

SUMMARY AUDIT & FINANCE COMMITTEE REPORT

(06-10-2021)

SUMMARY

Penal Code §925 requires the Grand Jury (GJ) to annually investigate and report on the operations, accounts, and records of the county. Also, Government Code §25250 requires the Shasta County Board of Supervisors to conduct an annual audit of all county accounts by an independent outside contract auditor pursuant to Government-Code §31000. The 2020-2021 Shasta County Grand Jury has reviewed the County's Comprehensive Annual Financial Report (CAFR) for fiscal year ending June 30, 2020, finding no exceptions or recommendations noted by the outside contract auditors (CliftonLarsonAllen LLP).

BACKGROUND

“In recognition of the professionalism demonstrated by the County in preparing accurate and timely financial reports, the State of California Office of the Controller bestowed Shasta County with their Award for Counties Financial Transactions Reporting for meeting the rigorous criteria of their award program for the year ended June 30, 2019. The County has received this award for 21 consecutive years, since the State implemented the award program in 1997.” (CAFR)

“The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Shasta for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the sixth consecutive year the County has received this prestigious award. In order to be awarded a Certificate of Achievement the County published an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.” (CAFR)

Shasta County has Policy 6-101 for issuing a Request for Proposal (RFP) on contract bids. In December 2019, the Board of Supervisors approved a renewal agreement with the outside contract auditor (CliftonLarsonAllen LLP) for an additional five-year period (April 2021 through June 2026). Initially, a five-year contract was signed in June 2015 with Gallina LLP for audit services. The firm merged into CliftonLarsonAllen LLP on January 1, 2017. The 2015-2016 Shasta County Grand Jury raised the issue of an RFP being circulated for the outside contract audit services. However, the Shasta County Board of Supervisors and the county's Auditor Controller dismissed the need for an RFP being circulated for competitive pricing by stating:

“Policy 6-101 does not require competitive procurement for the type of personal services provided by Gallina LLP. There is no law requiring the use of competitive procurement for these specialized professional services. Since Policy 6-101 does not require competitive procurement in this situation, the Board was not required to formally waive its use. Moreover, the Board of Supervisors is always able to

inquire about whether competitive procurement was utilized. In this case, the Board of Supervisors realized these are specialized services not provided by all firms and that there is cost savings to utilize professionals familiar with the County's systems."

The Shasta County Board of Supervisors and the county's Auditor Controller also stated, "Auditing California counties is a highly-specialized practice and CliftonLarsonAllen LLP is the primary audit firm for small California counties. At last count, the firm was providing audit services to 40 counties."

CONCLUSION

The 2020-2021 Shasta County Grand Jury finds the Board of Supervisors fulfilled the requirements of California Penal Code Section 925 and Government Code Sections 25250 and 31000. From a contract pricing standpoint, the first five-year agreement – signed in 2015 – was for \$434,215. The second five-year agreement – signed in December 2019 – was for \$449,035. This difference represents a 3.4% increase in price, representing an immaterial increase considering the fact it is spread over a five-year period from the initial contract. In conclusion, the outside professional services provided by a national accounting firm (CliftonLarsonAllen LLP) are serving the County of Shasta in a cost-efficient manner.

GLOSSARY

CAFR: County's Comprehensive Annual Financial Report

RFP: Request for Proposal

REFERENCES

SHASTA County's Policy 6-101

California Penal Code Section 925

Government Code Sections 25250 and 31000

When there is a perception of a conflict of interest involving a member of the Grand Jury, that member has been required to recuse from any aspect of the investigation involving such a conflict and from voting on the acceptance of or rejection of that report. No member of the Grand Jury was recused from this report.

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.