

2011 JAN 13 PM 4:25

CITY OF OAKLAND
AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Finance and Management Agency
DATE: January 25, 2011

- RE:**
- 1) A City Resolution Amending City Council Resolution No. 82682 C.M.S., Which Authorized a Contract with Macias Gini, & O'Connell, LLP to Provide Audit Services (Single Audit), to Increase the Contract for Single Audit Report by Nineteen Thousand Four Hundred Dollars (\$19,400), from Eighty-Seven Thousand Two Hundred Three Dollars (\$87,203) to One Hundred Six Thousand Six Hundred Three Dollars (\$106,603) to Cover Testing of Two Additional Major Programs for Fiscal Year Ending June 30, 2010

 - 2) An Agency Resolution Amending City Council Resolution No. 2010-0048 C.M.S., Which Authorized a Contract with Macias Gini, & O'Connell, LLP to Provide Audit Services, to Increase the Contract for Oakland Army Base Report by Sixty Thousand Dollars (\$60,000), from Three Thousand Sixty Dollars (\$3,060) to an Amount Not-To-Exceed Sixty Three Thousand Sixty Dollars (\$63,060) to Provide Comprehensive Financial Statements for the Years Ended June 30, 2007, 2008, 2009 and 2010 and the Close-Out Period Ended August 7, 2010 as required by the U.S. Department of the Army.

SUMMARY

Section 809 of the City of Oakland (the "City") Charter states that the City Council shall engage an independent certified public accountant to examine and report on the annual financial statements of the City. On April 20, 2010, the City Council approved a five-year contract extension for the period from Fiscal Year 2009-10 to Fiscal Year 2013-14 with Macias Gini & O'Connell, LLP ("MGO") to provide audit services to the City and the Oakland Redevelopment Agency (the "Agency").

Staff requests City Council adopt the proposed City and Agency resolutions authorizing an amendment to increase the existing contract with MGO by a not-to-exceed amount of \$79,400 to perform additional audit services required by the Governmental Accounting Standards Board (GASB) for the City's Single Audit Report (\$19,400) and Agency's Oakland Army Base Report (\$60,000).

Item #: _____
Finance and Management Committee
January 25, 2011

FISCAL IMPACT

Approval of these resolutions will amend the current contract and increase the annual fees for the Single Audit and the Oakland Army Base Audit by approximately \$79,400. The amendment includes testing of two additional major programs under the Single Audit for the City for fiscal year ending June 30, 2010, the audited financial statements for the Oakland Army Base Fund (the "Fund") for the years ended June 30, 2007, 2008, 2009 and 2010 and the close-out period ended August 7, 2010.

The Single Audit will be increased from an existing amount of \$87,203 by an additional amount of \$19,400, for a total contract amount of \$106,603. The Oakland Army Base will be increased from an existing amount of \$3,060 by an additional amount of \$60,000, for a total contract amount of \$63,060. This is a one-time increase for the Oakland Army Base audit of prior years' financial statements, in order to provide the Department of the Army with comprehensive financial reports for fiscal years ended 2007, 2008, 2009 and 2010. The Department of the Army was previously provided with Supplemental Schedule of No-Cost EDC-Related and Other Revenues, Expenditures and Changes in Fund Balances, which was considered inadequate.

BACKGROUND

In 2010, City Council approved a five-year contract extension for the period from fiscal year 2009-10 to fiscal year 2013-14 with MGO to provide auditing services, which includes the review of financial statements for the City, the Comprehensive Annual Financial Report (CAFR), the Agency, the Police and Fire Retirement System and the Oakland Municipal Employees Retirement System. The audit will also encompass the Measure Y-Violence Prevention and Public Safety Act of 2004 Compliance Audit, the Oakland Wildfire Prevention Assessment District Compliance Audit, the Measure C – Transient Occupancy Tax (TOT) Surcharge Compliance Audit, the Oakland Army Base Audit, the Gann Appropriation Limit, and the Single Audit Report for Federal Awards.

KEY ISSUES AND IMPACTS

Currently, the City has a contract with MGO for financial auditing services that include the Single Audit and Oakland Army Base Audit. The Single Audit fees are based upon an estimated audit of eight (8) major federal programs. However, during the risk assessment analysis of the City federal programs as required by *Office of Management and Budget (OMB) Circular A-133*, MGO has identified ten (10) federal programs that are required to be tested as major programs for fiscal year ending June 30, 2010. Therefore, MGO is requesting additional fees for the remaining two (2) programs in the amount of \$19,400, which will increase the annual fee from \$87,203 to \$106,603 for fiscal year 2010.

