

**LOCAL AGENCY FORMATION COMMISSION
MEETING AGENDA**

Wednesday, December 12, 2007
9:00 a.m.

Room 381B
Kenneth Hahn Hall of Administration
500 West Temple Street, Los Angeles 90012

A person with a disability may contact the LAFCO office at (818) 254-2454 at least 72 hours before the scheduled meeting to request receipt of an agenda in an alternative format or to request disability-related accommodations, including auxiliary aids or services, in order to participate in the public meeting. Later requests will be accommodated to the extent feasible.

1. **CALL MEETING TO ORDER.**
2. **PLEDGE OF ALLEGIANCE WILL BE LED BY CHAIRMAN GLADBACH.**
3. **CONSENT ITEMS**

All matters are approved by one motion unless held by a Commissioner or member(s) of the public for discussion or separate action.

- a. Approve Minutes of November 14, 2007.
 - b. Receive and file Municipal Service Review and Sphere of Influence Update.
 - c. Receive and file update on pending applications.
 - d. Approve Operating Account Check Register for the month of November 2007.
4. **OTHER ITEMS**
 - a. Award of Contract to perform audit services for Fiscal Years ending 2004, 2005, 2006 and 2007.

5. **PUBLIC COMMENT**

This is the opportunity for members of the public to address the Commission on items that are not on the posted agenda, provided that the subject matter is within the jurisdiction of the Commission. Speakers are reminded of the three-minute time limitation.

6. **FUTURE MEETINGS**

January 9, 2008
January 23, 2008
February 13, 2008
February 27, 2008

7. **FUTURE AGENDA ITEMS**

Items not on the posted agenda which, if requested, will be referred to staff or placed on a future agenda for discussion and action by the Commission, or matters requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Commission subsequent to the posting of the agenda.

8. **ADJOURNMENT MOTION**

Staff Report

December 12, 2007

Agenda Item No. 4a

Award of Contract for Audit Services

On October 19, 2006 a notice of availability of a Request for Proposals was mailed to eleven firms inviting them to submit bids to perform an audit of LAFCO's financial records for Fiscal Years 2003-04, 2004-05 and 2005-06. Firms receiving an RFP were those identified by the Los Angeles County Auditor-Controller as qualified, Certified Public Accountant (CPA) firms, or CPA firms recommended by other LAFCOs.

Of the eleven firms receiving RFPs, two firms submitted proposals for the requested fiscal years. As showed on the following chart the total aggregate amount submitted by each firm for three fiscal years is equivalent.

FIRM	2003-04	2004-05	2005-06	Total
Vasquez & Company LLP	\$6500	\$6500	\$6500	\$19,500
Mayer Hoffman Mc Cann P.C.	\$6400	\$6500	\$6600	\$19,500

Subsequent to the close of the financial books for Fiscal Year 2006-07, staff invited the responsive proposers to update the original RFP to include an audit of the financial records for Fiscal Year 2006-07. Vasquez and Company submitted an updated proposal that included four fiscal years at a cost of \$26,000.00. Mayer Hoffman Mc Cann P.C.'s (MHM) updated proposal came in at \$26,600.00, for the four fiscal years. MHM estimates that it will take 280 hours or 7 weeks to complete the audits. Vasquez and Company estimates it can complete the audits in 200 hours or 5 weeks.

After reviewing the proposals, staff determined that both firms are well qualified to perform the audits. Each has a working knowledge of LAFCO. MHM has provided accounting assistance and guidance to the Orange County LAFCO since their legal separation from the County of Orange. However, Vasquez and Company has a more superior knowledge of this LAFCO as they are the firm who performed the audit of our books for Fiscal Years 2001-02 and 2003-03.

Recommended Action

It is staff's recommendation that the commission award the contract for audit services to the lowest-cost proposer, Vasquez and Company, at a total cost of \$26,000.00, for fiscal years ending 2004, 2005, 2006 and 2007, and authorize the Executive Officer to finalize negotiations with Vasquez and Company and execute the contract, in substantially similar form to the attached, subject to approval as to form by County Counsel.

