CITY OF OAKLAND

AGENDA REPORT

TO:	Members of the City Council	**FROM:**	Michael C. Houston, City Auditor
SUBJECT:	Macias Gini & O'Connell LLP Contract	**DATE:**	October 28, 2025

RECOMMENDATION

The Office of the City Auditor Recommends The City Council Adopt A Resolution Waiving The Competitive Request For Proposals/Qualifications Process And The Local/Small Business Enterprise Program Requirements And Authorize The City Auditor To Enter Into A Professional Services Agreement With Macias Gini & O'Connell LLP Through December 31, 2026 For A Total Contract Amount Not to Exceed $400,000.

EXECUTIVE SUMMARY

Approval of the proposed resolution will authorize the City Auditor to enter into an agreement between the City of Oakland (City) and Macias Gini & O'Connell LLP (MGO) for a total contract amount not to exceed $400,000 to conduct six recurring audits covering a total of five fiscal years, specifically to determine whether the City is in compliance with the requirements of the Measures.

BACKGROUND / LEGISLATIVE HISTORY

The City Charter, the Municipal Code, and legislation require the Office of the City Auditor to conduct audits of some programs and activities on a recurring basis, as described in our Annual Audit Work Plan.[1] Due to persistent resource limitations, including staff vacancies, staff freezes, and increased workload, the Office has been unable to complete these audits at their scheduled frequency. Since Fiscal Year 2023–24, the number of mandated recurring audits has increased while the City Auditor's resources have not kept pace. I aim to bring our Office current on recurring audits, as outlined in the FY 2025-26 Audit Work Plan, through contracted audit services.

When I assumed office on May 3, 2024, the City Auditor's Office was not current on several voter-mandated audits.

[1] https://www.oaklandauditor.com/wp-content/uploads/2025/08/20250828_Annual-Audit-Work-Plan-for-FY-2025-26.pdf. For discussion on recurring audits, see Appendix A in the Annual Audit Work Plan.

The Office is currently working on the following mandated recurring audits:

- Kids First (Measure D)
- Vacant Property Tax (Measure W)
- Police Commission/CPRA (Measure LL)

Due to the backlog of recurring audits, and limited internal capacity, contracting with an experienced auditing firm allows the City Auditor's Office to complete these mandated recurring audits and minimize further delay.

Why MGO?

- **Proven Track Record with the City:** For the past 21 years, Macias Gini & O'Connell LLP (MGO) has served as the City of Oakland's independent external financial auditor, possessing an understanding of City systems, structure, and compliance requirements. ***This familiarity allows them to begin work immediately, reducing onboarding time and cost.***
    - On May 6, 2025, the City awarded MGO a contract to provide professional auditing services for fiscal years ending June 30, 2025, June 30, 2026, and June 30, 2027. MGO also conducts the City's annual financial audit and audit various measures: 1) Measure B Local Transportation Fund; 2) Measure BB – Transportation Expenditure Program; 3) Measure C – Transient Occupancy Tax surcharge Compliance, 4) Measure F – Vehicle Registration Fee Fund, and 5) Measure Z – Violence Prevention.
- **MGO Provides Similar Services to Peer Jurisdictions**: in 2023 alone, MGO served as auditor for 6 of the 10 largest cities and 8 of the 15 largest counties in California including the Cities of Los Angeles, San Jose, San Francisco, and Sacramento, and the Counties of Alameda, Contra Costa, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, and Santa Clara.
- **Specialized Expertise:** MGO has extensive experience conducting complex, government-mandated audits and is qualified to ensure the accuracy, timeliness, and credibility of these reports.
- **Continuity and Efficiency:** Engaging a different firm would result in unnecessary delays, inefficiencies, and duplication of effort. MGO can efficiently meet the Office of the City Auditor's deadlines while following Government Auditing Standards.
- **Legal and Operational Necessity**: As confirmed by the City Attorney's Office, these audits are not optional. Contracting with a firm that can perform them with the required rigor and speed is a matter of legal compliance and operational urgency.

The table below shows the mandated, recurring audits (to be included in the contract's scope of services), audit scope period, audit mandated language, and estimated cost of services.

