

LAFCO

Santa Barbara Local Agency Formation Commission

105 East Anapamu Street ♦ Santa Barbara CA 93101

805/568-3391 ♦ FAX 805/647-7647

www.sblafco.org ♦ lafco@sblafco.org

April 5, 2012 (Agenda)

Local Agency Formation Commission

105 East Anapamu Street, Room 403

Santa Barbara CA 93101

Selection of firm to prepare Financial Statements

Dear Members of the Commission:

RECOMMENDATION

It is recommended the Commission select either the Santa Barbara County Auditor-Controller or Bartlett, Pringle & Wolf, LLP to prepare Financial Statements for four years beginning with the fiscal year ended June 30, 2011.

DISCUSSION

The Commission on February 2 directed the staff to contact the County Auditor-Controller and Bartlett Pringle & Wolf as to their availability to conduct future audits. In response we have received proposals which are enclosed for your review.

- The Bartlett, Pringle & Wolf proposal is for four years. The first year fee would be \$5,000 and the fee for the final year would be \$5,600.
- The County Auditor-Controller proposal is also for four years. The maximum fee for the first year would be \$4,500 and the fee for the last year would be \$5,500.

The staff recommends the Commission select either the County Auditor-Controller or Bartlett, Pringle & Wolf to prepare statements of Commission finances.

Sincerely,



BOB BRAITMAN

Executive Officer



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

February 14, 2012

Bob Braitman, Executive Officer
Santa Barbara Local Agency Formation Commission
105 East Anapamu Street
Santa Barbara, CA 93101

Re: Proposal for Professional Audit Services

Dear Mr. Braitman:

We appreciate the opportunity to propose on providing professional audit services to Santa Barbara Local Agency Formation Commission. This proposal is to perform audits of the financial statements for the years ended June 30, 2011, 2012, 2013 and 2014.

Firm History and Organization

Bartlett, Pringle & Wolf, LLP (BPW) is a 50-person, full service accounting and consulting firm, located in Santa Barbara. The firm has been in business for over 60 years and has experience in auditing a wide variety of organizations. BPW currently serves as auditors and consultants for various governmental and public agencies and other organizations that are subject to pronouncements issued by the Government Accounting Standards Board. Because of our experience working with governmental and public agencies, we bring a great deal of technical expertise to each of our engagements, using a team of experienced professionals able to work efficiently and effectively with our clients.

BPW is a member of the Private Companies Practice Section of the American Institute of Certified Public Accountants' Division of Firms. As part of the membership requirements of the Division of Firms, the firm undergoes a peer review of our accounting and auditing practice quality control system every three years. I have included a copy of our most recent peer review report. We are proud to report that there were no findings and that we did not receive a letter of comments in conjunction with this peer review.

In order to stay abreast of ever changing accounting standards and regulations, BPW subscribes to the accounting and audit literature that is provided by the American Institute of Certified Public Accountants and Financial Accounting Standards Board, including new pronouncements, statements of position, exposure drafts, other authoritative literature, and the audit and accounting guides.

BPW is a member of the McGladrey Alliance, a nationwide affiliation of independent accounting and consulting firms. The McGladrey Alliance's mission is to provide services and resources to its member firms that will help them further meet the needs of their clients.

We utilize the McGladrey Alliance's resources to assist with complex accounting situations as well as to provide access to additional professional resources and training options. In short, our affiliation with the McGladrey Alliance affords us the depth and resources of a global accounting firm while maintaining the personalized service and autonomy of a local firm.

Description of Audit Approach

BPW has a dedicated audit department that devotes the majority of its time to servicing our audit and accounting clients. Our audit approach includes continuous involvement of the partner from the planning stages of the engagement to conclusion.

We would staff the audit with auditors who are highly experienced in governmental auditing and accounting. We strive to maintain consistency of our audit team members from year to year to maximize our efficiency and understanding of your business.

Our review and testing of the internal control structure would be to the extent necessary to evaluate internal controls and how they might affect our other auditing procedures. It would include interviewing members of the Commission to the extent necessary to document our understanding of your procedures and evaluate the strengths and weaknesses of your system, and testing of a sample individual transactions. At the conclusion of the audit, we would also issue a management letter of comments and recommendations involving ideas for improving internal controls, operating efficiency or other general matters.

