

**AGREEMENT BETWEEN THE BOARD OF SUPERVISORS OF THE  
COUNTY OF SAN MATEO, STATE OF CALIFORNIA,  
THE GRAND JURY OF THE COUNTY OF SAN MATEO, AND**

**MACIAS, GINI & COMPANY LLP**

**CERTIFIED PUBLIC ACCOUNTANTS, FOR POST-AUDITS,  
EXAMINATION OF VARIOUS COUNTY AUDITORS' FINANCIAL STATEMENTS  
AND FOR OTHER SPECIFIED AUDIT WORK FOR YEARS ENDING  
JUNE 30, 2003, 2004, AND 2005**

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**THIS AGREEMENT**, made and entered into the -- day of March, 2003, by and between the BOARD OF SUPERVISORS OF THE COUNTY OF SAN MATEO and the GRAND JURY OF THE COUNTY OF SAN MATEO, both of which shall hereinafter be included in the term "County," and MACIAS, GINI & COMPANY LLP, CERTIFIED PUBLIC ACCOUNTANTS, hereinafter call "Auditors."

**W I T N E S S E T H:**

**WHEREAS**, the Grand Jury of the County of San Mateo and the Board of Supervisors of the County of San Mateo have determined to engage Auditors for the purpose of acquiring a post audit of the financial transactions and records of the County of San Mateo in accordance with generally accepted auditing standards, the standards set forth for financial audits in the current General Accounting Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984 (as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* as well as the following additional requirements:

- California Government Code Section 25250 and Penal Code Section 925,
- Specific requirements of any compilations, audits or reviews performed under Exhibit A of this document, Scope of Work to be Performed.

**NOW, THEREFORE, IT IS HEREBY AGREED** by and between the County and Auditors as follows:

1. Term of Agreement. This Agreement shall be for the post-audit of the years ending June 30, 2003, 2004 and 2005 only and shall terminate upon satisfactory completion of said post audits in accordance with the Specifications for Audit set forth below. The County at its discretion can exercise two additional one-year options if performance is deemed satisfactory.

2. Specifications for Audit. Auditors shall comply with the specifications contained in that certain document attached hereto and made a part hereof, marked Exhibit "A" and entitled "Audit Specifications."

3. Completion of Audit. The Auditors shall perform the said audits in compliance with the specifications above mentioned and will diligently pursue said audits in conformance with the dates specified on that certain document attached hereto and made a part hereof, marked Exhibit "A" and entitled "Time Requirements." Reports shall be delivered as provided herein, provided that by August 22 the accounts for the year ending June 30 maintained by the Controller's Office, are properly closed and draft financial statements, notes and all required supplementary schedules and statistical data are available.

4. Compensation to Auditors. Auditors agree to perform the services required of them to be performed under this Agreement for an all-inclusive maximum amount not to exceed \$293,410.00 for the audit for the year ending June 30, 2003, \$308,829.00 for the audit for the year ending June 30, 2004, and \$323,756.00 for the audit for the year ending June 30, 2005. If there is a substantial change in the County's audit specifications outlined in Exhibit A, Auditor shall provide notice thereof and discussions will be held as to what amount will be paid if this Agreement is not terminated.

5. Extension of Audit and Provision for Compensation. Should any defalcation or other irregularity be encountered by Auditors during the performance of their work as herein specified which shall require the expenditure of time or services additional to that provided for in the specifications referred to in paragraph 2 hereof, such defalcations or irregularities shall be immediately brought to the attention of the Board of Supervisors and Grand Jury for their specific instructions in regard to the extension of the time provided for herein or in regard to the extension of compensation as provided herein. No additional time or services shall be expended by Auditors unless and until arrangements covering a charge for the additional work shall be agreed upon and approved by the Board of Supervisors and the Grand Jury.

