First 5 LA - Scope of Work

The Work Plan and Timetables

1. Complete Work Plan/Project Description

   Overview of the Audits

   As required by the request for proposal our audit plan covers the engagements for:

   - Task 1: First 5 LA
     - Interim Work – May 2013
     - Fieldwork – August 2013
     - Draft Financial statement completed – September 2013
     - Presentation of draft statements to the Budget and Audit Committee – End of September
     - Draft report completed – October
     - Present financial statements to the Board of Commissioners – approximately October 14th
     - Audited Statements to the State of California – November 1st

   - Task 2: Single Audit, if applicable
     - The above noted timelines also apply to the audit and completion of the single audit.

   - Task 3: Agreed Upon Procedures; Investment compliance work relating to the investment portfolio maintained with the Los Angeles county Treasurer.
     - The agreed upon procedures work will coincide with the annual audit of First 5 LA.

2. Our Proposed Audit Plan

   Our audit plan for each of the fiscal years involves six (6) stages for each audit. These stages are:

   Stage 1, Planning
   Stage 2, Risk Assessment
   Stage 3, Preparation of the overall audit plan
   Stage 4, Conducting the Interim Audit
   Stage 5, Conducting the Final Audit
   Stage 6, Reporting

   Stage 1, Planning

   VTD will meet with key staff to plan the audit services for the year. These meetings will discuss all audit issues and the proposed interim work plan.

   Stage 2, Risk Assessment

   Based upon the information obtained in the planning meetings VTD will perform a risk assessment as required by Statements on Auditing Standards (SAS) to be used in the preparation of the overall audit plan.
2. Our Proposed Audit Plan, (Continued)

Stage 3, Preparation of the overall audit plan

Once the planning and risk assessment process are complete an overall audit plan will be prepared. The plan will specify each audit task, staffing assignments, timelines, and due dates. The plan will also break down the work assignments between interim and final audit timelines. The audit plan will include the transaction cycles which have been selected for internal control testing and those for which only the detailed walk through will be performed.

Stage 3, Preparation of the overall audit plan, (Continued)

Once the audit plan has been completed the prepared by client (PBC) requirements and the responsibilities of the auditor document will be prepared. The document listing will be detailed by specific task and will include the due dates and names of the persons responsible for each task.

Stage 4, the Interim Audit

Our interim fieldwork dates will occur during May timeframe. The specific weeks will be determined during the planning meeting and preparation of the audit plan process. Our interim work will include the following:

We will obtain an understanding of the Commission’s internal control and compliance with the Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act (First 5).

We will also obtain an understanding of the design and implementation of the financial reporting system to understand the flow of information for:

1. Each class of transactions that is significant to the financial statements.
2. The procedures within both automated and manual systems, by which those transactions are initiated, authorized, recorded, processed, and reported in the financial statements.
3. The related accounting records, whether in electronic or manual supporting information, and specific accounts in the financial statements involved in initiating, authorizing, recording, processing and reporting transactions.
4. How the information systems captures events and conditions other than classes of transactions that are significant to the financial statements.
5. The financial reporting process used to prepare the Commission’s financial statements, including significant accounting estimates and disclosures.

Testing the effectiveness of internal controls will be accomplished for the significant internal controls systems for which we plan to place reliance. To gain efficiencies our control testing will be structured so that it can be used for each of the audits we will perform.

Other areas to be completed at the interim audit include SAS No. 99 interviews and documentation.

Discuss workable solutions for potential findings that have been identified and communicated to the Commission during the audit process.
First 5 LA - Scope of Work

2. Our Proposed Audit Plan, (Continued)

Stage 5, the Final Audit

We will commence our final fieldwork as soon as First 5 LA has sufficiently closed their accounting records. We expect final fieldwork to take place during August.

During this phase, we will perform substantive audit procedures on the year-end statement of net assets and fund balances, revenue and expenditure/expense accounts. We will use a variety of audit procedures which may include outside confirmations, statistical sampling, and detailed testing of schedules, analytical review, inquiry, and observation.

Stage 6, the Reporting Phase

At the end of the audit process we will meet with key staff to cover the following:

- Discuss improvements for subsequent years audit plan,
- Meet with the Audit Committee to present the results of the audit,
- Communicate with those charged with Governance.

We do not believe in surprises. Although the reporting phase involves a recap of the process we will be in constant communication regarding the each aspect of the audit throughout the entire process. You will not have any surprises at the end of the audit.

Individual or unique aspects that apply to each of the required audits and/or services will be described within the next section.

We have also prepared a time schedule for each of the components of the audit that is structured to meet and/or exceed all time requirements of First 5 LA.

3. Use of EDP Software in the engagement

VTD will use the IDEA audit software during the engagement to assist with data analysis and for the selection of audit samples.
### Hourly Budget Summary Exhibit B

**Agency:** Vavrinek, Trine, Day & Co., LLP  
**Project Name:** Auditing Services

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<th>Task/Deliverable</th>
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**OTHER COSTS**

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**Total Cost:** $70,443  
**Total Hours:** 494  
**Composite Rate:** $143

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**Fiscal Contact Person:**

**Agency Authorized Signature:**

**Additional supporting documents may be requested**