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# SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

December 12, 1980

Housing Authority of the  
City of Sacramento  
Redevelopment Agency of the  
City of Sacramento  
City Hall, 915 I Street  
Sacramento, California 95814

**CITY GOVERNING BOARD**

PHILLIP L. ISENBERG, MAYOR  
LLOYD CONNELLY  
BLAINE H. FISHER  
THOMAS R. HOEBER  
DOUGLAS N. POPE  
JOHN ROBERTS  
LYNN ROBIE  
ANNE RUDIN  
DANIEL E. THOMPSON

Honorable Members in Session:

**SUBJECT:** Contract for the Preparation of a Comprehensive  
Financial Statement for the 1979-80 Fiscal Year.

## SUMMARY

**COUNTY GOVERNING BOARD**

ILLA COLLIN  
C. TOBIAS (TOBY) JOHNSON  
JOSEPH E. (TED) SHEEDY  
SANDRA R. SMOLEY  
FRED G. WADE

This report recommends the execution of a contract with Ernst & Whinney, for the preparation of a comprehensive financial statement for the fiscal year ending June 30, 1980. The staff recommends adoption of the attached resolution which authorizes the Interim Executive Director to execute the subject contract.

**EXECUTIVE DIRECTOR**

WILLIAM G. SELINE

## BACKGROUND

P.O. Box 1834  
SACRAMENTO, CA 95809  
630 I STREET  
SACRAMENTO, CA 95814  
(916) 444-9210

In the past, the Sacramento Housing and Redevelopment Agency has had numerous audit examinations of specific programs and projects throughout the year. However, the Agency has never had a comprehensive audit examination for all of the activities administered by the organization at one time.

In order to provide information concerning the total resources of the organization, the total commitments of the Agency, and the flow of funds to and from the Agency, the present independent auditors (the firm of Ernst & Whinney) were requested to submit a proposal for an overall audit examination of the Agency. Due to time constraints, and availability of audits previously performed (but for varying time periods) the independent audit firm suggested that an overall compilation at June 30, 1980, be performed in lieu of a true audit examination.

The difference between a "review and compilation" and an audit is that an audit entails a detailed verification and

**APPROVED**  
SACRAMENTO REDEVELOPMENT AGENCY

Date 12-9-80

12-9-80

BACKGROUND (Continued)

confirmation of account balances. A review and compilation does not confirm or attest to account balances, but compiles summary financial statements from the records of the Agency. However, an accurate picture of the true financial status of the Agency is possible through this approach. The expected benefits of a comprehensive review by the external audit firm are: (1) Obtaining objective recommendations for improvements of our procedures for recording, classifying, summarizing transactions and accumulating financial information; (2) Analytically testing transactions to determine reasonableness of SHRA's resources received and used; and (3) preparing overall financial statements to show the overall financial status of the Agency. A copy of the Auditor's proposal has been attached as Exhibit 1. As an integral part of the review and compilation, the audit firm will review the Agency's procedures for internal controls and prepare a management letter of recommended improvements for those controls. The completion date of the review and compilation report will be January 31, 1981.

FINANCIAL DATA

Due to the fact that the Agency has never had an overall financial review, it was difficult for the audit firm to propose an exact cost for their service. Therefore, Ernst & Whinney proposes to complete the review and compilation report on an hourly cost basis of \$32.00 per hour for all hours incurred up to a maximum of five hundred hours (\$16,000.). It is proposed that the cost of the report be shared equally by the City and the County. It is also proposed that during the budget preparation that is currently underway that the staff review various ways by which both the City and County could be reimbursed for the cost. Recommendation would be made during the course of the budget review process.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of December 1, 1980, the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were recorded as follows:

AYES:	Knepprath, Luevano, A. Miller, Serna, Teramoto, B. Miller
NOES:	Coleman, Fisher
ABSENT:	Walton

Housing Authority of the City of Sacramento  
Redevelopment Agency of the City of Sacramento  
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RECOMMENDATION

The staff recommends adoption of the attached resolution authorizing the Interim Executive Director to execute the attached agreement for preparation of a comprehensive financial review for the Agency.

Respectfully submitted,

*William H. Edgar*

William H. Edgar  
Interim Executive Director

TRANSMITTAL TO COUNCIL:

*Walter J. Slipe*  
Walter J. Slipe  
City Manager

Contact Person: Beverly Czoberek  
Terry Wolford

RESOLUTION NO. 2954

Adopted by the Redevelopment Agency of the City of Sacramento

December 9, 1980

AUTHORIZING EXECUTION OF AGREEMENT FOR  
AUDITING SERVICES WITH ERNST AND WHINNEY

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE  
CITY OF SACRAMENTO:

Section 1. The Interim Executive Director is author-  
ized to execute that certain Agreement for Auditing Services  
with Ernst and Whinney, in form approved by Agency Counsel,  
in connection with the preparation of a comprehensive financial  
statement for the fiscal year ending June 30, 1980.

