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OFFICE OF THE CITY CLERK
OAKLAND

2016 FEB 25 PM 3:36

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Kirsten LaCasse
Interim Controller

SUBJECT: As-Needed Professional Auditing
Services, FY 2016-19

DATE: February 11, 2016

City Administrator Approval

Date:

2/24/16

RECOMMENDATION

Staff Recommends That The City Council Adopt The City And Redevelopment Successor Agency (Agency) Resolutions Authorizing The City Administrator To Award A Contract To Macias Gini & O'Connell, LLP (MGO) To Provide As-Needed Professional Auditing Services For Fiscal Years Ending June, 30 2016, June 30, 2017, And June 30, 2018 In An Amount Not To Exceed \$1,853,800, Of Which \$62,250 Is To Be Funded By The Oakland Redevelopment Successor Agency (ORSA), With A One (1) Year Option To Extend The Contract For Fiscal Year Ending June 30, 2019.

Staff Also Requests That City Council Waive The 50% Local And Small Local Business Enterprise (L/SLBE) Participation Requirement, As Neither Of The Two (2) Respondents Were Qualified By The City As Meeting The L/SLBE Requirement.

EXECUTIVE SUMMARY

In accordance with Oakland Municipal Code (OMC) 2.04.050, staff requests that the City Council adopt City and Agency resolutions authorizing the City Administrator to award a three (3) year professional services contract between the City of Oakland and MGO to provide audit services for Fiscal Years ending June 30 2016 through June 30, 2018, with a one year option to extend the contract for Fiscal Year ending June 30, 2019. The total amount of the three (3) year contract is not to exceed \$1,853,800, of which \$62,250 is to be funded by ORSA.

- Fiscal year ending June 30, 2016: not to exceed \$599,800, of which \$20,150 is to be funded by ORSA.
- Fiscal year ending June 30, 2017: not to exceed \$617,750, of which \$20,750 is to be funded by ORSA.
- Fiscal year ending June 30, 2018 in the amount not to exceed \$636,250, of which \$21,350 is to be funded by ORSA.

Item: **10**

Finance and Management Committee
March 8, 2016

BACKGROUND/LEGISLATIVE HISTORY

Section 809 of the City of Oakland Charter states that the City Council shall engage an independent certified public accountant to examine and report to the Council on the City's annual financial statements. Copies of such audit reports shall be filed with the Council, and shall be available for public inspection and review. Financial audits provide reasonable assurance to the City, its oversight agencies, taxpayers, and other stakeholders about whether the City's financial statements are presented fairly in all material respects in accordance with Generally Accepted Accounting Principles and whether the City has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements.

Historically, the City and the Port have joined efforts in soliciting and selecting professional accounting and auditing services, as this creates reporting efficiency and cost savings for both parties. A joint Request for Proposal (RFP) with the Port of Oakland (Port) for as-needed professional auditing services was issued in August 2015 and was extended through September 2015. In November 2015, staff from the City and the Port reviewed the proposals and based on the experience and qualification of the firms, selected the accounting firm of Macias, Gini & O'Connell, LLP (MGO). In January 2016, the Port's Board of Commissioners approved the recommendation to award the Port's contract for audit services for fiscal years 2016-18, with an option to extend the contract through fiscal year 2019 to Macias Gini & O'Connell.

In 2005, the City issued an RFP for auditing services and the City Council approved a two-year contract with MGO. In 2007, the City and Port issued a joint RFP for auditing services and the City Council approved a two-year contract with MGO for the fiscal years ending June 2008 and 2009, with an option to extend the contract for two (2) additional years (June 2010 and 2011). In 2009, the City Council directed staff to seek a 10 percent reduction in payments from all of its vendors and contractors. Staff approached MGO and proposed a five (5) year contract extension and a six (6) year 10 percent contract reduction. The five-year contract extension provided the City a savings of \$475,895. City Council approved the five-year contract extension in April 2010. In October 2014, the City Council approved another one (1) year contract extension with MGO to allow the City and Port time to coordinate this current, joint RFP process.

