



Legislation Details (With Text)

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Title:	Report regarding a resolution to amend the Professional Services Agreement with Maze and Associates Authorizing a One-Year Contract Extension for Professional Audit Services for Fiscal Year 2022-23 (Paul Harris, Financial Services Manager)		

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1/25/2023	1	City Council	approved	Pass

Report regarding a resolution to amend the Professional Services Agreement with Maze and Associates Authorizing a One-Year Contract Extension for Professional Audit Services for Fiscal Year 2022-23 (*Paul Harris, Financial Services Manager*)

RECOMMENDATION

It is recommended that the City Council adopt a Resolution approving a third amendment to the Consulting Services Agreement with Maze & Associates ("Maze") authorizing a one-year contract extension for professional audit services for Fiscal Year ("FY") FY 2022-23.

BACKGROUND/DISCUSSION

In February of 2016, the City Council approved Resolution 31-2016 for a three-year Consulting Services Agreement (plus an option to renew for two additional fiscal years) with Maze for independent auditing services for FYs 2015-16, 2016-17 and 2017-18 in the amount of \$79,285 per year. The original agreement expired upon the completion of the FY 2017-18 financial audits. In June 2018, an amendment exercising the option to renew for two years through the financial audit of FY 2019-20 was signed. In March 2021, a second amendment was signed extending the contract for an additional two years through the financial audit of FY2021-22. This amendment will expire with the completion of the FY 2021-22 financial audit and related services.

The Government Finance Officers Association ("GFOA") recommends that all governmental agencies enter into multi-year audit services agreements of at least five years in duration. Multi-year agreements allow for greater continuity and helps minimize the potential for disruption in connection with the independent audit. In addition, multi-year agreements can also help to reduce audit costs by allowing auditors to recover certain "start-up" costs over several years, rather than over a single year.

Under normal circumstances, staff would have prepared and released a Request for Proposals (RFP) in the second half of 2022 as work related to the audit for Fiscal Year (FY) ended June 30, 2022, was in process. However, due to considerable turnover in staff during 2022, the RFP process was

delayed. Furthermore, Government Accounting Standards Board (GASB) statement no. 87 (*Leases*) became effective in FY2021-22 which added significant workload to the audit process and for accounting staff. Another GASB statement (no. 96 - *Subscription-Based Information Technology Arrangements*) becomes effective in FY 2022-23 which will also require considerable work. A potential change in audit firm during the implementation of these complex new accounting requirements from GASB would interrupt continuity and is not recommended. If the recommended third amendment for an extension of additional one-year is approved, staff plans to issue an RFP in the second half of 2023 to undertake a full-scale competitive process for the selection of independent auditors.

The normal annual audit process requires significant time and effort from staff in corresponding with auditors, providing financial data and samples for testing, and organizing onsite visits for auditor fieldwork. Development of the working relationship with Maze has allowed Maze to thoroughly learn and understand the City's processes and ways of working that results in more time focused on auditing the data and less time building required background knowledge and has allowed staff to achieve efficiencies in the audit process thereby reducing the time commitment involved. An extension will allow the efficiencies to continue and maintain focus on the financial data.

The proposed Third Amendment and related exhibits are attached to the accompanying resolution.

FISCAL IMPACT

Fees for providing the audit services for the FY2022-23 will be \$83,330, which represents a 2% CPI increase from services provided during the FY 2021-22 audit. Additional services will be charged at Maze's standard hourly rates as listed on their fee proposal. Currently, there is sufficient budget to cover services provided by Maze and no additional appropriations are needed at this time.

RELATIONSHIP TO STRATEGIC PLAN

Approval of this action contributes to the City's Strategic Plan by helping to maintain Financial Stability.

CONCLUSION

Given GFOA's recommendation, coupled with Maze's continuing ability to perform a quality and detailed audit while remaining committed to accepted government audit practices, staff recommends Council to approve the third amendment to Maze's contract for a one-year extension.

Attachment

1. Third Amendment Maze & Associates FY2022-23
2. Exhibit A - Original Contract Maze & Associates
3. Exhibit B - First Amendment Maze & Associates
4. Exhibit C - Second Amendment Maze & Associates
5. Exhibit D - South San Francisco FY 2023 Fee Proposal