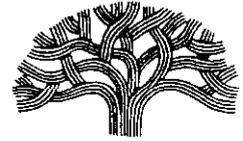


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OAKLAND



2006 APR 24 PM 2:23

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April 24, 2006

IGNACIO DE LA FUENTE, PRESIDENT  
CITY COUNCIL  
OAKLAND, CALIFORNIA

PRESIDENT DE LA FUENTE AND MEMBERS OF THE CITY COUNCIL

**SUBJECT: 1) RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO ENACT A ONE-YEAR EXTENSION WITH MACIAS, GINI & COMPANY, LLP TO PROVIDE AUDIT SERVICES FOR FISCAL YEAR ENDING JUNE 30, 2006 IN AN AMOUNT NOT TO EXCEED \$639,962.**

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#### PURPOSE AND SCOPE

In accordance with the Measure H Charter Amendment, which was passed by the voters at the General election of November 5, 1996, we have made an impartial financial analysis of the accompanying Proposed Resolution and Agenda Report. In making our analysis, we also asked for additional information and clarification from Macias, Gini & Company, LLP and City of Oakland staff.

The City Auditor is elected by the citizens of Oakland to serve as an officer in charge of an independent department auditing City government activities. The City Charter establishes the independence of the Office of the City Auditor.

Since the Measure H Charter Amendment specifies that our impartial financial analysis is for informational purposes only, we did not apply Generally Accepted Government Auditing Standards as issued by the Comptroller General of the United States. Moreover, we found that the scope of our analysis is impaired by Administrative Instruction Number 137, effective May 21, 1997, which provides only two (2) weeks for us to plan, perform and report on our analysis. Due to this time constraint, we did not verify all the data contained in the Proposed Resolution and Agenda Report.

**SUMMARY**

The Proposed Resolution authorizes the City Administrator to enter into a professional services contract with Macias, Gini & Company, LLP ("Macias"), a Certified Public Accounting firm, to provide auditing services to the City of Oakland ("City"). More specifically, Macias will provide the scope of services listed below for fiscal year ending June 30, 2006. To meet the local business enterprise requirement, Macias is currently in negotiations with at least two local Certified Public Accounting firms that it will subcontract with under this agreement.

**FISCAL IMPACT**

The contract for audit services to be performed by Macias is not to exceed \$639,962. In addition, Macias will use subcontractors and approximately 11 professional staff from its own firm to perform these audits. We have computed Macias' average billing rate per hour per professional employee to be \$185. It is anticipated that Macias will complete City's audits within 4,200 hours at a cost of \$777,000 [ $\$185 \times 4,200 = \$777,000$ ]. Even though the audit fees for Single Audit have increased 91%, according to our estimates City will save approximately \$137,038 [ $\$777,000 - \$639,962 = \$137,038$ ] under this agreement.

Moreover, we have compared the audit fees earned by Macias for fiscal year ending June 30, 2005 to this year's contract, and have concluded that Macias' audit fees will increase by \$15,562. We have not considered the Contingency Fee of \$35,000 that Macias included in its initial proposal, since this amount does not apply to the current scope of services under this contract.

<u>Scope of Services</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>Inc/(Dec)</u>	<u>% of Change</u>
CAFR	\$ 387,906	\$ 396,052	\$ 8,146	2 %
Single Audit (7 major Programs)	44,034	84,165	40,131	91
ORA & Bonds	84,782	86,562	1,780	2
Police & Fire Retirement System	23,759	24,258	499	2
Oakland Municipal Employees' Retirement	16,791	17,144	353	2
Gann	1,058	1,080	22	2
Wildfire Prevention	9,190	9,383	193	2
Measure Y	20,880	21,318	438	2
Review of Subk'ors Work	36,000	-	(36,000)	(100)
<b>Total-----</b>	<b><u>\$624,400</u></b>	<b><u>\$639,962</u></b>	<b><u>\$15,562</u></b>	

**SUSTAINABLE OPPORTUNITIES**

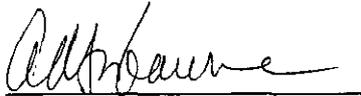
This contract will generate revenue for at least one local business; however, it is unknown how much Macias will pay its subcontractors under this agreement.

**RECOMMENDATIONS AND CONCLUSION**

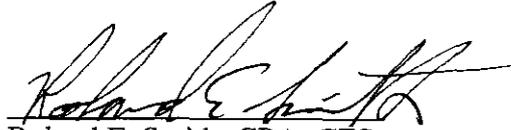
Because the goal of City is to support local businesses, we recommend that City adopt this resolution with the stipulation that Macias provide documentation to City indicating the amount of monies earned by the local business under this agreement.

Prepared by:

Issued by:



Anica Ashbourne, JD  
Chief Deputy Auditor



Roland E. Smith, CPA, CFS  
City Auditor

Report completion date:  
April 20, 2006