



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

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Consent
June 2, 2009

Honorable Mayor and
Members of the City Council

Title: Agreement: Professional Auditing Services

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** authorizing the City Manager or the City Manager's designee to execute an Agreement 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.

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 2008-2009. 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.

This report recommends that the City Council authorize the City Manager to execute a professional services agreement with Macias Gini & O'Connell LLP to conduct the City's 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.

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.

Environmental Considerations: None.

Sustainability Considerations: None.

Rationale for Recommendation: It is in the best interest of the City to approve an Agreement with Macias Gini & O'Connell LLP in the amount of \$212,030, the highest ranking competitor and the lowest responsible bidder.

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: Janet Wiley, Principal
for Dennis Kauffman, Accounting Manager *Accountant*

Approved by: Leyne Milstein
Leyne Milstein, Director of Finance

Recommendation Approved:

Ray Kerridge
for Ray Kerridge
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 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	
Cost for City and Component Units	\$158,524

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 State Required Supplemental Information	
State and Local Transportation Partnership Program	
Special Purpose Audit of Final Project Costs	
Lessees of the City of Sacramento - Special Procedures to	
Test Lessee Revenue and Lease Payment Calculations	
Cost of Related Agencies and Programs	<u>\$ 53,506</u>

TOTAL COST OF AUDIT SERVICES	<u>\$212,030</u>
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Attachment 2

RESOLUTION NO.

Adopted by the Sacramento City Council

**AUTHORIZING EXECUTION OF AN 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 execution of this 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.

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

Section 1. The City Manager or the City Manager's designee is hereby authorized to execute a professional services agreement with Macias Gini & O'Connell LLP, attached hereto as Exhibit A, to conduct the City 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.

Section 2. Exhibit A is part of this resolution.

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Exhibit A – Professional Services Agreement with Macias Gini & O'Connell LLP