\_\_\_\_\_  
CHAIRMAN

ATTEST:

\_\_\_\_\_  
SECRETARY

**APPROVED**  
SACRAMENTO REDEVELOPMENT AGENCY  
Date 12-9-80

RESOLUTION NO. 1857

Adopted by the Housing Authority of the City of Sacramento

December 9, 1980

AUTHORIZING EXECUTION OF AGREEMENT FOR  
AUDITING SERVICES WITH ERNST AND WHINNEY

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY  
OF SACRAMENTO:

Section 1. The Interim Executive Director is  
authorized to execute that certain Agreement for Auditing  
Services with Ernst and Whinney, in form approved by Agency  
Counsel, in connection with the preparation of a comprehensive  
financial statement for the fiscal year ending June 30, 1980.

\_\_\_\_\_  
CHAIRMAN

ATTEST:

\_\_\_\_\_  
SECRETARY

**APPROVED**  
SACRAMENTO HOUSING AUTHORITY

Date 12-9-80

AGREEMENT FOR AUDITING SERVICES

THIS AGREEMENT, made at Sacramento, California, as of this \_\_\_\_\_ day of \_\_\_\_\_, 1980, by and among the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public corporation, the REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO, a public corporation, and the HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, a public corporation (referred to collectively as "Agency"), and ERNST AND WHINNEY (referred to as "Auditor").

WITNESSETH:

WHEREAS, Agency is desirous of engaging Auditor for the purposes of comprehensive compilation of financial statements on all of Agency's activities, projects and funds; and

WHEREAS, Auditor is presently engaged to provide auditing services for certain projects and funds of Agency, and Auditor possesses a general knowledge of the accounting principles and practices applicable to Agency and a general understanding of Agency's business transactions, the form of its accounting records, the stated qualifications of its accounting personnel and the accounting basis on which the financial statements are to be presented; and

WHEREAS, Auditor has reviewed and is familiar with Agency's books, accounts and records and has made specific recommendation by letter dated October 29, 1980, regarding accounting services necessary for it to compile a comprehensive financial statement of Agency, and Auditor is desirous of providing said accounting services.

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. SERVICES

- (a) Subject to the terms and conditions set forth in this Agreement, Auditor shall provide to Agency services for the comprehensive compilation of Agency financial statements for the fiscal year ended June 30, 1980, and shall perform such other accounting services in connection with the compilation of said financial statements as set forth hereinafter:

- (1) Identify the elements of each fund and the inter-relationship of the various funds.
  - (2) Isolate current-year operations from total operations to date. This is particularly true of the long-term construction projects.
  - (3) Match grant expenditures with income to insure that both are recorded in the same period.
  - (4) Identify commitments for construction, operating leases, capital leases, etc.
  - (5) Combine and accumulate data from the various trial balances for presentation in the combined financial statements.
- (b) The purpose of the engagement with Auditor is to prepare financial statements from the Agency's financial records for the fiscal year ended June 30, 1980, and to review the fairness of presentation of the records in conformity with generally accepted accounting principles.

The review will be conducted in accordance with generally accepted auditing standards which will include tests of transactions to the extent believed necessary. Accordingly, it will not include a detailed audit of transactions to the extent which would be required if intended to disclose defalcations or other irregularities, although their discovery may result.

It is recognized that Agency has the responsibility for the proper recording of transactions in the books of account and for the safeguarding of assets. Such statements are the representations of Agency.

- (c) Auditor shall submit a report of its comments and recommendations concerning Agency's accounting system based upon observations made during the course of Auditor's review of Agency's financial statements, records and internal procedures for the fiscal year ending June 30, 1980.

Auditor shall prepare and deliver to Agency ten (10) copies of each report within a reasonable time after any examination is completed; provided, however, that no report shall be delivered to Agency later than December 31, 1980 for reports for the period ending June 30, 1980.

2. PAYMENT

- (a) Agency shall pay Auditor for services rendered pursuant to this Agreement THIRTY-TWO and NO/100 DOLLARS (\$32.00) per hour for all hours incurred up to a maximum of five hundred (500) hours. In no event shall such payment exceed SIXTEEN THOUSAND and NO/100 DOLLARS (\$16,000.00). Auditor shall submit weekly reports of the number of hours incurred and will bill Agency monthly for work performed in the previous month.
- (b) Agency shall make no payment for any extra, further or additional service pursuant to this Agreement unless such extra service and the price therefor is agreed to in writing by the Executive Director prior to the time such extra service is rendered.

