



Agenda Item No. 3
September 1, 2010 Meeting

2010 AUG 25 AM 10: 33

DATE: August 16, 2010
TO: Children and Families Commission of Orange County
FROM: Michael M. Ruane, Executive Director 
SUBJECT: Fiscal Year 2009-10 Annual Financial Audit – Progress Report

SUMMARY:

Vavrinek, Trine & Day (VTD) is the external auditor for the Children and Families Commission of Orange County. The following is an update on the annual financial audit process that began in April 2010 and will conclude with the final audit report at the October 2010 Commission meeting.

Financial Audit Process – FY 2009-10

An initial status report on the progress of the FY 2009-10 Annual Financial Audit was presented at the July Commission meeting. Following the July Commission meeting, Roger Alfaro, VTD Audit Partner, conducted an audit entrance meeting with Commissioners Kochendorfer and Snyder to provide a brief overview of the audit process and an update on new audit requirements and their impact to the Commission. A copy of the meeting handout is attached.

During July and August, VTD completed the majority of their field work at the Commission offices, including testing of various accounting transactions; verifying compliance with federal grant award requirements for the Single Audit Report; and validating AB 109 / SB 35 compliance audit requirements. At this point in the process, VTD has made no findings of material weaknesses, significant deficiencies or other audit recommendations.

Next Steps

To keep the Commission fully informed, any new information received since transmittal of this report will be presented at the September Commission meeting. The Comprehensive Annual Financial Report (CAFR) will be issued and scheduled for review in September, and presented to the Commission for final approval at the October Commission meeting.

STRATEGIC PLAN & FISCAL SUMMARY:

No funding action is proposed for this item.

RECOMMENDED ACTION:

Receive and file progress report.

ATTACHMENT:

1. SAS 114 Meeting Handout

Contact: Brenda Manriquez



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

Attachment 1



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SAS 114 Meeting

The VTD Team



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Roger Alfaro

Audit Partner

Kevin Pulliam

Technical Review Partner

Kinnaly Soukhaseum

Engagement In-Charge Supervisor

Lily Tran

Engagement In-Charge Supervisor

Audit Scope



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Perform the audits of the:

- Orange County Children and Families Commission Comprehensive Annual Financial Report (CAFR)
- State Compliance – *Standards and Procedures for Audits of California Counties Participating in the Children and Families Program* issued by the State Controller's Office
- OMB A-133 Single Audit (as applicable)

Our Responsibility Under GAAS



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Our Responsibility under U.S. Generally Accepted Auditing Standards :

- Express opinions about whether the financial statements that have been prepared by management with the oversight of the Commission are presented fairly, in all material respects, in conformity with generally accepted accounting principles
 - Reasonable, not absolute assurance
- Consider internal control; no opinion will be expressed
- Express an opinion on compliance applicable to major federal programs (OMB A-133 Single Audit)
- Issue a report on state compliance SCO guidelines

Our Responsibility Under GAAS



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Our Responsibility under U.S. Generally Accepted Auditing Standards :

■ Communicate other matters:

- Qualitative aspects of accounting policies and accounting estimates and note disclosures
- Difficulties encountered
- Uncorrected misstatements
- Material corrected misstatements
- Disagreements with managements
- Management representations
- Consultations with other accountants

Planned Scope and Timing



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Timeline:

- Planning and Interim Fieldwork – April/May
- Single Audit – July
- Final Fieldwork – August
- Report Delivery – September

Planning and Interim



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Planning:

- Meet with Management
- Identify audit risk areas
- Inspect financial and other information

Interim

- Internal controls – design and implementation, or test
- Risk assessments
- Key business cycles – receipts, disbursements, payroll, investments/debt, capital assets, financial reporting, IT and budget
- State Compliance – Guidelines issued by State Controller

Year-End Fieldwork



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Final:

- Perform substantive tests, on a sample basis on account balances and transactions, including but not limited to:
 - Analytical procedures
 - Third party confirmation
 - Tracing/vouching to supporting documentation
- Determine the adequacy of the financial statements and disclosures
- Assessing accounting principles used and significant estimates

Our Approach



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Exit

- Discuss audit adjustments
- Present findings and recommendations
- Provide required communications

Audit and Accounting Standards



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Effective June 30, 2010

■ GOVERNMENTAL ACCOUNTING STANDARD No. 51

- In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Effective June 30, 2010.

■ GOVERNMENTAL ACCOUNTING STANDARD No. 53

- In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Effective June 30, 2010.

■ GOVERNMENTAL ACCOUNTING STANDARD No. 58

- In December 2009, the GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. Effective June 30, 2010.

Audit and Accounting Standards



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Effective subsequent to June 30, 2010

■ GOVERNMENTAL ACCOUNTING STANDARD No. 54

- In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Effective June 30, 2011.

■ GOVERNMENTAL ACCOUNTING STANDARD No. 57

- In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Effective June 30, 2011.

Other



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Questions