



# AGENDA REPORT

**TO:** Steven Falk  
Interim City Administrator

**FROM:** Adam Benson  
Director of Finance

**SUBJECT:** Professional Auditing Services,  
FY 2020-22

**DATE:** March 20, 2020

City Administrator Approval

Date: 3-24-2020

## RECOMMENDATION

**Staff Recommends That The City Council Adopt A Resolution Awarding A Contract To Macias Gini & O'Connell, LLP To Provide Professional Auditing Services For Fiscal Years Ending June 30, 2020 and June 30, 2021 In An Amount Not To Exceed \$1,340,850 (Of Which \$1,292,950 Will Be Funded By The City Of Oakland And \$47,900 Will Be Funded By The Oakland Redevelopment Successor Agency), With Three Possible One-Year Extensions For Audit Services For Fiscal Years Ending June 30, 2022, June 30, 2023, And June 30, 2024 For A Total Contract Amount Not To Exceed \$3,506,953, Contingent On Available Funding;**

**And Adopt A Redevelopment Successor Agency (Agency) Resolution Authorizing The Agency Administrator To Award A Contract To Macias Gini & O'Connell, LLP To Provide Professional Auditing Services For Fiscal Years Ending June 30, 2020 and June 30, 2021, In An Amount Not To Exceed \$1,340,850 (Of Which \$1,292,950 Will Be Funded By The City And \$47,900 Will Be Funded By The Oakland Redevelopment Successor Agency), With Three Possible One-Year Extensions For Audit Services For Fiscal Years Ending June 30, 2022, June 30, 2023, And June 30, 2024 For A Total Contract Amount Not To Exceed \$3,506,953, Contingent On Available Funding.**

## EXECUTIVE SUMMARY

Staff requests that the City Council adopt City and Oakland Redevelopment Successor Agency ("Agency" or "ORSA") resolutions authorizing the City Administrator to award a professional services contract to Macias Gini & O'Connell, LLP (MGO) to provide audit services for the Fiscal Years ending June 30, 2020 and June 30, 2021, with three one-year options to extend the contract, at the City's discretion, for the Fiscal Years ending June 30, 2022, June 30, 2023, and June 30, 2024. The total amount of the contract for the initial two years is \$1,340,850, of which \$47,900 is to be funded by ORSA.

## **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 and 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 Proposals (RFP) with the Port of Oakland (Port) for as-needed professional auditing services was issued in January 2020. In February 2020, staff from the City and the Port evaluated the sole proposal received and recommended award of this contract to MGO based on its relevant experience, qualifications, organization, and approach. The Port's Board of Commissioners is expected to award a separate contract to MGO for audit services.

MGO has served as the City's external auditor for 16 years and has similarly lengthy tenures conducting annual audits for many of California's largest cities and counties. Notable public clients include the cities of San Diego, San Jose, San Francisco, and Sacramento, as well as the Counties of Los Angeles, Santa Clara, Alameda, Sacramento, San Mateo, and Contra Costa. The firm maintains a policy of partner rotation consistent with Assembly Bill 1345, and offers a robust technical review program, assuring that the City's finances are regularly examined with fresh eyes despite the firm's lengthy history of work for the City.

In addition to annual audits for the City, ORSA, and the Port, the recommended contract with MGO also provides for mandated audits and reviews of the following programs: federal Single Audit, Police and Fire Retirement System, Gann Appropriations Limitation, Measure B-Local Transportation Fund, Measure BB-Transportation Expenditure Program, Measure C-Transit Occupancy Tax Surcharge, Measure F-Vehicle Registration Fee Funds, Measure Z-Violence Prevention, Transportation Development Act Fund, and Child Care and Development Programs.

## **ANALYSIS AND POLICY ALTERNATIVES**

Services to be provided under this contract are mandated by the City Charter and required as a condition of funding by the State and federal governments. Accordingly, the City's policy alternatives are limited to the selection of the external auditor and the structure of the agreement with this firm.

With regard to contractor selection, the City's policy alternatives are further constrained by the receipt of a single proposal. Requests for Proposals were mailed to 25 firms, advertised in the local press and on the City's website, and a pre-proposal conference was held to address bidders' questions, yet the City received a single bid. This result is consistent with the City's

experience conducting this solicitation in 2016, when two bids were received. It appears to reflect the dominant market position of the recommended bidder, MGO, which has demonstrated both strong qualifications and unmatched experience providing similar services for large local governments in California.

Policy alternatives for the structure of the agreement to be awarded under this solicitation include the term of the agreement and its scope, particularly the inclusion of multiple smaller audits and reviews as part of the larger contract. The proposed initial term of two years plus three additional option years is intended to balance the need for regular review of the City's professional services contracts with the efficiency and consistency of a multi-year agreement. Pricing increases are maintained at 3 percent per year for the term of the agreement.

