



## **Report From Audit Committee**

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### RESOLUTION AUTHORIZING AUDIT SERVICES AGREEMENT AMENDMENT FOR FISCAL YEAR 2012

Honorable Mayor and Council Members:

#### **Summary**

On January 26, 2012 the Audit Committee and City staff met with the City's auditor, Maze and Associates, to review the current audit firm contract and to present the auditor's plan for the FY 2012 audit.

In response to the City's request, Maze & Associates has submitted a proposal to perform the FY 2012 audit for a fee of \$115,520, which is consistent with prior years' fees, adjusting for inflation and several added required services, including the Redevelopment Agency.

After discussing the details of the contract amendment, the Audit Committee authorized the amendment of the existing contract with Maze & Associates and the drafting of this report by the Chair for transmission to the Council.

Approval of the attached resolution will amend the audit contract between Maze and Associates and the City of Belmont and authorize costs as shown in Attachment B for Fiscal Year 2012.

#### **Background**

After an exhaustive auditor selection process in September 2007, the Audit Committee engaged Maze & Associates for a five year service agreement for fiscal years 2008 to 2012. The contract is subject to annual review and extension by the Audit Committee. On March 23, 2010, Council approved Resolution No. 10219, authorizing an audit services agreement amendment with Maze & Associates for fiscal years 2010 and 2011.

As the City is now at the end of a 5-year contract term with Maze & Associates, the Audit Committee agreed, at their January 26<sup>th</sup> meeting, to issue a Request for Proposals (RFP) for an audit firm for the fiscal year 2013 audit in the summer. Maze & Associates will be included in the RFP.

#### **Discussion**

Pursuant to policy, the auditor reports directly to the Audit Committee. Each year, the Audit Committee has an opportunity to approve the plan for next year's audit services.

The auditor has submitted a proposal to perform the FY 2012 audit for a proposed fee of \$115,520. The scope of services and related fees are comparable to prior periods; however, they include the addition of certain compliance tests required by the State Controller's Office, as well as scope additions for the recent Redevelopment Agency dissolution.

After discussing the proposal with the auditor, the Audit Committee unanimously authorized the FY 2012 contract amendment and was agreeable to maintaining the same principal partner and supervisor on the audit team for FY 2012.

A verbal report from the Audit Committee on the action was given to the Council at the February 14<sup>th</sup> meeting by Chair Violet. The Audit Committee's discussion is included in the January 26<sup>th</sup> Audit Committee meeting minutes (Attachment C). Finally, the Audit Committee members (Treasurer Violet, Vice-Mayor Wozniak and Councilman Braunstein) are prepared to answer any questions in regard to this matter.

#### **General Plan/Vision Statement**

No impact.

#### **Fiscal Impact**

The fees of the Professional Services Agreement with Maze & Associates will be \$115,520 for Fiscal Year 2012.

#### **Public Contact**

1. Audit Committee meeting was posted in advance and held on January 26, 2012
2. Posting of City Council agenda

#### **Recommendation**

The Audit Committee recommends accepting the amendment of the Audit Services Agreement with Maze & Associates for FY 2012.

#### **Alternatives**

1. Take no action.
2. Refer back to staff and Audit Committee with direction.

#### **Attachments**

- A. Resolution Amending Agreement
- B. Exhibit A to Resolution - Engagement Letter
- C. Draft Audit Committee minutes (January 26, 2012)

On file and available in the Finance department:

1. 2010 Audit Services Agreement

Respectfully submitted,

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John Violet  
Audit Committee Chair

Staff Contact:  
Thomas Fil, Finance Director  
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[tfil@belmont.gov](mailto:tfil@belmont.gov)

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**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT  
AUTHORIZING AMENDMENT NUMBER TWO TO AN AGREEMENT WITH MAZE  
& ASSOCIATES FOR AUDITING SERVICES**

**WHEREAS**, the City of Belmont is required by federal, state, and local statutes to have an annual audit performed of its books and records; and,

**WHEREAS**, the City of Belmont is obligated under bond covenants to have an annual audit of its financial statements performed by a certified public accountant; and,

**WHEREAS**, on January 8, 2008, the City Council approved Resolution No. 9969 authorizing a professional services agreement with Maze & Associates to perform such services; and,

**WHEREAS**, on January 11, 2010, the Audit Committee authorized an amendment to said agreement to reduce costs; and,

**WHEREAS**, on March 23, 2010, the City Council approved Resolution No. 10219 authorizing the Audit Committee Chair to execute Amendment No. 1, to said agreement for professional services executed on January 8, 2008, to effectuate a two-year fee reduction to \$93,000 annually for fiscal years 2010 and 2011;

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Belmont authorizes the Audit Committee Chair to execute an amendment, referred to here as Amendment No. 2, to that agreement for professional services executed on January 8, 2008, for Maze & Associates to perform audit services for Fiscal Year 2012 and authorize costs as shown in Exhibit A for Fiscal Year 2012.

