

First 5 San Francisco
RFQ 2008/02 First 5 Audit Services
Bidder's Conference Q&A

Question: For the Expanded Audit, is that a compliance audit?

Answer: Yes. Most of the work is done by First 5 San Francisco staff before the auditors come. Policies were passed by the Commission based on all the areas listed in the Expanded Audit. The auditor will then look at whether or not the agency is complying with the policies. A binder was put together with most of the important information and only a bit of testing to do outside of the binder.

Question: How many auditors were in the field last year?

Answer: Just two staff people, but primarily the Audit Manager.

Question: How long were the auditors in the field?

Answer: The Audit Manager spent a minimal amount of time at the First 5 SF office. It took a few days—probably a total of two full days in the office. The rest of the work was done remotely.

Question: Do you have any federal funding?

Answer: No. We just have state and local funding.

Question: So basically, you guys prepare the financial statements and then we just come in to do the audit, right? (Do you compile the financial statements and notes or does the auditor?)

Answer: No. The auditor will compile the financial statements as well as conduct the audit. The First 5 SF Fiscal Officer gives input on the notes and statements. The notes are mostly boilerplate with little changes from year-to-year but input is needed on some items.

Question: What are you looking for in your audit firm?

Answer: It's hard to say since First 5 SF has only worked with one auditor. The main thing that has worked well in the relationship with the previous auditor has been the auditor's prompt response to our inquiries and willingness to meet when needed. As an aside, our accounting is done through the Accounting Department of Department of Children, Youth & Their Families (DCYF). Brandon Shou is DCYF's Accounting Manager. However, there will be a transition starting July 1, 2008 to the General Services Agency (GSA) for First 5 SF's accounting needs.

Question: How do you keep your budget outside of the FAMIS system (the City's accounting/budgeting system)?

Answer: First 5 SF mainly uses Microsoft Excel. Once First 5 SF's budget is loaded onto the City's budget system, it just adds to the previous balances that were there because First 5 SF's funds roll over from year-to-year. FAMIS (the City's accounting system) is not useful for managing one-year of revenues and expenses since it only shows a cumulative budget. The budget is monitored every month with reports from the DCYF accounting group which is then dropped into Excel and monitored against our budget. This is the only audit finding that needs to be resolved through City Hall - how to use FAMIS as the department's budgeting tool.

Question: You mentioned two funding sources that have audit requirements. Are there any other audit requirements from other governing agencies?

First 5 San Francisco
RFQ 2008/02 First 5 Audit Services
Bidder's Conference Q&A

Answer: No. The main requirements are all from the State. The Prop H funds that we have with the City are just included in this audit because it is an audit of the whole department. We have to include all funds, but there no other audit requirements for the Prop H funds.

Question: In addition to this audit, is there an operational review (compliance) that is also included in the report or is it just financial?

Answer: The Controller's office does that separately and is not a part of this audit.

Question: You mentioned that your agency takes care of most of this report. Is there an ongoing internal audit, quarterly review, financial review or something that takes place?

Answer: The First 5 SF Fiscal Officer reviews the financial statements every month and the Commission's Fiscal Committee reviews them quarterly.

Question: Are there any limitations to documents the auditor will have access to?

Answer: No. First 5 SF is a public agency, so there are no limitations.

Question: The audit is good for three years. Do you see any evolution in your audit process? Do you see in a couple of years any changes?

Answer: The one change that is happening is that the funds from Prop H for the Preschool For All program is an increasing revenue source. It is \$10 million this year, \$15 million next year, \$20 million the following year and then it will cap out at \$20 million until the legislation sunsets in 2015. We are actually a growing department. The funding is increasing but it does not exponentially increase our financial transactions because those dollars just go out through just a few agencies.

On the Prop 10 side, it is a declining revenue source. The idea of Prop 10, when the legislation was passed, was that increases in tobacco tax would lead to a decline in the level of smoking. It has only leveled off. First 5 SF gets about \$7 to \$7.5 million of regular Prop 10 funds and about \$1.6 million of special project funds from the State (for programs like CARES, Special Needs, School Readiness and Health Access). The special project funds will be going away. Approximately \$9 million that is being spent was covered by the State. This situation will change, but First 5 SF has a Prop 10 reserve fund which was approved by the Commission that will cover a year of operations. There is also a \$16 million Prop 10 sustainability fund that will be spent down over the next five years in conjunction with our Strategic Plan.

It is also possible that due to the City's budget deficit our Prop H revenues may be cut by 25% next year. Money is being placed into a reserve so that our programming will not be affected next year.

Our operations will not be changing drastically over the next three to four years. We are almost fully staffed. We have a staff of fourteen, and a full staff would be sixteen. There are a couple of open positions. We are not taking on any large new initiatives. The largest change in the past five years was starting the Preschool For All program, which doubled the size of our organization and amount of funds. There will be no large changes unless there are changes at the State level with the Prop 10 funds.

Question: How many responses did you have to your RFP last year?

Answer: About seven or eight.