6. Cooperation of County Officers. Auditors shall have unlimited power of investigation and the same powers with regard to compelling the attendance of witnesses and production of books and papers and administering of oaths, as are conferred upon Boards of Supervisors to the extent permitted by law. Every officer and employee shall give all required assistance and information to Auditors and submit to them for examination such books and papers of their office as may be requested. Any instance of lack of cooperation on the part of any such County officer shall immediately be brought by the Auditors to the attention of the Board of Supervisors and the Grand Jury.

7. Time for Payment of Compensation to Auditors. On or about May 26 of each contract year, Auditors shall submit to the Grand Jury, Controller and County Manager their progress report of work completed and request that their actual costs, not to exceed 35% of the maximum contract cost, be reimbursed based on their rate schedule specified in paragraph 4 above; and if the County is satisfied that Auditors have performed satisfactorily, the request for payment shall be approved by the Grand Jury at its next regular meeting thereafter.

Within ten (10) days after the receipt of the CAFR and all other September 22 deliverables as specified in Exhibit A under "Time Requirements", Auditors shall request that their actual costs, not to exceed an additional 45% for a total of 80% of the maximum contract cost, be reimbursed based on their rate schedule specified in paragraph 4 above; and if the

County is satisfied that the Auditors have performed satisfactorily all things required of them under the terms of this Agreement, the request for payment shall be approved by the Grand Jury at its next regular meeting thereafter.

Within ten (10) days after the receipt of the final report as specified in Exhibit A under "Time Requirements", Auditors shall submit to the County their statement that they have performed all services required of them under the terms of this Agreement; and if the County is satisfied that the Auditors have performed satisfactorily all things required of them under the terms of this Agreement, the remaining compensation for payment to Auditors shall be approved by the Grand Jury at its next regular meeting thereafter.

8. Reports. Auditors shall furnish to the Board twenty-five (25) copies of the audit reports to be furnished pursuant to the provisions of this Agreement on or before the due dates specified on Exhibit "A" attached hereto by delivering to the Board of Supervisors and the Clerk of said Board at the Hall of Justice and Records, County Government Center, 400 County Center, Redwood City, California 94063, subject to the conditions in paragraph 3.

At the same time, twenty-five (25) copies of the audit reports shall be delivered to the Grand Jury in care of the Executive Officer of the Superior Court.

9. Hold Harmless. Auditors shall indemnify, defend and hold County, its officers, agents, employees and independent contractors free and harmless from any loss or liability whatsoever, based or asserted upon any act or omission of Auditors, their partners, agents, employees, subcontractors and independent contractors, relating to or in any way connected with or arising from the accomplishment or failure to accomplish the services to be rendered hereunder, and Auditors shall defend at their expense, including attorneys' fees, County, its officers, agents, employees and independent contractors in any legal action based upon such alleged acts or omissions.

With respect to any action or claim which is subject to indemnification by Auditors as set forth above, Auditors shall, at their own costs, have the right to defend the same using counsel of their choice and shall have the right to adjust, settle, or compromise any such actions or claims without the prior consent of County provided; however, that any such adjustment, settlement or compromise in no manner whatsoever limits or circumscribes Auditors' indemnification to County as set forth above.

The duty of Auditors to indemnify and save harmless, as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

10. Insurance. Auditors shall not commence work under this Agreement until all insurance required under this section has been obtained and such insurance has been approved by the County's Risk Management Division. Auditor shall furnish to the County's Risk Management Division Certificates of Insurance evidencing the required coverage and there shall be a specific contractual liability endorsement extending the Auditor's coverage to include the contractual liability assumed by Auditors pursuant to this Agreement. These Certificates shall specify or be endorsed to provide that thirty (30) days notice must be given, in writing, to the County's Risk Management Division of any pending change in the limits of liability or of any cancellation or

modification of the policy.

a. Workers' Compensation and Employer Liability Insurance: Auditors shall have in effect during the entire life of this Agreement Workers' Compensation and Employer Liability Insurance providing full statutory coverage. In signing this Agreement, Auditor makes the following certification, required by Section 1861 of the California Labor Code:

*I am aware of the provision of Section 3700 of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement.*

b. Liability Insurance: Auditors shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect the Auditor while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from the contractor's operations under this Agreement, whether such operations be by the firm or by any sub-contractor or by anyone directly or indirectly employed by either of them and the amounts of such insurance shall be one million dollars (\$1,000,000.00) combined single limit bodily injury and property damage for each occurrence. The County may, at its sole discretion, require an increase in the amount of liability insurance to the level then customary in similar County agreements by giving sixty (60) days notice to Auditors. County and its officers, agents, employees and servants shall be named as additional insured on any such policies of insurance, which shall also contain a provision that the insurance afforded thereby to the County, its officers, agents, employees and servants shall be primary insurance to the full limits of liability of the policy, and that if the County or its officers and employees have other insurance against a loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, the County at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further work pursuant to this Agreement.

11. Non-Discrimination. Auditors, with regard to the work performed by them during the contract, shall not discriminate, in any way, against any person on the basis of race, color, religion, national origin, age, sex, sexual orientation, pregnancy, childbirth or related conditions, medical condition, mental or physical disability or veteran's status in connection with or related to the performance of this Agreement, selection of their employees or in the retention of sub-contractors, including procurement of materials and leases of equipment,.

Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement and subject the Auditors to penalties, to be determined by the County Manager, including but not limited to: i) termination of this Agreement; ii) disqualification of the Auditors from bidding on or being awarded a County contract for a period of up to 3 years; iii)

liquidated damages of \$2,500 per violation; iv) imposition of other appropriate contractual and civil remedies and sanctions, as determined by the County Manager.

To effectuate the provisions of this paragraph, the County Manager shall have the authority to: i) examine Auditor's employment records with respect to compliance with this paragraph; ii) set off all or any portion of the amount described in this paragraph against amounts due to Auditors under the Agreement or another Agreement between Auditors and County.

Auditors shall report to the County Manager the filing by any person in any court of any complaint of discrimination or the filing by any person of any and all charges with the Equal Employment Opportunity Commission, the Fair Employment and Housing Commission or any other entity charged with the investigation of allegations within 30 days of such filing, provided that within such 30 days such entity has not notified Auditors that such charges are dismissed or otherwise unfounded. Such notification shall include the name of the complainant, a copy of such complaint and a description of the circumstance. Auditors shall provide County with a copy of its response to the Complaint when filed.

Non-Discrimination - Employment. Auditors, with regard to the work performed by them during the contract, shall ensure equal employment opportunity based on objective standards of recruitment, selection, promotion, classification, compensation, performance evaluations, and management relations, for all employees under this AGREEMENT. Auditors' affirmative action policies shall be made available to County upon request.

Equal Benefits. With respect to the provision of employee benefits, Auditors shall comply with the County Ordinance which prohibits contractors from discriminating in the provision of employee benefits between an employee with a domestic partner and an employee with a spouse.

12. Auditors - Independent Contractor. It is understood and agreed that the Auditors in the performance of the services herein agreed to be performed by Auditors shall act as and be independent contractors and not agents or employees of the County; and that as an independent contractor, Auditors shall obtain no rights to any benefits which accrue to County employees.

13. Supervision of Work by Partner and Manager. Auditors covenant to have all work performed by them under the terms of this Agreement under the direct supervision of one of the partners and the assigned manager of said Auditors and warrant that all work will be carefully supervised. If the County believes the audit would benefit from the replacement of Auditors' assigned personnel, the County reserves the right to have any and all individuals replaced within a reasonable period of time.

14. Interest of Auditors. The Auditors will covenant that they presently have no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required to be performed under this Agreement. The Auditors further covenant that, in the performance of this Agreement, no persons having any such interest shall be employed.

