

LAFCO

Santa Barbara Local Agency Formation Commission
105 East Anapamu Street ♦ Santa Barbara CA 93101
805/568-3391 ♦ FAX 805/568-2249
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May 4, 2023 (Agenda)

Local Agency Formation Commission
105 East Anapamu Street
Santa Barbara CA 93101

RFP for Annual Audit Fiscal Year 2022-2023

Dear Members of the Commission:

RECOMMENDATION:

It is respectfully recommended that the Commission review the attached draft request for proposal and provide direction regarding the preparation of an annual audit to be issued on May 8, 2023, responses due June 9, 2023.

DISCUSSION:

The LAFCO (“Commission”) financial records are administered by LAFCO staff with technical, monitoring, and accounting support provided by the County of Santa Barbara Auditor’s Office. The County provides LAFCO with access to the FIN financial system, transitioning to Workday system by August 2023. LAFCO staff enters all draw warrants and claims into the financial system which tracks LAFCO’s revenues and expenditures. The system is used in completing payroll, budgeting, and accounts receivable/payable transactions. The Commission’s financial records, however, are separate and excluded from the County’s external audit process ultimately published as a comprehensive annual financial report.

The Commission has been under engagement with Bartlett, Pringle and Wolf, LLP, to complete annual Financial Audit since FY 2005-2006. The first-year fee for 2005-06 was \$5,000. The current first-year fee for 2021-22 is approximately \$11,000. Typically, the firm has prepared an engagement letter to perform these audits for the years ending in June.

Commissioners: Cynthia Allen ♦ Jay Freeman, Vice-Chair ♦ Craig Geyer ♦ Joan Hartmann, Chair ♦ James Kyriaco ♦ Bob Nelson
♦ Jenelle Osborne ♦ Alice Patino ♦ Jim Richardson ♦ Shane Stark ♦ Das Williams **Executive Officer:** Mike Prater

However, the last engagement was authorized in December 2021 at which time the Commission requested staff prepare an RFP for financial auditing from interested firms.

It has been pointed out over the years starting since 2012 that many auditing firms, because of current workload, have decided not to focus on public agency audits. At that time the Commission decided to continue with Bartlett, Pringle and Wolf, LLP. This time around BP&W did not submit an engagement letter for a FY 22-23 audit.

The Commission should consider issuing a Request for Proposal to look at other options. Attached for the Commission's information and review is a draft request for a proposal to solicit proposals from qualified companies for a certified public accounting firm to perform an audit on LAFCO's financial statements and information for FY 22-23 with the option to extend for two additional years.

The FY 2023-24 budget included \$12,000 in the budget for completing the audit. The following process for preparing the audit is recommended:

1. Prepare list of qualified audit firms. Compile list by contacting local agencies and special districts and other LAFCOs.
2. Prepare and release the Request for Proposals. Allow 30 days for response.
3. Staff review and ranking of the proposals. LAFCO Staff would provide an initial review and ranking of the proposals.
4. Proposals would be submitted to the Commission for consideration. Selection of the accounting firm is completed and a contract entered into with the firm.
5. Annual Audit is performed pursuant to the scope of work. The audit would be submitted to LAFCO for its review and consideration.

An annual audit is not required; however, Santa Barbra LAFCO has performed an annual audit as a regular practice. Several other LAFCO's pooled their efforts for a Joint RFP to solicit an independent audit to receive a better rate. We could join in when the next contract comes due.

Attachments

Attachment A - Financial Audit RFP with year-end financial statement for FY 2022-23

Please contact the LAFCO office if you have any questions.

