

2011 DEC -1 PM 1:02

CITY OF OAKLAND
AGENDA REPORT

TO: Office of the City Administrator
ATTN: Deanna J. Santana
FROM: Finance and Management Agency
DATE: December 13, 2011

RE: An Agency Resolution Amending Agency 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 Seventeen Thousand Nine Hundred Sixty Two Dollars (\$17,962), from Six Thousand Three Hundred Ninety Eight Dollars (\$6,398) to An Amount Not-to-Exceed Twenty Four Thousand, Three Hundred Sixty Dollars (\$24,360) to Provide Comprehensive Financial Statements for the Years Ended June 30, 2011, and June 30, 2012 and the Close-Out Period Ending August 7, 2012, as Required by the U.S. Department of the Army, and Waiver of Request for Proposals.

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"). On February 1, 2011, the City Council approved amendment number one for an increase of \$79,400 to perform additional audit services required by the *Office of Management and Budget (OMB) Circular A-133* for the Single audit and comprehensive audited financial reports for the Oakland Army Base as requested by the U.S. Department of the Army.

Staff requests that City Council adopt the proposed Agency resolution authorizing an amendment to increase the existing contract with MGO by a not-to-exceed amount of \$17,962 to prepare comprehensive audited financial statements for the Agency's Oakland Army Base Report as required by the U.S. Department of the Army for the years ended June 30, 2011 and 2012 and the close-out period ending August 7, 2012.

FISCAL IMPACT

Approval of this resolution will amend the current contract and increase the annual fees for the Oakland Army Base from an existing amount of \$6,398 by an additional amount of \$17,962, for a total not to exceed amount of \$24,360. The additional audit fees will be funded by the Oakland Army Base Leasing & Utility Fund 9575.

BACKGROUND

In April 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 Oakland Army Base “Supplemental Statements” Audit. The U.S. Department of the Army, as a condition of its August 7, 2003, Economic Development Conveyance Memorandum of Agreement (EDC MOA) for Oakland Army Base property, required the Agency to submit annual audited comprehensive financial reports for the Oakland Army Base (a fund of the Agency). In a letter dated August 6, 2010, the Army modified the MOA to extend the reinvestment period for EDC property proceeds by two years until August 7, 2012. At the Army’s request, the Agency re-issued its comprehensive financial statements to the U.S. Department of the Army for Fiscal Years 2007, 2008 and 2009, and submitted comprehensive audited financial statements for Fiscal Year 2010 and the close-out period ending August 7, 2010. As part of the MOA extension, the Army requested the Agency to submit comprehensive audited financial statements for fiscal years 2011, 2012 and the close-out period which ends August 7, 2012.

The Comprehensive financial report, as defined by *accounting standards generally accepted* in the United States, provides 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, 2011, 2012 and the close-out period ending August 7, 2012 for an additional fee not-to-exceed \$ 17,962, which will increase the

fee from \$6,398 to \$24,360 for Fiscal Years 2011, 2012 and the close-out period ending August 7, 2012.

The table below shows the respective fiscal years' current audit fees, the amendments, the revised fees and the funding sources for the Agency:

CITY OF OAKLAND				Requested Increase
Description	FY2009	FY2011		
OAKLAND REDEVELOPMENT AGENCY				
Description	FY2009	FY2011	FY2012	
Oakland Army Base (Fund 9575: Oakland Army Base Leasing & Utility)	\$3,060	\$3,152	\$3,246	
Amendment No 1 (approved by Reso # 2011-0003)	60,000			
Amendment No 2 (as requested)		8,848	9,114	\$17,962
Total Revised Annual Fees	\$63,060	\$12,000	\$12,360	
TOTAL INCREASE				\$17,962

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.

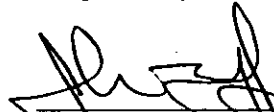
RECOMMENDATION(S) AND RATIONALE

Staff recommends that City Council approve the Agency resolution authorizing an amendment to increase the contract of MGO to perform the required additional audit services for Oakland Army Base Report by \$17,962.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council approve the Agency resolution 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 \$17,962 to prepare comprehensive audited financial statements for fiscal years ending June 30, 2011 and June 30, 2012 and the close-out period ending August 7, 2012.

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

2011 DEC -1 PM 1:02

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 AGENCY 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 SEVENTEEN THOUSAND NINE HUNDRED SIXTY TWO DOLLARS (\$17,962), FROM SIX THOUSAND THREE HUNDRED NINETY EIGHT DOLLARS (\$6,398) TO AN AMOUNT NOT-TO-EXCEED TWENTY FOUR THOUSAND THREE HUNDRED SIXTY DOLLARS (\$24,360) TO PROVIDE COMPREHENSIVE FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2012 AND THE CLOSE-OUT PERIOD ENDING AUGUST 7, 2012, AS REQUIRED BY THE U.S. DEPARTMENT OF THE ARMY, AND WAIVER OF REQUEST FOR PROPOSALS.

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 the Oakland Army Base Fund's comprehensive audited financial statements for the years ended June 30, 2011 and June 30, 2012 and the close-out period ending August 7, 2012; and

WHEREAS, Oakland Municipal Code 2.04.051.B authorizes the Board to waive advertising and the request for proposals process upon a finding that it is in the City's best interest to do so; and

WHEREAS, Staff recommends that it is in the Agency's best interest to waive advertising and the request for proposals process for the additional services to be added to the contract because at the time the Agency entered its contract with Macias Gini & O'Connell, LLP the requirement for additional testing was unknown; the current contract involves closely related services; and, the extension of the scope of the contract is reasonable and economical under the circumstances; now, therefore be it

RESOLVED, that the Agency Board 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 pursuant to the Oakland Municipal Code 2.04.040.B the Agency Board hereby finds and determines that it is in the best interests of the City to waive the advertising and the request for proposals process for hiring of an independent certified public accountant to perform the additional these additional Single Audit services extending the work already being performed by Macias Gini & O'Connell, LLP for the City, the requirement for which was unknown at the time the original contract was awarded to Macias Gini & O'Connell, LLP, 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 seventeen thousand nine hundred sixty two dollars (\$17,962) to pay for comprehensive audited financial statements for the Oakland Army Base, for a total amount not-to-exceed twenty four thousand three hundred sixty dollars (\$24,360), 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 - BROOKS, BRUNNER, KAPLAN, KERNIGHAN, NADEL, SCHAAF, DE LA FUENTE and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

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