- A. Consultant's Fees. In consideration of the performance by the Consultant in a manner satisfactory to LAFCO of the work set forth in Exhibit "A", LAFCO agrees to pay the Consultant in accordance with the fee schedule set forth in Exhibit "C", up to the not to exceed fee of \$XX,XXX.00, during the term of this Agreement.
- B. Expenses. Except as specified in this Section, Consultant shall, at its own expense, provide all labor, equipment, maintenance, material, supplies, postage, licenses, registration, data systems, transportation, meals, lodging, telephone expenses, cellular phone expenses, photocopying services, facsimile transmission services and other items required for performance of the Agreement. LAFCO shall reimburse the actual cost to the Consultant of the following items when incurred in the performance of the Agreement:
- printing and photocopying for distribution to persons other than parties to the Agreement or their employees;
 - reproduction and enlargement of large-format graphics; and
 - transportation to meetings outside of Los Angeles County.
- Consultant shall also be compensated for special and extraordinary goods and services approved in advance by the Executive Officer. Any expenses in excess of \$XXX.00 for any single item or \$XXX.00 in any single month must be approved in advance by the Executive Officer.
- C. Sub-Consultants. If the Consultant requires the expertise of sub-consultants to fulfill its responsibilities, the Consultant shall notify the Executive Officer. The Consultant shall not contract with any sub-consultant without the prior written approval of the Executive Officer.

- D. Invoices. Consultant shall submit Task invoices accompanied by a report of work performed within ten (10) days after the end of each calendar month in which services are performed or expenses incurred under this Agreement. The invoice submitted pursuant to this paragraph shall reference this Agreement and show the hours worked by each person who performed services during the billing period, the hourly rate of pay for each person who performed services, the dates on which the services were performed, a description of the services performed, actual out-of-pocket expenses incurred in the performance of the services, and such other information as the LAFCO Executive Officer may reasonably require. Consultant shall submit invoices in the manner provided for in Section 16, below. The Executive Officer shall approve or disapprove invoices within fifteen (15) days of receipt. Consultant shall be paid within fifteen (15) days of the Executive Officer's approval of each invoice.
3. LAFCO's Representative. The Executive Officer or his designee shall represent LAFCO in all matters pertaining to establishing the priority of the services to be rendered by Consultant pursuant to this Agreement.
4. Quality Assurance. Consultant will observe, at a minimum, the standards set forth in Section 5, below, and acknowledges that the adequacy of its compliance with the Agreement shall be measured by these standards as well as all other terms and conditions of the Agreement. The Executive Officer will evaluate Consultant's performance under this Agreement on not less than a semi-annual basis. Such evaluation will include assessing Consultant's compliance with all contract terms and performance standards. The Executive Officer will report deficiencies in Consultant's performance to LAFCO. The report will include improvement/corrective action measures to be taken by LAFCO and Consultant and a reasonable time period for compliance. If improvement does not occur consistent with the corrective action measures and within the time period approved by LAFCO, LAFCO may terminate this

Agreement. Upon such termination, LAFCO shall be entitled to pursue the same remedies against Consultant as it could pursue in the event of a default by Consultant. Nothing herein shall prevent LAFCO from utilizing any or all of the provisions of Section 9, below, at any time during the term of this Agreement with or without compliance with this Section.

5. Standards.

- A. Professional Standards. Consultant shall exercise independent judgment and complete each assignment in accordance with the professional standards of ethics and competence that apply to the profession of which Consultant is a member.
- B. Conflicts of Interest. Consultant shall accept no employment that conflicts with its obligations to LAFCO under this Agreement. Consultant shall have a continuing obligation to disclose any potential conflicts of interest prior to accepting other assignments, and may not accept any other assignments where a potential conflict exists without first obtaining LAFCO's approval.

6. Work Product.

- A. Ownership. All materials, data and other information of any kind obtained from LAFCO personnel and all materials, data, work product, reports, draft and final audits, and other information of any kind developed by Consultant under this Agreement are the property of LAFCO, and Consultant agrees to take all necessary measures to protect the security and confidentiality of all such materials, data, work product, reports, draft and final audits, and other information. Consultant shall not distribute any such materials, data, work product, reports, draft or final audits, or other information, in whole or in part, during or after the Agreement term, to anyone, without the prior written approval of the Executive Officer. The provisions of this Section shall survive the expiration or other termination of this Agreement.

B. Consultant to Maintain Files. Consultant shall maintain copies of files and documents relating its work performed under this Agreement, including supporting and backup data, and shall promptly make the files and documents available for LAFCO's inspection or shall deliver copies to LAFCO, upon request of the Executive Officer or his designee. LAFCO may require that some or all of Consultant's work product be provided in electronic format. Consultant shall turn over to LAFCO all original data, in either hard copy or electronic format, at the completion of this Agreement.

