



# REPORT TO COUNCIL

## City of Sacramento

915 I Street, Sacramento, CA 95814-2604  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

Consent  
**September 28, 2010**

**Honorable Mayor and  
Members of the City Council**

**Title: Supplemental Agreement: Professional Auditing Services**

**Location/Council District: Citywide**

**Recommendation:** Adopt a **Resolution** approving Supplemental Agreement No. 1 in the amount of \$927,524 with Macias Gini & O'Connell LLP to conduct the City's required independent financial and compliance audits for the fiscal year ending June 30, 2010, and the three subsequent fiscal years.

**Contact:** Dennis Kauffman, Accounting Manager, 808-5843

**Presenters:** None

**Department:** Finance

**Division:** Accounting

**Organization No:** 06001311

### **Description/Analysis**

**Issue:** In April 2009, the City conducted a competitive process to select external auditors for the five-year period beginning with fiscal year 2008/09. Staff received two responses on April 16, 2009, to the City's Request for Proposals for independent audit services. Both responses were from regional firms. After the completion of a comprehensive review and evaluation process, including a panel interview, staff concluded that the proposal submitted by Macias Gini & O'Connell LLP was the most responsive.

The City Council adopted Resolution 2009-349 on June 2, 2009, authorizing the City Manager or the City Manager's designee to execute Agreement No. 2009-0516 with Macias Gini & O'Connell LLP to conduct the City's required independent financial and compliance audits for the fiscal year ending June 30, 2009, with the option of auditing its financial statements for each of the four subsequent fiscal years.

This report recommends that the City Council authorize the City Manager to execute Supplemental Agreement No. 1 with Macias Gini & O'Connell LLP to conduct the City's independent financial and compliance audits for the fiscal year ending June 30, 2010, and the three subsequent fiscal years.

**Policy Considerations:** This action is consistent with City Charter Section 117, which requires an annual independent audit of the City's financial records. Independent audits are also required by the Federal Single Audit Act, specific grant agreements, and certain bond covenants and tax ballot measures. Macias Gini & O'Connell LLP is a California-based company; therefore, this action complies with Resolution 2010-346 prohibiting the City from entering into any contract to purchase goods or services from any business entity headquartered in Arizona.

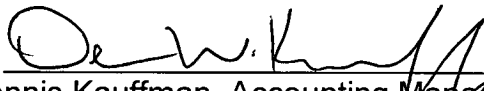
**Environmental Considerations:** None.

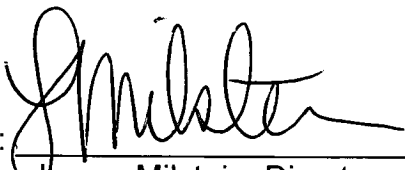
**Sustainability Considerations:** None.

**Rationale for Recommendation:** Consistent with Resolution 2009-349, approval of the supplemental agreement is necessary to move forward with the completion of independent financial and compliance audits for the fiscal year ending June 30, 2010, and the three subsequent fiscal years.

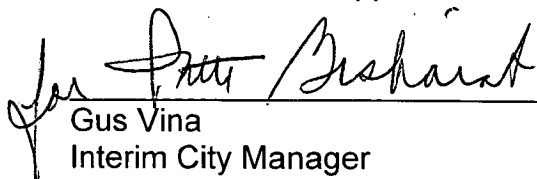
**Financial Considerations:** Certain audit costs are passed through directly to external entities. The remaining costs are included in the Finance Department budget.

**Emerging Small Business Development (ESBD):** Macias Gini & O'Connell LLP is not certified as an emerging/small business.

Respectfully Submitted by:   
Dennis Kauffman, Accounting Manager

Approved by:   
Leyne Milstein, Director of Finance

Recommendation Approved:

  
Gus Vina  
Interim City Manager

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**Attachment 1****Background Information**

In April 2009, the City conducted a competitive process to select external auditors for the five-year period beginning with fiscal year 2008-2009. On April 16, 2009 the City received two responses to the Request for Proposals for independent audit services. Both responses were from regional firms. After evaluation, staff concluded that the proposal submitted by Macias Gini & O'Connell LLP was the most responsive.

