



## Local Agency Formation Commission LAFCO of Napa County

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June 7, 2010

### Agenda Item No. 5c (Consent: Action)

May 27, 2010

**TO:** Local Agency Formation Commission

**FROM:** Keene Simonds, Executive Officer

**SUBJECT: Authorization to Approve Audit Expenditure**

The Commission will consider authorizing the Chair to enter into an agreement with Gallina LLP for the preparation of an independent audit for the 2009-2010 fiscal year at a cost of \$4,725.

Local Agency Formation Commissions (LAFCOs) are authorized under California Government Code Section 56380 to enter into agreements or contracts with public and private parties for services necessary to fulfill its regulatory and planning responsibilities.

#### A. Background

It is the practice of LAFCO of Napa County (“Commission”) to authorize the Chair to enter into an agreement with a public accounting firm to conduct an independent audit of the agency’s financial statements for the prior fiscal year. The purpose of the audit is for a third-party to assess the reliability of the Commission’s financial statements by reviewing records and testing transactions to determine their compliance with generally accepted governmental accounting standards. The audit also provides an opportunity for the third-party to identify reporting omissions and to make suggestions for improvements.

#### B. Discussion/Analysis

The Commission has received an engagement letter from Gallina, LLP to prepare an independent audit concerning the agency’s financial statements for the 2009-2010 fiscal year. Gallina is headquartered in Sacramento, California and was recently awarded a new three-year contract to provide auditing services for the County of Napa. Gallina’s proposed cost to prepare the audit for the Commission is \$4,725. This amount equals Gallina’s charge to the Commission for preparing an audit for the 2008-2009 fiscal year.

It is generally accepted governmental agencies should prepare annual audits to enhance transparency in the management of public funds. Additionally, as mentioned, the Commission relies on the annual audit process as a performance measure for staff as well as to identify opportunities to improve accounting practices. Accordingly, while not a requirement, it is appropriate for the Commission to enter into an agreement with Gallina based on its contractual relationship with the County to prepare an audit on the agency’s financial statements for the 2009-2010 fiscal year.

Juliana Inman, Chair  
Councilmember, City of Napa

Lewis Chilton, Commissioner  
Councilmember, Town of Yountville

Joan Bennett, Alternate Commissioner  
Councilmember, City of American Canyon

Bill Dodd, Vice Chair  
County of Napa Supervisor, 4th District

Brad Wagenknecht, Commissioner  
County of Napa Supervisor, 1st District

Mark Luce, Alternate Commissioner  
County of Napa Supervisor, 2nd District

Brian J. Kelly, Commissioner  
Representative of the General Public  
Gregory Rodeno, Alternate Commissioner  
Representative of the General Public

Keene Simonds  
Executive Officer

### **C. Alternatives for Commission Action**

The following alternative actions are available to the Commission:

**Alternative One:** Authorize the Chair to sign the attached engagement letter with Gallina for the preparation of an independent audit for the 2009-2010 fiscal year in the amount of \$4,725.

**Alternative Two:** Continue consideration of the item to another meeting while providing appropriate direction to staff with respect to any additional information requests.

**Alternative Three:** Take no action.

### **D. Recommendation**

It is recommended the Commission approve Alternative One. This involves authorizing the Chair to sign the attached engagement letter with Gallina for the preparation of an independent audit for the 2009-2010 fiscal year in the amount of \$4,725.

Respectfully submitted,

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Keene Simonds  
Executive Officer

Attachment:

1) Engagement Letter