7. Record Retention and Inspection. LAFCO or any duly authorized representative of LAFCO shall have the right to examine, audit, excerpt, copy or transcribe any transaction, activity, time card, cost accounting record, financial record, data or other record pertaining to this Agreement or the work performed therein. Unless otherwise directed by LAFCO, Consultant shall keep all such material for four (4) years after the completion or termination of this Agreement or until all audits are complete, whichever is later. If any such records are located outside the County of Los Angeles, Consultant shall pay LAFCO for travel and per diem costs connected with any inspection or audit.

8. Audit Settlement. If, at any time during the term of the Agreement or at any time within four (4) years after the expiration or termination of the Agreement, authorized representatives of LAFCO conduct an audit of Consultant regarding performance of this Agreement, and if such audit finds that LAFCO's obligation for the payment of compensation is less than the payments made by LAFCO to Consultant, then Consultant agrees that the difference shall be either repaid forthwith by Consultant, or at LAFCO's option, credited to LAFCO against any future compensation payments. If such audit finds that LAFCO's obligation for the payment of compensation is more than the payments made by LAFCO to Consultant, then the difference shall be paid to Consultant by LAFCO, provided that in no event shall LAFCO's maximum obligation under this Agreement be exceeded.

9. Term and Termination. Except as otherwise provided for in this Agreement, this Agreement shall commence upon approval of this Agreement by the parties and continue for a period of one year. The Executive Officer may, subject to the approval of LAFCO and the Applicant, extend the Agreement term for an additional year, by notifying the Consultant in writing before the Agreement expiration date.

A. Termination for Convenience.

- (1) LAFCO may at its sole option and discretion cancel or terminate this Agreement, without cause, upon three (3) days written notice, without any liability other than the payment for work already performed. In the event of any such termination by LAFCO, LAFCO shall pay Consultant the hourly rate set forth in this Agreement for services rendered up to the date of termination of the Agreement. Within five (5) business days of such termination, Consultant shall transmit to LAFCO all finished or unfinished documents, records, data, information and/or work product created pursuant to this Agreement, accumulated to the date of such termination, in a form capable of assimilation for use by LAFCO.

B. Termination for Improper Consideration.

- (1) LAFCO may, by written notice to Consultant, immediately terminate the right of Consultant to proceed under this Agreement if LAFCO finds that consideration, in any form, was offered or given by Consultant, either directly or through an intermediary, to any LAFCO commissioner, officer, employee, or agent with the intent of securing the Agreement or securing favorable treatment with respect to the award, amendment, or extension of the Agreement or the making of any determinations with respect to the Consultant's performance pursuant to the Agreement. In the event of such termination, LAFCO shall be entitled to pursue the

same remedies against Consultant as it could pursue in the event of default by the Consultant.

- (2) Among other items, improper consideration may take the form of cash, discounts, service, the provision of travel or entertainment, or tangible gifts.
- (3) Consultant shall immediately report any attempt by a LAFCO commissioner, officer, or employee to solicit improper consideration from Consultant. The report shall be made to the County of Los Angeles Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861.

C. Termination for Default.

- (1) If Consultant fails to perform the work under this Agreement in accordance with the covenants, terms and conditions herein or fails to comply with any other covenant, term or condition of the Agreement, LAFCO may, by written notice of default to Consultant, terminate the whole or any part of the Agreement. Nothing in this Section shall prevent LAFCO from recovering any and all damages arising from the default. Alternatively, LAFCO may elect not to terminate the Agreement without waiving its right to such recovery.
- (2) LAFCO, in its sole discretion, may permit Consultant ten (10) calendar days from notification of default to cure the default. LAFCO, in its sole discretion, may also, by written notice, extend the cure period.
- (3) If Consultant does not cure the default to the reasonable satisfaction of LAFCO within the time specified by the notice of default or written extension of time, the Agreement or portion thereof, as determined by LAFCO, shall be terminated. Within five (5) business days of such

termination, Consultant shall transmit to LAFCO all finished or unfinished documents, records, data, information and/or work product created pursuant to this Agreement, accumulated to the date of such termination, in a form capable of assimilation for use by LAFCO.

