



# CITY OF HAYWARD

Hayward City Hall  
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## Cover Memo

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**File #:** CONS 16-073, **Version:** 1

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**DATE:** February 23, 2016

**TO:** Mayor and City Council

**FROM:** Director of Finance

### **SUBJECT**

Authorization to Extend Professional Services Contract with Maze & Associates for Annual Audit Services

### **RECOMMENDATION**

That the Council adopts a Resolution (Attachment I) authorizing the City Manager to extend the contract between the City and Maze & Associates for a professional service agreement for an additional two-year audit term, for a total term not to exceed seven years, in an amount of \$140,000 for each annual audit (for a total seven-year contract amount of \$980,402) to perform the City's annual financial statement audits and related services for the fiscal years ending June 30, 2016 and June 30, 2017. The actual contract period will extend through June 30, 2018 to allow for completion of the fiscal year 2017 audit.

### **BACKGROUND**

In March 2011, the City issued a request for proposal (RFP) for auditing services. Following an extensive review process, the City engaged Maze & Associates to provide the City with financial reporting audit services beginning with the audit for the fiscal year ended June 30, 2011. The original contract was for five years, including two optional one-year extensions that the City exercised and which were included as part of the original agreement that ends with the conclusion of fiscal year 2015 audit services.

### **DISCUSSION**

Located in Pleasant Hill, CA, Maze & Associates has been in the governmental audit and accounting business for over thirty-five years and they currently provide annual audit services to over 100 municipal clients. Maze & Associates has provided the City exceptional service as the City's independent external auditors from 1996 through 2007 and then again beginning in 2011 and through the most recent fiscal year ended June 30, 2015.

The City has faced several complicated financial reporting changes during this recent audit term, including the dissolution of the City's Redevelopment Agency, new Government Accounting Standards Board requirements, and the implementation of a comprehensive citywide financial system. During this time, Maze has not only provided solid, objective audit services, but they have also assisted the City in improving its financial reporting and internal controls. Current best practices are to retain audit services for at least five years, then issue a Request for Proposals (RFP) to select a new audit firm. Below is an

excerpt from the Government Finance Officers Association Best Practice on Audit Procurement:

“Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such multiyear agreements can take a variety of different forms (e.g., a series of single-year contracts), consistent with applicable legal requirements. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year. Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements...”

The City intends to issue an RFP for audit services within the next year for services to commence with the fiscal year ending June 30, 2018. The RFP process is time and labor intensive. This contract extension will allow the Finance Department the opportunity to coordinate the issuance of the RFP with other department work efforts while retaining a quality audit firm to continue the City’s next two fiscal year audits.

#### **FISCAL IMPACT**

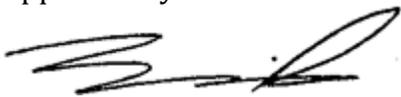
Annual audit services are currently funded from a General Fund allocation in the Finance Department. The annual City-wide audit services cost for fiscal year 2015 was approximately \$147,000, which was higher than the budgeted amount of \$135,000 due to the implementation of the new GASB pronouncements. The recommended audit contract extension will be \$140,000 each for both fiscal years 2016 and 2017.

#### **PUBLIC CONTACT**

There has been no previous public contact related to this contract extension.

*Prepared and Recommended by:* Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager

Attachments:

Attachment

Resolution I