the performance of any work sub-contracted. Should the services of any personnel employed by **CPA** be, for any reason whatsoever, unsatisfactory to **GRAND JURY** or the **COUNTY**, such personnel shall be promptly removed from the assignment. Notice of such unsatisfactory performance shall be given in writing by **GRAND JURY** or the **COUNTY** to **CPA**, and shall be effective immediately upon receipt thereof. The term "personnel" as used herein includes auditing firms.
- VIII. All books, records, figures, notes, materials, and information of every character, kind and description of the **CPA** or **CPA's** employees relating to this **AGREEMENT** shall be retained by **CPA** in confidential files for a period of five (5) years. Said records shall be made available at **CPA's** office during all regular business hours to the **COUNTY**, **GRAND JURY**, and State of California as approved by the **COUNTY** and to all subsequent grand juries and their respective agents for the requisite five (5) year period, after which said records may be burned or properly disposed.
- IX. The audit, findings and reports of **CPA** shall be held as confidential by it and reported only to the **GRAND JURY** and the **COUNTY**. However, should **CPA** deem it essential to the completion or accuracy of this audit that it's examination or findings involving a particular department be revealed to or discussed with a department head, it may do so, provided the prior consent of the **COUNTY** is first obtained.
- X. **COUNTY** shall pay **CPA** out of funds of said **COUNTY** for services herein specified for audits of the 2015/16, 2016/17, 2017/18, and 2018/19 fiscal years in the sum of Two Hundred Thirty Four Thousand One Hundred Dollars (\$234,100.00). Upon approval of **CPA's** statement by **GRAND JURY** and **COUNTY**, the sum as specified above shall be paid to **CPA** by the County Treasurer out of the General Fund of said **COUNTY** upon invoices approved and signed by the Mariposa County Administrative Officer. However, it is mutually understood/agreed that **COUNTY** shall not pay **CPA** more than said maximum of Two Hundred Thirty Four Thousand One Hundred Dollars (\$234,100.00), for all services rendered pursuant to the **AGREEMENT**, except for such additional services as may be required by **GRAND JURY** or the **COUNTY**.
- XI. In the event the audit develops irregularities or unforeseen conditions requiring investigation beyond the scope of the regular audit, a report of such conditions shall be made by **CPA** to **GRAND JURY** and the **COUNTY**. Should further investigations be authorized and directed by **GRAND JURY** or the **COUNTY**, additional compensation therefore:
1. Shall be paid to **CPA** at the hourly rates of each class of CPA, accountant, or clerical help as specified by the **CPA** in their original bid proposal delineating an hourly wage for such individual classes of CPA, accountant, and /or clerical assistance.
 2. Shall be paid based on detailed invoice specifying the hours of service for each class of CPA, accountant, or clerical help engaged therein.
 3. Shall be paid upon approval of the County Administrative Officer and drawn from the County Treasurer.
- XII. It is further agreed that **GRAND JURY** may require that **CPA** audit such additional departments, districts, funds and programs as it deems necessary to fulfill its function under Section 925 of the Penal Code, with

the concurrence and approval of the Superior Court of the State of California for the County of Mariposa. Additional compensation shall be paid to CPA upon the same basis as set forth in Paragraph XI herein.

- XIII. CPA shall bear the typical office material and equipment costs necessary for the production of the final audited financial statements and reports. CPA shall bear all travel, meal and lodging costs associated with the audit of programs as defined in Paragraph I.
- XIV. It is further understood and agreed that the **GRAND JURY** shall require that the CPA report as to the adequacy of the independent audit of the records and accounts of the Special Districts that are administered by the Mariposa County Board of Supervisors. There are thirteen Special Districts with combined appropriations of approximately 3.2 million.
- XV. Furthermore, it is mutually agreed the Board of Supervisors of COUNTY or the **GRAND JURY** may terminate this **AGREEMENT** at any time. However, if only **GRAND JURY** or COUNTY terminate this **AGREEMENT**, the party not terminating the **AGREEMENT** may enter into a new **AGREEMENT** within twenty (20) days after such termination, with CPA to complete the audit on the same terms, conditions, and payments as set forth herein, but omitting the party which terminated the **AGREEMENT**. If said party does not enter into such a new agreement within said twenty (20) day period, CPA shall be entitled to receive pro-rata payment for the services which it has rendered prior to the notification of such termination.
- XVI. Completion of all reports detailing the audit of COUNTY's financial statements shall be submitted to the **GRAND JURY** and the COUNTY no later than March 15th following the close of the prior fiscal year ending June 30th. For the four year contract described in this **AGREEMENT**, those dates would be March 15, 2017, March 15, 2018, March 15, 2019, and March 15, 2020. However, all transportation and transit related reports shall be completed on December 15th of each year following the close of the prior year ending June 30th due to special reporting guidelines set forth by the State of California.
- XVII. CPA shall file thirty (30) copies of the General Purpose Financial Statement Audit and the Single Audit Report as follows:
- Five (5) copies for the **GRAND JURY**.
 - Five (5) copies of the Board of Supervisors.
 - Eight (8) copies for the County Auditor (includes other departments and various outside agencies).
 - Twelve (12) copies to be filed with various State and Federal agencies.
- CPA shall file copies of the management report as follows:
- Twenty (20) copies for the County Auditor who will distribute to appropriate departments.
- CPA shall file copies of the Transportation and Transit audits as follows:
- Fifteen (15) copies for the County Auditor who will distribute to appropriate departments and agencies.
- XVIII. The final report shall contain at least the following:
1. An alphabetical index of COUNTY officials and departments.
 2. An Independent Auditor's Report on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the