- (4) LAFCO may provide the Consultant with ten (10) days written notice to terminate any sub-consultant of Consultant for failure to perform in substantial compliance with the terms and conditions of this Agreement and/or in accordance with applicable laws and regulations. In the event of termination of a sub-consultant by reason of default, Consultant shall self-perform or contract for another sub-consultant approved by the Executive Officer to take over the work and services, and prosecute the same to completion. Consultant shall be liable for any additional costs incurred by Consultant as a result of the replacement of the sub-consultant. In the Executive Officer's sole discretion, the Executive Officer may refrain from directing the Consultant to terminate the sub-consultant for default if the sub-consultant cures the default within ten (10) calendar days after the notice is given. The Executive Officer, in his sole discretion, may also, by written notice, extend the cure period, if the sub-consultant reasonably commences to cure its default within the ten (10) day period and diligently and in good faith continues to cure the default.

D. LAFCO's Remedies for Default.

- (1) In the event LAFCO terminates the Agreement in whole or in part for Consultant's default, LAFCO may procure replacement services from a third party or by LAFCO's employees upon such terms and in such manner as LAFCO deems appropriate. Consultant shall be liable to

LAFCO for any excess costs arising from the use of replacement services. Excess costs shall consist of those reasonable costs incurred by LAFCO in procuring comparable replacement services that exceed the costs LAFCO would have been obligated to pay to Consultant for the services in question.

- (2) Consultant shall not be responsible for the failure to perform if it arises out of causes beyond the control and without the fault or negligence of Consultant. Such causes may include, but are not restricted to, acts of LAFCO in either its sovereign or contractual capacity, acts of the federal and state governments in their sovereign capacities, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather. If the failure to perform is caused by the default of a sub-consultant arising from causes beyond the control of both Consultant and sub-consultant, and without the negligence of either of them, Consultant shall not be liable for any excess costs for failure to perform unless Consultant had sufficient time to obtain performance from another party.
- (3) The rights and remedies of LAFCO provided in this Section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

E. Default for Insolvency. LAFCO may terminate this Agreement for default without giving Consultant written notice of default and time to cure upon the occurrence of any of the following events:

- (1) Consultant becomes insolvent. Consultant shall be deemed to be insolvent if Consultant has ceased to pay its debts in the ordinary course of business or cannot pay its debts as they become due, whether

Consultant has committed an act of bankruptcy or not, whether Consultant has filed for federal bankruptcy protection and whether it is insolvent within the meaning of the federal bankruptcy law.

- (2) The filing of a voluntary petition to have Consultant declared bankrupt.
- (3) The appointment of a receiver or trustee for Consultant.
- (4) The execution by Consultant of an assignment of this Agreement for the benefit of creditors.

The rights and remedies of LAFCO provided in this Section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

10. Indemnification. Consultant agrees to indemnify, defend and hold harmless LAFCO, its commissioners, alternates, officers, employees and agents from and against any and all liability and expense, including defense costs and legal fees, arising from or connected with claims and lawsuits of third parties for damages or workers' compensation benefits relating to Consultant's operations or its services, including but not limited to, bodily injury, death, personal injury, property damage (including damage to Consultant's property) or economic injury. Consultant shall not be obligated to indemnify for liability and expense arising from the active negligence of LAFCO, its commissioners, alternates, officers, employees or agents.

11. Insurance. Without limiting Consultant's indemnification of LAFCO and during the term of this Agreement, Consultant shall provide and maintain at its own expense the following programs of insurance. Such programs and evidence of insurance shall be satisfactory to LAFCO and not contributing with any other insurance maintained by LAFCO. Certificates or other evidence of coverage and certified copies of additional insured endorsements shall be delivered to the Executive Officer, Local Agency Formation Commission for Los Angeles County (700 N. Central Avenue, Suite 350, Glendale, CA 91203), prior to commencing services under this Agreement, shall specifically identify this Agreement, and shall contain the express

condition that LAFCO is to be given written notice by registered mail at least thirty (30) days in advance of any modification or termination of insurance. Prior to the expiration of such insurance or any renewal or replacement policy, Consultant shall provide satisfactory proof of a renewal or replacement policy complying with this Agreement.