\* \* \* \* \*

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on April 10, 2012 by the following vote:

AYES, COUNCILMEMBERS: \_\_\_\_\_

NOES, COUNCILMEMBERS: \_\_\_\_\_

ABSTAIN, COUNCILMEMBERS: \_\_\_\_\_

ABSENT, COUNCILMEMBERS: \_\_\_\_\_

\_\_\_\_\_  
CLERK of the City of Belmont

APPROVED:

\_\_\_\_\_  
MAYOR of the City of Belmont

**City of Belmont Engagement Letter  
Fees Attachment**

Our fees for the work described in the attached engagement letter will be as follows, unless they are adjusted for one or more of the items below:

Service	Notes	2012 Fees
<b>Services included in our proposal dated November 2, 2007</b>		
1 Comprehensive Annual Financial Report	(a)	\$64,563
2 Redevelopment Agency Audit	(a)	2,631
3 Single Audit (One Program)	(a)	6,772
4 Belmont-San Carlos Fire Department	(a)	11,021
5 Net Six Joint Powers Authority	(a)	2,977
6 Transportation Development Act Report (one project)	(a)	2,856
7 Net Revenue Sharing Agreed Upon Procedures	(a)	931
8 Measure A Compliance	(a)	1,358
9 GANN Limit Reports (2)	(a)	1,596
Annual Report of Financial Transactions preparation:	(a)	
10 City	(a)	7,176
11 Street Report	(a)	2,443
12 Redevelopment Agency	(a)	2,479
13 Belmont Fire Protection District	(a)	1,911
<b>Services requested after proposal issued:</b>		
Annual Report of Financial Transactions preparation:		
14 Belmont-San Carlos Fire Department	(b)	1,871
15 Net Six	(b)	<u>935</u>
Fees as originally proposed		111,520
<b>Scope Additions September 13, 2011:</b>		
16 RDA Dissolution/ State Legislation	(c)	<u>4,000</u>
Total Fees		<u><u>\$115,520</u></u>

**Notes:**

- (a) Fees are as originally proposed
  - (b) Extra work scope added after RFP/Proposal
  - (c) Extra Compliance tests now required by State Controller's Office.
- There are also additional tests required to determined proper treatment of RDA due to dissolution

**2012 Redevelopment Agency Fees** – Our 2011 fees included an addendum to the Redevelopment Agency fees to reflect an increase in the scope of our work related to the State Legislation effective June 29, 2011, and the State Controller Office’s issuance of new Compliance Guidelines in June, 2011. Although we originally anticipated that those fees would be a one-time event, the State Supreme Court decision rendered on December 29, 2011, has again increased the scope of our work. Although the State has not yet determined whether a financial statement audit will be required for the Redevelopment Agency for the period from July 1, 2011 to February 1, 2012, we will still be required to perform the following for that period: audit the transactions of the Agency, test for compliance with the State’s Guidelines, test for compliance with the provisions of ABx1 26, and add extensive footnote disclosures related to the legal status of the Agency and associated transactions from the dissolution. Therefore, the 2011 Redevelopment Agency addendum fees have been added to the 2012 Redevelopment Agency fees.

Although the above fees include disclosure regarding whether the City opted to become the Successor Agency for the Redevelopment Agency's housing and non-housing funds, the above fees do not include any audit procedures related to the Successor Agency or the issuance of a separate report for the Successor Agency, should one be required. If this occurs, we will communicate the scope of the additional services and the estimated fee before proceeding.

**PDF Copies of Reports** – scanned copies of the above reports are available upon request at no charge. These scanned copies (300 dpi) are not high quality and the file sizes may be large, depending on the length of the report. **If you intend to post the CAFR to your website, we do not recommend using the scanned copies to do so – one of the options below should be used.** If you would like a higher quality PDF file, there are three options. The fees shown below are based on a Comprehensive Annual Financial Report. **Please contact us if you would like us to prepare one of the following three options** for your CAFR, or if you'd like a quote for the preparation of a file for another type of report. In addition, should you decide on one of the following options, please let us know at least a week in advance.

1. INDIVIDUAL PDF CAFR PAGES - \$200

Print words, numbers, and statistics to PDF, then scan anything not available digitally (letterhead, award certificates, etc). Use WinZIP to archive individual PDF prints "as is" and send them to you, and you will then compile report. This option requires that you have a full copy of Adobe Acrobat Standard or Professional, and knowledge about the program, as well as a way to "unzip" the files. This should be used if you are willing to assemble the PDF report, but still would like to have a high quality "printed to PDF" CAFR.

Quality: Medium-High

Time to Complete: 2-3 business days

File size: 1-2MB (varies with number of pages scanned)

2. WEB PDF CAFR - \$750

Print words, numbers, and statistics to PDF, then scan anything not available digitally (letterhead, award certificates, etc). Compile into one document with embedded page numbers, linked Table of Contents, and PDF bookmarks for easy document navigation. This option is ideal for placement on a website or distribution via e-mail.

