



AGENDA REPORT SUMMARY

Meeting Date: March 8, 2022

Subject: City of Los Altos Audit services extension

Prepared by: John Furtado, Finance Director

Approved by: Gabriel Engeland, City Manager

Attachment(s):

1. Audit Proposal
2. Resolution

Initiated by:

Staff

Fiscal Impact:

A one-year contract extension with Maze for independent audit services for FY2022 would not exceed \$52,175.

Environmental Review:

Not applicable

Policy Question(s) for Council Consideration:

- None

Summary:

- This report presents the request to renew the audit contract with the current Auditors Maze & Associates for one more year.

Staff Recommendation:

Staff recommends the City Council review and accept the proposal submitted by Maze & Associates to provide financial audit services for the year ended June 30, 2022 at a cost not to exceed \$52,175, and authorize the City Manager to execute a contract for these services.

Reviewed By:

City Manager

City Attorney

Finance Director

GE

JH

JE



Subject: Contract extension Maze & Associates

Purpose

A number of State and Federal laws require that the City's financial statements be audited annually and that the City Council engage an independent Certified Public Accountant to act as auditor for the City. On April 22, 2014, the City Council approved a contract with Maze & Associates (Maze) to provide independent auditing services for the City of Los Altos. The City has utilized the services of this firm for the last eight fiscal years (FY2014- FY2021) In 2020 in line with Audit best practices Maze rotated out the lead engagement partner.

Background

City staff would like to extend a contract to Maze & Associates, to continue as auditors to the City of Los Altos for one additional year. The Financial Commission reviewed the agreement and is in support of the staff request.

Discussion/Analysis

California Assembly Bill 1345 added section 12410.6.(b) to Government Code regarding auditor rotation requirements of public accounting firms providing audit services to local agencies.

“Government Code section 12410.6. (b) indicates that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.”

In general, it is also a good practice to go out with Request for Proposal (RFP) for such services every five years or so that the city can evaluate and analyze the pricing and competition in the market.

Given tight audit timelines, compounded by a completely new finance department an audit firm that has a comprehensive understanding of the City's financial structure, policies, and procedures would enable the City to complete the audit requirements in compliance with the required schedule. Therefore, staff recommends engaging Maze for one additional year, followed by a reevaluation of Request for Proposal (RFP) submissions before the next audit cycle.



Subject: Contract extension Maze & Associates

Options

- 1) Approve the request to extend the engagement of Maze & Associates to conduct the Cities Audit services for the financial year 2022

Advantages: Current Auditors are familiar with the city finances and given that the department is undergoing a transition it would be helpful to retain the current auditors.

Disadvantages: The Price charged by the current auditors could be inflated.

- 2) Do not approve the request to extend the engagement of Maze & Associates to conduct the Cities Audit services for the financial year 2022

Advantages: The City could find more Audit firms that are professional and provide a better pricing.

Disadvantages: The city will have to go out with a request for proposals (RFP) to hire new auditors taking away staff resources from the task at hand, while also creating the potential of a delayed audit.

Recommendation

Staff and the Financial Commission recommend Option 1