

Memorandum

TO: Honorable Mayor and City Council

FROM: Joe Rois
City Auditor

**SUBJECT: FOURTH AMENDMENT TO THE
AGREEMENT WITH MACIAS, GINI &
O'CONNELL TO PROVIDE ANNUAL
FINANCIAL AND COMPLIANCE AUDITS**

DATE: November 14, 2023

RECOMMENDATION

Approve the fourth amendment to the agreement with Macias, Gini & O'Connell LLP to extend the term from December 31, 2023 through April 30, 2024 and to add audit services related to the financial statements of the City regarding grant funds from the California Board of State and Community Corrections, increasing total compensation under the term of the agreement by an amount not to exceed \$25,000 with a revised maximum total compensation of \$4,271,091.

OUTCOME

Accepting the recommendation will allow the City's outside financial auditors to conduct required audit services regarding grant funds from the California Board of State and Community Corrections and provide additional time for the completion of the annual required federal Single Audit.

BACKGROUND

Section 805 of the San José City Charter specifies that the Office of the City Auditor conduct or cause to be conducted annual post audits of all the fiscal transactions and accounts kept by or for the City. In addition, Section 1215 of the San José City Charter requires that the City Council employ an independent Certified Public Accountant to audit the municipal books, records, accounts, and fiscal procedures of all officers of the City who receive, administer, or disburse public funds on behalf of the City.

In February 2018, the City Council approved an agreement with Macias, Gini & O'Connell LLP to perform annual financial and compliance audit services for fiscal years ending June 30, 2018, 2019, and 2020 with three one-year extension options for fiscal years ended June 30, 2021, 2022, and 2023, with annual compensation not to exceed \$612,664 in year one and fees adjusted for subsequent years by the Consumer Price Index, not to exceed 3 percent per year in years two through six, for a total amount not to exceed \$3,952,789 for a potential six year term subject to annual appropriation of funds by the City Council.

In June 2018, the City Council approved the first amendment to the agreement to add audit services related to the financial statements of the Executive Management and Professional Employees Tier 3 Defined Contribution Plan, and the City of San José Voluntary Employee

Beneficiary Association (VEBA) plans, increasing total compensation under the term of the agreement by an amount not to exceed \$63,652, with revised maximum total compensation of \$4,016,441.

In August 2020, the City Council approved the second amendment to the agreement to add audit services related to San José Clean Energy and the Public Safety and Infrastructure Bond Fund, and delete audit services related to the Hayes Mansion, increasing total compensation by an amount not to exceed \$154,741, with a revised maximum total compensation of \$4,171,182.

In April 2023, the City Council approved a third amendment to the agreement to add audit services related to the financial statements for Wastewater Revenues, the annual Single Audit, and San José Clean Energy, and delete services related to the San José-Santa Clara Water Financing Authority Fund and the Public Safety Bond audits, increasing total compensation under the term of the agreement by an amount not to exceed \$74,909 with a revised maximum total compensation of \$4,246,091.

ANALYSIS

This amendment will add additional audit services to the current agreement with Macias, Gini & O'Connell LLP related to a California Violence Intervention Program (CalVIP) grant from the California Board of State and Community Corrections (BSCC) operated by the Parks, Recreation and Neighborhood Services Department. Under the terms of the grant, grantees are required to provide BSCC with a financial audit, to be performed by a Certified Public Accountant that is organizationally independent from the participating grantee's financial management functions. For the grant period ending June 30, 2023, annual compensation of this service will be an amount not to exceed \$25,000.

This amendment will also extend the term to April 30, 2023 to accommodate the current timeline to complete the City's annual required federal Single Audit.

EVALUATION AND FOLLOW-UP

This memorandum will not require staff follow-up.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the November 17, 2023 Council Meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, and the Parks, Recreation and Neighborhood Services Department.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The recommendation included in this memorandum to increase the agreement will cost \$25,000 and will be funded by the San Jose BEST and Safe Summer Initiative Programs appropriation in the General Fund.

BUDGET REFERENCE

The table below identifies the fund and appropriation proposed to fund the additional costs recommended as part of this memorandum.

Fund #	Appn #	Appn Name	Total Appn	Amt. for Contract	2023-24 Adopted Operating Budget page	Last Budget Action (Date, Ord. No.)
001	2778	San Jose BEST and Safe Summer Initiative Programs	\$7,280,533	\$25,000	920	10/17/2023, Ord #30966

CEQA

Not a project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

Respectfully submitted,



Joe Rois
City Auditor