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OFFICE OF THE CITY CLERK
OAKLAND

2014 OCT 15 PM 3:31

AGENDA REPORT

TO: HENRY L. GARDNER
INTERIM CITY ADMINISTRATOR

FROM: Osborn K. Solitei

SUBJECT: Extension of Auditing Services Contract

DATE: October 13, 2014

City Administrator
Approval

Date

10/14/14

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council adopt:

- 1. A City Resolution Authorizing the City Administrator to Waive the Competitive Request For Proposals Process and Execute a one (1) Year Contract Extension with Macias Gini & O'Connell, LLP ("MGO") to provide for Audit Services for Fiscal Year Ending June 30, 2015 in an amount not to Exceed \$674,560.**
- 2. An Agency Resolution Authorizing the City Administrator to Waive the Competitive Request For Proposals Process and Execute a one (1) Year Contract Extension with Macias Gini & O'Connell, LLP ("MGO") to provide for Audit Services for Fiscal Year Ending June 30, 2015 in an amount not to Exceed \$25,000.**

EXECUTIVE SUMMARY

Extending the existing contract with MGO for one (1) year will allow the City to seamlessly plan for and meet new, complex GASB requirements related to pensions for the first year of required implementation. Planning for and implementing the processes necessary to comply with the new GASB pension requirements is beyond the current staff capacity. MGO has many years of experience working with the City's finances, systems, and processes and will be an extreme asset in helping guide the City in meeting the new requirements established in GASB 67 and GASB 68. Competitively bidding and potentially bringing in a new external auditor for the City would be a huge loss of institutional knowledge at such a critical junction and further, the Port has already taken its proposal to extend the contract with MGO to its Board for approval.

Extending the existing contract with MGO for one (1) year, through Fiscal Year ending June 30, 2015, will provide the Controller's Bureau time to meet its auditing obligations for Fiscal Year 2014-15, plan for and implement new GASB requirements, and complete a Request For Proposal (RFP) process for a new contract to be in place for Fiscal Year 2015-16.

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Although not required, City and Port staff would like to continue the joint effort of soliciting and selecting professional accounting and auditing services, as this creates efficiency and cost savings for both parties. In addition, while both parties feel that it is important to conduct a new competitive bidding process, this year in particular, due to the new GASB changes, is a difficult year to conduct this process. As a result, City and Port staff would like to extend the current Consultant's contract for one (1) additional year to cover the year ending June 30, 2015, with a plan to begin a competitive bidding process in the summer of 2015.

OUTCOME

Authorization of this action will result in an extension of the current contract with MGO for one (1) year to provide audit services for Fiscal Year ending June 30, 2015 in an amount not to exceed \$699,560 (with \$25,000 funded from the Oakland Redevelopment Successor Agency Fund).

BACKGROUND/LEGISLATIVE HISTORY

A joint Request for Proposals ("RFP") with the Port of Oakland ("Port") for financial audit services for fiscal year ending 2008 and 2009 (with an extension option of two additional years) was mailed to thirty-seven (37) accounting firms in October 2007. The RFP mailing list included all firms offering Governmental Accounting Services (Forensic accounting) included on the San Francisco Business Times "50 Largest Accounting Firms in the East Bay," as well as any firm that had requested to be included on the proposal listing through the Contract Compliance and Purchasing Division. Of those thirty-seven (37) firms, two (2) responses were received, two (2) firms were included in other proposals as sub-contractors; six (6) firms sent notification either to the Port or the City declining to respond. City and Port staff reviewed the two responses to the RFP and held interviews with the two responsive firms (Macias Gini & O'Connell, LLP and Williams Adley & Company LLP) in January 2008. City and Port staff agreed on the selection of Macias Gini & O'Connell, LLP. 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.

City Council approved a two-year contract with Macias Gini & Company, LLP to provide audit services for the fiscal years ending June 2008 and 2009, with an extension option of two additional years (June 2010 and 2011). In 2009, the City Council directed staff to seek a 10% reduction in payments from all of its vendors and contractors, for the next two fiscal years. Staff approached MGO and proposed a five-year contract extension and a six-year 10% contract reduction. The five-year contract extension provided the City a savings of \$475,895. City Council approved the five-year contract extension on April 20, 2010.

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MGO is 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. MGO has sub-contracted some of the audit work to several certified public accounting firms in the City of Oakland; William, Adley & Company, LLP, Patel & Associates LLP and Yano Accountancy Corporation.