15. Termination. This Agreement may be terminated in whole or in part at any time by County upon thirty (30) days written notice to Auditors. In the event of termination, Auditors shall be paid for acceptable work performed hereunder through the date of termination based upon the number of hours worked and allowable expenses incurred. After receipt of the notice of termination, Auditors shall perform only those duties specified by the County Manager.

16. Records. County reserves the right to use, duplicate, and disclose, in whole or in part, in any manner for any purpose whatsoever and to authorize others to do so, all writings, graphic representations and works of a similar nature produced by Auditors pursuant to this Agreement.

All records and data of the County which are appropriate and necessary to the audit will be made available to Auditors for review and evaluation.

17. Auditors' Personnel. The personnel employed by Auditors in carrying out their duties under this Agreement shall be those specified below and in Assigned Personnel in Section C of the Auditors' Technical Proposal. Auditors will notify the County of any changes in the specified personnel. The County shall have the right to approve the assignment of personnel or request replacements. The Auditors agree to make comparable personnel available for all audits.

Kevin J. O'Connell, Engagement Partner  
Cynthia Pon, Engagement Director  
Caroline Walsh, Technical Reviewer  
EDP and Hospital Consultants  
Linda Hurley, Engagement Manager  
Cynthia Fong, Senior Assurance Associate  
Darren Tieu, Senior Assurance Associate

18. Modification of Agreement. This Agreement, including Exhibit "A" and all Attachments thereto, plus the Request for Proposal and Auditors' proposal constitute the entire agreement between the parties. Any inconsistencies between the provision of these documents shall be resolved by giving precedence in the following order:

1. Agreement
2. County's RFP
3. Auditors' Technical and Cost Proposals

The Agreement may be modified only by a further written agreement between the parties hereto.

19. Non-Assignability. Auditor shall not assign this Agreement or any portion thereof to a third party, and any attempted assignment in violation of this Section shall be null and void and shall give the County the right to immediately terminate this Agreement if it chooses to do so.

20. Permits/Licenses. Auditor shall obtain and maintain any license, permit, or approval from any agency whatsoever for the work/services to be performed under this Agreement, at his/her own expense, prior to commencement of said work/services or forfeit any right to compensation under this Agreement.

21. Retention of Records. Auditor shall maintain all required records for seven (7) years after the County makes final payment and all other pending matters are closed.

22. Confidentiality. All financial, statistical, personal, technical, and other data and information relating to the County's operations which is made available to Auditor in order to engage in the performance of services under this Agreement shall be presumed to be confidential. Auditor shall protect said data and information from unauthorized use and disclosure. Auditor shall not, however, be required by this paragraph to keep confidential any data or information that is or becomes publicly available, is already rightfully in Auditor's possession, is independently developed by Auditor outside the scope of this Agreement, or is rightfully obtained from third parties or is required to be disclosed by judicial or administrative order, by subpoena or other legal requirement.

23. Governing Law and Severability. The terms and conditions of this Agreement shall be governed by, and construed in accordance with, the laws of the State of California (without giving effect to the choice of law principles thereof) with venue in the County of San Mateo Superior Court. If any provision of these terms is found by a court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions, but such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.

**IN WITNESS WHEREOF**, the parties have hereunto set their hands and seals the day and year first hereinabove written.

Attest:

BOARD OF SUPERVISORS, COUNTY OF  
SAN MATEO, STATE OF CALIFORNIA

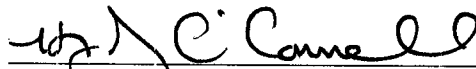
\_\_\_\_\_  
Clerk of Said Board

By: \_\_\_\_\_  
President, Board of Supervisors

GRAND JURY, COUNTY OF SAN MATEO

By: \_\_\_\_\_  
Foreman, Grand Jury

MACIAS, GINI & COMPANY LLP

By:   
"Auditors"

Certificate of Delivery  
(Government Code section 25103)

I certify that a copy of the original document filed in the Office of the Clerk of the Board of Supervisors of San Mateo County has been delivered to the President of the Board of Supervisors.