The 10 federal programs that are required to be tested by the *Office of Management and Budget (OMB) Circular A-133*, as major programs for the fiscal year ended June 30, 2010 are as follows:

1. Supporting Housing Program, CFDA No. 14.235;
2. HOME Investment Program, CFDA No. 14.239;
3. CDBG Cluster, CFDA No. 14.218/14.253/14.254;
4. Section 108 HUD Loans, CFDA No. 14.248;
5. Highway Planning and Construction Cluster, CFDA No. 20.205/20.219/23.003;
6. Head Start Cluster, CFDA No. 93.600/93.708/93.709;
7. Medical Assistance Program, CFDA No. 93.778;
8. Public Safety Partnership and Community Policing Grants, CFDA No. 16.710;
9. Edward Byrne Memorial Justice Assistance Grant Program, CFDA No. 16804; and
10. Workforce Investment Act (WIA) Cluster, CFDA No. 17.258/17.259/17.260

In a letter dated August 6th 2010, the U.S. Department of the Army requested the Agency to submit comprehensive financial reports for the Oakland Army Base, which is a fund of the Agency. In the previous fiscal years (2007, 2008 and 2009) after the Oakland Army Base was dissolved to the Agency, the Agency submitted a "Supplemental Schedule of No-Cost EDC-Related and other Revenues, Expenditures and Changes in Fund Balance" audit report to the Army. The Army now has requested the Agency to reissue comprehensive financial reports for FY 2007, 2008, 2009, 2010 and the close-out period ended August 7th 2010, as a requirement of the modification to the Memorandum of Agreement (MOA) between the Department of the Army and the Oakland Redevelopment Agency, issued on August 7, 2010. The modified MOA extends the reinvestment period for Economic Development Conveyance (EDC) property proceeds until August 7, 2012.

The comprehensive financial report as defined by *accounting standards generally accepted* in the U.S. provide for certain required supplemental information (RSI), such as management's discussion & analysis (MD&A), to supplement the Fund's basic financial statements. MGO will audit the financial statements of the Fund for the years ended June 30, 2007, 2008, 2009 and 2010 and the close-out period ended August 7, 2010 for an additional fee not-to-exceed \$60,000, which will increase the annual fee from \$3,060 to \$63,060 for Fiscal Year 2010.

The table below shows the current audit fees, the revised fees and the funding sources for the City and Agency for Fiscal Year 2009-10:

Description	Amount
Single Audit Report (<i>Fund 1010: General Purpose Fund</i>)	\$87,203
<i>Plus: Fee increase</i>	<i>19,400</i>
Total Revised Annual Fees	\$106,603
Oakland Army Base (<i>Fund 9575: Oakland Army Base</i>)	\$3,060
<i>Plus: Fee increase</i>	<i>60,000</i>
Total Revised Fees	\$63,060

SUSTAINABLE OPPORTUNITIES

No direct economic, environmental, or social equity sustainable opportunities have been identified.

DISABILITY AND SENIOR CITIZEN ACCESS

There are no ADA or senior citizen access issues contained in this report.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that City Council approve the resolutions authorizing an amendment to increase the contract with MGO to perform the required additional audit services for the City's Single Audit Report by \$19,400, and Agency's Oakland Army Base Report by \$60,000 for Fiscal Year 2009-10.

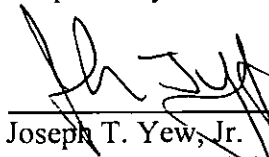
ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council approve the respective City and Agency resolutions authorizing the following actions:

- Authorizing the Amendment to Resolution No.82682 C.M.S., which authorized a contract with Macias Gini & O'Connell, LLP to provide audit services, to increase the Single Audit fees by \$19,400 to provide testing of two additional major programs for fiscal year ending June 30, 2010.

- Authorizing the Amendment to Resolution No.2010-0048 C.M.S., which authorized a contract with Macias Gini & O'Connell, LLP to provide audit services, to increase the Oakland Army Base Audit fees by \$60,000 to provide certain required supplementary information for the years ended June 30, 2007, 2008, 2009 and 2010 and the close-out period ended August 7, 2010:

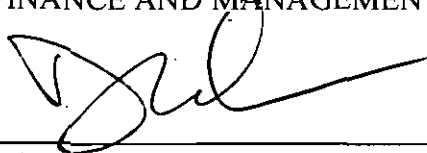
Respectfully submitted,



Joseph T. Yew, Jr.
Finance Director/City Treasurer

Prepared by:
Osborn K. Solitei, Controller
Finance and Management Agency

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:



Office of the City Administrator

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2011 JAN 13 PM 4:25

Approved as to Form and Legality


ORA Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

AN AGENCY RESOLUTION AMENDING CITY COUNCIL RESOLUTION NO. 2010-0048 C.M.S., WHICH AUTHORIZED A CONTRACT WITH MACIAS GINI, & O'CONNELL, LLP TO PROVIDE AUDIT SERVICES, TO INCREASE THE CONTRACT FOR OAKLAND ARMY BASE REPORT BY SIXTY THOUSAND DOLLARS (\$60,000), FROM THREE THOUSAND SIXTY DOLLARS (\$3,060) TO AN AMOUNT NOT-TO-EXCEED SIXTY THREE THOUSAND SIXTY DOLLARS (\$63,060) TO PROVIDE COMPREHENSIVE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2007, 2008, 2009 AND 2010 AND THE CLOSE-OUT PERIOD ENDED AUGUST 7, 2010

