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**Title:** Staff Report for Resolution Approving the Agreement between the City of San Leandro and Maze & Associates for Audit Services effective July 1, 2018

**Sponsors:** David Baum  
Finance Director

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Staff Report for Resolution Approving the Agreement between the City of San Leandro and Maze & Associates for Audit Services effective July 1, 2018

**SUMMARY AND RECOMMENDATIONS**

Staff recommends that the City Council review and approve the agreement between the City of San Leandro and Maze & Associates (Maze) for Audit Services effective July 1, 2018.

**BACKGROUND**

On June 20, 2011, City Council approved a three-year consulting services agreement with Maze for Audit Services of City funds with an option for 2 one-year extensions. This selection was after an exhaustive Request for Proposal (RFP) process and approval by the Finance Committee on June 6, 2011. Maze was selected not only for their extensive auditing and consulting experience with municipalities and other non-profits, but also their broad private sector experience in industries such as banking and commercial enterprises. The City desired a firm with both municipal and private sector experience. Moreover, a firm with a high level of city experience ensures that the auditors are current with municipal best practices and the latest Governmental Accounting Standards Board Pronouncements (GASB Policies).

On October 3, 2016, City Council approved a two-year extension through 2016-17.

Originally, Council approved Maze estimated annual costs to the City of \$55,910 for 2010-11 audit services, \$56,748 for 2011-12 audit services, and \$57,599 for 2012-13 audit services. Due to increased complexity arising from dissolution of Redevelopment and new GASB pronouncements (i.e. GASB 68), the actual costs were higher in the years presented and rose to \$85,545 for 2013-14 audit services and \$84,657 for 2014-15 audit services. In 2015-16 and 2016-17, Maze audit fees

lowered to \$76,689 per year.

## **Analysis**

Over the last seven years, Maze has provided the following services to the City of San Leandro:

- Audit of the basic financial statements, preparation of memorandum on internal control, including assistance with the preparation of the Comprehensive Annual Financial Report.
- Audit of the Successor Agency to the Redevelopment Agency footnote disclosures included in the City's basic financial statements.
- Testing of one major program for compliance with the Single Audit Act and applicable laws and regulations and issuance of our reports thereon.
- Proposition III Appropriation Limit review, and issuance of report
- Measure B Compliance Report
- Measure BB Compliance Report
- Testing of compliance for the Transportation Development Act Programs and preparation of required reports.
- Audit of the Vehicle Registration Fee Program (VRF) for funds received from the Alameda County Transportation Commission, and issuance of our report thereon.

Maze has provided excellent service to the City and consistently ensures that the City's records are audited thoroughly to provide a sound opinion on whether the City's financial records are presented fairly and completely.

The Government Finance Officers Association (GFOA) recommends that public agencies issue an RFP every five years for audit services to ensure continued independence between the City and the auditor's review of the City's financial statements, continued high quality and comprehensiveness of the audit work performed, and competitive pricing. However, the GFOA does not object to public agencies choosing the same audit firm again through the RFP process.

Nevertheless, in this instance, the City recommends deferral of an RFP and remain with Maze due to the high level of performance they provide and their knowledge of City operations and systems. The City's Finance Department has experienced a high level of turnover in key Accounting positions over the last few years and it is highly beneficial for the City to retain the experience and knowledge of Maze for at least another two years. California Government Code 12410.6 would require the City to rotate its lead auditor with the fiscal year ending June 30, 2016. This does not affect the audit firm selected, but only the lead audit partner that manages the City's audit engagement. Thus, the City is in compliance with all applicable regulations regarding audit services.

Furthermore, in addition to the City of San Leandro, Maze also performs audit services for the Cities of Belmont, Brisbane, Burlingame, Cupertino, Daly City, Half Moon Bay, Larkspur, Livermore,

Milpitas, Morgan Hill, Pacifica, San Carlos, Santa Clara, Sausalito, Sutter Creek, and Sunnyvale as well as the Kentfield Fire Protection District and the Town of Portola Valley. Because Maze will not have to incur the time and expense of preparing an RFP response, they can pass the savings onto the City and lock in a contract price for the next two years with an increase in each year equal to 3.3%.

### **Previous Actions**

June 20, 2011 Resolution 2011-112 approving the Three-Year Consulting Services Agreement with the City of San Leandro and Maze for Audit Services; with an option to extend an additional two fiscal years. The City has previously exercised the two-year extension option.

### **Committee Review and Actions**

June 6, 2011 Finance Committee recommended Maze be approved by City Council.

### **Fiscal Impact**

Maze has agreed to fix their costs at \$79,220 and \$81,825 per fiscal year for 2017-18 and 2018-19 audit services. No additional budget is required to fund these services. Additional costs may be necessary if the scope of service increases per City direction.

### **Budget Authority**

The 2017-18 and 2018-19 general fund adopted budget in account 010-12-052-5120 has \$92,000 in each year for audit services.

## **ATTACHMENT**

### **Attachment to Related Resolution**

Consulting Services Agreement between the City of San Leandro and Maze

**PREPARED BY:** David Baum, Finance Director