Qualifications and Experience

We proudly provide our team members more than the required professional education for certification as a public accountant, many times even before they have achieved certification. Our core curriculum of training is enhanced by courses through the McGladrey Alliance, the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. Members of our professional staff attend various annual AICPA national conferences of governmental entities, non-profit organizations, employee benefit plans, fraud detection and advanced auditing and accounting topics, among others.

Attached is a list of select references from current BPW clients. Additional references are available upon request.

Our experience is supported by the loyalty of many clients who have been with the firm for decades and by our relatively low staff turnover and high tenure of our professionals.

Bob Braitman, Executive Officer
Santa Barbara Local Agency Formation Commission
February 14, 2012
Page 3

Professional Fees

Our fees for conducting the audit of the Commission, including a letter of comments and recommendations, will be \$5,000 for 2011, \$5,200 for 2012, \$5,400 for 2013 and \$5,600 for 2014. The proposed fee for 2011 is the same you were charged for the 2010 audit. Invoices for professional services rendered will be submitted on a monthly basis.

Conclusion

I hope this proposal conveys our desire to work with you. I strongly believe our experience and our commitment to outstanding service will serve you well.

I would be pleased to meet with you to discuss the proposal, should you have any questions.

Sincerely,

BARTLETT, PRINGLE & WOLF, LLP
Certified Public Accountants and Consultants



John Britton
Partner

JB/tb

BARTLETT, PRINGLE & WOLF, LLP

References for Santa Barbara Local Agency Formation Commission

The following are references from clients we are currently providing professional services. Additional references are available upon request.

- Carpinteria Valley Water District
General Manager – Charles Hamilton
Business Manager – Norma Rosales
(805) 684-2816
BPW client since 1997
- Goleta West Sanitary District
General Manager – Mark Nation
Business Manager – Diane Powers
(805) 968-2617
BPW client since 2001
- Santa Ynez Water District
General Manager – Chris Dahlstrom
Executive Assistant – Mary Kay Goodwin
(805) 688-6015
BPW client since 2005
- Penfield and Smith Engineers, Inc.
President – Hady Izadpanah
Controller – Todd Ward
(805) 963-9532
BPW client since 1987

We are currently servicing:

- Santa Barbara Local Agency Formation Commission
- Carpinteria Valley Water District
- Goleta West Sanitary District
- Montecito Sanitary District
- Cencal Health, The Regional Health Authority
- Santa Ynez Water District
- Cachuma Operation and Maintenance Board
- Embarcadero Municipal Improvement District

LarsonAllen[®] LLP

CPAs, Consultants & Advisors
www.larsonallen.com

SYSTEM PEER REVIEW

To the Partners of
Bartlett, Pringle & Wolf, LLP
and the Peer Review Committee of the
California Society Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Bartlett, Pringle & Wolf, LLP (the firm) in effect for the year ended September 30, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Bartlett, Pringle & Wolf, LLP in effect for the year ended September 30, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Bartlett, Pringle & Wolf, LLP has received a peer review rating of *pass*.

LarsonAllen LLP

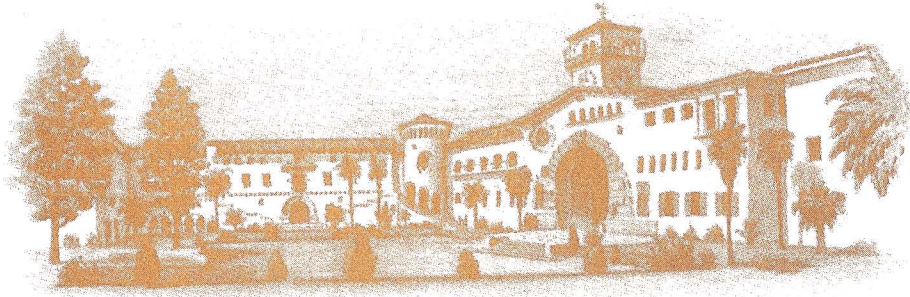
LarsonAllen LLP

Spokane, Washington
December 16, 2010

COUNTY OF SANTA BARBARA

ROBERT W. GEIS, C.P.A.
Auditor-Controller

THEO FALLATI, C.P.A.
Assistant Auditor-Controller



County Administration Bldg.
105 E. Anapamu Street, Rm. 303
Santa Barbara, CA 93101
(805) 568-2100