The following fiscal year 2014-15 financial audits and reports, prepared by MGO and their subcontractors, were presented to City Council in February 2016: the Comprehensive Annual Financial Report (CAFR), the Oakland Redevelopment Successor Agency, Measure Y – Violence Prevention and Public Safety Act of 2004 Compliance Audit, Measure C – Transient Occupancy Tax (TOT) Surcharge Compliance Audit, and the Gann Appropriation Limit.

ANALYSIS AND POLICY ALTERNATIVES

Staff recommends that the City Council adopt the City and Redevelopment Successor Agency (Agency) resolutions authorizing the City Administrator to award a contract to MGO to provide as-needed professional auditing services for Fiscal Years ending June, 30 2016, June 30, 2017, and June 30, 2018 in an amount not to exceed \$1,853,800, of which \$62,250 is to be funded by the Oakland Redevelopment Successor Agency (ORSA), with a one (1) year option to extend the contract for Fiscal Year ending June 30, 2019.

In August 2015, the RFP for as-needed professional auditing services was sent to two hundred and fifty-five (255) accounting firms. The RFP was resent to firms in the beginning of September 2015, extending the response timeline through September 2015. Two (2) responses were received; one from Macias Gini & O'Connell, LLP and the other was a joint proposal from The Pun Group, LLP and Maze & Associates. In November 2015, the City and the Port reviewed the two (2) responses and agreed on the selection of MGO. MGO's proposal demonstrated superior knowledge of both City and Port activities; provided an experienced audit team; and included training and technical support for City and Port staff for the implementation of new auditing and reporting regulations and standards.

Staff also requests that City Council waive the 50 percent Local and Small Local Business Enterprise (L/SLBE) participation requirement, as neither of the two (2) respondents was qualified by the City as meeting the L/SLBE requirement. MGO's proposed L/SLBE participation is 20 percent. Several local and small local firms were invited to submit proposals.

FISCAL IMPACT

Fiscal Impact of executing this contract with MGO for three (3) years, Fiscal Years 2016-2018 totals an amount not to exceed \$1,853,800, of which \$62,250 is to be funded by the Oakland Redevelopment Successor Agency.

Description And Funding Source	FY 2016	FY 2017	FY 2018
Comprehensive Annual Financial Report (CAFR) <i>Fund 1010: General Purpose Fund</i>	\$342,600	\$352,900	\$363,500
Single Audit Report <i>Fund 1010: General Purpose Fund</i>	105,600	108,750	112,000
Oakland Redevelopment Successor Agency (ORSA) <i>Fund: Oakland Redevelopment Successor Agency Funds</i>	20,150	20,750	21,350
Police and Fire Retirement System (PFRS) <i>Fund 7100: Police and Fire Retirement System Fund</i>	41,750	43,000	44,300
Gann Appropriations Limitation <i>Fund 1010: General Purpose Fund</i>	2,000	2,050	2,100
Measure Z – Violence Prevention and Public Safety Act <i>Fund 2252: Measure Z Fund</i>	24,150	24,850	25,600
Measure C- Transient Occupancy Tax (TOT) Surcharge <i>Fund 2419: Transient Occupancy Tax Fund</i>	5,100	5,250	5,400
Measure B - Local Transportation Fund <i>Funds 2211, 2210, 2212, 2213</i>	5,100	5,250	5,400
Measure BB – Transportation Expenditure Program <i>Fund 2216: Measure BB Fund</i>	5,100	5,250	5,400
Measure F – Vehicle Registration Fee Funds <i>Fund 2215: Measure F Fund</i>	5,100	5,250	5,400
Transportation Development Act Fund <i>Fund 2162: Metro Transportation Com Fund</i>	5,100	5,250	5,400
Child Care and Development Programs <i>Fund 1010: General Purpose Fund</i>	38,050	39,200	40,400
Contract Total	\$599,800	\$617,750	\$636,250

PUBLIC OUTREACH / INTEREST

The City's and Port's joint RFP for financial audit services for fiscal years ending 2016, 2017 and 2018, with an option to extend the contract for one (1) additional year was mailed to two hundred and fifty-five (255) accounting firms in August 2015 and again in September 2015. The RFP was sent to all firms that had registered in the City's vendor database, iSupplier, for auditing services, as well as emailed to other firms known for providing Governmental Accounting Services in the Bay Area. The RFP was posted on the City's web page and advertised in the Oakland Tribune, in accordance with Oakland Municipal Code (OMC) 2.04.050.