A. Liability Insurance. Such insurance shall be endorsed naming LAFCO and any and all sub-consultants as additional insured and shall include:

- (1) General liability insurance written on a commercial general liability form or on a comprehensive general liability form covering the hazards of premises/operations, contractual, independent contractors, advertising, products/completed operations, broad form property damage and personal injury with a combined single limit of not less than \$1,000,000 per occurrence. If written with an annual aggregate limit, the aggregate limit shall be not less than two (2) times the required occurrence limit. If written on a claims-made form, Consultant shall be required to provide an extended two-year reporting period commencing upon termination or cancellation of the Agreement.

(2) Comprehensive auto liability insurance endorsed for all owned, non-owned and hired vehicles with a combined single limit of not less than \$1,000,000 per occurrence.

B. Errors and Omissions Liability Insurance. Insurance in an amount not less than \$1,000,000 per claim, covering liability arising from any error, omission, commission or negligent act by Consultant, its officers, agents, employees or sub-consultants, in the performance of services under the Agreement. Such insurance shall apply to liability assumed by the insured that results from an error, omission, commission or negligent act of the insured, its officers, employees, agents or sub-consultants. The policy or endorsement shall specifically identify this Agreement.

C. Workers' Compensation Insurance. Workers' compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability, with a \$1,000,000 limit covering all persons Consultant is required to cover.

D. Failure to Procure Insurance. Failure on the part of Consultant to procure or maintain the required insurance shall constitute a material breach of the Agreement for which LAFCO may immediately terminate the Agreement.

12. Independent Contractor. Consultant shall at all times be acting as an independent contractor. This Agreement is not intended, and shall not be construed, to create the relationship of agent, servant, employee, partnership, joint venture or association as between LAFCO and Consultant. Consultant understands and agrees that all of Consultant's personnel who furnish services to LAFCO under this Agreement are employees solely of Consultant and not of LAFCO for purposes of workers' compensation liability. Consultant shall bear the sole responsibility and liability for furnishing workers' compensation benefits to Consultant's personnel for injuries arising from or connected with the performance of this Agreement. Consultant shall comply with

all federal, state, and local statutes, laws, and ordinances related to the payment of employer, income, disability, or other tax which may be due by virtue of any compensation received by Consultant under this Agreement.

13. Compliance with Anti-Discrimination Laws.

- A. Consultant certifies and agrees that all employees and/or sub-consultants of Consultant are and will be treated equally during the term of this Agreement, without regard to their race, color, religion, sex, ancestry, age, physical disability, marital status, political affiliation, or national origin, and in compliance with all anti-discrimination laws of the United States of America and the State of California.
- B. Consultant shall allow LAFCO access to the employment records of Consultant's staff during regular business hours to verify compliance with these provisions when requested by LAFCO.
- C. If LAFCO finds that any of the above provisions have been violated, the same shall constitute a material breach of this Agreement upon which LAFCO may determine to terminate the Agreement. While LAFCO reserves the right to determine independently that the anti-discrimination provisions of this Agreement have been violated, a final determination by the California Fair Employment Practices Commission or the Federal Equal Employment Opportunity Commission that Consultant has violated state or federal anti-discrimination laws shall constitute a finding on which LAFCO may conclusively rely that Consultant has violated the anti-discrimination provisions of this Agreement.
- D. The parties agree that in the event Consultant violates the anti-discrimination provisions of the Agreement, LAFCO, at its option, shall be entitled to a sum of five hundred dollars (\$500) per violation, pursuant to Section 1671 of the

California Civil Code, as damages in lieu of terminating the Agreement.

14. Compliance with Civil Rights Laws. Consultant hereby assures that it will comply with all applicable federal and state statutes to the end that no person shall, on the grounds of race, religion, color, sex, age, physical disability, marital status, political affiliation or national origin, be excluded from participation in, be denied the benefits of, nor be otherwise subjected to discrimination under this Agreement or under any project, program, or activity supported by this Agreement.

15. Compliance with Federal, State and Local Laws. Consultant agrees to comply with all applicable federal, state and local laws, rules, regulations, ordinances, or codes and all provisions required by these laws to be included in this Agreement are incorporated herein by reference. Consultant agrees to defend, indemnify and hold LAFCO harmless from any loss, damage, liability or expense resulting from a violation on the part of Consultant of such laws, rules, regulations or ordinances.