WHEREAS, the Redevelopment Agency of the City of Oakland requires an annual audit by an independent certified public accountant who shall examine and report to the Redevelopment Agency on the annual financial statements of the Agency; and

WHEREAS, it is the desire of the Agency to engage the services of the firm Macias, Gini & O'Connell, LLP to conduct an audit of the Agency's financial records; and

WHEREAS, Resolution No. 2010-0048 was passed on April 20, 2010 which authorized the City Administrator to execute a contract with Macias Gini & O'Connell, LLP to provide audit services for the City of Oakland and Oakland Redevelopment Agency; and

WHEREAS, it has been determined that the Agency is required to provide for certain required supplementary information (RSI), such as the management's discussion and analysis (MD&A), to supplement the Oakland Army Base Fund's basic financial statements for the years ended June 30, 2007, 2008, 2009 and 2010 and the close-out period ended August 7, 2010; now, therefore be it

RESOLVED, that the City Council finds and determines the forgoing recitals to be true and correct and hereby adopts and incorporates them into this Resolution; and be it

FURTHER RESOLVED, that the Agency Board hereby authorizes the City Administrator to amend the amount of the contract with Macias Gini & O'Connell, LLP in an amount not-to-exceed sixty thousand dollars (\$60,000) to pay for certain required supplemental information under the Oakland Army Base Audit, for a total contract amount not-to exceed sixty-three thousand sixty dollars (\$63,060); and be it

FURTHER RESOLVED, that the Agency Counsel will approve the contract amendment as to form and legality and a copy will be on file in the Office of the Secretary of the Agency; and be it

FURTHER RESOLVED, that this Resolution shall take effect immediately upon its passage.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, KERNIGHAN, NADEL, SCHAAF, DE LA FUENTE, BROOKS, KAPLAN, AND
CHAIRPERSON REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
Secretary of the Redevelopment Agency
of the City of Oakland, California

2011 JAN 13 PM 4: 25

Approved as to Form and Legality


Oakland City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

A CITY RESOLUTION AMENDING CITY COUNCIL RESOLUTION NO. 82682 C.M.S., WHICH AUTHORIZED A CONTRACT WITH MACIAS GINI, & O'CONNELL, LLP TO PROVIDE AUDIT SERVICES (SINGLE AUDIT), TO INCREASE THE CONTRACT FOR SINGLE AUDIT REPORT BY NINETEEN THOUSAND FOUR HUNDRED DOLLARS (\$19,400), FROM EIGHTY-SEVEN THOUSAND TWO HUNDRED THREE DOLLARS (\$87,203) TO ONE HUNDRED SIX THOUSAND SIX HUNDRED THREE DOLLARS (\$106,603) TO COVER TESTING OF TWO ADDITIONAL MAJOR PROGRAMS FOR FISCAL YEAR ENDING JUNE 30, 2010

WHEREAS, Section 809 of the Charter of the City of Oakland provides for an annual audit by an independent certified public accountant who shall examine and report to the City Council on the annual financial statements of the City; and

WHEREAS, it is the desire of the City Council to engage the services of the firm Macias, Gini & O'Connell, LLP; and

WHEREAS, Resolution No. 82682 was passed on April 20, 2010 which authorized the City Administrator to execute a contract with Macias Gini & O'Connell, LLP to provide audit services for the City of Oakland and Oakland Redevelopment Agency; and

WHEREAS, during the risk assessments of federal programs, Macias Gini & O'Connell, LLP has identified ten (10) federal programs for fiscal year ending June 30, 2010, resulting in two additional major programs that require testing under the Single Audit; now, therefore be it

RESOLVED, that the City Council finds and determines the forgoing recitals to be true and correct and hereby adopts and incorporates them into this Resolution; and be it

FURTHER RESOLVED, that the City Council hereby authorizes the City Administrator to amend the amount of the contract with Macias Gini & O'Connell, LLP in an amount of nineteen thousand four hundred dollars (\$19,400) to pay for the testing of two additional major programs under the Single Audit, for a total contract amount of one hundred six thousand six hundred three dollars (\$106,603); and be it

FURTHER RESOLVED, that the Office of the City Attorney will approve the contract amendment as to form and legality and a copy will be on file in the Office of the City Clerk; and be it

FURTHER RESOLVED, that this Resolution shall take effect immediately upon its passage.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL, SCHAAF and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California