



July 28, 2016

TO: LOCSO Board of Directors
FROM: Peter J. Kampa, Interim General Manager
SUBJECT: **Agenda Item 11F – 8/4/2016 Board Meeting**
Approve Task Order for Accounting Services

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DESCRIPTION

This item requests Board approval of a task order with Warmerdam CPA Group for the completion of District accounting work.

STAFF RECOMMENDATION

This item will be approved along with the Consent Calendar unless it is pulled by a Director for separate consideration. If so, Staff recommends that the Board adopt the following motion:

Motion: I move that the Board approve the task order for the completion of District accounting work with Warmerdam CPA Group.

BACKGROUND

Staff is recommending that the contract work with Warmerdam CPA be continued through the attached Task Order until the District's financial affairs are confirmed current, accurate and reporting in place. In September 2016, a report will be presented to the Board detailing management's evaluation and recommendations related to hiring or contracting for accounting services in the future. Further description of the District accounting needs and processes are included below in support of this recommendation.

In the past five years, the District has employed or contracted with three different persons to serve as District Accountant. The District organizational chart and job descriptions hold the Accountant as responsible for all of the technical financial accounting work of the District, conducted in compliance with all related laws, regulations and accounting standards. The District Accountant serves under direction of the General Manager in conducting this work, and the District has employed three different General Managers during this time period as well. Accounting for the District finances is a very responsible and highly technical function, and requires a high degree of cooperation and trust between management and the accountant, and among them and the Board.

With the high level of turnover in the District's top two positions of General Manager and Accountant, there has been a high degree of incomplete work, work performed incorrectly or in haste, basically causing a backlog of technical financial work spanning over 18 months in length. With the turnover of two accountants in the past six months and the large backlog of accounting work,

management turned to a firm with multiple Certified Public Accounts, experienced in special district financial matters. A General Services Agreement was entered into with Warmerdam CPA Group for this initial work; the initial extent of which was not immediately known. As of July 8, 2016, the accounting work needed for completion of the Fiscal Year 2014/15 audit was completed as well as all state reporting, clearing of delinquencies and deficiencies. Warmerdam continues to perform account and bank reconciliation activities which were not completed for the entire 2015/16 fiscal year, and are now required in preparation for the 2015/16 fiscal year audit and 2016/17 budget preparation.

We are now in the final stages of work to get all of the past incomplete financial accounting up to date, so that we can start off the 2016/17 fiscal year with accurate and understandable financial and accounting transactions and reporting, as directed by the Board. Three options were considered in completion of this work:

1. Hire a replacement District Accountant as soon as possible to complete the remaining accounting work and perform the ongoing accounting tasks
2. Contract for accounting services to complete the necessary accounting work and act as District Accountant
3. Contract for the technical financial accounting work and hire a Bookkeeper or Accounting Technician to perform the day to day data entries, filing, and documentation work required of the District Accountant. The contractor and staff support person would serve together to fulfill the District Accountant job functions.

Due to the immediate need to complete the 2015/16 transactions in preparation for the audit, as well as the 2016/17 budget preparation tasks, management has chosen to continue the contract with Warmerdam CPA Group for the next three months until such time as we are completely caught up on accounting work and have the structure and process in place to allow for either hiring a replacement District Accountant, contracting with a firm to serve as District Accountant through a Request for Proposals process, or a combination thereof. A decision on how best to fulfil the responsibilities of District Accountant on an ongoing basis will be presented to the Board by October 2016.

A scope of work has been prepared to describe the accounting work necessary as described above. The District expense authorization policy allows the General Manager to contract for work of up to \$25,000 without separate Board approval so long as the current budget contains funding to cover the cost. The 2016/17 Preliminary Budget contains adequate funding for completion of this work scope and to cover the cost of accounting work for the remainder of the fiscal year, however that may occur (future contractor or staff). The Board's policy further requires that a Request for Proposals (RFP) process be used to secure consulting services costing in excess of \$15,000. The purpose of this agenda item is to approve continued contracting with Warmerdam CPA Group for accounting services without going through the RFP process which will take approximately four to six weeks to complete. Once the 2015/16 fiscal year financial statements are closed out and annual audit started, the 2016/17 final budget adopted and financial reporting caught up through September 2016, the RFP process for accounting services can be initiated, unless the determination is made to hire a staff District Accountant.