Of the firms that the RFP was sent to, the City and Port received two (2) responses to the RFP; nineteen (19) firms sent notification either to the Port or the City declining to respond.

COORDINATION

The City's Finance Department Controller's Bureau and City Administrator's Contracts and Compliance Division worked jointly with the Port of Oakland to develop the RFP specifications and the bid evaluation process. The Department of Human Services and Department of Public Works were also involved in developing the specifications for the mandated audits in their subject matter areas, e.g., the transportation audits and the child care program audits.

The City Attorney's Office and the Budget Office were consulted in preparation of this report.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

MGO has been both the City and the Port's external auditor since 2008. MGO has historically sub-contracted audit work to several local, certified public accounting firms in the City of Oakland; William, Adley & Company, LLP, Patel & Associates LLP and Yano Accountancy Corporation. MGO and its sub-contractors are currently responsible for auditing the financial statements of the City of Oakland and the Port, the Comprehensive Annual Financial Report (CAFR), the Oakland Redevelopment Successor Agency, the Police and Fire Retirement System and the Oakland Municipal Employees Retirement System. The audit also encompasses 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.

In accordance with the Generally Accepted Accounting Principals' (GAAP) requirement of Audit Partner rotation, MGO has specified a change of Partner assigned to the audits covered in the FY 2016-19 contract.

Overall, the City has been pleased with the quality of the work and the timeliness of the work submitted by MGO and its sub-contractors.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with this report.

Environmental: There are no environmental opportunities associated with this report.

Social Equity: There is no social equity opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt the City and Redevelopment Successor Agency (Agency) resolutions authorizing the City Administrator to award a contract to Macias Gini & O'Connell, LLP (MGO) to provide as-needed professional auditing services for Fiscal Years ending June, 30 2016, June 30, 2017, and June 30, 2018 in an amount not to exceed \$1,853,800, of which \$62,250 is to be funded by the Oakland Redevelopment Successor Agency (ORSA), with a one (1) year option to extend the contract for Fiscal Year ending June 30, 2019, and that the City Council waive the 50% Local and Small Local Business Enterprise (L/SLBE) participation requirement, as neither of the two (2) respondents were qualified by the City as meeting the L/SLBE requirements.

For questions regarding this report, please contact Kirsten LaCasse at (510) 238-6776.

Respectfully submitted,



KIRSTEN LACASSE
Interim Controller, Finance Department

Reviewed by:
Paige Alderete, Assistant Controller

Prepared by:
Tony Daquipa, Administrative Analyst
Controller's Bureau


City Attorney

2016 FEB 25 **RESOLUTION NO.** _____ **C.M.S.**

Introduced by Councilmember _____

RESOLUTION BY THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING THE CITY ADMINISTRATOR TO AWARD A THREE (3) YEAR CONTRACT WITH MACIAS GINI & O'CONNELL, LLP (MGO) TO PROVIDE AS-NEEDED PROFESSIONAL AUDITING SERVICES FOR FISCAL YEARS ENDING JUNE 30, 2016, JUNE 30, 2017, AND JUNE 30, 2018 IN AN AMOUNT NOT TO EXCEED \$1,853,800 (OF WHICH \$1,791,550 WILL BE FUNDED BY THE CITY AND \$62,250 WILL BE FUNDED BY THE OAKLAND REDEVELOPMENT SUCCESSOR AGENCY), WITH A ONE (1) YEAR OPTION TO EXTEND THE CONTRACT FOR FISCAL YEAR ENDING JUNE 30, 2019.