The selection committee considered the merits of mandatory financial auditor rotation and concluded that the Macias Gini & O'Connell LLP policy of audit partner rotation is effective in maintaining the independence in the auditor's relationship with the City. The United States Government Accountability Office has concluded that mandatory financial auditor rotation is not necessary to enhance the independence of the independent auditor relationship with a client.

The City Council adopted Resolution 2009-349 on June 2, 2009, authorizing the City Manager or the City Manager's designee to execute Agreement No. 2009-0516 with Macias Gini & O'Connell LLP to conduct the City's required independent financial and compliance audits for the fiscal year ending June 30, 2009, with the option of auditing its financial statements for each of the four subsequent fiscal years.

Supplemental Agreement No. 1 to Agreement 2009-0516 for \$927,524 with Macias Gini & O'Connell LLP covers the City's annual independent financial and compliance audits for the fiscal year ending June 30, 2010, and the three subsequent fiscal years.

|                                                  |                           |
|--------------------------------------------------|---------------------------|
| Agreement's original not-to-exceed amount        | <u>\$ 212,030</u>         |
| Increase by this supplemental agreement:         |                           |
| June 30, 2010 audits                             | 218,390                   |
| June 30, 2011 audits                             | 224,944                   |
| June 30, 2012 audits                             | 236,190                   |
| June 30, 2013 audits                             | <u>248,000</u>            |
| Subtotal increase by this supplemental agreement | <u>927,524</u>            |
| New not-to-exceed amount                         | <u><u>\$1,139,554</u></u> |

The scope of audit services to be performed is shown below:

**City and Component Units**

City of Sacramento Comprehensive Annual Financial Report  
City of Sacramento Single Audit  
Sacramento City Employees Retirement System

**Related Agencies and Programs**

Sacramento Convention and Visitors Bureau Financial Statements  
Del Paso Road Community Facilities District Special Purpose Financial Statements  
Child Development Program Financial Statements and Required Supplemental Information  
State and Local Transportation Partnership Program Special Purpose Audits  
Lessees of the City of Sacramento - Special Procedures to Test Lessee Compliance

**RESOLUTION NO.**

Adopted by the Sacramento City Council

**AUTHORIZING EXECUTION OF A SUPPLEMENTAL AGREEMENT WITH MACIAS GINI & O'CONNELL LLP TO CONDUCT THE CITY'S INDEPENDENT FINANCIAL AND COMPLIANCE AUDITS**

**BACKGROUND**

- A. In April 2009, the City conducted a competitive process to select external auditors for the five-year period beginning with fiscal year 2008-2009.
- B. After evaluation, staff concluded that the proposal submitted by Macias Gini & O'Connell LLP was the most responsive and the lowest bid.
- C. The City Council adopted Resolution 2009-349 on June 2, 2009, authorizing the City Manager or the City Manager's designee to execute Agreement No. 2009-0516 with Macias Gini & O'Connell LLP to conduct the City's required independent financial and compliance audits for the fiscal year ending June 30, 2009, with the option of auditing the financial statements for each of the four subsequent fiscal years.
- D. The execution of this supplemental agreement is consistent with City Charter Section 117, which requires an annual independent audit of the City's financial records. Independent audits are also required by the Federal Single Audit Act, specific grant agreements, and certain bond covenants and tax ballot measures.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City Manager is authorized to execute Supplemental Agreement No. 1 to Agreement 2009-0516 for \$927,524 with Macias Gini & O'Connell LLP to conduct the City's annual independent financial and compliance audits for the fiscal years ending June 30, 2010, June 30, 2011, June 30, 2012 and June 30, 2013.