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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

CITY MANAGER'S OFFICE

February 11, 1981

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Housing Authority of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Selection of Auditor for biennial audit of federally-funded housing projects

SUMMARY

After a review of proposals, the certified public accounting firm of Morris, Davis & Company has been selected to perform the audit of the six federally-funded housing projects for the period January 1, 1979 through December 31, 1980. The staff recommends that the attached resolution authorizing the Interim Executive Director to execute a contract for audit services with Morris, Davis & Company be adopted. The cost of the audit based upon a fixed fee will be \$12,000.

BACKGROUND

On December 23, 1980 by Resolution No. 1864, the Interim Executive Director was authorized to solicit proposals for the HUD-required biennial audit of the following six federally-funded housing projects:

<u>Contract No.</u>	<u>Project</u>	<u>Type</u>	<u>No. of Housing Units</u>
SF 391	New Helvetia/ River Oaks/ Central Elderly	City Conventional	1702
SF 175	Dos Rios	County Conventional	371
SF 299	City Section 23	Leased Housing	1075
SF 309	County Section 23	Leased Housing	1125
SF 474	City Section 8	Housing Assistance Payments	1499
SF 475	County Section 8	Housing Assistance Payments	857

APPROVED
SACRAMENTO HOUSING AUTHORITY

Date

2/24/81

2-24-81

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The resolution also approved the procedure by which the selection was accomplished.

The last audit was performed for the period ending December 31, 1978 by the firm of Touche Ross & Company for a fee of \$10,500.

In response to the Agency's Request for Proposals for the current audit, nine proposals were received. These ranged from a low of \$9,840 to a high of \$39,800. Exhibit I details the firms submitting proposals with the dollar amount for fees.

An audit selection committee, composed of Jack Crist, Director of Finance for the City of Sacramento; Tony Gatti, Senior Management Analyst for the County of Sacramento; Terry Wolford of the Agency; and Commissioner Sam Walton, established criteria to evaluate the proposals, interviewed the firms and made the final selection based upon the established criteria in Exhibit II.

The low dollar amount proposal (\$9,840) was not accepted due to that firm's lack of auditing experience concerning housing projects and the suggested audit approach outlined by the firm during the interview process. The Department of Housing and Urban Development concurrence in the selection of Morris, Davis & Company for \$12,000 has been received.

FINANCIAL DATA

The proposed \$12,000 cost of the audit will be borne by federal funds of the six subject housing projects.

VOTE AND RECOMMENDATION OF COMMISSION

It is anticipated that at its meeting of February 19, 1981, the Sacramento Housing and Redevelopment Commission will adopt a motion recommending that you take the above-mentioned action. In the event they fail to do so, you will be advised prior to your February 24, 1981 meeting.

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RECOMMENDATION

The staff recommends adoption of the attached resolution authorizing the Interim Executive Director to execute a contract for audit services with Morris, Davis & Company at a cost of \$12,000.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Interim Executive Director

APPROVED FOR TRANSMITTAL:

Walter J. Slipe

WALTER J. SLIPE
City Manager

Contact Person: Terry Wolford

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RESOLUTION NO. 81-017

Adopted by the Housing Authority of the City of Sacramento

February 24, 1981

AWARDING CONTRACT FOR AUDIT OF
FEDERALLY-FUNDED HOUSING PROJECTS

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

1. The Interim Executive Director is hereby authorized to execute on behalf of the Housing Authority of the City of Sacramento, a joint City-County Housing Authority contract with Morris, Davis & Company, in the amount of \$12,000 for auditing six (6) federally-funded local housing projects located in the City of Sacramento and in the County of Sacramento.

CHAIRMAN

ATTEST:

SECRETARY

APPROVED
SACRAMENTO HOUSING AUTHORITY

Date 2/24/81

SCHEDULE OF AUDIT PROPOSALS
RECEIVED FOR SIX (6) FEDERALLY-FUNDED HOUSING PROJECTS
SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

<u>AUDIT FIRM</u>	<u>PROPOSED FEE</u>
Catten Yu & Company	\$ 9,840
Morris, Davis & Company	12,000
Porterfield & Company	13,600
Ackerman & Gilbert	15,020
Ernst & Whinney	15,900
Touche Ross & Company	16,000
Alexander Grant & Company	18,600
Peat, Marwick, Mitchell	25,000
Price Waterhouse & Company	39,800

CRITERIA FOR EVALUATION:

- | | | |
|----|------------------------------------|----------|
| A. | Experience of Firm | (1 - 15) |
| | 1. Auditing governmental clients | |
| | 2. Auditing housing authorities | |
| | 3. Auditing private companies | |
| B. | Experience of Staff | (1 - 20) |
| | 1. Governmental | |
| | 2. Housing authorities | |
| C. | Size of Staff | (1 - 15) |
| | 1. Local | |
| | 2. Regional | |
| D. | Time Schedule for Examination | (1 - 20) |
| | 1. Estimated hours -
Reasonable | |
| | 2. Audit Program -
Adequate | |
| E. | Cost | (1 - 30) |

NOTE: () denotes point range

CONTRACT FOR AUDIT SERVICES

THIS AGREEMENT, entered into as of the _____ day of _____, 1981, by and between the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO and the HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO, State of California (hereinafter referred to jointly as the "Public Housing Agency"), and MORRIS, DAVIS & COMPANY (hereinafter referred to as "Contractor").

WITNESSETH:

WHEREAS, the Public Housing Agency has entered into contracts with the United States of America acting through the Department of Housing and Urban Development (hereinafter referred to as the "Government") for financial assistance for low-income public housing pursuant to the United States Housing Act of 1937, as amended, 42 United States Code section 1437 et seq.; and

WHEREAS, pursuant to said contracts, the Government and the Comptroller General of the United States or his duly authorized representatives have the right to audit the books and records of the Public Housing Agency pertinent to its operations with respect to such financial assistance; and

WHEREAS, the Government has authorized the Public Housing Agency to procure such an audit by an Independent Public Accountant in lieu of audit by the Government, subject to Government approval of the specific contract for audit entered into between the Public Housing Agency and the Independent Public Accountant; and

WHEREAS, the Public Housing Agency desires the Contractor to conduct and perform such an audit.

NOW, THEREFORE, the Public Housing Agency and the Contractor do mutually agree as follows:

1. The Contractor shall audit the accounts and records of the Public Housing Agency for the twenty-four (24) month period ending December 31, 1980, in accordance with generally accepted auditing standards and the auditing and reporting provisions of the applicable HUD Audit Guide for Low-Income Housing Program for use by Independent Public Accountants, herein referred to as "Audit Guide". The audit performed shall be sufficient in scope to enable the Contractor to express an opinion in the audit report of the financial statements of the Public Housing Agency.

2. The books of account and financial records to be audited are maintained and are generally located at the Public Housing Agency's office at 630 I Street, Sacramento, California. These books and records will be made available to the Contractor by the Executive Director of the Public Housing Agency at the Contractor's request for the Contractor's use at the Public Housing Agency's office during normal business hours.
3. If the Contractor ascertains that the Public Housing Agency's books and records are not in a sufficiently satisfactory condition for performing an audit, the Contractor shall disclose this deficiency to the Public Housing Agency. If the Public Housing Agency cannot get its books ready for an audit within fifteen (15) days, then the Contractor should notify the Government. Notification to the Government shall be by written communication addressed to the Regional Inspector General for Audit, Regional Office, Department of Housing and Urban Development, 450 Golden Gate Avenue, P.O. Box 36003, San Francisco, California 94102, with a copy to the Director, Field Office, Department of Housing and Urban Development, 545 Downtown Mall, P.O. Box 1978, Sacramento, California 95809. The Contractor shall await further instructions from the Regional Inspector General for Audit before continuing the audit.
4. Upon completion of the audit, an Audit Report consisting of those elements described in the Audit Guide shall be simultaneously submitted to the Regional Inspector General for Audit (20 copies) and Public Housing Agency (1 copy for each Commissioner and required copies for the Executive Director) as joint addressees.
5. The Audit Report shall be submitted within one hundred twenty (120) days after the close of the Public Housing Agency's fiscal year unless a shorter period is required by State law.
6. The Public Housing Agency may, before or during the conduct of the audit, request changes in the scope of the services of the Contractor to be performed under this Contract. Such changes, including any increase or decrease in the amount of the Contractor's compensation and any change in the time limitation for submission of the Contractor's report, which are mutually agreed upon by and between the Public Housing Agency and the Contractor, shall be incorporated into written amendments to this Contract and shall be subject to the Government's approval.
7. The Public Housing Agency agrees to pay the Contractor as compensation for the services and report mentioned herein, a lump sum fee of TWELVE THOUSAND and NO/100 DOLLARS (\$12,000.00), inclusive of all costs and expenses. The fee is based on the following:

- a. Partner(Principal): \$ _____ per hour; estimated man-days _____ \$ _____
- b. Senior(Manager): \$ _____ per hour; estimated man-days _____ \$ _____
- c. Semi-Senior \$ _____ per hour; estimated man-days _____ \$ _____
- d. Junior \$ _____ per hour; estimated man-days _____ \$ _____
- e. Other

Total

\$ _____

It is estimated that _____ man-days will be required to perform the audit.