WHEREAS, Section 809 of the Charter of the City of Oakland requires 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, in August 2015, the City and the Port issued and advertised and issued a Request For Proposal (RFP) for As-Needed Professional Auditing Services for Fiscal Years ending June 30, 2016 through June 30, 2018, with a one (1) year option to extend the contract through June 30, 2019; and

WHEREAS, in November 2015, the City and the Port received and opened two proposals in response to the RFP for As-Needed Professional Auditing Services; and

WHEREAS, the City and the Port reviewed the proposals and determined that Macias, Gini & O'Connell, LLP (MGO) had the most experience and qualifications of the respondents, and best met the needs of both the City and the Port; and

WHEREAS, MGO has extensive experience and knowledge of the City's financial systems, financial statements, the Comprehensive Annual Financial Report (CAFR), the Oakland Redevelopment Successor Agency, the Police and Fire Retirement System, the City's Measure Z (formerly Measure Y) Violence Prevention and Public Safety, the Measure C – Transient Occupancy Tax (TOT) Surcharge Compliance Audit, the Gann Appropriation Limit, and the Single Audit Report for Federal Awards; and

WHEREAS, funds are available in the City's existing fiscal year 2015-17 Adopted Policy Budget in the amount of \$1,509,150 from General Purpose Fund (1010), \$129,050 from Police & Fire Retirement System Fund (7100), \$74,600 from Measure Z Fund (2252), \$15,750 from Measure C Transient Occupancy Tax Fund (2419); \$15,750 from Measure B Local Transportation Funds (2211, 2212, 2213); \$15,750 from Measure BB Fund (2216), \$15,750 from Measure F Vehicle Registration Fee Fund (2215), \$15,750 from Metro Transportation Com Fund (2162), and \$62,250 from Oakland Redevelopment Successor Agency Funds; and

WHEREAS, the City Council finds that the service is professional and temporary in nature and, based on the representations of the City Administrator in the report accompanying this

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FINANCE & MANAGEMENT COMMITTEE

MAR 08 2016

resolution, shall not result in the loss of salary or employment by any person having permanent status in the competitive service; and

WHEREAS, neither of the two respondents that submitted bids for the RFP for As-Needed Professional Auditing Services met the City's 50 percent Local and Small Local Business Enterprises (L/SLBE) participation requirement; and

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

RESOLVED, that the City Administrator is hereby authorized to award a three (3) year contract with the firm of Macias Gini & O'Connell, LLP in an amount not to exceed \$1,853,800, of which \$1,791,550 will be funded by the City and \$62,250 will be funded by the Oakland Redevelopment Successor Agency, for the fiscal years ending June 30, 2016-18 for professional auditing services, with a possible one-year extension for fiscal year ending June 30, 2019; and be it

FURTHER RESOLVED, funds are available in the City's existing fiscal year 2015-17 Adopted Policy Budget in the amount of \$1,509,150 from General Purpose Fund (1010), \$129,050 from Police & Fire Retirement System Fund (7100), \$74,600 from Measure Z Fund (2252), \$15,750 from Measure C Transient Occupancy Tax Fund (2419); \$15,750 from Measure B Local Transportation Funds (2211, 2212, 2213); \$15,750 from Measure BB Fund (2216), \$15,750 from Measure F Vehicle Registration Fee Fund (2215), \$15,750 from Metro Transportation Com Fund (2162), and \$62,250 from Oakland Redevelopment Successor Agency Funds; and be it

FURTHER RESOLVED, the City Council waives the City's 50 percent Local and Small Local Business Enterprise (L/SLBE) participation requirement, as no respondent could meet this requirement; and be it

FURTHER RESOLVED, that the City Council hereby rejects all other proposals submitted in response to the RFQ for As-Needed Auditing Services; and be it

FURTHER RESOLVED, that the contract shall be approved for form and legality by the City Attorney and copies of said agreement shall be filed with the City Clerk's Office.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES -

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

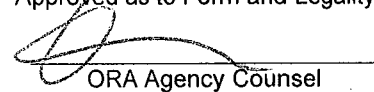
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LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

MAR 08 2016

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OFFICE OF THE CITY CLERK
OAKLAND

2016 FEB 25 PM 3:36

Approved as to Form and Legality


ORA Agency Counsel

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Resolution No. _____ C.M.S.