3. FACILITIES AND EQUIPMENT

Except as provided below, Auditor shall, at its sole cost and expense, furnish all facilities and equipment which may be required for furnishing services pursuant to this Agreement. Agency shall furnish physical facilities such as desks, filing cabinets, and conference space, as may be reasonably necessary for Auditor's use while consulting with Agency employees and reviewing records and information in possession of Agency. The location, quantity and quality and time of furnishing said physical facilities shall be in the sole discretion of Agency. In no event shall Agency be obligated to furnish any facility which may involve incurring any direct expense, including, but not limiting the generality of this exclusion to, long-distance telephone or other communication charges, vehicles and reproduction facilities.

4. GENERAL PROVISIONS

The General Provisions are set forth in Exhibit "A", which is attached hereto and by this reference incorporated herein. In the event of any inconsistency between said General Provisions and any other terms or conditions of this Agreement, the other term or condition shall control insofar as it is inconsistent with the General Provisions.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above stated.

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

and

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

and

REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO

and

HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO

APPROVED AS TO FORM:

\_\_\_\_\_  
Agency Attorney

By \_\_\_\_\_  
Interim Executive Director

APPROVED:

\_\_\_\_\_  
Finance Department

ERNST AND WHINNEY

\_\_\_\_\_  
Funding Source

By \_\_\_\_\_

555 Capitol Mall, Suite 650  
Sacramento, California 95814

Employer ID # \_\_\_\_\_

Authorized by Agency Resolutions as follows:

RACS No. \_\_\_\_\_  
RACoS No. \_\_\_\_\_  
HACS No. \_\_\_\_\_  
HACoS No. \_\_\_\_\_

EXHIBIT "A"

GENERAL PROVISIONS

1. Independent Contractor. At all times during the term of this Agreement, Auditor shall be an independent contractor and shall not be an employee of Agency. Agency shall have the right to control Auditor only insofar as the results of Auditor's services rendered pursuant to this Agreement; however, Agency shall not have the right to control the means by which Auditor accomplishes services rendered pursuant to this Agreement.

2. Licenses; Permits, Etc. Auditor represents and warrants to Agency that he has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for Auditor to practice his profession. Auditor represents and warrants to Agency that Auditor shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement any licenses, permits, and approvals which are legally required for Auditor to practice his profession.

3. Time. Auditor shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary for satisfactory performance of Auditor's obligations pursuant to this Agreement.

4. Insurance.

(a) Public Liability. During the term of this Agreement, Auditor shall maintain in full force and effect a policy of public liability insurance with minimum coverages as follows: One hundred thousand Dollars (\$100,000) for injury to one person in any one occurrence; Three Hundred Thousand Dollars (\$300,000) for injury to more than one person in any one occurrence; and Fifty Thousand Dollars (\$50,000) for property damage. If Agency so requests, Auditor shall cause Agency to be named as an additional insured on said policy and shall obtain a waiver of the insurer's right of subrogation against Agency.

(b) Workmen's Compensation. During the term of this Agreement, Auditor shall fully comply with the terms of the law of California concerning Workmen's Compensation. Said compliance shall include, but not be limited to, maintaining in full force and effect one or more policies of insurance insuring against any liability Auditor may have for Workmen's Compensation.

(c) Errors and Omissions. During the term of this Agreement, Auditor shall maintain in full force and effect a policy of errors and omissions insurance. Auditor shall

take out and keep in full force and effect during the term of this Agreement a policy in form and content satisfactory to Agency which shall indemnify Agency against errors and omissions by Auditor. Said policy or policies shall provide liability coverage in an amount specified by Agency in its request.

5. Auditor Not Agent. Except as Agency may specify in writing, Auditor shall have no authority, express or implied, to act on behalf of Agency in any capacity whatsoever as an agent. Auditor shall have no authority, express or implied, pursuant to this Agreement to bind Agency to any obligation whatsoever.

6. Assignment Prohibited. No party to this Agreement may assign any right or obligation pursuant to this Agreement. Any attempted or purported assignment of any right or obligation pursuant to this Agreement shall be void and of no effect.

7. Personnel. Auditor shall assign only competent personnel to perform services pursuant to this Agreement. In the event that Agency, in its sole discretion, at any time during the term of this Agreement, desires the removal of any person or persons assigned by Auditor to perform services pursuant to this Agreement, Auditor shall remove any such person immediately upon receiving notice from Agency of the desire of Agency for the removal of such person or persons.

8. Standard of Performance. Auditor shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which Auditor is engaged. All products of whatsoever nature which Auditor delivers to Agency pursuant to this Agreement shall be prepared in a substantial, first class and workmanlike manner and conform to the standards of quality normally observed by a person practicing in Auditor's profession.