



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 20-0340, Version: 1

REPORT TO COUNCIL

SUBJECT

Award a Contract to Macias Gini and O'Connell LLP in an amount not to exceed \$382,243 for Annual Financial Auditing Services (F20-142)

REPORT IN BRIEF

Approval is requested to award a contract in an amount not-to-exceed \$382,243 to Macias Gini and O'Connell LLP, of Walnut Creek, for annual financial auditing services during fiscal year 2019/20, 2020/21 and 2021/22.

EXISTING POLICY

Pursuant to Section 2.08.40 of the Sunnyvale Municipal Code, City Council approval is required for the procurement of goods and/or services exceeding \$100,000 in any one transaction.

Consistent with the provision of Sunnyvale Municipal Code Section 2.08.070(b)(1), contracts for the procurement of professional or specialized services may be exempted from the competitive proposal process.

City Charter Section 1318 and certain government grants require an annual audit of the City's financial transactions and records by an independent Certified Public Accountant and issuance of a final report at the conclusion of the audit. An independent audit is conducted in accordance with generally accepted auditing standards in the United State of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Moreover, the financial audits provide relevant financial information to City residents, creditors, investors, City Council, City staff, and other concerned readers.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b) (4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

BACKGROUND AND DISCUSSION

The City awarded a five-year contract with two additional years for annual financial auditing services to Macias Gini and O'Connell LLP (MGO) in March 2013 (RTC No. 13-064), which expires on March 31, 2020. MGO was selected through a competitive Request for Proposal process based on its past experience and performance, quality of professional personnel and management, audit approach, no

conflicts of interest, and pricing structure. During the current contract period, MGO conducted eight audits every fiscal year, totaling 56 audits. MGO assisted the City with meeting all financial reporting requirements and regulations by providing timely and quality services. MGO continues to be a well-reputed auditing firm specialized in governmental auditing, particularly with cities of similar size in the Bay Area.

Effective fiscal year 2013/14, the State of California required local agencies to not employ a public accounting firm to provide auditing services if the lead auditor had performed audit services for six consecutive years. To ensure compliance with the state requirement, MGO assigned a new lead auditor for the Sunnyvale audit engagement before conducting audits for fiscal year 2018/19.

The Enterprise Resource Planning (ERP) System implementation project was initially scheduled to go live in September 2019. However, after the City procured a new implementation consultant, this led to a revision of the system implementation schedule. The revised schedule now includes rolling out the financial functions (General Ledger, Purchasing, Accounts Payable, Cashiering, and Project & Grants) in September 2020. Human resources and payroll functions (Payroll, Time Entry, Human Resources, Benefits, Leave Management, Performance Reviews/ Management, Risk Management, and Learning Management) are currently scheduled to roll out in March 2021.

Implementation of a new ERP system is one of the largest and most complex City projects that is currently underway. The project requires focused effort, dedicated staffing resources, and effective coordination and oversight for a successful implementation. A reliable financial system with the ability to produce accurate financial reports and meet audit tests is of utmost importance and a requirement for successful completion of financial, grant and compliance audits. Procuring and selecting a new vendor to perform independent auditing services is not advised during the system implementation timeline. Continuation of the auditing services with MGO would mitigate any potential issues that could arise with onboarding a new firm to perform auditing services before the new system is fully operational and stabilized. Staff will initiate a competitive bid process for these auditing services during fiscal year 2021/2022.

FISCAL IMPACT

Total cost to the City for the three-year contract will not exceed \$382,243, which is in line with historical expenses for this service. Costs for auditing services are budgeted in the Department of Finance and allocated across all appropriate City funds through an administrative services allocation.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, Sunnyvale Public Library and Department of Public Safety; and by making the agenda and report available at the Office of the City Manager and on the City's website.

RECOMMENDATION

Take the following actions:

1. Award a three-year contract in substantially the same form as Attachment 1 to the report in the amount of \$382,243 to Macias Gini & O'Connell LLP; and
2. Authorize the City Manager to execute the contract when all necessary conditions have been met

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Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Draft Consultant Services Agreement