Currently, the Administration is requesting a one (1) year extension of the existing contract with MGO to allow the City to seamlessly plan for and meet new, complex GASB requirements related to pensions for the first year of required implementation.

ANALYSIS

RFP/RFQ Waiver Justification

Section 809 of the City of Oakland (the “City”) Charter requires that the City Council shall engage an independent certified public accountant to examine and report on the annual financial statements of the City.

MGO is 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 the past, to create efficiency and cost savings the City and Port have jointly solicited and selected professional accounting and auditing services. Staff and the City Administrator believe that it is in the best interest of the City to waive the competitive process for extending the audit contract for one (1) year for the following reasons:

- Recently there have been major changes to the Governmental Accounting Standards Board (GASB) No 67 and 68 for accounting and reporting requirements for pensions. These changes require significant and potentially complex analysis of the City’s four retirement

plans, including the City's CalPERS retirement plan. Given the complexity of the implementation, the City and Port feel that it would be most efficient to continue working with an auditor who has experience and knowledge of both the City and Port finances.

- While both parties feel that it is important to conduct a new competitive bidding process, due to the new GASB changes in this year in particular, it is a difficult year to conduct the RFP process. Both City and Port staff would like to extend the current Consultant's contract for one (1) additional year to cover the year ending June 30, 2015, with a plan to begin a competitive bidding process in the summer of 2015.
- If the City was to proceed with an RFP process this year, the evaluation and selection phase of a competitive bidding process conducted now will overlap and conflict with GASB 68 implementation work. Further, the City is currently implementing a significant upgrade of their accounting system and has limited resources available. This will make having an auditor selected in time to conduct the fiscal year ending June 30, 2014 audit difficult.
- Although not required, City and Port staff would like to continue the joint effort of soliciting and selecting professional accounting and auditing services, as this creates efficiency and cost savings for both parties. This joint process will require additional time and coordination. The Port has already taken its proposal to extend the contract with MGO to its Board for approval.
- The City's current contract with MGO represents significant savings to the City as the contract extension that was approved on April 20, 2010 included a 10% contract reduction and provided the City a savings of \$475,895.

Section 2.04.051 B of the Oakland Municipal Code (OMC) permits the City Council to waive the competitive RFP selection process requirement of Section 2.04.051 A of the OMC if it finds that it is in the best interest of the City to do so. Based on the information provided above, Staff recommends that the City continue working with the Port on a joint solicitation for professional accounting and auditing services, but delay this process for one (1) year and extend MGO's contract for the fiscal year ending June 30, 2015. MGO has an extensive understanding of the City's finances, systems, and processes that will be instrumental in the City meeting its existing audit service needs while planning for and implementing new complex GASB requirements related to the City's accounting and reporting for pensions.

COORDINATION

This report has been reviewed by the City Attorney's Office and the Budget Office.

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COST SUMMARY/IMPLICATIONS

Fiscal Impact of extending the existing contract with MGO for one (1) year, Fiscal Year 2014-15 is \$699,560 (with \$25,000 funded from the Oakland Redevelopment Successor Agency Fund).

Description	FY 2014	FY 2015^A
Comprehensive Annual Financial Report (CAFR) ^B <i>Fund 1010: General Purpose Fund</i>	\$465,155	\$475,580
Single Audit Report <i>Fund 1010: General Purpose Fund</i>	98,147	100,350
Oakland Redevelopment Successor Agency (ORSA) ^D <i>Fund: Oakland Redevelopment Successor Agency Funds</i>	98,465	25,000
Police and Fire Retirement System (PFRS) ^C <i>Fund 7100: Police and Fire Retirement System Fund</i>	28,395	38,360
Oakland Municipal Employees Retirement System (OMERS) ^C <i>Fund 7120: Oakland Municipal Employees Retirement System</i>	22,810	29,940
Measure Y - Violence Prevention and Public Safety Act of 2004 <i>Fund 2251: Measure Y Fund</i>	22,810	23,320
Oakland Wildfire Prevention Assessment District <i>Fund 2321: Wildfire Prevention Assessment District Fund</i>	22,810	-
Measure C - Transient Occupancy Tax (TOT) Surcharge <i>Fund 2419: Transient Occupancy Tax Fund</i>	4,862	4,970
Gann Appropriations Limitation <i>Fund 1010: General Purpose Fund</i>	1,999	2,040
The Oakland Army Base <i>Fund 9575: The Oakland Army Base</i>	3,443	-
Contract Total	\$768,896	\$699,560

^AThe proposed current year contract fees.