FINANCIAL IMPACT

Approval of this task order commits the District to expenditures of up to \$25,000 under our general services agreement with Warmerdam CPA Group. Funding for the task order items related to the 2014/15 audit and related cleanup of district financial records, as well as the work necessary to reconcile and close out the 2015/16 fiscal year will be accounted for in the 2015/16 fiscal year's expenses. Task order work related to preparation of the 2016/17 fiscal year budget, assistance with revamping the District accounting systems and reporting, and serving as the District Accountant is contained within the approved preliminary 2016/17 fiscal year budget.

Attachment

Task Order #1

Scope of Work

Warmerdam CPA

July 1, 2016 – October 6, 2016

Warmerdam CPA, herein referred to as Consultant, shall provide the financial and accounting services typically provided by the District's staff accountant. The work detailed below is not all inclusive and Consultant shall work under the direction of the District Interim General Manager and perform the tasks thereby assigned, as well as work that may be assigned through actions of the Board of Directors. The maximum budget for this Task Order is (monthly Consultant billings of up to) \$25,000 through October 6 2016, not including the work completed for the 2014/15 fiscal year, which was completed in the 2015/16 fiscal year and to be billed in August 2016.

Accounting Tasks Related to the 2014/15 Fiscal Year

Consultant will complete any additional tasks, reports or adjustments necessary as a result of the 2014/15 fiscal year audit. The majority of the work associated with 2014/15 was completed and will be billed by August 2016, and included in the 2015/16 expenses at year end close.

Accounting Tasks Related to the 2015/16 Fiscal Year

Consultant shall perform the work necessary to bring the District's financial accounting and accounts up to current through the end of the fiscal year as quickly as possible and shall include but not be limited to the following:

- Assist in preparation of the 2016/17 Final Budget as directed by the GM
- Perform all necessary bank and investment account reconciliation
- Prepare the year-end financial statements and coordinate/perform the tasks necessary to complete the 2015/16 fiscal year audit in a timely manner
- Reconcile all reserve fund accounts
- Act as liaison with the District auditor and direct/perform the work necessary to ensure an efficient, timely and comprehensive audit process
- Prepare for the September 1, 2016 Board meeting a 2015/16 fiscal year-end report covering the status of actual revenues and expenses

Tasks for Quarter #1 of 2016/17 Fiscal Year

Consultant shall:

- Prepare Budget to Actual (Profit/Loss) reports beginning in September 2016, covering the month of July 2016 and prepare monthly thereafter
- Prepare the investment report (Treasurer's Report) required by law and District Policy to be delivered to the Board on a quarterly basis. The first three reports will be delivered for the October District Board meeting, covering the period of January – March 2016, April – June 2016, and July - September 2016.
- Process payroll and the required reports and payments to the IRS and EDD, CalPERS and process all other documents related to payroll
- Assist in the accounts payable process as requested
- Enter approved budget data into District accounting software as necessary and if required
- Maintain all required reporting to state including submittal of the 2015/16 State Controller's Report of Financial Transactions and Compensation Report
- Make any necessary GL entries and adjustments and secure GM approval where necessary

Additional Work as Needed

As the financial and accounting tasks of the District have been fulfilled in the past by a full time staff position, District employees at all levels had access to regular communication with and access to the Accountant, who was very knowledgeable in how to handle the day to day financial affairs of the District. To ensure that the District finances are managed in the most efficient and functional manner possible, Consultant will participate in and provide leadership and guidance in the following:

- Attend staff meetings by conference call and video conference if possible, and attend Board or Committee meetings if directed
- Address staff financial questions and concerns
- Assist management in developing accounting staffing plans to ensure that cost effective services are provided
- Provide guidance in the development of accounts and management of the accounting to ensure compliance with GAAP, GASB and legislative requirements
- Assist the District's Wastewater Assessment District Fiscal Consultant in the preparation of all necessary disclosure and compliance reporting as requested