



RON GALPERIN  
CONTROLLER

June 10, 2021

Honorable Eric Garcetti, Mayor  
Honorable Members of the City Council  
of the City of Los Angeles

The City Charter Section 362 provides that the City Council shall have the income and expenditures of each department, and office audited by an independent certified public accountant at the end of each fiscal year. The Audit Committee, composed of the Controller as Chair, the City Administrative Officer (CAO) and the Board of Public Works (PW Board) or their representatives, is tasked with the oversight of the selection of the independent auditor and providing the City Council with audit recommendations. In June 2018, the City Council approved the Audit Committee's recommendations and authorized an agreement (City Contract C-131440) with Macias, Gini and O'Connell, LLP (MGO) to conduct the annual and single audits for Fiscal Years (FY) 2017-18, 2018-19, and 2019-20 with the option to extend the contract for an additional two years covering FY 2020-21 and FY 2021-22.

The Audit Committee is now requesting an extension of the agreement to exercise the option to extend the contract to allow MGO to conduct the audits for FY 2020-21 and FY 2021-22.

### **RECOMMENDATIONS**

The City Council authorize the Controller, with assistance from the CAO and the PW Board to:

1. Approve the First Amended and Restated Contract (C-131440) with MGO to extend the contract for an additional two years to cover the annual and single audits of FY 2020-21 and 2021-22;
2. Instruct the PW Board, Office of Accounting to reimburse the General Fund \$66,476 for the Fiscal Year 2020-2021 and \$68,004 for the Fiscal Year 2021-22 audits of the Sewer Construction and Maintenance Fund;

3. Instruct the Department of Transportation to arrange for the Mobile Source Air Pollution Reduction Fund to reimburse the General Fund in the amount of \$13,036 for FY 2020-21 and \$13,335 for FY2021-22 for the audit of the Mobile Source Air Pollution Reduction Trust Fund;
4. Instruct the Housing and Community Investment Department to reimburse the General Fund \$49,712 for the FY 2020-21 audits of the Low and Moderate Housing Fund and the McKinney Act Savings Fund and \$34,946 for the FY 2021-22 audit of the Low and Moderate Housing Fund.

### **FINANCIAL IMPACT STATEMENT**

The FY 2020-21 and FY 2021-22 audits are estimated to cost \$964,945 and \$1,113,689 respectively. The GCP for FY 2021-22 has an appropriation of \$998,190 for the FY 2020-21 audit. This amount will cover the cost of the FY 2020-21 audit. No additional appropriation will be needed. An appropriation of \$1,113,689 will need to be allocated in GCP for FY 2022-23 to cover the FY 2021-22 audit.

### **DISCUSSION**

The current agreement to perform the City's Financial and Single Audits will expire in December 2021 and includes the audits of FYs 2017-18, 2018-19 and 2019-20. This amended and restated agreement will extend the agreement to December 2023 and allow MGO to perform the FY 2020-21 and FY 2021-22 audits. The audits are estimated to cost \$964,945 and \$1,113,689, respectively. The estimated cost for both years includes \$100,000 each year as contingency for changing standards and additional grant programs. The City negotiated concessions from MGO given the City's financial condition and anticipated budget constraints.

The detailed audit cost summary submitted by MGO is attached. A brief discussion of the cost and the cost reduction/deferral follows:

1. CPI increase: At the request of the City, MGO agreed to defer the allowable CPI increase for the FY 2020-21 audit. The cost of the FY 2021-22 includes an adjustment of hourly rates by CPI for all urban consumers for Los Angeles, Riverside and Orange Counties as published by the U.S. Department of Labor. The CPI increase applied to the FY 2021-22 audit will be 2.3%. The resulting increase in basic audit fees will be \$18,749 for the FY 2021-22 audit. Deferring the CPI index for the FY 2020-21 audit will save the City approximately \$19,500 over the two-year period.
2. Service Organization Audit of ITA (Data Processing): ITA provides support for the City's financial systems on which the City depends to provide financial reports

and information that is incorporated into the City's Financial Statements. The information provided by these systems must be verified by the auditor. The Service Organization Audit provides an independent opinion on whether ITA's description of the City's financial systems is fairly represented and that its controls (to prevent, detect and correct errors and omissions in the financial information provided) over the financial systems are suitable and adequate. This audit is performed every two years. The last audit was performed in the FY 2018-19 and would have been due in the FY 2020-21 audit. MGO has agreed to postpone this audit to FY 2021-22 as requested by the City.

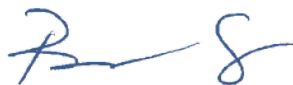
3. Government Accounting Standards Board Statement No. 87 (GASB 87): The City will be adopting GASB 87 (Leases) in FY 2021-22. It is anticipated the City will have approximately 380-400 leases where the City is a lessee and approximately 250 leases where the City is a lessor. MGO estimates approximately 120 additional hours of audit effort would be required costing approximately \$22,000. MGO has agreed to assume the additional cost without passing it on to the City.

The FY 2020-21 and FY 2021-22 audits are estimated to cost \$964,945 and \$1,113,689 respectively. The GCP for FY 2021-22 has an appropriation of \$998,190 for the FY 2020-21 audit. This amount will cover the cost of the FY 2020-21 audit. No additional appropriation will be needed. An appropriation of \$1,113,689 will need to be allocated in GCP for FY 2022-23.

Sincerely,



Crista Binder  
Chief Deputy  
Controller



Benjamin Ceja  
Assistant City  
Administrative Officer



Dr. Fernando Campos  
Executive Officer  
Board of Public Works

Attachment(s)



A new breed  
of professional  
services firm

# Experience. Expertise. Value.

PRESENTED TO:  
**CITY OF LOS ANGELES**  
COST PROPOSAL FOR ANNUAL CITY AUDIT AND SINGLE AUDIT FOR  
FISCAL YEARS ENDING JUNE 30, 2021 AND JUNE 30, 2022



## PREPARED FOR YOU BY:

Macias Gini & O'Connell LLP  
Peter George, CPA/PARTNER  
700 South St., Suite 800  
Los Angeles, CA 90017  
T: 949.296.4303 | F: 213.995.6970  
pgeorge@mgocpa.com

April 7, 2021



# Quality worth the cost.

Having worked in the government sector for over three decades, we understand the operating environments, accounting and financial reporting issues, and political challenges that concern Cities. Our business model is designed to offer the highest quality expertise to serve our governmental clients better than any other firm. Governmental accounting and reporting and the regulatory environment is changing and expanding at an ever-increasing rate. Couple this with public accountability issues, pressure for increased audit quality, and the penalties for substandard audit performance, the result is plain: increased risk.