Consistent with past solicitations the City has structured this agreement to include audits and reviews of specified grant programs and voter-approved special tax measures. The inclusion of these smaller engagements within the larger contract is intended to support the coordination of the City's various audits and minimize duplicated effort, as the review of a single data source or program may inform multiple audits. In addition, this arrangement facilitates the inclusion of Local and Small Local Business Enterprises as subcontractors.

MGO's proposed L/SLBE participation is 14% and includes two local firms. MGO was the only respondent, therefore no respondent was qualified by the City as meeting the 50% participation standard.

### **FISCAL IMPACT**

As indicated in **Table 1**, the proposed contract for as-needed professional auditing sources includes 12 distinct tasks supported by a variety of funding sources. Funding for these tasks has been included in the Fiscal Year 2019-21 Adopted Budget and will be requested in future budgets. In most cases audit services are supported by the same funding sources as the operating programs under review.

**Table 1: Professional Auditing Services Tasks**

Description and Funding Source	Fiscal Year Ending June 30:	
	2020	2021
Comprehensive Annual Financial Report (CAFR) <i>Fund 1010: General Purpose Fund</i>	\$373,000	\$384,200
Single Audit Report <i>Fund 1010: General Purpose Fund</i>	115,700	119,150
Police and Fire Retirement System (PFRS) <i>Fund 7100: Police and Fire Retirement System Fund</i>	46,900	48,300
Child Care and Development Programs <i>Fund 1010: General Purpose Fund</i>	43,100	44,400
Measure Z – Violence Prevention and Public Safety Act <i>Fund 2252: Measure Z Fund</i>	27,400	28,200
Oakland Redevelopment Successor Agency (ORSA) <i>Fund: ORSA Funds</i>	23,600	24,300
Measure C - Transient Occupancy Tax (TOT) Surcharge <i>Fund 2419: Transient Occupancy Tax Fund</i>	5,750	5,900
Measure B - Local Transportation Fund <i>Fund 2212: Measure B Pass-Thru</i>	5,750	5,900
Measure BB – Transportation Expenditure Program <i>Fund 2216: Measure BB Fund</i>	5,750	5,900
Measure F – Vehicle Registration Fee Funds <i>Fund 2215: Measure F Fund</i>	5,750	5,900
Transportation Development Act Fund <i>Fund 2211: Measure B Local Streets &amp; Roads</i>	5,750	5,900
Gann Appropriations Limitation <i>Fund 1010: General Purpose Fund</i>	2,150	2,200
<b>Contract Total</b>	<b>\$660,600</b>	<b>\$680,250</b>

**PUBLIC OUTREACH / INTEREST**

The City's and Port's joint RFP for as-needed professional auditing services was mailed to 25 firms registered in the City's vendor database, iSupplier, for auditing services. The RFP was posted on the City's web page and advertised in the Oakland Tribune, in accordance with OMC 2.04.051. Although the City received several informal expressions of interest from accounting firms, only one proposal was received in response to this RFP.

### **COORDINATION**

The Finance Department 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 Budget Office was also consulted in the preparation of this report.

### **PAST PERFORMANCE, EVALUATION AND FOLLOW-UP**

MGO has served as the City's external auditor since 2003. MGO has historically subcontracted audit work to several local, certified public accounting firms in the City of Oakland. MGO and its subcontractors recently completed audits and reviews of each of the programs included in the current solicitation on time and within budget. They have continued to encourage improvements in the City's financial reporting while providing training and technical assistance in support of this goal. Overall, the City has been pleased with the quality and timeliness of the work submitted by MGO and its subcontractors.

### **SUSTAINABLE OPPORTUNITIES**

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

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

***Race & Equity:*** There are no race or equity opportunities associated with this report.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution Awarding A Contract To Macias Gini & O'Connell, LLP To Provide Professional Auditing Services For Fiscal Years Ending June 30, 2020 and June 30, 2021 In An Amount Not To Exceed \$1,340,850 (Of Which \$1,292,950 Will Be Funded By The City Of Oakland And \$47,900 Will Be Funded By The Oakland Redevelopment Successor Agency), With Three Possible One-Year Extensions For Audit Services For Fiscal Years Ending June 30, 2022, June 30, 2023, And June 30, 2024 For A Total Contract Amount Not To Exceed \$3,506,953, Contingent On Available Funding;

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For questions regarding this report, please contact Stephen Walsh, Controller, at (510) 238-4906.

Respectfully submitted,



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Adam Benson  
Director of Finance  
Finance Department

Prepared by:  
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Controller's Bureau