



AGENDA REPORT SUMMARY

Meeting Date: February 19, 2019

Subject: Annual Financial Services Audit

Prepared by: J. Logan, General Manager

Attachment(s):

1. Letter of Engagement: Vavrinek, Trine, Day & Co., LLP

Initiated by: Board of Commissioners, Los Altos Hills County Fire District

Previous Commission Consideration:

January 15, 2019; Memorandum from Legal Counsel, Dan Siegel

Fiscal Impact: Funds are available in the General Operating Budget not to exceed a total of \$20,081 for fiscal years ending June 30, 2019, June 30, 2020 and June 30 30, 2021

Policy Question(s) for Fire Commission Consideration:

- Will the Board of Commissioners of the Los Altos Hills County Fire District (Commissioners) approve terms in the Letter of Engagement from Vavrinek, Trine, Day & Co., LLP (VTD) for professional financial auditing services; and does the Commission wish to engage the audit firm for up to a three-year agreement?

Summary:

- In a memorandum presented to the Commission at the January 15, 2019 meeting, District Counsel Dan Siegel explained the Fire District currently does not have a contract for the annual financial audit
- With a change of partners, the current audit firm, VTD is qualified to continue financial services to the Fire District
- Commissioners agreed with consulting staff that the services had gone well, and they were very satisfied
- Commissioners directed the General Manager (GM) to request a proposal from VTD to bring back to the February 19, 2019 meeting. Commissioners were willing to consider an agreement for up to three years.
- GM contacted VTD partner to discuss terms of a proposal
- VTD partner sent a Letter of Engagement with no increase of costs for the same annual financial audit services over the three-year term

Staff Recommendation:

Approve terms of the Letter of Engagement for a three-year annual financial audit services agreement; direct staff to prepare for the March 2019 meeting a resolution and agreement with VTD; authorize

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President of the Board of Commissioners to execute three-year annual financial audit services agreement accordingly

Purpose:

Retain annual financial audit services for three-years from Vavrinek, Trine, Day & Co., LLP as proposed in the Letter of Engagement.

Background

At its January 15, 2019 Regular meeting, Commissioners received a memorandum and presentation from District Legal Counsel, Dan Siegel reviewing the status of the Fire District's options to retain annual financial audit services for FY2019/2020. The prior VTD partner has retired and with a change to a new partner, the current audit firm, VTD is qualified to continue financial services to the Fire District. Commissioners agreed with consulting staff that annual audit services provided by VTD had gone well, and they were very satisfied. The Commission directed the GM to request a proposal from VTD to bring back to the February 19, 2019 meeting. Commissioners were willing to consider an agreement for up to three years. The GM contacted the new VTD partner, Ahmad Gharaibeh, to discuss terms of a proposal. To confirm the discussion, Mr. Gharaibeh sent a Letter of Engagement for the same annual financial audit services over the three-year term with no increase in premium costs for the services.

Discussion/Analysis

The Fire District Commissioners and consulting staff are very satisfied, and services have gone well. Based on the relationship established with VTD and the terms of the Letter of Engagement for the same level of annual auditing services, it is appropriate to recommend continuation of the relationship. The annual financial audit services premium costs will not increase over the proposed three-year term of service. The Fire District will be able to terminate the agreement at its convenience during the 3-year period. This termination provisions is in the current VTD agreement. With the approval of the Commission, staff and VTD will develop an agreement based on the terms in the Letter of Engagement and consistent with the current services and terms provided in the just completed VTD agreement.

Options

- 1) Approve terms of the Letter of Engagement for a three-year annual financial audit services agreement; direct staff to prepare for the March 2019 meeting a resolution and agreement with VTD; authorize President of the Board of Commissioners to execute three-year annual financial audit services agreement accordingly

Advantages: Continue annual financial audit services that are very satisfactory and have gone well.

Disadvantages: None identified

- 2) Delay approval and direct staff accordingly

Advantages: Direction may provide additional options for annual financial audit services

Disadvantages: Loss of business opportunity for continued service from very satisfactory vendor at no change in premium costs

Recommendation

Approve terms of the Letter of Engagement for a three-year annual financial audit services agreement; direct staff to prepare for the March 2019 meeting a resolution and agreement with VTD; authorize President of the Board of Commissioners to execute three-year annual financial audit services agreement accordingly