Government audits that were often considered low-risk engagements by other firms, are quickly becoming areas of higher risk. The technical issues involved in the public sector are on par with those in the commercial environment – but most auditors have little experience and technical guidance to draw upon. Dealing with these technical issues requires well-trained, highly motivated individuals. At MGO, we understand that governmental accounting and reporting is being increasingly scrutinized, and we believe it is imperative that public accountants who serve the public sector keep this fact top-of-mind.

## Professional Fee Philosophy.

Our fee philosophy is to foster long-term client relationships by offering fair and competitive pricing. It is our commitment to offer quality service at competitive and fair rates. Our not-to-exceed fee proposal is based on our thorough understanding of the City's business, its operations, and its challenges. After considering the economic climate, we have committed ourselves to helping the City meet its financial challenges over the next few years. Accordingly, we are offering a significant discount from our standard fees. In addition, MGO has the ability to leverage our network of separate and independent MGO firms to enhance the quality and timely delivery of service at competitive rates. MGO may, in its discretion, draw on resources of its subsidiaries, in each case within or outside the United States, in connection with the provision of its services. MGO maintains all of the client data within the U.S. and represents that it has internal policies, procedures, and safeguards to protect the security and confidentiality of the client information. MGO will be solely responsible for the provision of the services.

Additionally, our proposed not-to-exceed fees and hours are also based on the assumption that the accounting records are in order and that all accrual adjustments necessary to present the financial statements in accordance with accounting principles generally accepted in the United States of America are completed by the City.

If we encounter difficulties because accounting records are not readily available, material weaknesses in internal control are identified, or other problems arise, we will meet with responsible City officials to discuss a potential fee adjustment and to discuss the problems encountered before any additional work is incurred.

Our fees for additional professional services would be based on our standard hourly rates in effect during the year when additional services are requested, which vary according to the degree of responsibility involved and the experience level of the personnel assigned to the task.

Our fees for performing the Single Audit for the City assumes that the City is a low-risk auditee, as defined by the Uniform Guidance, and is predicated on no more more than 7 major programs annually. Our firm can identify audit costs attributable to each entity, grant or fund, which may be used to assist the City in charging each appropriate budget unit for their share of costs associated with our work. Should the City's risk level change or if additional major programs above 7 are added (including funds received from the CARES Act or the American Rescue Plan), our fees would be adjusted by \$18,500 for each additional major program identified.

Our professional services will be billed monthly based on the amount of hours worked.

COST AND SCHEDULES

Our fees are predicated on no significant changes in key finance and/or City management personnel as well as existing GASB pronouncements including implementation of GASB Statement No. 75 through 97. Should there be new pronouncements beyond GASB Statement No. 97 that require significant implementation or additional audit procedures during our contract period or significant management turnover, our fees may require revision. The City will be adopting GASB Statement No. 87, Leases, for its fiscal year 2022. It is anticipated the City will have approximately 380 - 400 leases where the City is a lessee and approximately 250 leases where the City is a lessor. Based on these estimated number of leases, we have estimated it would be approximately 120 hours of additional audit effort equating to approximately \$22,000 in additional audit fees based on fiscal year 2021 hourly rates to audit the resulting changes to the City's basic financial statements by implementing GASB No. 87. We will assume that additional cost in our FY 2022 audit fees and not pass it to the City.

MGO will obtain management approval for the increased level of effort and related fees prior to testing any additional major programs. Our not-to-exceed fee proposal is comprehensive on our understanding of the City and its needs.

A summary of our cost proposal is presented below and on the following pages.

Audit Cost Proposal By Deliverable					
Task or Report to be Completed	Fiscal Year Ending June 30th:				
	2018	2019	2020	2021 (Revised)	2022 (Revised)
Comprehensive Annual Financial Report (CAFR) incl. EDP Financial Review	\$ 297,170	\$ 304,033	\$ 311,053	\$ 311,053	\$ 318,235
Single Audit	303,595	310,578	317,721	317,721	325,029
Gann Appropriation Limit Calculation	1,200	1,200	1,200	1,200	1,200
Sewer Construction and Maintenance Fund	63,520	64,981	66,476	66,476	68,004
Municipal Improvement Corporation of America	41,997	42,963	43,951	43,951	44,962
Cost Allocation Plan	59,050	60,408	61,798	61,798	63,219
AB2766 Financial Statement Audit	12,456	12,742	13,036	13,036	13,335
Low and Moderate Housing Fund	32,642	33,393	34,161	34,161	34,946
McKinney Act Savings Fund	15,246	-	-	15,551	-
Service Organization Audit of ITA (Data Processing)	-	141,920	-	-	144,758
<b>Grant Total (All-inclusive Maximum Price)</b>	<b>\$ 826,876</b>	<b>\$ 972,217</b>	<b>\$ 849,394</b>	<b>\$ 864,945</b>	<b>\$ 1,013,689</b>

Note: The proposed fees and hourly rates for each subsequent year increase from the preceding year's fees and hourly rates by an assumed rate of 2.3%. Actual fees and hourly rates, including the option for the years ended June 30, 2021 and 2022, will be adjusted based on the Los Angeles Consumer Price Index or similar index.

Comprehensive Annual Financial Report

	Hours	2018 Hourly Rates	2018 Costs	2019 Costs	2020 Costs	2021 Costs (Revised)	2022 Costs (Revised)	Total Costs
<b>Fees:</b>								
Partner	100	\$ 263.00	\$ 26,300	\$ 26,905	\$ 27,524	\$ 27,524	\$ 28,157	\$ 136,409
Technical Review Partner	30	263.00	7,890	8,071	8,257	8,257	8,447	40,923
Director	210	228.00	47,880	48,981	50,108	50,108	51,260	248,337
Information Technology Specialist	150	172.00	25,800	26,393	27,000	27,000	27,621	133,816
Engagement Manager	390	172.00	67,080	68,623	70,201	70,201	71,816	347,921
Engagement Senior	580	107.00	62,060	63,487	64,948	64,948	66,441	321,884
Professional Staff	800	75.00	60,000	61,380	62,792	62,792	64,236	311,199
Clerical Support Staff	20	68.00	1,360	1,391	1,423	1,423	1,456	7,054
<b>Subtotal fees</b>	<b>2,280</b>		<b>\$ 298,370</b>	<b>\$ 305,233</b>	<b>\$ 312,253</b>	<b>\$ 312,253</b>	<b>\$ 319,435</b>	<b>\$ 1,547,543</b>
<b>Expenses:</b>								
Meals and Lodging			included	included	included	included	included	included
Transportation			included	included	included	included	included	included
Printing, Mailing, etc. (Other)			included	included	included	included	included	included
<b>Subtotal expenses</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total all inclusive maximum price</b>			<b>\$ 298,370</b>	<b>\$ 305,233</b>	<b>\$ 312,253</b>	<b>\$ 312,253</b>	<b>\$ 319,435</b>	<b>\$ 1,547,543</b>