## EXHIBIT A

### AUDIT SPECIFICATIONS

Auditors shall perform all necessary services to perform audits as specified below for fiscal years ending June 30, 2003, 2004, and 2005:

#### **Scope of Work to be Performed**

The Auditors shall express an opinion on the fair presentation of the County's basic financial statements contained in a Comprehensive Annual Financial Report (CAFR) in conformity with accounting principles generally accepted in the United States of America.

The audit shall be performed in accordance with all applicable generally accepted auditing standards including but not limited to those set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's *Government Auditing Standards* (1994), the provisions of the Single Audit Act of 1984 (as amended in 1996) and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Audits of State and Local Governments.

The following sections provide additional detail and describe the specific areas to be audited.

1. The auditor shall conduct an audit of the financial statements of the County in accordance with auditing standards generally accepted in the United States of America and therefore shall conduct such tests of the accounting records and such other auditing procedures considered necessary under the circumstances in order that the auditor may render an opinion of the financial statements of the County for the fiscal year ending June 30.

The auditor is not required to audit the combining and individual fund financial statements and supporting schedules. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements. The auditor is not required to audit the introductory section of the CAFR or the statistical section of the CAFR.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

2. The auditor shall conduct a Single Audit in accordance with the Office of Management and Budget Circular A-133. The auditor shall, in conjunction with the audit of the County's financial statements, conduct audits described in the following three (3) paragraphs and issue separate reports thereon:



- a. The audits shall be the financial and compliance type described in the *Standards for Audit of Governmental Organizations, Programs, Activities and Functions* published by the Comptroller General of the United States.
- b. The auditor's examination of the County's financial statements shall be the financial type described in the AICPA Industry Audit Guide, *Audits of State and Local Governmental Units* and the *Governmental Accounting and Financial Reporting Standards* published by the Governmental Accounting Standards Board. The examination shall be conducted in accordance with auditing standards generally accepted in the United States of America leading to the expression of an opinion in compliance with Rule 58.1 of the California State Board of Accountancy.
- c. The compliance examination shall enable the auditor to determine whether the organization has complied with the laws and regulations that may have a material effect on each major Federal assistance program. The auditor shall supply special reports and expressions as required by the cognizant agency and express an opinion on the County's compliance with all Federal assistance programs in accordance with OMB Circular A-133. Audits of secondary recipients are excluded from this agreement.

The auditor is not required to audit the schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

3. The audit shall include a review to determine if the County is complying with the uniform accounting standards and procedures as specified by the State of California Administrative Code.
4. The scope of the audit shall include examination by selective tests of financial transactions of the County as reflected in the records of the County Controller and, to the extent deemed necessary, the records of financial transactions in other County offices, institutions and departments. The extent of tests necessary for such other offices, institutions and departments will be determined by the auditor.
5. The auditor shall examine and review the responses of the County departments to the recommendations of the prior year audit arising out of its examination of the internal controls and accounting procedures of said departments and offices of the County for the fiscal year ended. The auditor will render a written report of recommendations and conclusions to the Controller, the Audit Committee, County Manager and Grand Jury foreman each fiscal year. Each year the auditor shall communicate in a letter to management any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record,

