

BUDGET AND FINANCE COMMITTEE REPORT relative to the Annual Audit and Single-Audit contract for Fiscal Years (FY) 2017-18, 2018-19, and 2019-20.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the Controller, with the assistance of the City Administrative Officer (CAO) and the Board of Public Works (BPW) to award the annual audit contract for FY 2017-18, 2018-19 and 2019-20, with options to extend the contract for up to two additional years covering FY 2020-21 and FY 2021-22, to Macias, Gini and O'Connell, LLP.
2. AUTHORIZE the Mayor and Council President to execute the accompanying contract as reviewed by City Attorney as to form, on behalf of the City.
3. INSTRUCT the Public Works, Office of Accounting, to arrange for the Sewer Construction and Maintenance Fund to reimburse the General Fund in the amount of \$63,520 for the FY 2017-18 audit. For audits of the following years, the FY 2017-18 amount will be adjusted based on the increase in the Consumer Price Index for all urban consumers for Los Angeles, Riverside and Orange Counties published by the United States Department of Labor (Los Angeles CPI) for the agreement year.
4. INSTRUCT the Los Angeles Department of Transportation to arrange for the Mobile Source Air Pollution Reduction Trust Fund to reimburse the General Fund in the amount of \$12,456 for the FY 2017-18 audit. For audits of the following years, the FY 2017-18 amount will be adjusted based on the increase in the Los Angeles CPI.
5. INSTRUCT the Los Angeles Department of Housing and Community Investment to arrange for the Low and Moderate Housing Fund to reimburse the General Fund in the amount of \$32,642 for the FY 2017-18 audit. For audits of the following years, the FY 2017-18 amount will be adjusted based on the increase in the Los Angeles CPI.
6. REQUEST the Controller to work with the pertinent departments to reimburse the General Fund from various grant funds for their portion of the single audit where funds are available and where provisions of the grants provide for payment of audit costs directly or through the City's Cost Allocation Plan.
7. INCLUDE in the Adopted Budget funding in the General City Purposes budget for the audit of each fiscal year to cover the cost of the audit.

Fiscal Impact Statement: The Controller reports that the costs for the audits of FYs 2017-18, 2018-19 and 2019-20 are \$926,876, \$1,072,217 and \$949,394 respectively, which include base audit costs of \$826,876, \$972,217 and \$849,394 respectively and an additional \$100,000 per year reserved for contingencies (basic audit costs for the 2018-19 and 2019-20 are calculated assuming a 2.3 percent increase in the Los Angeles CPI over the FY 2017-18 audit costs; basic audit costs for the FY 2017-18 audit includes cost for the McKinney Act Savings Fund Audit which is not part of the basic cost for subsequent audit years; basic audit costs for the FY 2018-19 audit includes cost for the Statement on Standards Attestation Engagement 16 review of the City's financial systems). The funds are subject to budgetary appropriations by Mayor and City

Council each year.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting held on June 11, 2018, the Budget and Finance Committee considered a report from the City's Audit Committee (comprised of the Controller, CAO, and BPW) relative to awarding a contract for an certified public accountant to perform an annual independent audit of all funds granted to the City by federal agencies (as required per Charter Section 362) for FY 2017-18, 2018-19, and 2019-20, and reimbursement of audit costs by the audited City departments.

During consideration of the matter, the Committee Chair recommended to strike Recommendation No. 6 of the Audit Committee report. A representative of the CAO noted that Recommendation No. 6 of the report refers to funding for an audit that will not occur during the referenced fiscal year, and therefore the request for those funds is not necessary.

After providing an opportunity for public comment, the Budget and Finance Committee approved the recommendations of the Audit Committee report as amended. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
ENGLANDER:	ABSENT
KORETZ:	YES
BLUMENFIELD:	YES
BONIN:	ABSENT

REW 6/13/18 FILE NO. 13-0662

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**