## Single Audit

	Hours	2018 Hourly Rates	2018 Costs	2019 Costs	2020 Costs	2021 Costs (Revised)	2022 Costs (Revised)	Total Costs
<b>Fees:</b>								
Partner	50	\$ 263.00	\$ 13,150	\$ 13,452	\$ 13,762	\$ 13,762	\$ 14,078	\$ 68,205
Technical Review Partner	15	263.00	3,945	4,036	4,129	4,129	4,224	20,461
Director	300	228.00	68,400	69,973	71,583	71,583	73,229	354,767
Information Technology Specialist	30	172.00	5,160	5,279	5,400	5,400	5,524	26,763
Engagement Manager	480	172.00	82,560	84,459	86,401	86,401	88,389	428,210
Engagement Senior	610	107.00	65,270	66,771	68,307	68,307	69,878	338,533
Professional Staff	850	75.00	63,750	65,216	66,716	66,716	68,251	330,649
Clerical Support Staff	20	68.00	1,360	1,391	1,423	1,423	1,456	7,054
<b>Subtotal fees</b>	<b>2,355</b>		<b>\$ 303,595</b>	<b>\$ 310,578</b>	<b>\$ 317,721</b>	<b>\$ 317,721</b>	<b>\$ 325,029</b>	<b>\$ 1,574,643</b>
<b>Expenses:</b>								
Meals and Lodging			included	included	included	included	included	included
Transportation			included	included	included	included	included	included
Printing, Mailing, etc. (Other)			included	included	included	included	included	included
<b>Subtotal expenses</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total all inclusive maximum price</b>			<b>\$ 303,595</b>	<b>\$ 310,578</b>	<b>\$ 317,721</b>	<b>\$ 317,721</b>	<b>\$ 325,029</b>	<b>\$ 1,574,643</b>

## Service Organization Audit of ITA

	Hours	2018 Hourly Rates	2018 Costs	2019 Costs	2020 Costs	2021 Costs (Revised)	2022 Costs (Revised)	Total Costs
<b>Fees:</b>								
Partner	40	\$ 263.00	\$ -	\$ 10,520	\$ -	\$ -	\$ 10,730	\$ 21,250
Technical Review Partner	20	263.00	-	5,260	-	-	5,365	10,625
Information Technology Director	250	228.00	-	57,000	-	-	58,140	115,140
Information Technology Specialist	400	172.00	-	68,800	-	-	70,176	138,976
Clerical Support Staff	5	68.00	-	340	-	-	347	687
<b>Subtotal fees</b>	<b>715</b>		<b>\$ -</b>	<b>\$ 141,920</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 144,758</b>	<b>\$ 286,678</b>
<b>Expenses:</b>								
Meals and Lodging			included	included	included	included	included	included
Transportation			included	included	included	included	included	included
Printing, Mailing, etc. (Other)			included	included	included	included	included	included
<b>Subtotal expenses</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total all inclusive maximum price</b>			<b>\$ -</b>	<b>\$ 141,920</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 144,758</b>	<b>\$ 286,678</b>



COST AND SCHEDULES

**Cost Allocation Plan**

	Hours	2018 Hourly Rates	2018 Costs	2019 Costs	2020 Costs	2021 Costs (Revised)	2022 Costs (Revised)	Total Costs
<b>Fees:</b>								
Partner	20	\$ 263.00	\$ 5,260	\$ 5,381	\$ 5,505	\$ 5,505	\$ 5,631	\$ 27,282
Technical Review Partner	10	263.00	2,630	2,690	2,752	2,752	2,816	13,641
Director	52	228.00	11,856	12,129	12,408	12,408	12,693	61,493
Engagement Manager	50	172.00	8,600	8,798	9,000	9,000	9,207	44,605
Engagement Senior	250	107.00	26,750	27,365	27,995	27,995	28,639	138,743
Professional Staff	50	75.00	3,750	3,836	3,924	3,924	4,015	19,450
Clerical Support Staff	3	68.00	204	209	213	213	218	1,058
<b>Subtotal fees</b>	<b>435</b>		<b>\$ 59,050</b>	<b>\$ 60,408</b>	<b>\$ 61,798</b>	<b>\$ 61,798</b>	<b>\$ 63,219</b>	<b>\$ 306,272</b>
<b>Expenses:</b>								
Meals and Lodging			included	included	included	included	included	included
Transportation			included	included	included	included	included	included
Printing, Mailing, etc. (Other)			included	included	included	included	included	included
<b>Subtotal expenses</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total all inclusive maximum price</b>			<b>\$ 59,050</b>	<b>\$ 60,408</b>	<b>\$ 61,798</b>	<b>\$ 61,798</b>	<b>\$ 63,219</b>	<b>\$ 306,272</b>

**Municipal Improvement Corporation of America**

	Hours	2018 Hourly Rates	2018 Costs	2019 Costs	2020 Costs	2021 Costs (Option)	2022 Costs (Option)	Total Costs
<b>Fees:</b>								
Partner	12	\$ 263.00	\$ 3,156	\$ 3,229	\$ 3,303	\$ 3,303	\$ 3,379	\$ 16,369
Technical Review Partner	8	263.00	2,104	2,152	2,202	2,202	2,253	10,913
Director	30	228.00	6,840	6,997	7,158	7,158	7,323	35,477
Engagement Manager	50	172.00	8,600	8,798	9,000	9,000	9,207	44,605
Engagement Senior	125	107.00	13,375	13,683	13,997	13,997	14,319	69,372
Professional Staff	102	75.00	7,650	7,826	8,006	8,006	8,190	39,678
Clerical Support Staff	4	68.00	272	278	285	285	291	1,411
<b>Subtotal fees</b>	<b>331</b>		<b>\$ 41,997</b>	<b>\$ 42,963</b>	<b>\$ 43,951</b>	<b>\$ 43,951</b>	<b>\$ 44,962</b>	<b>\$ 217,824</b>
<b>Expenses:</b>								
Meals and Lodging			included	included	included	included	included	included
Transportation			included	included	included	included	included	included
Printing, Mailing, etc. (Other)			included	included	included	included	included	included
<b>Subtotal expenses</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total all inclusive maximum price</b>			<b>\$ 41,997</b>	<b>\$ 42,963</b>	<b>\$ 43,951</b>	<b>\$ 43,951</b>	<b>\$ 44,962</b>	<b>\$ 217,824</b>