RESOLUTION AUTHORIZING THE AGENCY ADMINISTRATOR TO AWARD A THREE (3) YEAR CONTRACT WITH MACIAS GINI & O'CONNELL, LLP (MGO) TO PROVIDE AS-NEEDED PROFESSIONAL AUDITING SERVICES FOR FISCAL YEARS ENDING JUNE 30, 2016, JUNE 30, 2017, AND JUNE 30, 2018 IN AN AMOUNT NOT TO EXCEED \$1,853,800 (OF WHICH \$62,250 WILL BE FUNDED BY THE OAKLAND REDEVELOPMENT SUCCESSOR AGENCY AND \$1,791,550 WILL BE FUNDED BY THE CITY), WITH A ONE (1) YEAR OPTION TO EXTEND THE CONTRACT FOR FISCAL YEAR ENDING JUNE 30, 2019.

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

WHEREAS, in August 2015, the City and the Port issued and advertised a Request For Proposal (RFP) for As-Needed Professional Auditing Services for Fiscal Years ending June 30, 2016 through June 30, 2018, with a one (1) year option to extend the contract through June 30, 2019; and in November 2015, two proposals were received in response to the RFP; and

WHEREAS, the City and the Port reviewed the proposals and determined that Macias, Gini & O'Connell, LLP (MGO) had the most experience and qualifications of the respondents, and best met the needs of both the City and the Port; and

WHEREAS, MGO has extensive experience and knowledge of the City's financial systems, financial statements, the Comprehensive Annual Financial Report (CAFR), the Oakland Redevelopment Successor Agency, the Police and Fire Retirement System, the City's Measure Z (formerly Measure Y) Violence Prevention and Public Safety, the Measure C – Transient Occupancy Tax (TOT) Surcharge Compliance Audit, the Gann Appropriation Limit, and the Single Audit Report for Federal Awards; and

WHEREAS, funds will be available in the Recognized Obligation Payments Schedule (ROPS) for fiscal year 2016 through 2018 in the amount of \$62,250, and the remaining \$1,791,550 will be funded by the City; and

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WHEREAS, the Agency finds that the service is professional and temporary in nature and, based on the representations of the City Administrator in the report accompanying this resolution, shall not result in the loss of salary or employment by any person having permanent status in the competitive service; and

WHEREAS, neither of the two respondents that submitted bids for the RFP for As-Needed Professional Auditing Services met the City's 50 percent Local and Small Local Business Enterprises (L/SLBE) participation requirement; and

WHEREAS, it is the desire of the Agency to engage the services of the firm Macias, Gini & O'Connell, LLP; now therefore be it

RESOLVED, that the Agency authorizes the Agency Administrator or his/her designee to award a three (3) year contract with the firm of Macias Gini & O'Connell, LLP in an amount not to exceed \$62,250 for the fiscal years ending June 30, 2016-2018 for auditing the Oakland Redevelopment Successor Agency, with a possible one-year extension for fiscal year ending June 30, 2019; and be it

FURTHER RESOLVED, funds will be available in the Recognized Obligation Payments Schedule (ROPS) for fiscal year 2016 through 2018 in the amount of \$62,250, and the remaining \$1,791,550 will be funded by the City; and be it

FURTHER RESOLVED, the Agency waives the City's 50 percent Local and Small Local Business Enterprise (L/SLBE) participation requirement, as no respondent could meet this requirement; and be it

FURTHER RESOLVED, that the Agency hereby rejects all other proposals submitted in response to the RFQ for As-Needed Auditing Services; and be it

FURTHER RESOLVED, that the Agency Counsel will approve the contract as to form and legality and a copy will be on file in the Office of the Secretary of the Agency and with the City Clerk's Office.

IN AGENCY, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, AND PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California

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