



AGENDA ITEM: 8
DATE OF MEETING: April 18, 2012
ACTION: X
INFORMATION: _____

**STATE CONTROLLER’S OFFICE – CONTRACT AUTHORITY
FOR FIRST 5 COUNTY COMMISSIONS ANNUAL AUDIT PROCESS**

SUMMARY OF REQUEST

Staff requests Commission approval of up to \$250,000 for FY 2012-13 to reimburse the State Controller’s Office (SCO) for actual expenses for the performance of the county commissions expanded audit work as defined in California Health and Safety Code (HSC) section 130151.

BACKGROUND

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

Unique to First 5 California is the implementation of HSC sections 130150(b) and 130151, which requires the SCO to:

1. Review, recommend, and update the Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act,
2. Review county audits for compliance with statutes.
3. Perform associated quality control functions.
4. Prepare a summary report of the final audits and submit the report to the state commission by November 1 of each year for inclusion in First 5 California’s annual report.
5. Receive responses to county commission audit findings.
6. Determine whether a county commission has successfully corrected its practices in response to the findings contained in the audit report.
7. Recommend to the state commission to withhold the allocation of money that a county commission would otherwise receive from the California Children and Families Trust Fund until the SCO determines that the county commission has a viable plan and ability to correct the practices identified in the audit.

First 5 California contracts annually with the SCO to reimburse the SCO for actual expenditures incurred related to the performance of the expanded audit oversight requirements.

The SCO's prior Memorandum of Understanding (MOU) in the amount of \$250,000 with First 5 California ends June 30, 2012.

STAFF RECOMMENDATION

Staff recommends the Commission approve up to \$250,000 to reimburse the State Controller's Office for actual expenses for FY 2012-13 for the performance of the county commission expanded audit work as defined in California HSC Section 130151.

DISCUSSION

The SCO is required by statutory direction to perform oversight of county commission compliance with the expanded audit guidelines and to provide First 5 California a report for inclusion in First 5 California's Annual Report. The Commission's approval of this agenda item allows First 5 California to reimburse the SCO for projected FY 2012-13 costs for this ongoing activity.

This agenda item is consistent with First 5 California's Strategic Goal 5: Strengthen Organizational Operations and Systems: Provide Quality and Cost-Effective Services to our Partners.

FISCAL HISTORY

The reimbursement of funds to the SCO is mandated by statute. Since FY 2006-07, the Commission has approved funds to reimburse the SCO for actual costs to cover the expenses associated with the oversight of county commission's compliance with expanded audit reporting requirements. A summary of actual expenditures for the last three fiscal years is detailed below:

Fiscal Year	Total Expenditures
2008-09	\$202,036
2009-10	\$234,980
2010-11	\$221,674

PROPOSAL IMPLEMENTATION COSTS

Annual Contract Amount: Up to \$250,000

ALTERNATIVES CONSIDERED

Staff offers no alternatives as statute identifies the SCO as the state agency responsible for implementation of HSC Section 130151 and defines the scope of responsibilities to be performed by the SCO.

FUNDING REQUEST FISCAL DETAIL

Title:		State Controller's Office—First 5 County Commissions Annual Audit Process (HSC Section 130151)			<input checked="" type="checkbox"/> Contract/MOU <input type="checkbox"/> Local Area Agreement		
New Agreement	Term:	July 1, 2012 - June 30, 2013		Amendment Request	Term:		
	Amount:	\$250,000.00			Amount:		
	Funding Detail		Funding Detail				
	FY 12-13	\$250,000.00			FY __-__		
	FY __-__				FY __-__		
Total Contract Amount:		\$250,000.00		Total Contract Amount:			
Prior Agreement, If Applicable	Term:	July 1, 2012 - June 30, 2013		Original Agreement Amount	Term:		
	Amount:	\$250,000.00			Amount:		
	Funding Detail		Funding Detail				
	FY 11-12	\$250,000.00			FY __-__		
	FY __-__				FY __-__		
	FY __-__				FY __-__		
Total		\$250,000.00		Total			
First 5 California Account Name:		Mass Media Communications		Account Number:	0631	Fund Availability Confirmed: <input checked="" type="checkbox"/> Yes By: _____	
Statutory Purpose: Health and Safety Code 130105(d)(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)	Commission Funds	Leveraged Funds	Total Funds			
	<input checked="" type="checkbox"/> No						
Explanation:							
Key Deliverable Descriptions						Deliverable Date	
Recommended changes/updates to Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act						April 30 Annually	
Review and analyze 58 county commission audits						Annually	
Provide ongoing quality control functions for county commission audits						Ongoing	
Summary Report of County Commission Financial Audits						November 1 Annually	