



**Sacramento
Housing &
Redevelopment
Agency**

APPROVED
MAR - 4 2003
OFFICE OF THE
CITY CLERK

February 19, 2003

22

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SACRAMENTO HOUSING AUTHORITY
CITY OF SACRAMENTO

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MAR 4 2003
SACRAMENTO REDEVELOPMENT AGENCY
CITY OF SACRAMENTO

Housing Authority, Redevelopment Agency
and City Council of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: AUDIT SERVICES CONTRACT FOR THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

LOCATION & COUNCIL DISTRICT - Citywide

RECOMMENDATION

Staff recommends adoption of the attached resolutions which authorize the Executive Director or her designee to:

- execute a contract with Macias, Gini & Company *LLP* to provide audit services for the Sacramento Housing and Redevelopment Agency (Agency), Redevelopment Agency of the City of Sacramento, and the Housing Authority of the City of Sacramento for the calendar years ending 2002 and 2003; and
- execute any and all documents necessary to carry out provisions of the annual examination of the financial statements.

CONTACT PERSONS

Satoshi Matsuda, Finance Director, 440-1370
Karen Lukes, Principal Accountant, 440-1340

FOR COUNCIL MEETING OF - March 4, 2003

SUMMARY

On January 4, 2000 the City Council adopted Resolution No. 2000-001 that allows for an audit services contract with Macias, Gini and Company, LLP for a three-year term with the option to renew for two additional years.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority, Redevelopment Agency
and City Council
February 19, 2003
Page 2

The contract amounts for the calendar years ending 2002 and 2003 will exceed the five percent adjustment due to new reporting requirements from the Governmental Accounting Standards Board (GASB) and from the Housing and Urban Development (HUD) Department. The fees for the calendar year ending 2002 will be an amount not to exceed \$114,460 adjusted by a Cost of Living Agreement of five percent for the calendar year ending 2003.

COMMISSION ACTION

At its meeting February 19, 2003, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolutions. The votes were as follows:

AYES: Amundson, Burns, Burruss, Castello, Faust, Harland, Hoag, Piatkowski,
Simon
NOES: None
ABSENT: McCarty

BACKGROUND

The Agency uses independent Certified Public Accountants for the audit of its annual basic financial statements. The audit is done in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of The United States. Those standards require the auditors to plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation.

After a request for proposal process in 1999, the firm of Macias, Gini and Company *LLP* was selected and approved by City Council on January 4, 2000. The initial contract covers the three fiscal years-1999, 2000 and 2001. The staff recommends that the option for two additional years be exercised to cover financial statements for the calendar years ended December 31, 2002 and ending December 31, 2003. The audit services are performed in the year after the calendar year ending dates. The amount of the audit services contract in the first year (1999) was \$71,316 and has increased by a five-percent cost of living adjustment in the two years thereafter. After the original contract was executed the audit scope changed by the following issues, which increased the audit fees substantially:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority, Redevelopment Agency
and City Council
February 19, 2003
Page 3

1. Housing and Urban Development (HUD) issued new requirements in the 1999 accounting year for submitting financial reports to their agency. Under the new requirements, the financial statements are to be submitted by electronic spreadsheet into their Financial Data Schedule (FDS) system. The auditors are required to do an attestation of the FDS as to its fair presentation in relation to the audited basic financial statements of the Agency. This is in accordance with the audit provisions of the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No. 29, Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents. They also must provide agreed-upon procedures under AICPA Statement for Attestation Engagements (SSAE) No. 4, Agreed-upon Procedures Engagements in which they compare the electronically submitted data in the HUD Real Estate Assessment Center staging database to certain information in the audited financial statements and the hard copy of the FDS.
2. In June 1999 and in June 2001, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, respectively. These statements provide for the most significant change in financial reporting in over twenty years. The Agency began implementing these changes during 2001. The workload for both Agency staff and Audit staff has increased dramatically as a result of these new statements.

As a result of these changes in requirements, the audit costs for 1999 were \$85,046; for 2000 they were \$101,750; and for 2001 they were \$114,856. For the 2002 audit, staff requests authorization to enter into a contract for \$106,960 in basic auditing services and an additional \$7,500 for special GASB No. 34 technical assistance for a total of \$114,460. For the 2003 audit, the 5 percent increase would be applied to the base auditing services and any additional technical assistance will be negotiated at a future date.

