



AGENDA ITEM: 12
DATE OF MEETING: April 21, 2010
ACTION: X
INFORMATION: _____

ADMINISTRATIVE CONTRACT APPROVAL ANNUAL FINANCIAL AUDIT

SUMMARY OF REQUEST

This is a request to authorize First 5 California to amend and extend an Interagency Agreement for time and money with the Department of Finance (DOF), Office of State Audits and Evaluations (OSAE). The purpose of this agreement is to secure professional services to assist First 5 California in carrying out its mandate to conduct an annual financial audit of First 5 California and the California Children and Families Trust Fund.

BACKGROUND

California voters passed Proposition 10 in 1998 and, pursuant to California Health and Safety Code (HSC) Section 130105(d)(1)(E), established an Administration Account for expenditures for the administrative functions of the state commission.

HSC Sections 130150(b)(1) and 130151(c) require the completion of an annual audit of First 5 California revenues and expenditures.

At the time the State Commission was created, First 5 California established an Interagency Agreement with the DOF to annually perform First 5 California's financial audit.

DOF, OSAE performs the financial audit and prepares the report on the Statements of Revenue and Expenditures and Balance Sheets of the Children and Families Trust Fund and other related funds for each year ending June 30. The performance of the audit includes tasks related to audit preparation, performance of annual year-end fiscal audits, and distribution of audit reports.

In March 2008, the State Commission approved \$267,425 for the period of July 1, 2008, through December 31, 2011, for DOF services. The State policy, State Administrative Manual Section 8752, requires departments to recover full costs whenever services are provided to other state agencies. Beginning in FY 2010-11, First 5 California projects a balance of approximately \$37,600, which is an amount insufficient to complete the FY 2009-10 audit. Additional funding authorization is needed to comply with First 5 California's statutory audit requirements.

STRATEGIC PLAN

Goal 5: Strengthen Organizational Operations and Systems: Provide Quality and Cost Effective Services to our Partners.

STAFF RECOMMENDATION

This request is twofold:

1. Amend the current agreement (CCFC 7112) to increase the maximum contract amount up to \$150,000 in FY 2010-11 to ensure sufficient funds are available to reimburse the DOF for actual expenses incurred for the completion of the First 5 California FY 2009-10 financial audit and for services performed between January 2011 and June 2011 for preliminary FY 2010-11 audit work.
2. Authorize the Executive Director or Chief Deputy Director to enter into multi-year agreements on a continuous basis with the DOF for an amount not to exceed \$150,000 for each fiscal-year audit.

DISCUSSION

First 5 California Bylaws, Article XI, Procedures for Conduct of Business, Section II, currently authorize the Executive Director and the Chief Deputy Director to enter into or amend contracts of \$150,000 or less, providing that the Executive Director or Chief Deputy Director deems each such contract to be necessary and appropriate to carry out the provision and purposes of the California Children and Families Act. The cost of an annual audit is less than \$150,000 annually. Under this Article, the Executive Director or Chief Deputy Director has the authority to authorize annual agreements with the DOF for these services. However, contracting for the performance of three fiscal year audits versus contracting on a year-to-year basis is an efficient practice and will reduce staff time and costs associated with the preparation and tracking of the contracts each year, including costs charged for the review of this contract by the Department of General Services, Office of Legal Services.

Under Article XI, Section III of the Bylaws, the Executive Director or his or her designee is granted the authority to award and enter into contracts exceeding \$150,000 that have been approved by the State Commission. Contracting with the DOF for a multi-year agreement requires State Commission approval under the existing Bylaws.

The DOF, OSAE has performed First 5 California's fiscal audit for the past eight years. Contracting for the performance of three fiscal year audits in a single agreement accomplishes the following outcomes:

- Reduces contract preparation costs for First 5 California and other lead agencies.
- Ensures consistency in our annual audit services from OSAE staff who are familiar with the California Children and Families Trust Fund and can plan and train OSAE staff in the event of auditor turnover prior to the beginning of each audit period.

FISCAL IMPACT

The fiscal impact will be a commitment of up to \$150,000 from the Administration Account for each fiscal-year audit. First 5 California staff will determine the requested amount of the multi-year agreement based on negotiations with DOF, OSAE.

ALTERNATIVES CONSIDERED

Description of Alternative 1:

Outsource the contract through a competitive bid process for three-year periods.

Pros

- Ability to change contractors every three years.

Cons

- Increased costs and time to perform required formal bidding process to secure contractors outside of state government.
- Increased costs and time required of First 5 California to train contractor each year on the California Children and Families Trust Fund and related funds.
- Jeopardizes our ability to meet annual timeline for audit compliance.
- May be restricted to state agency services pursuant to Government Code Section 19130.

STAFF RECOMMENDATION

First 5 California recommends the State Commission:

1. Amend the current agreement (CCFC 7112) to increase the maximum contract amount up to \$150,000 in FY 2010-11 to ensure sufficient funds are available to reimburse the Department of Finance for actual expenses incurred for the completion of the First 5 California FY 2009-10 financial audit.

2. Authorize the Executive Director or Chief Deputy Director to enter into multi-year agreements on a continuous basis with the DOF for an amount not to exceed \$150,000 for each fiscal-year audit.

ATTACHMENTS

- Funding Request Fiscal Detail, Department of Finance

FUNDING REQUEST FISCAL DETAIL

Title of Request:	Administrative Contract Approval Annual Financial Audit				<input checked="" type="checkbox"/> Contract <input type="checkbox"/> Program Disbursement <input type="checkbox"/> Special Disbursement	
Amount of Current Agreement:	Up to	\$267,425	Expenditures to Date:	\$229,774		
Current Term of Agreement:	July 1, 2008	Through	December 31, 2011			
		Fiscal Year Detail				
		FY 08-09	FY 09-10	FY 10-11	FY 11-12	
New Annual Amount Requested:	Up to	\$150,000.00 (Annually)	\$132,659.00 (Actual)	\$150,000.00 (Up To)	\$150,000.00 (Up To)	\$150,000.00 (Up To)
Total Amount of Agreement:	Up to					
Proposed Funding Term:	July 1	Through	June 30 (Annually)			
First 5 California Account Name:	Administration	Account Number	0638	Fund Availability Confirmed	<input checked="" type="checkbox"/> Yes By: _____	
Statutory Purpose: Health and Safety Code 130105(a)(1)(E)	One percent shall be deposited in an Administration Account for expenditures for the administrative functions of the state commission. Any funds not needed for the administrative functions of the state commission may be transferred to the Unallocated Account described in subparagraph (F), upon approval by the state commission.					
Do our funds leverage others?	<input type="checkbox"/> Yes (explain) <input checked="" type="checkbox"/> No	Commission Funds	Leveraged Funds	Total Funds		
Explanation:						
Key Deliverable Descriptions						Deliverable Date
Task 1: Audit Preparation						Per Work Plan
Task 2: Performance of Annual year-End Fiscal Audit						Per Work Plan
Task 3: Distribution of Audit Reports						November 1 Annually