16. Notice. Notice pursuant to this Agreement shall be given in writing and deposited with postage prepaid in the United States Mail, addressed as follows:

LAFCO

CONSULTANT

Local Agency Formation Commission for Los Angeles County
700 N. Central Avenue, Suite 445
Glendale, CA 91203
Attention: Executive Officer

The address for notice may be changed by giving notice of such change pursuant to this Section.

17. Entire Agreement. This Agreement constitutes the entire agreement between LAFCO and the Consultant and may be modified only by further written agreement between the parties hereto. The unenforceability, invalidity or illegality of any provision of this Agreement shall not render the other provisions thereof unenforceable, invalid, or illegal.

18. Waiver. No waiver of a breach of any provision of this Agreement by either party shall constitute a waiver of any other breach of the provision or any other provision of the Agreement. Failure of either party to enforce a provision of the Agreement at any time, or from time to time, shall not be construed as a waiver of that provision or of any other provision of the Agreement. The remedies contained in this Agreement shall be cumulative and additional to any other remedies in law or equity.

19. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

20. Disclosure of Information. Consultant shall not disclose any details in connection with this Agreement or any of Consultant's work product to any third party, except as may be specifically provided for in this Agreement, as required by law or as directed by the Executive Officer. Recognizing Consultant's need to identify its services and clients, however, Consultant may publicize this Agreement, subject to the following limitations:

- A. All publicity shall be presented in a professional manner.
- B. The name of LAFCO shall not be used in commercial advertisements, press releases, opinions or feature articles, without the prior written consent of LAFCO. LAFCO shall not unreasonably withhold written consent.
- C. Consultant may list the Agreement in any other proposal submitted in response to a request for proposals or bids from a third party without prior written permission of LAFCO.

21. Delegation and Assignment. Consultant may not delegate its duties or assign its rights under this Agreement, either in whole or in part, without the prior written consent of LAFCO. Any delegation of duties or assignment of rights under the Agreement without the express written consent of LAFCO shall be null and void and shall constitute a breach for which the Agreement may be terminated. Any delegation or assignment shall be in the form of a subcontract or formal assignment, as applicable.

22. Changes and Amendments. Except as provided in this Section, renewals and other modifications of this Agreement shall be in writing and shall be executed by the parties and approved by LAFCO in the same manner as the Agreement. A change which does not materially affect the Scope of Work, period of performance, compensation, method of payment, insurance, indemnity, or other material term or condition of the Agreement shall be effective upon the Executive Officer and Consultant signing a change notice or other writing reflecting a modification of the Agreement. The Executive Officer may, in his sole discretion, grant Consultant extensions of time for performance of the work where such extensions do not materially affect the work. Such extensions shall not be deemed to extend the term of this Agreement.

23. Time. Except as specifically otherwise provided in this Agreement, Consultant shall perform its services hereunder with due and reasonable diligence consistent with sound professional practices, and all terms and conditions of the Agreement with respect to such performance shall be so construed.

IN WITNESS WHEREOF, the parties executed this Agreement as of the date first above written.

LOCAL AGENCY FORMATION
COMMISSION FOR LOS ANGELES
COUNTY

CONSULTANT

By _____
SANDOR L. WINGER
Executive Officer

By _____

APPROVED AS FORM:

RAYMOND G. FORTNER JR.
County Counsel

By _____
Deputy

This Agreement made and entered into as of this day of, xxxxxx xx, 2007 between the Local Agency Formation Commission ("LAFCO") and _____, hereinafter referred to as "CONSULTANT."

EXHIBIT "A"

STATEMENT OF WORK

Project Title

Financial Audits of the Local Agency Formation Commission for Los Angeles County:

1. Fiscal Year 2003/2004
2. Fiscal Year 2004/2005
3. Fiscal Year 2005/2006
4. Fiscal Year 2006/2007

I. SCOPE/OBJECTIVES

The Consultant will perform an examination of the financial statements of LAFCO for the years ended June 30, 2004, June 30, 2005, June 30, 2006 and June 30, 2007 in accordance with generally accepted auditing standards. In addition, the Consultant shall adhere to the requirements of GASB 34. The Consultant shall issue a report, expressing an opinion on the financial statements.

If applicable, in conjunction with the financial/compliance audit, the Consultant shall prepare a separate management letter for LAFCO disclosing any findings and recommendations for improved operations.

