



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**

**County Manager/Clerk of the Board**

**DATE:** March 21, 2006

**BOARD MEETING DATE:** March 28, 2006

**SPECIAL NOTICE/HEARING:** None

**VOTE REQUIRED:** Four-fifths vote

**TO:** Honorable Board of Supervisors  
**FROM:** John L. Maltbie, County Manager  
**SUBJECT:** Amendment to Contract for Audit Services

**Recommendation**

- A) Adopt a Resolution:
- 1) Authorizing an Amendment to the Agreement with Macias, Gini and Company LLP, increasing the amount by \$755,875, from \$965,995 to \$1,721,870 to cover costs associated with providing financial audit services for two additional fiscal years ending June 30, 2006 and 2007, adding two major programs to the Single Audit, and adding hours required to complete the San Mateo Medical Center audit for the fiscal year ending June 30, 2005; and
  - 2) Authorizing the County Manager to execute subsequent amendments and minor modifications not to exceed an aggregate of \$25,000 and to make minor changes in the types of services and activities provided under the Agreement.
- B) Adopt a Resolution approving an Appropriation Transfer Request (ATR) increasing unanticipated Interfund Revenue-Medical Center by \$30,000 and increasing Services and Supplies by \$30,000 in the Grand Jury budget unit for audit costs related to the fiscal year ending June 30, 2005.

**Vision Alignment**

**Commitment:** Responsive, effective and collaborative government.

**Goal 22:** County and local governments effectively communicate, collaborate and develop strategic approaches to issues affecting the entire County.

This Agreement contributes to this goal by providing an independent audit of the County's financial transactions and records to ensure that adequate internal controls have been established, and that financial statements and disclosures are in compliance with government standards and reporting requirements.

**Performance Measure**

Measure	FY 2004-05 Estimate	FY 2005-06 Projected
County submits financial statements to the State on time and attains Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR)	Yes	Yes

**Background and Discussion**

On March 11, 2003, the County entered into an agreement with Macias, Gini and Company LLP to provide auditing services of the County's financial transactions and records. The agreement covered audits for the three fiscal years ending June 30, 2003, 2004 and 2005, for a total amount of \$925,995. Macias, Gini and Company LLP was selected through a Request for Proposal process conducted in the Fall of 2002. Macias was the only firm that submitted a proposal.

The agreement was amended on April 6, 2004 to increase the amount by \$40,000 to cover audit costs related to two additional major programs that required more intensive audit procedures, and increased scope of services to complete the separate audit for the Medical Center for the fiscal year ending June 30, 2003.

Under the terms of the agreement, the County at its discretion can exercise two additional one-year options if performance is deemed satisfactory. The offices of the Controller and County Manager have been satisfied with the services provided by Macias under the existing agreement. Given the increase in the number of new financial reporting requirements, including the upcoming disclosure of liabilities related to retiree health and other post-employment benefits, and the experience that Macias has gained from conducting separate audits of the Medical Center, it would benefit the County to continue using the firm's services for two more years. It is recommended that the agreement be extended to cover the audits for the fiscal years ending June 30, 2006 and 2007. The County will request a rotation of the Partner assigned by Macias for the next two audit years, and will conduct another Request for Proposal process in the Fall of 2007.

It is also recommended that the existing contract be increased by \$30,000 to cover additional hours required to complete the San Mateo Medical Center audit for the fiscal year ending June 30, 2005. The Medical Center will reimburse the Grand Jury budget for these costs.

Macias, Gini and Company LLP complies with the County's insurance and contract requirements, including equal benefits, non-discrimination and jury service pay.

**Fiscal Impact**

This amendment increases the contract amount by \$30,000 for the audit year ending June 30, 2005 for a new contract total of \$995,995 for the three audit years ending June 30, 2003, 2004 and 2005. This amendment also extends the term of the contract for two additional years, which will increase the contract by \$367,704 for the audit year ending June 30, 2006, a 3.9% increase from the previous year, and \$358,171 for the audit year ending June 30, 2007, for a new contract total of \$1,721,870. The \$30,000 increase for the audit year ending June 30, 2005 will be reimbursed by the Medical Center in the current fiscal year. The amounts for the two-year extension will be included in the Grand Jury budget and will be fully funded by the General Fund.