## AB2766 Financial Statements

	Hours	2018 Hourly Rates	2018 Costs	2019 Costs	2020 Costs	2021 Costs (Revised)	2022 Costs (Revised)	Total Costs
<b>Fees:</b>								
Partner	2	\$ 263.00	\$ 526	\$ 538	\$ 550	\$ 550	\$ 563	\$ 2,728
Technical Review Partner	2	263.00	526	538	550	550	563	2,728
Director	10	228.00	2,280	2,332	2,386	2,386	2,441	11,826
Engagement Manager	20	172.00	3,440	3,519	3,600	3,600	3,683	17,842
Engagement Senior	40	107.00	4,280	4,378	4,479	4,479	4,582	22,199
Professional Staff	16	75.00	1,200	1,228	1,256	1,256	1,285	6,224
Clerical Support Staff	3	68.00	204	209	213	213	218	1,058
<b>Subtotal fees</b>	<b>93</b>		<b>\$ 12,456</b>	<b>\$ 12,742</b>	<b>\$ 13,036</b>	<b>\$ 13,036</b>	<b>\$ 13,335</b>	<b>\$ 64,605</b>
<b>Expenses:</b>								
Meals and Lodging			included	included	included	included	included	included
Transportation			included	included	included	included	included	included
Printing, Mailing, etc. (Other)			included	included	included	included	included	included
<b>Subtotal expenses</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total all inclusive maximum price</b>			<b>\$ 12,456</b>	<b>\$ 12,742</b>	<b>\$ 13,036</b>	<b>\$ 13,036</b>	<b>\$ 13,335</b>	<b>\$ 64,605</b>

## Sewer Construction and Maintenance Fund

	Hours	2018 Hourly Rates	2018 Costs	2019 Costs	2020 Costs	2021 Costs (Revised)	2022 Costs (Revised)	Total Costs
<b>Fees:</b>								
Partner	10	\$ 263.00	\$ 2,630	\$ 2,690	\$ 2,752	\$ 2,752	\$ 2,816	\$ 13,641
Technical Review Partner	8	263.00	2,104	2,152	2,202	2,202	2,253	10,913
Director	50	228.00	11,400	11,662	11,930	11,930	12,205	59,128
Engagement Manager	60	172.00	10,320	10,557	10,800	10,800	11,049	53,526
Engagement Senior	240	107.00	25,680	26,271	26,875	26,875	27,493	133,193
Professional Staff	150	75.00	11,250	11,509	11,773	11,773	12,044	58,350
Clerical Support Staff	2	68.00	136	139	142	142	146	705
<b>Subtotal fees</b>	<b>520</b>		<b>\$ 63,520</b>	<b>\$ 64,981</b>	<b>\$ 66,476</b>	<b>\$ 66,476</b>	<b>\$ 68,004</b>	<b>\$ 329,456</b>
<b>Expenses:</b>								
Meals and Lodging			included	included	included	included	included	included
Transportation			included	included	included	included	included	included
Printing, Mailing, etc. (Other)			included	included	included	included	included	included
<b>Subtotal expenses</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total all inclusive maximum price</b>			<b>\$ 63,520</b>	<b>\$ 64,981</b>	<b>\$ 66,476</b>	<b>\$ 66,476</b>	<b>\$ 68,004</b>	<b>\$ 329,456</b>

COST AND SCHEDULES

**Low and Moderate Housing Fund**

	Hours	2018 Hourly Rates	2018 Costs	2019 Costs	2020 Costs	2021 Costs (Revised)	2022 Costs (Revised)	Total Costs
<b>Fees:</b>								
Partner	10	\$ 263.00	\$ 2,630	\$ 2,690	\$ 2,752	\$ 2,752	\$ 2,816	\$ 13,641
Technical Review Partner	4	263.00	1,052	1,076	1,101	1,101	1,126	5,456
Director	24	228.00	5,472	5,598	5,727	5,727	5,858	28,381
Engagement Manager	55	172.00	9,460	9,678	9,900	9,900	10,128	49,066
Engagement Senior	80	107.00	8,560	8,757	8,958	8,958	9,164	44,398
Professional Staff	72	75.00	5,400	5,524	5,651	5,651	5,781	28,008
Clerical Support Staff	1	68.00	68	70	71	71	73	353
<b>Subtotal fees</b>	<b>246</b>		<b>\$ 32,642</b>	<b>\$ 33,393</b>	<b>\$ 34,161</b>	<b>\$ 34,161</b>	<b>\$ 34,946</b>	<b>\$ 169,303</b>
<b>Expenses:</b>								
Meals and Lodging			included	included	included	included	included	included
Transportation			included	included	included	included	included	included
Printing, Mailing, etc. (Other)			included	included	included	included	included	included
<b>Subtotal expenses</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total all inclusive maximum price</b>			<b>\$ 32,642</b>	<b>\$ 33,393</b>	<b>\$ 34,161</b>	<b>\$ 34,161</b>	<b>\$ 34,946</b>	<b>\$ 169,303</b>

**McKinney Act Savings Fund**

	Hours	2018 Hourly Rates	2018 Costs	2019 Costs	2020 Costs	2021 Costs (Revised)	2022 Costs (Revised)	Total Costs
<b>Fees:</b>								
Partner	12	\$ 263.00	\$ 3,156	\$ -	\$ -	\$ 3,219	\$ -	\$ 6,375
Technical Review Partner	8	263.00	2,104	-	-	2,146	-	4,250
Engagement Senior	50	107.00	5,350	-	-	5,457	-	10,807
Professional Staff	60	75.00	4,500	-	-	4,590	-	9,090
Clerical Support Staff	2	68.00	136	-	-	139	-	275
<b>Subtotal fees</b>	<b>132</b>		<b>\$ 15,246</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,551</b>	<b>\$ -</b>	<b>\$ 30,797</b>
<b>Expenses:</b>								
Meals and Lodging			included	included	included	included	included	included
Transportation			included	included	included	included	included	included
Printing, Mailing, etc. (Other)			included	included	included	included	included	included
<b>Subtotal expenses</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total all inclusive maximum price</b>			<b>\$ 15,246</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,551</b>	<b>\$ -</b>	<b>\$ 30,797</b>

**Rates for Additional Professional Services.**

The City from time to time will require additional services such as due diligence work related to bond issuances and refinancing, debt financing consent letters, and arbitrage rebate calculations. Any additional fee needed for these services will be based on the following discounted billing rates. Informal advice and consultation fees, not requiring significant research or a formal report, are included in the total all-inclusive maximum price.

<b>Audit Staff Hourly Billing Rates by Classification</b>			
<b>Classification</b>	<b>Billing Rates for Fiscal Year Ending June 30th:</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
Engagement Partner	\$ 277	\$ 277	\$ 287
Engagement Director	240	240	248
Professional Standards Reviewer	277	277	287
Engagement Manager	180	180	187
Supervisor	158	158	187
Senior Assurance Associates	112	112	116
Staff and Experience Assurance Associates	78	78	96
Administrative Assistants	71	71	74
<b>Total Hours</b>			

I certify that I, Peter George, am entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with the City.