^BThe proposed fees for the comprehensive annual financial report include the expanded scope of services related to the implementation of GASB 67 and GASB 68.

^CThe proposed fee for the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS) include the expanded scope of services related to GASB 67 and GASB 68.

^DThe proposed fees will be paid from the Oakland Redevelopment Successor Agency Funds or ROPS.

SUSTAINABLE OPPORTUNITIES

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

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

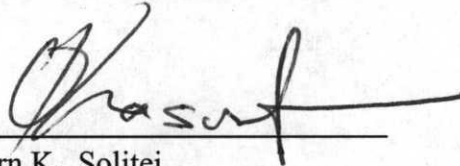
Social Equity: There are no social equity opportunities associated with this report.

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For questions regarding this report, please contact Osborn K. Solitei at (510) 238-3809.

Respectfully submitted,



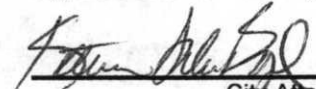
Osborn K. Solitei
Finance Department, Controller's Bureau
Director of Finance /Controller

Prepared by:
Paige Alderete, Assistant Controller
Controller's Bureau

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Finance and Management Committee
October 28, 2014

FILED
OFFICE OF THE CITY CLERK
OAKLAND

OAKLAND CITY COUNCIL


City Attorney

2014 OCT 15 11 3 32 **RESOLUTION No. _____ C.M.S.**

Introduced by Councilmember _____

**RESOLUTION BY THE CITY COUNCIL OF THE CITY OF OAKLAND
AUTHORIZING THE CITY ADMINISTRATOR TO EXECUTE A ONE
(1) YEAR EXTENSION WITH MACIAS GINI & O'CONNELL, LLP
("MGO") TO PROVIDE AUDIT SERVICES FOR FISCAL YEAR
ENDING JUNE 30, 2015 IN AN AMOUNT NOT TO EXCEED \$674,560
AND WAIVING THE COMPETITIVE REQUEST FOR PROPOSALS
PROCESS.**

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, Macias, Gini & O'Connell, LLP ("MGO") is 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; and

WHEREAS, in the past, to create efficiency and cost savings the City and Port have jointly solicited and selected professional accounting and auditing services; and

WHEREAS, recently there have been major changes to the Governmental Accounting Standards Board (GASB) No 67 and 68 for accounting and reporting requirements for pensions. These changes require significant and potentially complex analysis of the City's four retirement plans, including the City's CalPERS retirement plan. Given the complexity of the implementation, the City and Port feel that it would be most efficient to continue working with an auditor who has experience and knowledge of both the City and Port finances; and

WHEREAS, while both the City and the Port feel that it is important to conduct a new competitive bidding process, due to the new GASB changes in this year in particular, it is a difficult year to conduct the RFP process. Both City and Port staff would like to extend the current Consultant's contract for one (1) additional year to cover the year ending June 30, 2015, with a plan to begin a competitive bidding process in the summer of 2015; and

WHEREAS, if the City was to proceed with an RFP process this year, the evaluation and selection phase of a competitive bidding process conducted now will overlap and conflict with GASB 68 implementation work. Further, the City is currently implementing a significant upgrade of their accounting system and has limited resources available. This will make having an auditor selected in time to conduct the fiscal year ending June 30, 2014 audit difficult; and

WHEREAS, City and Port staff would like to continue the joint effort of soliciting and selecting professional accounting and auditing services, as this creates efficiency and cost savings for both

parties. This joint process will require additional time and coordination. The Port has already taken its proposal to extend the contract with MGO to its Board for approval; and

WHEREAS, The City's current contract with MGO represents significant savings to the City as the contract extension that was approved on April 20, 2010 included a 10% contract reduction and provided the City a savings of \$475,895; and

WHEREAS, MGO has many years of experience working with the City's finances, systems, and processes and given the complexity of GASB implementation, staff feel it will be most efficient to continue working with an auditor who has experience and knowledge of both the City and Port finances and that bringing in a new external auditor for the City would be a huge loss of institutional knowledge at such a critical junction; 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 resolution, shall not result in the loss of salary or employment by any person having permanent status in the competitive service; and

