

MEMORANDUM

TO: J Logan
FROM: Dan Siegel and Jen Beyers
DATE: January 2, 2019
RE: Update to October 11, 2016 Memorandum re Auditing Services Agreement Update

Purpose:

The purpose of this memorandum is to provide the Los Altos Hills County Fire District ("District") with an update on the District's current financial auditing services, and next steps for the District related to its needs for financial auditing service.

Background:

In October 2016, we prepared a memorandum ("Audit Memo") outlining proposed next steps for the District's auditing service agreement with Vavrinek, Trine, Day & Company ("VTD Agreement"). The Audit Memo also analyzed Government Code § 12410.6, the California law which became effective for the Fiscal Year 2013/2014. Government Code § 12410.6 requires, in part, that local agencies using a local accounting firm beyond six consecutive years, change the audit partner responsible for review of the audit. A copy of the Audit Memo is attached (without attachment). The VTD Agreement was amended in January 2017 to extend through Fiscal Year 2017/2018.

Analysis:

Prior to Fiscal Year 2017/2018 A.J. Major was the audit partner at VTD who was responsible for reviewing the District's audits. In Fiscal Year 2017/2018, Ahmad Gharaibeh was the audit partner at VTD responsible for review of the District's audit. Pursuant to the analysis of Government Code § 12410.6 as set forth in the Audit Memo, Ahmad Gharaibeh may continue to act as the audit partner responsible for review of the District's audits through Fiscal Year 2022/2023.

Next Steps:

As explained in the Audit Memo, the District must hire an auditing services company to provide the District with a review of its financials at the end of each fiscal year. The District Board is charged with determining who will perform those services. The District does not currently have an agreement in place for its Fiscal Year 2018/2019 audit.

The District may use Ahmad Gharaibeh with VTD for its Fiscal Year 2018/2019 audit. If the District enters into such an agreement with VTD that extends beyond Fiscal Year 2022/2023, the agreement should clearly indicate that after Fiscal Year 2022/2023, a new audit partner will be responsible for review of the District's audits.

Alternatively, the District may retain the services of another audit firm that is licensed and in good standing with the California Board of Accountancy for its Fiscal Year 2018/2019 audit.

If the District desires to use VTD, it should direct the General Manager to obtain pricing and other contract information and provide it to the District Board for review and decision at the District's next meeting. Alternatively, if the District Board desires to use another audit firm, it should direct the General Manager to propose a process to obtain quotes and additional contract information from other audit firms that are licensed and in good standings with the California Board of Accountancy and bring that information to the District Board at the District's next meeting.

MEMORANDUM

TO: George Tyson
FROM: Dan Siegel
DATE: October 11, 2016
RE: Auditing Services Agreement Update

Purpose:

The purpose of this memorandum is to provide the Los Altos County Fire District ("District") Board with and update on the District's current Auditing Services Agreement, and next steps for the District related to its needs for auditing services.

Background:

In June 2014 the District entered into an Auditing Services Agreement ("Agreement") with Vavrinek, Trine, Day & Company ("VTD"). A copy of the executed Agreement is attached hereto. Under the Agreement VTD is to perform audit services for the District for the fiscal years ending June 30, 2014, June 30, 2015, and June 30, 2016. The Term of the Agreement ended on June 30, 2016.

Next Steps:

The District must hire an auditing services company to provide the District with a review of its financials at the end of each fiscal year. The District Board is charged with determining who will perform those services.

Under its Agreement with VTD, the District, in its sole discretion, may extend the term Agreement through fiscal year ending June 30, 2017, by providing written notice to VTD on or before June 30, 2016. The District may again extend the term of the Agreement through fiscal year ending June 30, 2018, by providing written notice to VTD on or before June 30, 2017. The Agreement also provides "locked-in" rates for VTD's auditing services related to fiscal year ending June 30, 2017 (an amount not to exceed \$19,519.00) and fiscal year ending June 30, 2018 (an amount not to exceed \$20,105.00).

Although the Agreement requires the District to provide notice on or before June 30, 2016, VTD has agreed to extend the time for the District to provide the notice and has agreed to provide the same "locked-in" rate, if the District desires to use VTD for fiscal year ending June 30, 2017.

Time Period:

In 2012, a new California law was passed requiring that audits for local agencies submitted to the Controller must be made by a certified public accountant or public accountant, licensed by, and in good standing with the California Board of Accountancy. VTD is licensed and in good standing with the California Board of Accountancy.

Additionally, starting in 2013 for the 2013/2014 fiscal year, a local agency may employ the public accounting firm to provide audit services to a local agency for six consecutive years, but not beyond. The local agency may also use that same public accounting firm beyond the six years if there is a change in audit partner responsible for reviewing the audit. Specifically, if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has not performed services for that local agency for six consecutive fiscal years then the local agency may remain continue to use the accounting firm beyond six consecutive fiscal years. Therefore, VTD is permitted to perform audits for the District, if the District chooses to use VTD, through fiscal year ending June 30, 2019 and beyond that time if the District uses another audit partner at VTD for reviewing the audit.