Such lump sum fee shall be payable after submission of the Audit Report to the Public Housing Agency and after submission of copies of the report to the Government as provided in Paragraph 4 above and the Government's review and approval of the report. The Public Housing Agency may pay up to fifty percent (50%) of the fee upon submission of the Audit Report and copies thereof and the bill from the Contractor without the Government's authorization.

- 8. The Contractor must be either a Certified Public Accountant, or a licensed or registered public accountant licensed on or before December 31, 1970, by a regulatory authority of a state or other political subdivision of the United States and meet any legal requirements concerning registration in the State in which the Public Housing Agency is located. In addition, those public accountants licensed after December 31, 1970, but prior to December 31, 1975, who performed a Public Housing Agency audit prior to December 31, 1975, will be eligible to continue to perform Public Housing Agency audits. A statement by the State identifying such registration or license shall be attached to this Contract.
- 9. The Contractor certifies that its principal officers or members do not now have and have not had during any period covered by this audit any interest, direct or indirect, in the Public Housing Agency or any of its members or officials including the following:
 - a. Family relationship with any Public Housing Agency member or official;
 - b. Employment by or service as a member or official of a Public Housing Agency during the period covered by the audit.

10. The Contractor certifies that it has not provided accounting or bookkeeping services for the Public Housing Agency during the period covered by the audit except as follows:
11. No member, officer or employee of the Public Housing Agency, no member of the Governing Body of the locality in which any of the Public Housing Agency's projects are situated, no member of the Governing Body of the locality in which the Public Housing Agency was activated, and no other public official of such locality or localities who exercises any responsibilities or functions with respect to the Public Housing Agency's projects, during his/her tenure or for one (1) year thereafter, shall have any interest, direct or indirect, in this Contract or the proceeds thereof.
12. No Member of or Delegate to the Congress of the United States or Resident Commissioner shall be admitted to any share or part of this Contract or to any benefit that may arise therefrom.
13. The Contractor warrants that it has not employed any person to solicit or secure this Contract upon any agreement for a commission, percentage, brokerage, or contingent fee. Breach of this warranty shall give the Public Housing Agency the right to terminate this Contract, or, in its discretion, to deduct from the Contractor's fee the amount of such commission, percentage, brokerage, or contingent fee.
14. The Contractor shall not assign or transfer any interest in this Contract except that claims for monies due or to become due from the Public Housing Agency under the Contract may be assigned to a bank, trust company, or other financial institution. If the Contractor is a partnership, this Contract shall inure to the benefit of the surviving or remaining members of such partnership.
15. The Contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, age, or national origin. The Contractor shall take affirmative action to ensure that applicants are employed, and employees are treated during employment, without regard to race, color, religion, sex, age, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.
16. For a period of four (4) years from the date of the Audit Report, the Contractor shall make its workpapers, records, and other evidence of audit available to the Government and to the Comptroller General of the United States or his duly authorized representatives during normal working hours upon written request

of the Government or of the Comptroller General or his representatives. The period will be reduced to three (3) years for those Public Housing Agencies for which all projects have had Actual Development Cost Certificates issued. The Government and the Comptroller General shall be entitled to reproduce any or all of such documents at their expense for which provision shall be made at the time the need for reproduction arises.

17. Except for disclosure to the Government, the Comptroller General and the Public Housing Agency, the Audit Report and the workpapers, records, and other evidence of audit, including information and data prepared or assembled by the Contractor under this contract, shall be held confidential by the Contractor and shall not be made available or otherwise disclosed to any person without the prior written approval of the Government.
18. The Government's approval of this Contract shall be evidenced by the signature of the Field Office Director at the end thereof.

IN WITNESS WHEREOF, the Public Housing Agency and the Contractor have executed this Contract the day and year first above written.

HOUSING AUTHORITY OF THE CITY OF
SACRAMENTO

-and-

HOUSING AUTHORITY OF THE COUNTY
OF SACRAMENTO

By _____

WILLIAM H. EDGAR

Title: Interim Executive Director

APPROVED AS TO FORM:

MORRIS, DAVIS & COMPANY

Agency Attorney

APPROVED:

By _____

Title: _____

Finance Department

Funding Source

CONCURRED:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By: _____

(Name of Service Office)