In addition, the Consultant may be asked to perform other financial and/or compliance audits of LAFCO. If this need arises, such additional audits will be negotiated as separate amendment(s) to the Contract for Professional Services (Contract) at the hourly billing rates set forth in the Proposal.

II. FIELDWORK DELIVERABLES

- A. A practical work schedule identifying anticipated accomplishments for the first week of the project will be due at the entrance conference.
- B. A detailed work schedule, including identifiable milestones, for the remainder of the project will be due one week after the entrance conference.

- C. Monthly written progress reports shall be submitted to the LAFCO Executive Officer or his designee for the duration of the project. Each report shall be submitted on the eighth workday of the following month. The LAFCO Executive Officer or his designee shall monitor the progress reports to ensure successful completion of the Contract within the schedule. The reports shall contain the following information:
1. Overview of the reporting period
 2. Summary of project status as of reporting date
 3. Tasks, deliverables, services and other work scheduled for the reporting period that were completed
 4. Tasks, deliverables, services and other work scheduled for the reporting period that were not completed
 5. Tasks, deliverables, services and other work completed in the reporting period that were not scheduled
 6. Tasks, deliverables, services and other work to be completed in the next reporting period
 7. Issues to be resolved
 8. Issues resolved
 9. Any difficulties encountered by the Consultant that could jeopardize the completion of the Contract or milestones or deliverables within the schedule
 10. Updated milestone chart
 11. Statement whether and when 75% of the Contract Not-to-Exceed Fee has been incurred
 12. Any other information which LAFCO may from time-to-time require
- D. The Consultant shall properly document their audit test work in workpapers. Workpapers shall be made available to LAFCO representatives upon request.

III. REPORT DELIVERABLES

- A. Six (6) copies of the draft reports for each audited year itemized below shall be submitted to the LAFCO Executive Officer by November 27, 2006. An exit conference will be scheduled within two weeks of the date of the draft reports.
- B. Final reports for each audited year will be submitted to the LAFCO Executive Officer one week following LAFCO staff's response to the draft reports. Subsequently, the report will be transmitted to the Commission.

Twenty (20) copies of each final report and three reproducible masters of all materials, and a disk copy of each report in an IBM PC/Microsoft Office Suite compatible file format will be supplied to the LAFCO Executive Officer at the completion of the project. Each final report shall include:

- 1. Report on Examination of Financial Statements

The report shall:

- a. Set forth the scope of the examination, together with an opinion in compliance with Rule 58.1 of the State Board of Accountancy.
- b. Include the financial statements customarily associated with such reports.
- c. Include such explanatory footnotes as considered necessary to disclose all material items.

- 2. Report on Internal Controls

The Consultant must report on the understanding of LAFCO's internal control structure and the assessment of control risk made as part of the financial/compliance audit. The report shall include:

- a. The scope of Consultant's work in obtaining an understanding of the internal control structure and in assessing the control risk.
- b. LAFCO's significant internal controls or control structure including the controls established to ensure compliance with laws and regulations that have a material impact on the financial statements and results of the financial/compliance audit.

- c. The reportable conditions, including the identification of material weaknesses, identified as a result of the auditors' work in understanding and assessing the control risk.
- d. Any conditions noted which are contrary to LAFCO's governing statutes.
- e. Any findings and recommendations for correcting any deficiencies and/or weaknesses disclosed in the report on internal controls.

C. Management Letter

- 3. The Consultant shall submit ten copies of a draft Management Letter with the draft reports as specified in Section III.A.
- 4. In the Management Letter, the Consultant shall identify any material problems and include specific recommendations for improvements in these problem areas. A copy of LAFCO's responses to the recommendations shall be included. In addition, the Consultant should note in the Letter any procedures, controls, etc., which result in superior performance by LAFCO.
- 5. The Management Letter will be reviewed at the exit conference as specified in Section III.A.
- 6. Twenty (20) copies of the final Management Letter and three reproducible masters of all materials, and a disk copy of the Management Letter in an IBM PC/Microsoft Office Suite compatible file format will be delivered with the final report as specified in Section IV.B. Subsequently, the Management Letter will be transmitted to the Commission.

V. SUBMISSION OF DELIVERABLES

All progress reports, invoices, draft reports, final reports, and any other deliverables should be mailed or delivered to:

Mr. Sandor L. Winger, Executive Officer
Local Agency Formation
700 North Central Avenue, Suite 445
Glendale, CA 91203