



APPROVED
BY THE CITY COUNCIL

MAY 6 1997

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CITY CLERK

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A697-051

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DEPARTMENT OF
FINANCE

ACCOUNTING

SUSAN G. MAYER
ACCOUNTING MANAGER

CITY OF SACRAMENTO
CALIFORNIA

April 21, 1997

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City Council
Sacramento, California

Honorable Members in Session

**SUBJECT: AWARD OF EXTERNAL AUDITOR PROFESSIONAL
SERVICE AGREEMENTS**

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:

It is recommended that the City Council authorize the City Manager to execute professional service agreements with KPMG Peat Marwick LLP and Macias, Gini & Company LLP to conduct the City's independent financial and compliance audits for the fiscal year ending June 30, 1997.

CONTACT PERSONS:

Susan Mayer, Accounting Manager, 264-5058
Barbara Joy, Accountant/Auditor III, 264-7943

FOR THE COUNCIL MEETING OF: May 6, 1997

SUMMARY:

The City issued a request for proposals for auditing services for the five years beginning with fiscal year 1996-97. Seven certified public accounting firms submitted proposals.

After evaluation, staff concluded that proposals submitted by KPMG Peat Marwick, LLP, and Macias, Gini & Company, LLP, were most responsive. This report recommends that agreements be executed with these firms to conduct the 1996-97 fiscal year audits. Extension of the agreements to each of the four subsequent years will be subject to Council approval on an annual basis.

City Council
Award of External Auditor Service Agreements
April 21, 1997, page 2

Due to the scope and number of audits required by the City, it is recommended that the audits be divided between the two firms. This is consistent with practice during the past six years. The proposed allocation of audits between the firms is shown below.

KPMG Peat Marwick, LLP	\$ 99,500
City of Sacramento General Purpose Financial Statements	
City of Sacramento Single Audit	
Sacramento City Employees' Retirement System	
Sacramento Public Library Authority	
Macias, Gini, and Company, LLP	\$ 33,405
Capital Area Development Authority (CADA) - General Purpose Financial Statements	
CADA - State Financed Housing Project Financial Statements	
Sacramento Convention and Visitors Bureau - Financial Statements	
Mountain Valley Library System (MVLS) - General Purpose Financial Statements	
Mountain Valley Library System - Single Audit	
Del Paso Road Community Facilities District - Special Purpose Financial Statements	
Child Development Program - Financial Statements and State Required Supplemental Information	
State and Local Transportation Partnership Program - Special Purpose Audit of Final Project Cost	
Total Cost	<u>\$132,905</u>

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

KPMG Peat Marwick, LLP, a "Big 6" national accounting firm, is recommended to serve as the City's lead auditor. The firm's proposal demonstrates its significant audit expertise, depth of resources, and well-trained staff.

Macias, Gini & Company, a locally-owned state-wide firm, also offers significant audit expertise and a specialization in governmental auditing. The firm is the current auditor for SHRA. The proposed agreement extends the City's current service agreement with this firm, since it has conducted the same audits during the previous auditor

cycle. Although Council adopted a policy in 1978 to rotate auditors at least every five years, staff recommends continuing this relationship for the following reasons:

- Through the competitive bidding process, the firm significantly outranked other proposers who bid on the related agency audits
- Several of the audits to be conducted require specialized knowledge of state compliance and reporting requirements
- The firm's proposal was ranked the highest by CADA, the largest of the related agencies to be audited.

FINANCIAL CONSIDERATIONS:

Funding for these agreements is included in the existing Accounting Division budget. The combined audit cost of \$132,905 represents a reduction of over \$60,000 from the prior year 1995-96 audit costs.

ENVIRONMENTAL CONSIDERATIONS:

Not applicable.

POLICY CONSIDERATIONS:


This action is consistent with City Charter Section 117, which requires an independent audit. Independent audits are also required by the Federal Single Audit Act, specific grant agreements, and certain bond covenants.

MBE/WBE:

MBE/WBE participation in these agreements total 47%. The agreement with KPMG Peat Marwick, LLP, includes a 29.34% MBE subcontractor. The second agreement, with Macias, Gini & Company, LLP, is directly with a MBE contractor.

City Council
Award of External Auditor Service Agreements
April 21, 1997, page 4

Respectfully submitted,


Susan Mayer
Accounting Manager

Approved:


Ken Nishimoto
Director of Administrative Services

RECOMMENDATION APPROVED:


WILLIAM H. EDGAR
City Manager

APPROVED
BY THE CITY COUNCIL
MAY 6 1997
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RESOLUTION NO. 97-211

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE PROFESSIONAL SERVICE AGREEMENTS FOR THE CITY'S 1996-97 FISCAL YEAR INDEPENDENT AUDITS WITH KPMG PEAT MARWICK, LLP, IN THE AMOUNT OF \$99,500 AND WITH MACIAS, GINI & COMPANY, LLP, IN THE AMOUNT OF \$33,405.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City Manager is hereby authorized to execute an agreement with KPMG Peat Marwick, LLP, in the amount of \$99,500, to provide independent audit services for the City of Sacramento for the Fiscal Year 1996-97.
2. That the City Manager is hereby authorized to execute an agreement with Macias, Gini & Company, LLP, in the amount of \$33,405, to provide independent audit services for the City of Sacramento for the Fiscal Year 1996-97.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____