WHEREAS, based on the above information, staff and the City Administrator believe that it is in the City's best interest to waive the competitive RFP process for extending the contract with MGO as the contract represents significant savings to the City, an option to extend for one (1) year was already planned, and conducting a new joint RFP process with the Port would be costly to the City by delaying the annual audit and requiring significant amounts of staff time to orient a new firm to the City's organization and processes; and

WHEREAS, Section 2.04.051 A of the Oakland Municipal Code (OMC) requires a request for proposals/qualifications (RFP/Q) process for professional services contracts in excess of \$25,000 and Oakland Municipal Code section 2.04.051.B allows the City Council to waive the RFP/Q requirements upon a finding by the Council that it is in the best interest of the City to do so; now, therefore be it

RESOLVED, that, per Oakland Municipal Code section 2.04.051.B and for on the reasons stated above and in the City Administrator's report accompanying this resolution, the City Council finds that it is in the best interests of the City to waive advertising and the RFP/Q process for the work described herein and so waives such requirements, and be it

FURTHER RESOLVED, that the City Administrator is hereby authorized, and execute a one (1) year contract extension with the firm of Macias Gini & O'Connell, LLP in an amount not to exceed \$674,560 for the fiscal year end June 30, 2015 audit services; and be it

FURTHER RESOLVED, the audit will review the financial statements of the City Comprehensive Annual Financial Report ("CAFR"), the Police and Fire Retirement System, and the Oakland Municipal Employees Retirement System and the audit will encompass the Measure Y - Violence Prevention and Public Safety Act of 2004 Compliance Audit, the Measure C - Transient Occupancy Tax (TOT) Surcharge Compliance Audit, the Gann Appropriation Limit and the Single Audit Report for Federal Awards; and be it

FURTHER RESOLVED, that the funding will be available in the City's 2015-16 budget appropriation in the amount of \$577,970 from General Purpose Fund (1010), \$38,360 from Police & Fire Retirement System Fund (7100), \$29,940 from Oakland Municipal Employees Retirement System Fund (7120), \$23,320 from Measure Y Fund (2251), \$4,970 from Measure C ("Hotel Tax) Fund 2419; and 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 this Resolution shall take effect immediately upon its passage; and be it

FURTHER RESOLVED, that the City Attorney shall review and approve said agreement as to form and legality and copies of said agreement shall be filed with the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

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

FILED
OFFICE OF THE CITY CLERK
OAKLAND

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Approved as to Form and Legality


ORSA Agency Counsel

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

Resolution No. _____ C.M.S.

RESOLUTION AUTHORIZING THE AGENCY ADMINISTRATOR TO WAIVE THE COMPETITIVE REQUESTING FOR PROPOSALS PROCESS AND EXECUTE A ONE (1) YEAR CONTRACT EXTENSION WITH MACIAS GINI & O'CONNELL, LLP ("MGO") TO PROVIDE FOR AUDIT SERVICES FOR FISCAL YEAR ENDING JUNE 30, 2015 IN AN AMOUNT NOT TO EXCEED \$25,000.

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; 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, 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, it is in the Agency's best interest to waive the competitive Request for Proposals/Qualifications (RFP/Q) process for the contract to provide audit services because the proposed contract represents significant savings to the Agency, an option to extend for one (1) year was already planned, and conducting a new joint RFP process with the Port would be costly by delaying the annual audit and requiring significant amounts of staff time to orient a new firm to the Agency's organization and processes; and

WHEREAS, Section 2.04.051 B of the Oakland Municipal Code (OMC) permits waiver of the competitive RFP/Q selection process requirement of Section 2.04.051 A of the OMC if it finds that it is in the best interest of the Agency to do so; now, therefore be it

RESOLVED, that the Agency 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 competitive RFP/Q process is hereby waived in the best interests of the Agency based on the foregoing findings, and be it

FURTHER RESOLVED, that the Agency authorizes the Agency Administrator or his designee to extend the existing Audit Services contract with MGO for one (1) year, Fiscal Year ending June 30, 2015 in an amount not to exceed \$25,000 for auditing the Oakland Redevelopment Successor Agency; and be it

FURTHER RESOLVED, that the funding is available in the Recognized Obligation Payments Schedule ("ROPS") for FY 2014-15; 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 be it

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

IN AGENCY, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF, AND
CHAIRPERSON KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST:

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