FINANCIAL CONSIDERATIONS

The audit fees proposed for the calendar year ended December 31, 2002 are \$114,460 and are included in the Agency’s 2003 Annual Budget.

The audit fees for the calendar year ended December 31, 2003 will increase by a cost of living adjustment of five percent and will be paid out of the Agency’s 2004 Annual Budget.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority, Redevelopment Agency
and City Council
February 19, 2003
Page 4

POLICY CONSIDERATIONS

The City Council upon entering into the joint exercise of power agreement creating the Sacramento Housing and Redevelopment Agency retained the authority to select the audit firm. The actions recommended are consistent with this policy direction.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project under California Environmental Quality Act, Guidelines Section 15378(b)(4), or a federal undertaking under National Environmental Protection Act. No further environmental review is required.

M/WBE CONSIDERATIONS

Minority and Women Business Enterprise Requirements will be applied to all activities to the extent required by Federal Funding.

SBE CONSIDERATIONS

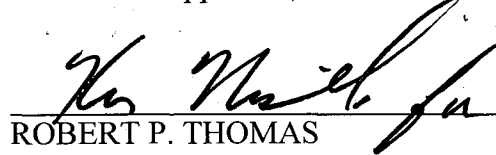
The Agency's Small Business Enterprise Program Requirements will be applied to all activities to the extent required by Federal Funding.

Respectfully submitted,



ANNE M. MOORE
Executive Director

Transmittal approved,



ROBERT P. THOMAS
City Manager

TABLE OF CONTENTS:

- | | |
|--|--------|
| 1) Resolution - Redevelopment Agency of the City of Sacramento | Page 5 |
| 2) Resolution - Housing Authority of the City of Sacramento | Page 6 |
| 3) Resolution - Sacramento City Council | Page 7 |



RESOLUTION NO. RA 2003-016

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

AUDIT SERVICES CONTRACT

Whereas, audits are required by Federal, State, and Local Governmental funding sources;

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: The Executive Director, or her designee, is hereby authorized to execute a contract for audit services with Macias, Gini & Company, LLP (the firm recommended by the evaluation committee) for terms not exceeding five years and for contract amounts for Sacramento Housing and Redevelopment Agency, Sacramento Housing Development Corporation, Redevelopment Agency of the County of Sacramento, Housing Authority of the County of Sacramento, Redevelopment Agency of the City of Sacramento and Housing Authority of the City of Sacramento (collectively "Agency") not to exceed \$114,460 adjusted by a Cost of Living Agreement of five percent for the 2003 audit.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



RESOLUTION NO. HA 2003-001

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

ON DATE OF

AUDIT SERVICES CONTRACT

Whereas, audits are required by Federal, State, and Local Governmental funding sources;

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO:

Section 1: The Executive Director, or her designee, is hereby authorized to execute a contract for audit services with Macias, Gini & Company, LLP (the firm recommended by the evaluation committee) for terms not exceeding five years and for contract amounts for Sacramento Housing and Redevelopment Agency, Sacramento Housing Development Corporation, Redevelopment Agency of the County of Sacramento, Housing Authority of the County of Sacramento, Redevelopment Agency of the City of Sacramento and Housing Authority of the City of Sacramento (collectively "Agency") not to exceed \$114,460 adjusted by a Cost of Living Agreement of five percent for the 2003 audit.

CHAIR

ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____
DATE ADOPTED: _____

APPROVED
MAR - 4 2003
OFFICE OF THE
CITY CLERK

RESOLUTION NO. 2003-090

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF

AUDIT SERVICES CONTRACT

Whereas, audits are required by Federal, State, and Local Governmental funding sources;

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

Section 1: The Executive Director, or her designee, is hereby authorized to execute a contract for audit services with Macias, Gini & Company, LLP (the firm recommended by the evaluation committee) for terms not exceeding five years and for contract amounts for Sacramento Housing and Redevelopment Agency, Sacramento Housing Development Corporation, Redevelopment Agency of the County of Sacramento, Housing Authority of the County of Sacramento, Redevelopment Agency of the City of Sacramento and Housing Authority of the City of Sacramento (collectively "Agency") not to exceed \$114,460 adjusted by a Cost of Living Agreement of five percent for the 2003 audit.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ (7)