Sincerely,



Mike Prater
Executive Officer

REQUEST FOR PROPOSALS

To provide:

Independent Professional Auditing Services

to Audit Santa Barbara LAFCo Financial Statements for
Fiscal Year ending June 30, 2023

Response due by Friday, June 9, 2023 at 5:00 pm

Issued May 8, 2023

Contact: Mike Prater, LAFCO Executive Officer
Santa Barbara Local Agency Formation Commission
105 E. Anapamu St. Rm 407
Santa Barbara, CA 93101
805.568.3391
lafco@sblafco.org
www.sblafco.org

REQUEST FOR PROPOSALS FOR AUDIT SERVICES

1. General Information

The Santa Barbara Agency Formation Commission (SBLAFCO) is seeking a qualified independent Certified Public Accounting firms to audit LAFCOs' financial statements for the fiscal year ending on June 30, 2023 with an option to extend the contract to the fiscal years ending in June 30, 2024 and/or June 30, 2025.

The audits are to be conducted in accordance with auditing standards generally accepted in the United States of America, *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. To be considered, a proposal must be received by Mike Prater, Executive Officer, Santa Barbara Local Agency Formation Commission, 105 East Anapamu Street, Rm 407, Santa Barbara, CA 93101, on or before June 9, 2023 (5:00 p.m.).

During the evaluation process, LAFCO reserves the right to request additional information or clarifications from responders, or to allow corrections of errors or omissions. Firms submitting proposals may be requested to make oral presentations as part of the evaluation process. Submission of a proposal is acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between LAFCO and the firm selected. It is anticipated the selection of a firm would be completed by the end of August, 2023.

Following the notification of the selected firm, it is expected a contract will be executed between all parties by October, 2023. A one-year contract with a two-year extension option is contemplated. The two-year renewal option will be subject to review by LAFCO and the firm and satisfactory negotiation of terms (including a cost acceptable to LAFCO and the selected firm). There is no expressed or implied obligation for LAFCO to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

2. Background on LAFCOs

Following the end of World War II, California entered a new era of demographic growth and diversity and economic development. With this growth came the need for housing, jobs and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions (LAFCOs) to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a LAFCO. LAFCOs are charged with the responsibility of making difficult decisions, based on local circumstances and conditions, on proposals for: incorporating a new city and forming a special district's, determining a sphere of influence, annexations to jurisdictions and other changes of

organizations. Each LAFCO operates independently from one another in terms of funding, day-to-day operations and staffing; however, most LAFCOs collaborate with one another on important business matters that do not directly impact their core operations, such as staff development, education and training.

Santa Barbara LAFCO Background and Budget

Santa Barbara LAFCO is a eleven-member commission, consisting of the following: Two members from the Santa Barbara County Board of Supervisors, two members from city councils, two members from special district boards of directors and one member from the public at large. Each category has an alternate Commissioner who serves in the absence of the regular member. SBLAFCO staff consists of a full-time (1.0 FTE) Executive Officer and 1.0 FTE Analyst/Clerk. The Commission contracts for independent legal services.

Santa Barbara LAFCO is funded by the County, the eight cities and 38 independent special districts, with each governmental category contributing a third of LAFCO's approved budget. The city and district shares are pro-rated based on general revenues reported to the State Controller's Office on an annual basis. These revenues are found in the latest annual report released by the State Controller's office. LAFCO also receives revenue through application fees and interest earnings. There are two other sources of revenue to LAFCO in addition to the agency contributions: fees for processing an application and interest revenue. The County of Santa Barbara Auditor's Office provides, financial management services to the treasury and accounts payable services.

LAFCO is an independent agency that approves its budget on an annual basis. The operating budget is comprised of salaries and benefits/taxes, services and supplies, and revenues. Day-to-day management of the budget is based on "bottom-line" principles that allow for variation within line-item accounts as long as the overall balance remains within the approved budgeted levels. The LAFCO Executive Officer serves as the budget administrator and prepares, submits, distributes, and executes the LAFCO budget consistent with State law. The Executive Officer submits to the Commission quarterly budget reports and a final report at the end of the fiscal year. These reports are submitted to the County Auditor for review.

LAFCO staff prepares draw warrants and journal entries for each expenditure and deposit. These are entered in the County's financial system (Workday). General Accounting services include the use of the County's centralized accounting system and the validation, processing, and recording of financial transactions submitted by LAFCO. LAFCO has access to the general ledger, revenue, expenditure, and budget status reports as needed. Services also include processing, recording, tracking and mailing of expenditures.