Mandated Audit (Last Year Audited)	Requirement	Audit Scope	Estimated Total Cost for FY25-26
Measure D - Library Preservation (2022-23)	"The City Auditor shall perform an annual audit to ensure accountability and proper disbursement of all revenue collected by the City from the special tax imposed by this Ordinance, in accordance with the objectives stated herein and in compliance with provisions of State Law."	2023-24, 2024-25, 2025-26	$60,000
Measure C – Library Services (2022-23)	"The City Auditor shall perform a biennial audit of the collection and expenditure of all revenue generated by this tax to ensure accountability and the proper disbursement of the tax proceeds in accordance with the objectives stated herein."	2023-24, 2024-25	$40,000
Measure N - Paramedic Services (2020-21)	"The City Auditor will perform an annual audit to assure accountability and the proper disbursement of the proceeds of this tax in accordance with the objectives stated herein."	2021-22, 2022-23, 2023-24, 2024-25, 2025-26	$100,000
Measure M - Emergency Medical Services (2020-21)	"The City Auditor will perform an annual audit to assure accountability and the proper disbursement of the proceeds of this tax in accordance with the objectives stated herein."	2021-22, 2022-23, 2023-24, 2024-25, 2025-26	$100,000
Measure D – Kids First (2017-18)	"The annual amount of actual unrestricted General Purpose Fund (Fund 1010) revenues shall be estimated by the City Administrator and verified by the City Auditor...If the City Auditor finds that in any fiscal year the amount of funds expended for eligible services is less than the Base Percentage Requirement, the City of Oakland shall increase expenditures for eligible services within the following two years so that the correct amount of funds is expended... Within 180 days following the completion of each fiscal year's external audit through 2032-2033, the City Auditor shall calculate and publish the actual amount of City of Oakland spending for children and youth services (exclusive of expenditures mandated by state or federal law)."	2024-25, 2025-26	$40,000

Mandated Audit (Last Year Audited)	Requirement	Audit Scope	Estimated Total Cost for FY25-26
Measure Q – Parks, Litter Reduction, Homelessness Support (2021-22)[2]	"The City Auditor shall perform a biennial audit to ensure accountability and proper disbursement of all revenue collected by the City from the special tax imposed by this Ordinance, in accordance with the objectives stated herein and in compliance with provisions of State Law."	2022-23, 2023-24, 2025-26	$60,000
Estimated Total Cost for FY25-26			**$400,000**

ANALYSIS AND POLICY ALTERNATIVES

The City Auditor is committed to an ethical, responsive, trustworthy government. A sole source contract with MGO is justified and provides the most practical, cost-effective, timely, and responsible course of action to use the City of Oakland's current external auditor to bring our recurring audits current while we undertake a competitive selection process for future use.

Waiver Of Competitive Request For Proposals/Qualifications Requirement

Oakland Municipal Code (OMC) Section 2.04.051 A requires a competitive request for proposals/qualifications (RFP/Q) proposal solicitation process. OMC Section 2.04.051 B permits the City Council to waive this RFP/Q requirement upon a finding and determination that it is in the best interests of the City to do so. The City's engagement with MGO over the years was due to their extensive experience in public sector auditing. It is in the City's best interest to waive the competitive RFP/Q requirement. The City Auditor will report out on these contracted services to the City Council per the City Auditor's contracting authority per Section 2.04.021 of the OMC.

Thank you for your consideration. I welcome the opportunity to provide any additional information or answer questions.

FISCAL IMPACT

Funding for this contract was awarded to the Office of the City Auditor during the FY25-27 Biennial Budget and is available in the funding sources shown below. These funds cover the completion of recurring audits through FY 2025-26.

[2] Our Office issued a report on Measure Q in December 2023, with a scope covering Fiscal Years 2020-21 and 2021-22. We included revenues and expenditures from Fiscal Years 2019-20 and 2022-23 for informational purposes. Additionally, we included budget information from Fiscal Years 2022-23, 2023-24, and 2024-25 for informational purposes.

FUNDING	Amount
1010.07111.1000006.IP54.53719	$400,000

PUBLIC OUTREACH / INTEREST

No direct public outreach was conducted in the completion of this report.

SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified. However, due to the urgent nature of this work, sole sourcing this contract will save the City both money and resources by engaging a business that is already familiar with the city's system. This approach prioritizes efficiency and speed, making it the most cost-effective option.

Environmental*:* No direct environmental opportunities have been identified.

Race & Equity*:* No direct race or equity opportunities have been identified.

ACTION REQUESTED OF THE CITY COUNCIL

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Respectfully submitted,

MCHouston

Michael C. Houston
City Auditor