- process, summarize, and report financial data consistent with the assertions of management in the financial statements.
6. The audit is not to cover the financial statements of school district funds and funds of special districts governed by local boards.
  7. The auditor shall audit the accounts of the Office of Criminal Justice Planning grants for each fiscal year ending June 30 and provide separate reports thereon.
  8. For each fiscal year ending June 30, the auditor shall conduct an examination and prepare separate reports on the County's compliance with the Investment Policy adopted by the Board of Supervisors and other relevant Government Code sections. A copy of the Investment Policy is included in Appendix B.
  9. For each fiscal year ending June 30, the auditor shall review the calculations of the appropriations limits of the County pursuant to the provisions of Proposition 111 (Section 1.5 of Article XIII B of the California Constitution). The review will evaluate the accuracy of the computations and the adequacy of documentation. A separate report thereon shall be provided by the auditor.
  10. The auditor shall audit the following three grants for the District Attorney's Office and issue separate reports thereon in accordance with grant requirements:
    - a. California Department of Insurance
      - Automobile Insurance Fraud Grant - Sub-Org 25132
      - Worker's Compensation Insurance Fraud Grant - Sub-Org 25131
    - b. California Department of Justice
      - Spousal Abuser Prosecution Program - Sub-Org 25141
  11. The auditor shall audit the Joint Powers Financing Authority and issue a report thereon. These financial statements will be blended into the County's financial statements and the auditor will provide the appropriate blending entries.
  12. The auditor shall perform a separate, stand-alone audit of the San Mateo Medical Center enterprise funds (inclusive of Clinics). This audit shall be performed in accordance with auditing standards generally accepted in the United States of America and shall comply with the applicable AICPA audit guide(s). In addition to the audited financial statements and accompanying footnotes of the San Mateo Medical Center, the auditor shall provide the appropriate entries for blending into the CAFR.

Following the completion of the audit of each fiscal year's financial statements, the auditor shall issue to the Controller, the Audit Committee, County Manager and Grand Jury foreman:

1. A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards "in relation to" the audited financial statements.
2. A report on compliance and internal control over financial reporting based on an audit of the financial statements.
3. A report on compliance and internal control over compliance applicable to each major federal program.

In the required reports on compliance and internal controls, the auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions that are also material weaknesses shall be identified as such in the report. Nonreportable conditions discovered by the auditor shall be reported in a separate letter to management, which shall be referred to in the reports on compliance and internal controls.

The reports on compliance and internal controls shall include all instances of noncompliance.

Irregularities and illegal acts. Auditor shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the County.

Reporting. Auditor shall assure themselves that the County is informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants

8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

### **Special Considerations**

1. The County will send its Comprehensive Annual Financial Report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. The auditor will be required to provide special assistance, primarily in the form of a technical review, to the County to meet the requirements of that program. Should the Award not be received for any fiscal year covered by the contract, it shall be considered sufficient grounds for the County to terminate the contract upon written notice.
2. The County currently does not anticipate in Fiscal Year 2003-04 it will prepare one or more official statements in connection with the sale of debt securities which will contain the general purpose financial statements and the auditor's report thereon.
3. The Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on compliance and internal controls are not to be included in the comprehensive annual financial report, but are to be issued separately.

### **Working Paper Retention and Access to Working Papers**

All working papers and reports must be retained, at the auditor's expense, for a minimum of seven (7) years, unless the auditor is notified in writing by the County of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

The Grand Jury

Audit Committee

County Management

U.S. General Accounting Office (GAO)

Parties designated by the federal or state governments or by the County as part of an audit quality review process

Auditor of entities of which the County is a subrecipient of grant funds

In addition, the auditor shall respond to the reasonable inquiries of successor auditor and allow successor auditor to review working papers relating to matters of continuing accounting significance.

**Time Requirements**

The County will have all records ready for audit and all management personnel available to meet with the auditor's personnel as of April 2, 2003.

- A. Schedule for the 2003 Fiscal Year Audit of the Comprehensive Annual Financial Report (CAFR) (a similar time schedule will be developed for audits of future fiscal years).

Each of the following should be completed by the auditor no later than the dates indicated. Should the County require additional time up to 40 days, the auditor shall ensure that the necessary auditor resources remain available to complete the audit as close to the scheduled dates as possible.

- 1. Interim Work

The auditor shall complete interim work by June 15.

- 2. Detailed Audit Plan

The auditor shall provide County by May 31 a list of all schedules to be prepared by the County.

- 3. Fieldwork

The auditor shall complete all fieldwork by September 15.