COUNTY, as of and for the year ended June 30, and the related notes to the financial statements, which collectively comprise the **COUNTY**'s basic financial statements. If **CPA** is unable to render an unqualified opinion and a qualified opinion is given, the reasons for such qualifications shall be fully explained.

3. Financial statements consisting of the Government-Wide Statement of Net Position, Statement of Activities, Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balance of all major and other governmental funds, and Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position of each major proprietary fund and other enterprise funds.
 4. All other exhibits, schedules, and other data necessary for proper presentation of the results of the examination.
 5. Comments on the following:
 - Any indication of the misappropriation of public money or irregular disbursements. In addition, the **CPA** shall submit an immediate oral or written report to **GRAND JURY** upon discovery of such indication of misappropriation or irregular disbursements.
 - The effectiveness of the accounting systems and the internal control features, including testing of budget appropriations and funds to see that they are being properly accounted for.
 - Any improper maintenance or non-maintenance of required books, records, or accounts pertaining to financial transactions.
 - The action taken, if any, on those recommendations contained in the previous fiscal year **GRAND JURY** report.
- XIX. It is further agreed by and between the parties hereto that in the event **CPA** performs services under this **AGREEMENT** that are subsequently determined not to be charges against the **COUNTY**, neither **COUNTY**, the **GRAND JURY** or any of its members shall be held liable for any such expenditures.
- XX. **CPA** shall indemnify and hold **COUNTY** harmless against any and all liability imposed or claimed, including attorney's fees and other legal expenses, arising directly or indirectly from any act or failure of **CPA** or **CPA**'s assistants, employees or agents, including all claims relating to the injury or death of any person or damage to any property. **CPA** agrees to maintain a policy of personal liability insurance in the minimum amount of One Million Dollars (\$1,000,000) to cover such claims or in an amount determined appropriate by the County Risk Manager. It is understood that the duty of **CPA** to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by **COUNTY** of insurance certificates and endorsements required under this **AGREEMENT** does not relieve **CPA** from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this **AGREEMENT**, **CPA** acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.
- XXI. Professional Liability Coverage: **CPA** shall provide proof of professional liability coverage satisfactory to **COUNTY** prior to commencing work under the **AGREEMENT**.
- XXII. Termination of Funding: **COUNTY** may terminate this **AGREEMENT** with 30 days' notice upon determination that there is insufficient funding for this **AGREEMENT** per California State Constitution Article XVI, Section 18.

XXIII. This AGREEMENT requires the approval of the Board of Supervisors of the COUNTY, the GRAND JURY, and of the Superior Court of the State of California in and for the COUNTY in order to become effective.

IN WITNESS WHEREOF, the parties hereto have cause for this AGREEMENT to be executed as of the day and year hereinafter written.

Date: 04-06-2016

SMITH & NEWELL
By: *Mailee Smith*
Printed: MARILEE SMITH
Title: PARTNER

Date: 5-2-16

2015-16 MARIPOSA COUNTY GRAND JURY
By: *Walter S. ...*
Title: Foreperson of the Grand Jury

2015-16 MARIPOSA COUNTY BOARD OF SUPERVISORS

Date: April 19, 2016

By: *John Carrier*
JOHN CARRIER
Title: Chairman
Mariposa County Board of Supervisors

Attest:

APPROVED AS TO FORM:

René LaRoche
RENE LAROCHE
Clerk of the Board

Steve W. Dahlem
STEVE DAHLEM
County Counsel

The foregoing is hereby approved this 5TH day of MAY, 2016.

Dana Walton
DANA WALTON
Judge of the Superior Court of the State of California
In and for the County of Mariposa