SBLAFCO operates under a single-program government fund with an annual budget of approximately \$572,000. The Budget is considered and adopted by LAFCO each year as required by the Cortese-Knox-Hertzberg Act.

3. Scope of the Work to Be Performed

LAFCO desires that General Purpose Financial Statements (GPFS) will be prepared by an independent auditor for the fiscal year ending June 30, 2023, with the option to extend the contract to June 30, 2024 and June 30, 2025. Statements should be fully compliant for all applicable Government Accounting Standards Board (GASB) statements and requirements, including but not limited to #34, #45, #67 and #68. The following is a summary of the scope of the audit.

1. The firm will audit LAFCo for fiscal year 2022-23, focusing on the fiscal years' respective funds. The audit is to be performed in accordance with generally accepted auditing standards and the standards set for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, as well as any other current and applicable federal, state, local or programmatic audit requirements.
2. The audit will cover both Government-Wide Financial Statements and Fund Financial Statements of LAFCO and supporting documentation and schedules for the fiscal year 2023.
3. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A), if applicable, and may request supplementary financial information.
4. The audit firm will issue a separate Management Letter that includes recommendations, if any, for improvements in internal control that are considered to be significant deficiencies or material weaknesses.
5. After completing the audit for FY ending June 30, 2023, the audit firm will provide quotes to conduct an audit on an annual basis for the subsequent two cycles.

LAFCO staff will provide cooperation and assistance during the audit including typing of confirmation requests, compiling and refilling of supporting documents and reconciliations of major asset and liability balances. LAFCO staff may prepare the MD&A. All other information and financial statements are the responsibility of the audit firm. All working papers and reports are to be retained at the auditor's expense for a minimum of three years. The audit firm will be responsible for making working papers available to LAFCO or any government agencies included in the audit of federal grants.

4. Audit Process and Deliverables

Preparation of the report will include the following steps:

1. Data collection: including but not limited to soliciting LAFCo staff and the Santa Barbara County Auditor's Office for information, research of existing information, and retrieving documents as needed.
2. Review, interpretation and analysis: review and analysis of all the information collected.
3. Produce Administrative Draft financial statements for LAFCo staff review (electronic PDF and Word version).

4. Preparation of final draft addressing comments from LAFCo staff, including findings, determinations and recommendations (electronic PDF and Word versions). Attendance at the Commission meeting(s) approving the final financial statement is required.
5. Following Commission approval of the financial statements, please provide LAFCo with a final electronic version (both PDF and Word versions).
6. All working papers and reports are to be retained at the auditor's expense for a minimum of four (4) years. The audit firm shall make working papers available to LAFCo on request.

Content of Proposal

The proposal shall be specifically responsive to this request and shall include, but not necessarily be limited to, the following:

General Information

- Provide name and address of your firm, the date of its establishment, and a brief description of its size and history.
- Describe the education, experience and professional achievements of the person(s) who would be assigned to work on the LAFCo account.

Experience

- Describe your firm's experience with the accounting requirements of local governmental agencies, especially any engaged primarily in regulatory activity.
- Provide a list of public agencies that can be contacted for references; include the agency's name, the name of an official to be contacted, and the appropriate phone number.
- Include a copy of your firm's most recent peer review together with the California Society of CPAs' acceptance of such peer review.
- The auditing firm shall make a positive statement that it has the required insurance policies in force in amounts of coverage for not less than \$1,000,000 for Professional Liability, Workers Compensation, Comprehensive General Liability and Auto (Owned and Non-Owned). Prior to any commencement of audit services, the selected firm will be required to provide certificates of insurance coverage to LAFCo.
- Include any additional information about your firm or staff which you feel would assist LAFCo in evaluating your experiences, resources, and competence. Comments should be brief and to the point, not exceeding two pages.

Work Plan

- Discuss in detail how the requested work would be performed, including estimates of the time required for incremental tasks, explanation of staffing levels, description of methods and processes involved, and definition of information or resources LAFCo would need to provide.