Peter George  
Partner

# Questions?

Peter George  
Partner  
Main: 949.296.4303  
pgeorge@mgocpa.com

**mgocpa.com**



A new breed  
of professional  
services firm

**First Amended and Restated Agreement (C-131440)  
between the City of Los Angeles and  
Macias, Gini & O'Connell, LLP for  
the Annual and Single Audit of the City of Los Angeles**

This First Amended and Restated Agreement (“Agreement” or “Contract”) is entered into between the City of Los Angeles, a municipal corporation (“City”), acting by and through its City Council (“Council”) and Mayor (“Mayor”), and Macias, Gini & O’Connell, LLP (“Auditor” or “Contractor”) with reference to the following facts:

**WHEREAS**, the City desires the services of an independent auditor to perform audits pursuant to the Los Angeles City Charter Section 362; and

**WHEREAS**, the City desires the services of an independent auditor to perform a single audit pursuant to the Single Audit Act of 1984 (Public Law 98-502), as amended in 1996 (Public Law 104-156), U.S. Office of Management and Budget (“OMB”) Circular A-133, and Generally Accepted Government Auditing Standards; and

**WHEREAS**, in December of 2017, the City solicited and evaluated proposals for the Audit from various firms and selected the Auditor as having presented the best proposal overall; and

**WHEREAS**, the Auditor’s services are of a professional nature, and temporary and occasional in character; and

**WHEREAS**, in June 2018, City entered into Agreement C-131440 (“Original Contract”) with Contractor for the performance of the 2017-18, 2018-19 and 2019-20 Annual and Single Audits of various City offices, bureaus and departments (the “Audit” or “Audits”); and

**WHEREAS**, City has a continuing need for Contractor’s services and wishes to exercise its option to extend the Original Contract to include the Audits of 2020-21 and 2021-22,

**NOW THEREFORE**, in consideration of the promises and of the covenants, representations and agreements set forth herein, the parties hereby agree as follows:

**I. Representatives of the Parties and Service of Notices**

A. The representatives of the respective parties who are authorized to administer this Agreement and to whom formal notices, demands and communications shall be given are as follows:

- i. The City hereby appoints the City Controller (“Controller”), or designee, to represent the City with respect to amendments or other matters related to the scope of this Agreement, provided that any matter, including amendments, which will increase the City’s financial obligation hereunder shall be presented to the City Council for its consideration and approval.

- ii. The Controller shall represent the City on matters related to the conduct of the Audit and shall review and approve all payment invoices submitted by the Auditor.
  - iii. The representative of the Controller shall be:  
 Matthew Crawford  
 Director of Financial Analysis and Reporting  
 200 N. Main St., Room 300  
 Los Angeles, CA 90012  
 Matthew.Crawford@lacity.org
  - iv. The Auditor's representatives shall be:
 

James V. Godsey, CPA Partner Macias, Gini & O'Connell, LLP 700 South Flower St., Suite 800 Los Angeles, CA 90017 <a href="mailto:jgodsey@mgocpa.com">jgodsey@mgocpa.com</a>	Linda Hurley, CPA Partner Macias, Gini & O'Connell, LLP 700 South Flower St., Suite 800 Los Angeles, CA 90017 <a href="mailto:lhurley@mgocpa.com">lhurley@mgocpa.com</a>
--	---
- B. Formal notices, demands and communications to be given hereunder by either party shall be made in writing and may be effected by email, personal delivery or via registered or certified mail, postage prepaid, return receipt requested and shall be deemed communicated as of the date of mailing or transmission.
- C. If the name of the person designated to receive the notices, demands or communications or the address of such person is changed, written notice shall be given, in accord with this section, within five (5) working days of said change.

## II. Auditor's Services

- A. The Auditor shall perform audits of the various City offices, bureaus, and departments in accordance with the requirements set forth in this article.
  - i. Examination of the City's Basic Financial Statements (BFS). Auditor will conduct a financial audit of the City's BFS in accordance with Generally Accepted Auditing Standards (GAAS) as set by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America and express an opinion on the fair representation of the City's BFS, in conformity with Generally Accepted Accounting Principles (GAAP). The Auditor will apply limited procedures, consisting of inquiries of management regarding methods of measurement and presentation, on required supplementary information (RSI) provided for by GAAP. The RSI include the following:
    - a) Management's Discussion and Analysis

- b) Schedules of Funding Progress for Pension Benefits
  - c) Budgetary Comparison Schedules for Major Funds
- ii. Auditor will provide an 'in-relation' to the BFS opinion on supplementary fund financial statement and supporting schedules included.
  - iii. Auditor will also provide assistance to the City to meet the requirements of the Government Financial Officers Association (GFOA) Certificate program by reviewing the City's Annual Financial Report (AFR) for consistency with the audited financial statements and completion of the GFOA Certificate program checklist before submission of the AFR to GFOA by December 31st of each year.
- B. Audit of the Sewer Construction and Maintenance Fund (SCM) financial statements prepared in accordance with GAAP.
- i. Auditor shall prepare the final financial statements and notes for the SCM from the final adjusted trial balance prepared by Public Works.
  - ii. Auditor shall express an opinion on the fair representation of the SCM financial statements in accordance with GAAP. Auditor shall annually prepare and deliver with the financial statements a certificate showing a computation of net revenue to debt service and indicating that, during the fiscal year for which financial statements were audited, the City was in compliance with its rate covenant as set forth in Section 6.03(b) of the Wastewater System Revenue Bonds General Resolution and the Wastewater System Subordinate Revenue Bonds General Resolution, or if the City was not in compliance, showing the ratio of net revenues to debt service for the year.
  - iii. Auditor shall prepare a report addressed to management presenting findings and recommendations to improve or correct, if necessary, any accounting controls and/or management practices. Auditor shall provide technical assistance to the City in areas of accounting and financial reporting by providing consultation services and advise on appropriate accounting treatment of various SCM fund expenditures and transactions in the books and financial statements in accordance with GAAP.
- C. Examination of the Municipal Improvement Corporation Los Angeles (MICLA) financial statements prepared in accordance with GAAP.
- i. Auditor shall prepare draft financial statements and notes of MICLA based on information provided by the City and the Controller to ensure that the financial statements are presented fairly in accordance with GAAP. Auditor will express an opinion on the fair representation of the financial statements according to GAAP.



