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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

January 14, 1981

CITY MANAGER'S OFFICE
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Redevelopment Agency of the City
of Sacramento
Housing Authority of the City
of Sacramento
Sacramento, California

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: External Audit Services Agreement for Calendar Year 1981

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

SUMMARY

This report regards extension of the audit services agreement between the Redevelopment Agency of the City of Sacramento and the Housing Authority of the City of Sacramento and Ernst & Whinney, Certified Public Accountants for calendar year 1981.

EXECUTIVE DIRECTOR
WILLIAM G. SELINE

BACKGROUND

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

In March 1980, following the policy of the City, the Redevelopment Agency of the City of Sacramento and the Housing Authority of the City of Sacramento entered into a one-year agreement with Ernst & Whinney to perform external auditing services for calendar year 1980. Agreement No. 752 (Attachment II) includes an option to renew the agreement for each of four (4) subsequent one-year periods upon written notice to the Auditor not later than January 31 each year. Based on the satisfactory performance of Ernst & Whinney, the staff recommends that the auditing services agreement No. 752 be extended for calendar year 1981.

FINANCIAL DATA

The payment provision of Agreement No. 752 with Ernst & Whinney requires that subsequent year fee increases above the base year (calendar year 1980) cannot exceed the cost-of-living increase as defined by the San Francisco-Oakland Consumer Price Index (CPI) for all urban consumers. It has been informally agreed by Ernst & Whinney and the Agency's Finance Department that the December to December CPI would be utilized in calculating the new audit service fee. However, the December CDP will not be available until the end of January.

APPROVED
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

1/20/81

APPROVED
SACRAMENTO HOUSING AUTHORITY

Date 1/20/81

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Redevelopment Agency of the City of Sacramento
Housing Authority of the City of Sacramento
January 14, 1981
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The total audit fee for calendar year 1980 was \$12,740 broken down as follows:

Redevelopment Agency	\$ 5,530
Housing Authority	<u>7,210</u>
	\$ 12,740

Using the October CPI of 13.7% as an approximation, the audit services fee for fiscal year 1980-81 would be \$14,485. The December CPI may be slightly above or below the October increases.

VOTE AND RECOMMENDATION OF COMMISSION

It is anticipated that at its meeting of January 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 January 20, 1981 meeting.

RECOMMENDATION

The staff recommends the Redevelopment Agency of the City of Sacramento and the Housing Authority of the City of Sacramento adopt the attached resolutions (Attachments IA and IB) which:

1. Renew Agreement No. 752 with Ernst & Whinney for calendar year 1981 auditing services (audit period covered 1/1/81 to 12/31/81);
2. Approve the amendment to Agreement No. 752, Section 2 Payment, to define the CPI period of December to December as the basis for fee increases in subsequent years; and,
3. Authorize the Interim Executive Director to execute Agreement No. 752, as amended, for a price not to exceed \$12,740 plus the December to December San Francisco-Oakland Consumer Price Index for all urban consumers.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Interim Executive Director

TRANSMITTAL TO COUNCIL:

Walter J. Slife
WALTER J. SLIFE
City Manager

Contact Person: Beverly Czoberek

RESOLUTION NO. HA 81-005

Adopted by the Housing Authority of the City of Sacramento

January 20, 1981

A RESOLUTION AUTHORIZING AUDITING SERVICES TO BE PERFORMED BY ERNST & WHINNEY FOR CALENDAR YEAR 1981

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

WHEREAS, the Housing Authority of the City of Sacramento entered into an auditing services Agreement No. 752 on April 4, 1980 with an option to renew the agreement; and

WHEREAS, Ernst & Whinney has satisfactorily performed audit services for calendar year 1980;

NOW, THEREFORE, BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO:

- 1) That Agreement No. 752 is hereby renewed for calendar year 1981 auditing services;
- 2) That the attached Exhibit B amending Agreement No. 752 to define the Consumer Price Index (CPI) period of December to December as the basis for fee increases in subsequent years is approved; and
- 3) That the Interim Executive Director is hereby authorized to execute Agreement No. 752, as amended, for auditing services for calendar year 1981, for a price not to exceed \$12,740 plus the December to December San Francisco-Oakland CPI for all urban consumers.

CHAIRMAN

ATTEST:

SECRETARY

APPROVED
SACRAMENTO HOUSING AUTHORITY
Date 1/20/81

#51

AMENDMENT TO AUDITING SERVICES AGREEMENT
(Agreement #752)

Agreement No. 752, dated April 4, 1980, by and between the Redevelopment Agency of the City of Sacramento and the Housing Authority of the City of Sacramento, and Ernst & Whinney, Auditor, is amended as follows:

Section 2. Payment. (Line 28) Should Agency in subsequent year(s) opt to extend the agreement in accordance with Section 4 of this agreement, Auditor may increase the total fee by no more than the cost-of-living increase as measured by the San Francisco Bay Area Consumer Price Index (all urban consumers) for December to December.