Auditor@co.santa-barbara.ca.us

Mailing Address:
P.O. Box 39
Santa Barbara, CA 93102-0039
FAX (805) 568-2016

OFFICE OF THE AUDITOR-CONTROLLER

February 15, 2012

Bob Braitman, Executive Officer
Santa Barbara Local Agency Formation Commission
105 East Anapamu Street
Santa Barbara, CA 93101

Dear Mr. Braitman,

I am pleased to submit this proposal to provide the Santa Barbara Local Agency Formation Commission (LAFCO) with professional audit services. Our proposal is in response to your letter dated February 13, 2012 requesting a proposal to prepare LAFCO's financial statements and related audits for the next four years starting with fiscal year 2010-2011.

We believe that we can provide LAFCO with the best team to serve you. If you have direct questions or need additional information please contact Heather Fletcher at (805) 568-2456. We look forward to working with you on this engagement.

Sincerely,

Robert W. Geis, CPA
Auditor-Controller

**PROPOSAL TO PROVIDE AUDIT SERVICES
SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SANTA BARBARA, INTERNAL AUDIT**

Experience & Background

Staff that will be assigned to the LAFCO audit are accounting professionals that have experience primarily auditing independent Special Districts. Each of our staff provides a new outlook to assist LAFCO in improving its financial operations.

Our Internal Audit Division currently employs five staff, and as County employees, all have governmental experience. Most of our staff has previous experience working in other divisions within our office or within other county departments. Our audit clients primarily include Special Districts including cemetery, community services, and recreation districts.

Our Audit Manager, Heather Fletcher, will manage the audit. She has extensive experience in auditing governmental entities. Ms. Fletcher has been employed with the County for approximately six years and holds a MBA, and the CPA and Certified Fraud Examiner certifications.

We reviewed your audit report issued by Bartlett, Pringle & Wolf, LLP for the period ended June 30, 2010 and we understand that you are requesting us to prepare and audit the financial statements for the fiscal year ended June 30, 2011 and the next three fiscal years. Our proposal is only for an annual audit presentation as opposed to your current two year format.

Under audit standards, LAFCO understands that for us to compile the financial statements and maintain independence, you will dedicate an individual with skill, knowledge, or experience to review the compilation of the financial statements and make management decisions and perform management functions. At the end of the audit, we will also prepare a management letter with recommendations we found during the audit. Our audit will be performed in accordance with the AICPA's Generally Accepted Auditing Standards.

Audit Approach

Our audit will flow in the following phases:

- Planning phase
 - Obtaining an understanding of the entity
 - Compiling the entity's financial statements
 - Performing a risk assessment including identifying key fraud risks
 - Consideration of the adequacy of internal controls
 - Proposing areas of testwork and review of documentation
 - Communication and coordination

**PROPOSAL TO PROVIDE AUDIT SERVICES
SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SANTA BARBARA, INTERNAL AUDIT**

- Fieldwork
 - Performing audit testwork
 - Proposing adjustments to the financial statements (if necessary)
 - Formulating an audit opinion

- Reporting to the board
 - Present the audit results including recommendations for management to your Governing Board

Timeline

We are flexible in working with entities during our audits. Our approach is structured to minimize the impact on your entity’s operations. It is anticipated that our audit will take approximately one month (or 100 hours) to complete. For the first year, we would like to begin the audit on March 1, and finalize the audit report by April 1.

For future years, we would anticipate that the audit would take place before December 31, but are flexible in which month it would be scheduled.

Period and Fees

The agreement shall cover the four year period beginning with the fiscal year ended June 30, 2011. As stated in the Experience section our proposal is only for an annual audit presentation.

The anticipated maximum fee for our services for your fiscal years ending June 30 is as follows:

- June 30, 2011 - \$4,500
- June 30, 2012 - \$5,000
- June 30, 2013 - \$5,500
- June 30, 2014 - \$5,500

The fee will be billed and due at completion of the audit. This fee is based on anticipated cooperation from your entity, including timely receipt of satisfactorily prepared client schedules, and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee before we incur the additional costs. Any additional costs will be billed at the following rates:

	2010-11	2011-12	2012-13	2013-14
Audit Manager	\$110	\$110	\$115	\$115
Audit Supervisor	\$90	\$90	\$95	\$95
Staff Accountant	\$55	\$55	\$60	\$60