- ii. Auditor will present management with any findings and recommendations to improve or correct, as necessary, any accounting controls and/or management practices at the conclusion of the audit.
- iii. Auditor will also prepare and assist the City to submit the following tax forms for MICLA:
  - a) Federal Form 990 – Return of Organization Exempt from Income Tax
  - b) State Form 199 – Exempt Organization Annual Information Statement or Return
  - c) State Form RRF 1-1 – Periodic Report to Attorney General of California

#### D. Single Audit

- i. Auditor shall perform the financial audit of the City, the SCM, and their various funds in conformance with the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, OMB Uniform Guidance, GAAS, and GAGAS. In addition to the report on the Basic Financial Statements discussed in Section II, A of this Agreement, the single audit reports must include the following:
  - a) A report on internal accounting controls made as a part of the audit of the Basic Financial Statements;
  - b) A report on compliance with laws and regulations that may have a material effect on the Basic Financial Statements;
  - c) A report on the supplementary Schedule of Federal Financial Assistance;
  - d) A report on compliance with laws and regulations related to major federal financial assistance programs;
  - e) A report on internal controls (Accounting and Administrative) used in administering federal financial assistance programs; and,
  - f) Reports on fraud, abuse, or illegal acts or indication of such acts, including all questioned costs found as the result of these acts, information about which should be covered in a separate written report and transmitted immediately to the appropriate federal department or agency, the Controller, and any other agency or individual which should receive a report under current professional standards.

#### E. Cost Allocation Plan (CAP)

- i. Auditor will audit rates developed for each CAP and the application of CAP rates. Auditor will render an opinion on each of the following components of CAP:
  - a) Central Services
  - b) Fringe Benefit Rates
  - c) Departmental Administration and Support Rates
  - d) Departmental Compensated Time Off (paid leave) Rates

F. Compilation and examination of the Mobile Source Air Pollution Reduction Trust Fund in accordance with guidelines issued by the South Coast Air Quality Management District.

- i. Auditor shall prepare draft financial statements and notes of the Air Quality Improvement District based on information provided by the Los Angeles Department of Transportation to ensure that the financial statements are presented fairly in accordance with GAAP. Auditor will express an opinion on the fair representation of the financial statements according to GAAP.
- ii. Auditor will present management with any findings and recommendations to improve or correct, as necessary, any accounting controls and/or management practices at the conclusion of the audit.

G. Low and Moderate Income Housing Fund

- i. Auditor shall perform a financial statements audit of the City's Low and Moderate Income Housing Fund and to render an opinion that the financial statements are fairly stated, in all material aspects, in conformity with GAAP.

H. McKinney Act Savings Fund

- i. Auditor shall follow an agreed-upon procedure examining Housing Projects that receive McKinney Act Savings funds of the Los Angeles Housing + Community Investment Department of the City of Los Angeles (HCIDLA) for the fiscal years ended June 30, 2018 through 2020 to assist the HCIDLA and the U.S. Department of Housing and Urban Development (HUD) to determine compliance with the requirements of Section 1012 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, as amended by the Housing and Community Development Act of 1992, P.L. 102-550.

I. Review of the GANN Appropriations Limit

- i. Auditor will perform the agreed-upon procedures agreed to by the City and League of California Cities (as required by Section 1.5 of Article XIII B of the California Constitution) with respect to the calculation of the annual appropriations limit.
- ii. Auditor will present management with any findings and recommendations at the conclusion of the audit.

J. Data Processing

- i. Auditor will review the City's financial systems in accordance with current audit standards. For the 2018-19 fiscal year audit, Auditor will provide a Report on Controls placed in Operation and Tests of Operating Effectiveness in accordance

with Statement on Standards for Attestation Engagements (SSAE No. 16, superseded by SSAE No. 18), Reporting on Controls at a Service Organization for the Data Processing component of the Information Technology Agency.

#### K. Reports to Management

- i. Following the completion of the audit of the fiscal year's financial statements, the Auditor shall issue:
  - a) A report on the fair representation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair representation of the supplementary schedule of expenditures of federal awards in relation to audited financial statements.
  - b) A report on compliance and internal controls over financial reporting based on an audit of financial statements.
  - c) A report on compliance and internal controls over compliance applicable to each major federal program.
  - d) In the required report on compliance and internal controls, the Auditor shall communicate any significant deficiency or material weakness found during the audit. A significant deficiency shall be defined as a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected. A material weakness shall be defined as a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of financial statements will not be prevented or detected. Significant deficiencies that are also material weaknesses shall be identified as such in the report.
  - e) Control deficiencies discovered by the Auditor that are neither significant deficiencies nor material weaknesses shall be reported in a separate letter to management, which shall be referred to in the report on compliance and internal controls. A control deficiency shall be deemed to have occurred whenever the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
  - f) The reports on compliance and internal controls shall include all instances of noncompliance.
  - g) The Auditor shall be required to make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which they become aware of to the following parties:

- Mayor
- City Council
- City Controller

#### L. Optional Audit Services

- i. Optional Audit Services listed below must be authorized by a separate agreement(s) or by amendment to this Agreement.
- ii. SCM. In addition to the services in Section II. B. above, Auditor may be requested to perform the following additional services:
  - a) Recommend modifications to SCM Fund accounting methods and procedures, including, but not limited to, developing recommended guidelines to distinguish capital costs from operating and maintenance costs;
  - b) Review, as required, audited and unaudited financial information to be included in official statements of prospective series of Wastewater System Revenue Bonds, including review and comment on the official statement; and,
  - c) Review, as required, various City departments' charges to the SCM Fund to verify the accuracy and appropriateness of such charges.
- iii. Additional Audit Activity. Auditor may be asked to perform additional audits related to the annual audit.
- iv. Sale of Debt Securities. The City may prepare one or more official statements in connection with the sale of debt securities, which will contain the audited financial statements. The Auditor must, if requested by the City or the fiscal advisor and/or underwriter, issue a "consent and citation of expertise" as the Auditor and any necessary "consent letters".

### III. Term of the Agreement

- A. The term of this Agreement shall commence on January 1, 2018 and terminate on December 31, 2023, unless sooner terminated in accordance with the terms of this First Amended and Restated Agreement.
- B. Due to the need for Contractor to begin preparations to deliver the services required in this Agreement, Contractor may have begun work prior to the execution of this Agreement. To the extent that said work was performed in accordance with the terms and conditions of this Agreement, the work is hereby ratified. d

### IV. Payment and City's Obligation

- A. Hourly Rates

- i. The City will pay the Auditor for services rendered in conducting the 2017-18 (Year 1) Audits and the services requested under Section II of this Agreement at the following hourly rates:

<b>Position</b>	<b>Rate</b>
Engagement Partner	\$263
Technical Review Partner	\$263
Director	\$228
Engagement Manager	\$172
IT Specialist/Manager	\$172
Engagement Manager	\$150
Senior Associates	\$107
Staff and Experience Associates	\$75
Administrative Assistant	\$68