- Specify planned commencement and completion dates, assuming award of a contract for audit of FY 2022-2023 financial records.

Compensation and Terms of Payment

- For each year of the contract, state an inclusive price and estimated total hours for the tasks to be performed.
- Any fees or costs not included in the price must be stipulated for LAFCo's explicit approval.
- Unless otherwise specified and agreed in writing, payments for each annual audit shall be made within thirty days following delivery of all copies of the final audit report, presentation of the audit at a Commission meeting, and submission of an invoice.
- LAFCo normally uses a standard form of agreement for such engagements, which is available for review upon request.

Proposal deadline is Friday, June 9, 2023, at 5:00 pm.

5. Evaluation Process and Criteria

LAFCo staff will conduct the initial review of proposals. LAFCO reserves the right to request additional information or clarifications from responders or to allow corrections of errors or omissions. At the discretion of the LAFCO, firms submitting proposals be invited to make oral presentations to the Commission, or Staff may recommend one proposal to the full Commission. Selection of the successful proposal will be based largely upon the firm's qualifications, the content of its proposed work plan, and total cost.

LAFCO reserves the right to retain all submitted proposals and use any ideas in a proposal regardless of whether the proposal was selected.

It is anticipated the selection of a firm will be completed before August, 2023. Following the notification of the selected firm, it is expected a contract will be executed between all parties by October, 2023. A one-year contract with an option for extending the agreement for two additional years is contemplated. The extension option will be subject to review by LAFCo and the firm and satisfactory negotiation of terms (including a price acceptable to LAFCo and the selected firm).

Criteria

Proposals will be evaluated based upon their response to the provisions of this Request for Proposal. LAFCO staff will review each proposal and evaluate the ability of each individual or firm to meet the expectations defined herein. References will be contacted. The proposals will be ranked. LAFCO may modify this evaluation process as appropriate. There is no expressed or implied obligation for LAFCO to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

Consultant Selection

The following criteria will be used to evaluate in determining the award of the contract:

1. The firm's licensing, independence with respect to LAFCO and results of most recent peer review together with the California Society of CPAs acceptance of the peer review (mandatory requirements)
2. Qualifications and Related Experience of the audit team who will serve LAFCO (Partner, Manager and Senior Auditors)
3. Prior experience of the engagement team in implementation of GASB #45, #67/68
4. Reference of local government clients
5. The thoroughness of approach to conducting the audit and demonstration of the understanding of the objectives and scope of the audit
6. Ability to complete the audit in a timely manner and to work well with LAFCO staff and SBLAFCO Commission
7. Provide clear and reasonable outline of cost estimates and past performance with staying within budget

Additional Information

Timeline:

The fieldwork and audit for Fiscal Years ending June 30, 2023, may begin after execution of a contract and after the books for the fiscal year are closed, approximately August 1, 2023. An audit plan and project schedule will be determined and agreed to by LAFCO and the selected audit firm.

Santa Barbara County Financial System:

The Santa Barbara County utilizes Workday Financial Management software.

Contract Provisions:

SBLAFCO reserves the right to reject any and all proposals, waive any irregularity in the proposals and/or to conduct negotiations with any firms, whether or not they have submitted a proposal. The Commission has a standard contract it uses for agreements that are subject to revision before execution by the parties. The standard contract is available from the Commission's staff upon request.

Signature Authority:

Certify that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with LAFCO.

Consultants:

During the preparation phases, SBLAFCO reserves the right to hire consultants as necessary, in its discretion, to represent SBLAFCO in this project.

Submittal

Any questions regarding this proposal shall be submitted in writing to lafco@sblafco.org or by calling 805-568-3391.

Proposals shall be submitted electronically to lafco@sblafco.org (preferred) or on paper to:

Santa Barbara Local Agency Formation Commission
105 East Anapamu Street, Rm 407
Santa Barbara, CA 93101

Proposal deadline: **Friday, June 9, 2023, 5:00 pm**

Exhibits

A. Fiscal Year Ending June 30, 2021, Financial Statements

DRAFT