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO
HOUSING AUTHORITY OF THE CITY
OF SACRAMENTO

APPROVED AS TO FORM:

WILLIAM H. EDGAR, Interim Executive
Director

CHIEF COUNSEL

ERNST & WHINNEY

APPROVED:

FINANCE DEPARTMENT

FUNDING SOURCE

RESOLUTION NO. RA 81002

Adopted by the Redevelopment Agency of the City of Sacramento

January 20, 1981

A RESOLUTION AUTHORIZING AUDITING SERVICES TO BE PERFORMED BY ERNST & WHINNEY FOR CALENDAR YEAR 1981

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

WHEREAS, the Redevelopment Agency of the City of Sacramento entered into an auditing services Agreement No. 752 on April 4, 1980 with an option to renew the agreement; and

WHEREAS, Ernst & Whinney has satisfactorily performed audit services for calendar year 1980;

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

- 1) That Agreement No. 752 is hereby renewed for calendar year 1981 auditing services;
- 2) That the attached Exhibit B amending Agreement No. 752 to define the Consumer Price Index (CPI) period of December to December as the basis for fee increases in subsequent years is approved; and
- 3) That the Interim Executive Director is hereby authorized to execute Agreement No. 752, as amended, for auditing services for calendar year 1981, for a price not to exceed \$12,740 plus the December to December San Francisco-Oakland CPI for all urban consumers.

CHAIRMAN

ATTEST:

SECRETARY

APPROVED
SACRAMENTO REDEVELOPMENT AGENCY

Date 1/20/81

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AUDITING SERVICES AGREEMENT

THIS AGREEMENT, made at Sacramento, California, as of this 4th day of April, 1980, by and between the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public corporation, and the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public corporation (referred to jointly as "Agency"), and ERNST AND WHINNEY (referred to as "Auditor").

1. SERVICES

Subject to the terms and conditions set forth in this Agreement, Auditor shall provide to Agency the services of examining the accounts of the Agency for the fiscal year July 1, 1979 to June 30, 1980, and for the calendar year 1980, as appropriate; such services shall include, but are not limited to, performance of the following duties:

- (a) Auditor shall examine and submit audit reports of the projects or funds set forth below:

HOUSING PROJECTS: Year ending 12/31/80 et seq. (Compliance audit not required)

Ping Yuen Center 72 apts. DHUD requirements.

Kennedy Estates 100 apts. DHUD requirements.

8 Scattered single-family units. DHUD requirements.

10 Wildflower single family units CHFA^{1/}

Broadway/San Jose 24 units CHFA^{1/}

Golden Era Handicrafts Boutique - gross sales approximately \$100,000+ annually.

REDEVELOPMENT PROJECTS: Year ending 6/30/80 et seq. (Compliance audit is required for Tax Increment funds only).

Tax Increment Funds, 7 projects.

Parking Facility Fund.

Revolving Fund.

^{1/} California Housing Finance Agency

Emergency Reserve Fund.

Replacement Housing Fund.

Del Paso Heights Library Fund.

OTHER: Year ending 6/30/80 et seq. (Compliance audit not required)

City Local Tax Fund.

County Local Tax Fund.

- (b) From time to time an Agency grantor may choose to perform an audit. For this reason, the Agency reserves the right to delete any project/fund at any time and to pay Auditor for work performed to that date.
- (c) 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 calendar year ended December 31, 1980, and to evaluate the fairness of presentation of the records in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

The examination will be conducted in accordance with generally accepted auditing standards which will include a review of the system of internal control and 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.

The objective of the examination is the expression of an opinion on the Agency's financial operations and the ability of the Auditor to express that opinion, and the wording of the opinion will, of course, be dependent on the facts and circumstances at the date of that opinion. If the opinion will be other than unqualified, the reasons therefor will be fully disclosed.

- (d) 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

examination of Agency's financial statements, records and internal procedures for the fiscal year ending June 30, 1980, or December 31, 1980, as applicable.

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 October 27, 1980 for reports for period ending June 30, 1980, and February 28, 1981 for reports for period ending December 31, 1980.

2. PAYMENT

Agency shall pay Auditor for services rendered pursuant to this Agreement in accordance with the following hourly rates:

Partner	\$90.00
Manager	\$55.00
Supervisor	\$35.00
Senior	\$25.00
Adv. Staff	\$20.00
Staff	\$18.00
Clerical	-0-

Such payment shall not exceed SEVEN THOUSAND TWO HUNDRED TEN and NO/100 DOLLARS (\$7,210.00) for the Housing Authority programs, and FIVE THOUSAND FIVE HUNDRED THIRTY and NO/100 DOLLARS (\$5,530.00) for the Redevelopment Agency programs listed in the Agency's Request for Proposal due February 14, 1980.

The Agency reserves the right to add or delete programs during the term of this Agreement, based upon the hourly rates specified above. Should Agency in subsequent year(s) opt to extend the Agreement in accordance with Section 4 of this Agreement, Auditor may increase the total fee by no more than the cost-of-living increase as measured by the San Francisco Bay Area Consumer Index (all urban consumers). Payment of the total sum shall be made after performance of the work of Auditor and only after all services required under this Agreement have been satisfactorily performed.

The payment of the total sum specified shall be the only payment to be made by Agency for services rendered.

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 executed 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. AGENCY'S RIGHT TO RENEW AGREEMENT

Agency shall have the right to renew this Agreement, under the same terms and conditions for each of four (4) subsequent one-year periods ending December 31, 1984, giving written notice to Auditor not later than January 31st of each year.

5. POLICY

It is the Agency's policy to change external auditors at least every five years. Accordingly, it is anticipated that the Agreement will not be renewed after the December 31, 1984 audit completion. The Agency would, however, consider Ernst and Whinney as an eligible firm after one intervening firm change.

6. 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

By *William S. ...*
Executive Director

APPROVED AS TO FORM:

[Signature]
Chief Counsel

APPROVED:

[Signature]
Finance Department

[Signature]
Funding Source

ERNST AND WHINNEY

By *[Signature]*

555 Capitol Mall, Suite 650
Sacramento, California 95814

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 whatever 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.