- ii. The 2018-19 (Year 2) and 2019-20 (Year 3) audits and the services requested under Section II of this Agreement will be conducted at hourly rates adjusted based on the increase in the Los Angeles CPI.
- iii. Auditor will provide the adjusted hourly rates for approval to the Controller before the beginning of each audit.
- iv. Auditor will forego the adjustment of hourly rates for the 2020-21 (Year 4) audit.
- v. The Hourly Rates for the 2021-22 (Year 5) audit will be as follows:

<b>Position</b>	<b>Rate</b>
Engagement Partner	\$287
Technical Review Partner	\$287
Director	\$248
Engagement Manager	\$187
IT Specialist/Manager	\$187
Supervisor	\$187
Senior Assurance Associates	\$116
Staff and Experience Associates	\$96
Administrative Assistant	\$74

**B. Total Basic Audit Cost**

- i. The basic audit cost under this agreement for services enumerated in Section II above shall be:

<b>Year</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
	Year 1	Year 2	Year 3	Year 4	Year 5
Amount	\$826,876	\$972,217*	\$849,394*	\$864,945	\$1,013,689

- ii. Auditor will provide the adjusted basic audit costs for approval to the Controller before the beginning of each audit.

**C. Contingency Funds**

- i. Contingency Funds are included for additional audit work related to changing auditing standards, additional federal grant programs, changing financial reporting standards, and assistance requested by the City. Auditor must submit a plan and cost estimate with hours to complete the work which must be approved by the Controller.
- ii. Contingency Funds can also be used to accommodate an increase in basic audit costs if the actual increase in the Los Angeles CPI exceeds the assumed rate of 2.3% used to estimate the basic audit costs.
- iii. The Controller will issue a written approval to authorize the use of contingency funds for additional work or to cover for increase in basic audit costs over and above the assumed 2.3% annual increase.
- iv. The City's total obligation for contingencies shall not exceed:

<b>Year</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Amount	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000

**D. Total Obligation**

- i. The City's total obligation for each of the annual audit periods shall not exceed:

<b>Year</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Amount	\$926,879	\$1,072,217	\$949,394	\$964,945	\$1,113,689

**E. Funding for the 2017-18, 2018-19 and 2019-20 audits**

- i. The Audits for the 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 are subject to appropriations by the Mayor and City Council.

**V. Invoices**

**A. Contractor shall submit invoices once a month that conform to City standards and include, at a minimum, the following information:**

- i. Name and address of Contractor
- ii. Name and address of City department being billed
- iii. Date of invoice and date service was completed
- iv. Agreement number or authority (purchase order) number
- v. Task Order or Notice to Proceed
- vi. Description of completed task and amount due for task, including:
- vii. Name of personnel working on task
- viii. Hours spent on task and timesheet supporting charges (if applicable)
- ix. Rate per hour and total due
- x. Original manufacturer's invoice for items where the cost or cost plus is supported by the contract
- xi. Certification by a duly authorized officer

- xii. Discount and terms (if applicable)
- xiii. Remittance Address (if different from Contractor's address)

- B. All invoices must be submitted on Contractor's letterhead and contain Contractor's official logo or other unique and identifying information such as the name and address of Contractor. Evidence that tasks have been completed, in the form of a report, brochure, or photograph, shall be attached to all invoices. Invoices must be submitted within 30 days of service, or monthly, and will be payable to Contractor no later than 30 days after acknowledged receipt of a complete invoice. Invoices are considered complete when appropriate documentation or services provided are signed off as satisfactory by City's Fiscal Officer. Nevertheless, the City shall not be responsible for, and Contractor waives the right to seek, any late fees, late charges, penalties, and/or interest.
- C. Invoices and supporting documentation must be prepared at the sole expense and responsibility of Contractor. City shall not compensate Contractor for costs incurred in invoice preparation. City may request, in writing, changes to the content and format of the invoice and supporting documentation at any time. City reserves the right to request additional supporting documentation to substantiate costs at any time.
- D. Notwithstanding any other provision of this Agreement, including any exhibits or attachments incorporated therein, and in order for the City to comply with its governing legal requirements, the City shall have no obligation to make any payments to Contractor unless the City shall have first made an appropriation of funds equal to or in excess of its obligation to make any payments as provided in the Contract. Contractor agrees that any services provided by Contractor, purchases made by Contractor or expenses incurred by Contractor in excess of said appropriation(s) shall be free and without charge to the City and the City shall have no obligation to pay for said services, purchases or expenses. Contractor shall have no obligation to provide any services, provide any equipment or incur any expenses in excess of the appropriated amount(s) until the City appropriates additional funds for this Contract.

**VI. Auditor Personnel**

- A. The Auditor agrees that the following employees are designated as key personnel assigned to work of the audit:

<b>Name</b>	<b>Title</b>
James V. Godsey	Client Services Partner
Caroline Walsh	Technical Review Partner
J'On Dennis	Director
Jean Horimoto	Director



- B. Auditor must submit names and qualifications of all additional audit personnel assigned to the audit to the Controller for approval prior to their beginning work on the audit. Auditor must also notify Controller of the removal of any of the key personnel listed above from the audit team and any replacement must be approved by the Controller.

**VII. Audit Work Papers**

- A. The Auditor will retain the audit working papers and reports for each audit period for three (3) years after the date of issuance of the Auditor’s report(s) to the City. This may be extended if so directed by the federal cognizant audit agency of the City or in accordance with City requirements. The audit working papers and reports for each audit period will be made available to the authorized representatives of the cognizant audit agency, the U.S. General Accounting Office, federal inspectors general, the State Controller and the Controller of the City of Los Angeles throughout the working papers and reports retention period.
- B. The Auditor will provide the Controller with copies of Auditor's internal control documentation, risk assessment and evaluation.

**VIII. Deliverables and Reports**

- A. Four copies of each of the following reports will be submitted to the City Clerk for consideration by the City Council and its committee(s). The remaining copies in the numbers indicated will be submitted to the department indicated. An electronic copy of each report must also be provided.

<b>Report</b>	<b>Number of Copies</b>	<b>Department</b>
Single Audit Reports	50	Controller
Sewer Construction and Maintenance Fund Financial Statements	50	Public Works
Other Reports	15	Public Works
Report to Management	10	Controller
Cost Allocation Plan (each of three parts)	10	Controller
Data Processing	25	ITA
AB 2766	15	Transportation
GANN Appropriations Limit	15	City Administrative Officer
Municipal Improvement Corporation	15	Controller

- B. Draft copies of the report(s) will be provided to the CAO, Controller and Chief Legislative Analyst not less than 15 days prior to release of each final report(s), unless other timeframes are called for in Section II, to allow time to review tentative

findings and provide appropriate input. Copies of the draft SCM fund report will also be given to the Department of Public Works.