- 4. Draft Reports

The auditor shall have drafts of the audit report and recommendations to management available for review by the Controller, the Audit Committee, the County Manager and Grand Jury foreman by September 15.

- B. Entrance Conferences, Progress Reporting and Exit Conferences (A similar time schedule will be developed for audits of future fiscal years).

At a minimum, the following conferences should be held by the dates indicated on the schedule:

|  | <u>Week of</u> |
|--|----------------|
| Entrance conference with Controller,<br>County Manager and<br>Grand Jury foreman                                       | March 17       |
| Entrance conference with all<br>key finance department personnel<br>and department heads of key<br>offices or programs | March 17       |

- The purpose of this meeting will be to discuss prior audit problems and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the auditor

Progress conference with Controller and department heads of key offices or programs

May 19

- The purpose of this meeting will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested

Progress conference with Controller, County Manager and Grand Jury foreman

May 26

Progress conference with Controller, key finance department personnel and other department heads of key offices or programs

June 23

- The purpose of this meeting will be to discuss the year-end work to be performed

Entrance conference with Controller to commence year-end audit work

August 18

Exit conference with Controller and department heads of key offices or programs

September 8

- The purpose of this meeting will be to summarize the results of the field work and to review significant findings

Exit conference with Controller, Audit Committee, County Manager and Grand Jury foreman

September 8

C. Date Final CAFR Report is Due

The Controller shall prepare draft financial statements, notes and all required supplementary schedules and statistical data by August 22. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Controller by September 8. A revised report, including a draft auditor's report shall be delivered to the Controller by September 15.

The Controller will complete the review of the draft report as expeditiously as possible. It is not expected that this process should exceed one week. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Controller within 5 working days. It is anticipated that this process will be completed and the final report delivered by September 22.

The final report and 50 signed copies should be delivered by the auditor to the Controller at 555 County Center, 4<sup>th</sup> Floor, Redwood City, CA 94303. The auditor shall also deliver the report electronically in a format similar to the 2002 CAFR appearing on the Controller's internet site.

D. Draft JPFA Financial Statements and SEFA Statement

The Controller shall prepare draft financial statements, notes, supplementary information and supporting schedules for the Joint Powers Financing Authority (JPFA) by August 1, and shall prepare for the Single Audit a final draft Schedule of Expenditures of Federal Awards (SEFA) by October 1.

E. Assistance Provided to Auditors and Report Preparation

1. Controller's Office and Clerical Assistance

The Controller's Office staff and responsible management personnel will be available during the audit to assist the auditor by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the County under direction of the auditor.

2. Internal Audit Staff Assistance

Auditors are advised not to anticipate any field assistance from the internal audit division.

3. Work Area, Telephones, Photocopying and FAX Machines

The County will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to 1 telephone line, 1 modem line, photocopying facilities and FAX machines.

F. Report Preparation

Report preparation, editing and printing shall be the responsibility of the auditor and the County. Timetable for other reports listed in Scope of Work to be Performed:

| <b>Deliverables</b>  | <b><u>Due Date</u></b> |
|--|------------------------|
| • JPFA Report (#11)  | September 1            |
| • Comprehensive Annual Financial Report (CAFR) (250 bound copies) (#1)   | September 22           |
| • Report on Appropriation Limit (50 bound copies) (#9)   | September 22           |
| • Medical Center Enterprise Funds Audit Report (50 bound copies) (#12)   | September 22           |
| • Investment Policy Report (25 bound copies) (#8)  | November 15            |
| • Three (3) reports for the District Attorney's Office (5 bound copies each) (#10)                                 | November 15            |
| • Single Audit Reports (50 bound copies) (#2)  | December 20            |
| • Grants Funded by Office of Criminal Justice Planing for the Various Periods Ended June 30 (10 bound copies) (#7) | November 30            |
| • Management Letter (50 bound copies) (#5)   | November 30            |

Note: Numbers in parenthesis (#) refer to items in section entitled "Scope of Work to Be Performed".