

RESOLUTION NO. 2011-18
RESOLUTION NO. 2011-05 (MRA)

RESOLUTION OF THE CITY COUNCIL AND REDEVELOPMENT AGENCY OF THE CITY OF MARINA AUTHORIZING TERMINATION OF THE AGREEMENTS WITH MAYER HOFFMAN McCANN P.C. AND AUTHORIZING RELEASE OF A REQUEST FOR PROPOSALS (RFP) TO QUALIFIED CERTIFIED PUBLIC ACCOUNTING FIRMS FOR AUDIT SERVICES FOR FISCAL YEARS 2010-11, 2011-12 & 2012-13

WHEREAS, the City of Marina engages a qualified Certified Public Accounting firm each year to perform the City's financial audits; and

WHEREAS, Mayer Hoffman McCann P.C. conducted 2008-09 and 2009-10 audits; and

WHEREAS, due to unsatisfactory performance Staff recommends that the agreements with Mayer Hoffman McCann be terminated and a Request For Proposals (RFP) be released to engage new auditors for the 2010-11, 2011-12 & 2012-13 fiscal years.

NOW, THEREFORE, BE IT RESOLVED that the City Council and Redevelopment Agency of the City of Marina does hereby:

1. Approve termination of audit services agreements between the City of Marina and the Marina Redevelopment Agency with Mayer Hoffman McCann P.C. of San Jose, California, and;
2. Authorize release of an RFP to qualified Certified Public Accounting firms for auditing services for the 2010-11, 2011-12 and 2012-13 fiscal years.

PASSED AND ADOPTED by the City Council and Redevelopment Agency of the City of Marina at a regular meeting duly held on the 25th day of January 2011, by the following vote:

AYES: COUNCIL/AGENCY MEMBERS: Amadeo, Brown, Ford, O'Connell, Delgado

NOES: COUNCIL/AGENCY MEMBERS: None

ABSTAIN: COUNCIL/AGENCY MEMBERS: None

ABSENT: COUNCIL/AGENCY MEMBERS: None

Bruce C. Delgado, Mayor/Chair

ATTEST:

Anita Sharp, Acting City Clerk/Agency Secretary

January 21, 2011

Item No. **10b**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of January 25, 2011

Honorable Chair and Members
of the Marina Redevelopment Agency Board

Redevelopment Agency Board Meeting
of January 25, 2011

**CITY COUNCIL AND REDEVELOPMENT AGENCY BOARD
CONSIDER ADOPTING RESOLUTION NO. 2011-, AND RESOLUTION
NO. 2011- (MRA) APPROVING TERMINATION OF AUDIT SERVICES
AGREEMENTS BETWEEN CITY OF MARINA AND MARINA
REDEVELOPMENT AGENCY WITH MAYER HOFFMAN MCCANN
P.C., OF SAN JOSE, CALIFORNIA AND AUTHORIZING RELEASE OF
A REQUEST FOR PROPOSALS (RFP) TO QUALIFIED CERTIFIED
PUBLIC ACCOUNTING FIRMS FOR AUDIT SERVICES FOR FISCAL
YEARS 2010-11, 2011-12 & 2012-13**

REQUEST:

It is requested that the City Council and Redevelopment Agency Board:

1. Consider adopting Resolution No. 2011-, and Resolution No. 2011- (MRA), approving termination of audit services agreements between the City of Marina and Marina Redevelopment Agency with Mayer Hoffman McCann P.C., of San Jose, California, and;
2. Authorize release of Request for Proposals (RFP) to qualified Certified Public Accounting firms for audit services for Fiscal Years 2010-11, 2011-12 & 2012-13.

BACKGROUND:

At the regular meeting of June 2, 2009, the City Council and Agency Board adopted Resolutions No. 2009-87 and 2009-11 MRA respectively, approving an agreement with Mayer Hoffman McCann P.C., Certified Public Accountants of San Jose, California, to perform independent audit services for fiscal year 2008-09, with a City option to extend the agreement for an additional four years upon satisfactory auditor performance.

After the 2008-09 audits, the City's Finance Department expressed concern about certain unsatisfactory performance measures on the auditors' part, in particular their inability to meet critical deadlines and a tendency to require last-minute adjustments and changes. Subsequently, Finance Department staff established a detailed 2009-10 audit timeline and presented it to the Engagement Partner, who agreed in writing to the rigid schedule and conceded that it would improve their performance.

Predicated on the auditors commitment to the new timeline, on May 18, 2010, the City Council and Agency Board adopted Resolutions 2010-74 and 2010-12 MRA respectively, extending the agreement for one year. Subsequently on July 7, 2010, the City and Mayer Hoffman McCann

entered into additional agreements for professional audit services for Preston Park and Abrams Park (Resolution No. 2010-108, 2010-17 (MRA) and 2010-07 (NPC)).

ANALYSIS:

Notwithstanding the negotiated timeline and repeated verbal commitments by the auditors, their performance remained unacceptable for 2009-10. The structure, qualifications and experience of the audit team who conducted the field work differed substantially from the profile set forth in the auditors' proposal.

Lack of continuity and inexperience of audit staff imposed considerable additional work on Finance Department staff. Adding to these adverse conditions, while the City met or exceeded every agreed-upon time and resource commitment, the auditors did not. They missed several key deadlines; submitted numerous reports, reviews and analyses late, repeatedly presented review comments that deviated from the agreed-upon format, imposed numerous time-consuming last-minute changes and adjustments and prepared regulatory reports that were incorrect and did not agree with the audited financial statements, requiring extensive Finance Department staff time to for corrections to finalize and submit. In summary, despite Mayer Hoffman McCann's verbal and written commitments to improve, their performance for 2009-10 was unacceptable.

Section 6 of each of the three agreements authorizes the City to terminate the agreement(s) with or without cause. Based on the prior two years' unacceptable performance, as well as subsequent discussions, Finance Department staff doubts that improvements will be forthcoming and believes the City should terminate the agreements and engage new auditors.

Staff has updated the previous RFP and mailing list and is prepared to distribute it to qualified Certified Public Accounting firms upon termination of the agreements with Mayer Hoffman McCann, if approved by the City Council and Agency Board.

FISCAL IMPACT:

Should the City Council and Agency Board approve this request, the total audit cost for the 2010-11 fiscal year cannot be determined until the proposals are received and a contract is approved by the Council and Agency Board. The audit cost for the 2010-11 fiscal year will be allocated between the City and Agency based on the actual proportion of audit time expended and invoiced on behalf of each entity. The 2010-11 budget contains appropriations for audit services for the City Agency of \$24,950 and \$6,800 respectively.

The Abrams Park audit cost is appropriated in the FY10/11 Abrams NPC budget. The Preston Park audit costs is appropriated in the FY10/11 Preston Park budget, with 50% of the cost paid by the City and 50% paid by FOR A.

CONCLUSION:

This request is submitted for City Council and Agency Board consideration and possible action.

Lauren Lai, CPA
Finance Director
City of Marina

REVIEWED/CONCUR:

Anthony J. Altfeld
City Manager
City of Marina
Executive Director
Marina Redevelopment Agency