C. Final Reports are due no later than the date indicated below unless the time is extended by the Controller.

<b>Report</b>	<b>Annual Due Date of Final Draft</b>	<b>Annual Due Date of Final Report</b>
GANN Limitation		August 30th
AB2766	October 14th	October 31st
SCM Audited Financial Statements	October 31st	November 15th
City Audited Financial Statements		December 15 <sup>th</sup>
Annual Financial Report		December 31 <sup>st</sup>
SCM Management Report		February 1 <sup>st</sup>
Single Audit Report	March 3rd	March 31 <sup>st</sup>
Cost Allocation Plan	April 30th	June 1 <sup>st</sup>
Management Report		March 31st

D. In addition to the required reports, the Auditor will also be required to provide the following services/deliverables:

- i. While conducting the audit, the firm will meet monthly, or more frequently, if necessary, with the Director of Financial Analysis and Reporting or designee regarding the status of the audit. The firm will also be required to meet periodically with the Director, Office of Accounting, Board of Public Works to discuss the SCM audit.
- ii. The firm must file a written monthly status report with the Director of Financial Analysis and Reporting. The report must address the status of the audit, any problems encountered, any problems unresolved from prior periods, and any other items the Auditor wishes to bring to the attention of the Director of Financial Analysis and Reporting.
- iii. The firm must also file as needed status reports with the Director, Office of Accounting, Board of Public Works for the SCM audit. The format of the information will be the same as that used to report to the Director of Financial Analysis and Reporting. Further, all information in the reports to the Director, Office of Accounting, Board of Public Works must also be included in the report to the Director of Financial Analysis and Reporting.

E. The Auditor shall assure themselves that the City Council is informed of the following:

- i. The Auditor's responsibility under generally accepted auditing standards
- ii. Significant accounting policies

- iii. Management judgments and accounting estimates
- iv. Significant audit adjustments
- v. Auditor's judgment about the quality of the City's accounting principles
- vi. Other information in documents containing audited financial statements
- vii. Disagreements with management
- viii. Management consultation with other accountants
- ix. Major issues discussed with management prior to audit
- x. Difficulties encountered in performing the audit

F. Presentations to Council

- i. The Auditor must be available to present all reports and correspondence with Management to City Council and Council Committees.
- ii. The Auditor must be available to provide testimony at Council meetings and Council Committees upon request by the Director of Financial Analysis and Reporting on audit and financial issues.

**IX. Confidentiality**

- A. All documents, records and information provided by City to Contractor shall remain the property of the City and are confidential. Contractor agrees not to provide these documents and records, nor disclose their content or any information contained in them, either orally or in writing, to any other person or entity, unless required by law. Contractor agrees that all documents or other information used or reviewed in connection with Contractor's work for the City shall be used only for the purpose of carrying out City business and cannot be used for any other purpose until such time as the City authorizes its release or it is released as a public document.
- B. Any reports, findings, analyses, studies, notes, information or data generated as a result of this Agreement are to be considered confidential. Such information shall not be made available to any individual, agency, or organization except as provided for in the Agreement or as provided for by law.
- C. The provisions of this Section survive termination of this Agreement.

**X. No Third-Party Beneficiaries**

- A. Nothing herein is intended to create a third party beneficiary in any subcontractor. The City has no obligation to any subcontractor. No privity is created with any subcontractor by this Agreement. Even if the Contractor uses subcontractors, Contractor remains responsible for complete and satisfactory performance of the terms of this Agreement.

## **XI. Contractor's Interactions with the Media**

- A. Contractor shall refer all inquiries from the news media to City's Representative (Section I. A. i), and shall immediately contact City to inform City of the inquiry, and shall comply with the procedures of City's Public Affairs staff regarding statements to the media relating to this Agreement or Contractor's services hereunder.

## **XII. Standard Provisions**

- A. The Contractor agrees to comply with the Standard Provisions for City Contracts (Rev. 10/17) [v.3] ("Standard Provisions"), which are attached hereto as Attachment A and made a part hereof.
- B. Disclosure of Border Wall Contracting. Contractor shall comply with Los Angeles Administrative Code (LAAC) Section 10.50 et seq., "Disclosure of Border Wall Contracting." City may terminate this Agreement at any time if City determines that Contractor failed to fully and accurately complete the required affidavit and disclose all Border Wall Bids and Border Wall Contracts, as defined in LAAC Section 10.50.1.

## **XIII. Miscellaneous**

- A. Ambiguity. No ambiguity in this Agreement may be interpreted against any one party by virtue of that party being drafter of the Agreement.
- B. Amendments to Agreement. Any changes in the terms of this Agreement, including changes in the services to be performed by Contractor, extension of the term, and any increase or decrease in pricing, must be incorporated into this Agreement by a written amendment properly executed by both parties.
- C. Notice of Delays. Except as otherwise provided under this Agreement, when either party has knowledge that any actual or potential situation is delaying or threatens to delay the timely performance of this Agreement, that party shall, within one (1) business day, give notice thereof, including all relevant information with respect thereto, to the other party.
- D. Entire Agreement. This Agreement contains the full and complete Agreement between the parties. No verbal agreement or conversation with any officer or employee of either party will affect or modify any of the terms and conditions of this Agreement. The parties acknowledge that they have read and understand this Agreement and had the opportunity to consult with counsel of their choosing.
- E. Order of Precedence. In the event of any inconsistency between the provisions of the First Amended and Restated Agreement, the Original Contract, and any attachments thereto, the inconsistency will be resolved by giving precedence to the documents in the following order: the paragraphs in the body of this First Amended and Restated Agreement, the Standard Provisions, the paragraphs in

the body of the Original Agreement, and any other attachments in the order in which they are attached.

**This Agreement may be executed in one or more counterparts, and by the Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. The Parties further agree that facsimile signatures or signatures scanned into .pdf (or signatures in another electronic format designated by City) and sent by e-mail shall be deemed original signatures.**

IN WITNESS WHEREOF, the City of Los Angeles and the Auditor have caused this Agreement to be executed by their duly authorized representatives.

THE CITY OF LOS ANGELES

Macias, Gini & O'Connell, LLP  
700 South Flower St., Suite 800  
Los Angeles, CA 90017

By \_\_\_\_\_  
Eric Garcetti, Mayor

By \_\_\_\_\_  
James V. Godsey, Partner

Date: \_\_\_\_\_

Date: \_\_\_\_\_

By \_\_\_\_\_  
Nuri Martinez, Council President

Date: \_\_\_\_\_

APPROVED AS TO FORM  
Michael N. Feuer, City Attorney

ATTESTED  
Holly L. Wolcott, City Clerk

By \_\_\_\_\_  
Brent Nichols, Deputy City Attorney

By \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

City Business License Number: \_\_\_\_\_

Internal Revenue Service ID Number: \_\_\_\_\_

Said Agreement is Number \_\_\_\_\_ of City Contract