Quality: Medium-High (depending on number of pages scanned)

Time to Complete: 7-10 business days

File size: ~ 2MB (varies with number of pages scanned)

3. CAMERA READY PDF CAFR - \$1,000

Print words, numbers, and statistics to PDF and compile into one document with embedded page numbers. Insert available digital pages (letterhead, award certificates, etc) but **\*no scanning\*** as we do not have the facilities to scan documents at "camera ready" quality. This option could be sent to any print shop to generate an official bound copy, for placement on a website, or distribution via e-mail.

Quality: Very High

Time to Complete: 7-10 business days

File size: < 1MB

**Additional Services** - The above fees are for audit and assurance services described in the accompanying engagement letter. They do not include fees for assisting with closing the books nor providing other accounting services. Should the City require assistance beyond audit services we will provide a cost estimate before proceeding.

**Report Finalization** - Our fee is based on our understanding that all information and materials necessary to finalize all our reports will be provided to us before we complete our year-end fieldwork in your offices. In the case of CAFRs, this includes all the materials and information required to print the CAFR. As in the past, we will provide final drafts of all our reports before we leave your offices. We will schedule a Final Changes Meeting with you for a date no more than two weeks after we complete our fieldwork. At that meeting, we will finalize all reports for printing. After that date, report changes you make and changes required because information was not received timely will be billed at our normal hourly rates.

**Post-Closing Client Adjusting Entries** - The first step in our year-end audit is the preparation of financial statement drafts from your final closing trial balance. That means any entries you make after handing us your closing trial balance must be handled as audit adjustments, or in extreme cases, by re-inputting the entire trial balance, even if the amounts are immaterial. If you make such entries and the amounts are in fact immaterial, we will bill you for the costs of the adjustments or re-input at our normal hourly rates.

**Recurring Audit Adjustments** - Each year we include the prior year's adjusting entries as new steps in our Closing Checklist, so that you can incorporate these entries in your closing. If we are required to continue to make these same adjustments as part of this year's audit, we will bill for this service at our normal hourly rates.

**CAFR Printing** - As a convenience, we can send your CAFR to a printer we use locally. We do not charge for delivering camera-ready print masters to any printer of your choice and delivering the CAFRs or BFS to you. However, we will bill you for any additional time spent on the CAFR printing at our normal hourly rates. This includes changes after the report goes to the printer, obtaining, reviewing and / or delivering printer's proofs, etc.

We can also help with CAFR design, including covers, tabs, dividers, color choices, bindings, organization charts, maps, etc. We will estimate these costs for you before proceeding.

**Single Audit Act** - Additional programs will each cost \$6,772 in 2012, unless there are other factors which add to that program's cost; in that case, we will provide a cost estimate before proceeding.

**Grant Programs Requiring Separate Audit** - Grant programs requiring separate audits represent a significant increase in work scope, and fees for these audits vary based on the grant requirements. If you wish us to determine and identify which programs are subject to audit, we will bill you for that time at our normal hourly rates.

**Changes in City Personnel** - Our experience is that changes and /or reductions in Finance Department staff can have a pronounced impact on costs of performing the audit. If such changes occur, we will meet with you to assess their impact and arrive at a new fee before we begin the next phase of our work. However, we reserve the right to revisit this subject at the conclusion of the audit, based on your actual performance and our actual costs.

**CITY OF BELMONT**  
**AUDIT COMMITTEE MINUTES**  
**January 26, 2012**

Committee Members Present: Treasurer Violet, Council Member Braunstein, Vice Mayor Wozniak

Committee Members Absent: None.

Staff Present: Finance Director Fil, Deputy Finance Director Lazzari, and Management Analyst Voelker

Others Present: Principal Cory Biggs, Maze & Associates (Invited)

The meeting was called to order at 4:22 PM.

Hearing no public comment or agenda amendments, the Committee moved on to the approval of the minutes.

Moved by Committee Member Braunstein, seconded by Chair Violet, with Committee Member Wozniak abstaining, the October 14<sup>th</sup> minutes were unanimously noted and filed.

Director Fil introduced the next agenda item on the FY12 Audit Plan and Contract Proposal. Cory Biggs of Maze & Associates stated that the scope of services for the proposed contract is comparable to prior periods, with a few added requirements from the State Controller's Office. He mentioned that the recent Redevelopment Agency (RDA) dissolution will also be an added challenge to this year's audit, due to the number of transactions, such as asset transfers, that will require some unwinding. Principal Biggs went on to add that the audit team will also be performing global test controls this year, which is included in the proposed hourly rate. He also made mention that the majority of the audit fees in the proposal are consistent with the 2007 proposal.

In response to a question by Committee Member Wozniak, Treasurer Violet clarified that the Belmont-San Carlos Fire Department (BSCFD), although dissolved, still remains as an accounting entity until all transactions have been completely unwound, so there will also be an audit for BSCFD for FY12.

Brief discussion ensued regarding the new Fire Department as it is now covered under the City's audit. Principal Biggs noted that there will be a shift away from BSCFD and towards the Belmont Fire Department.

Director Fil stated that it's been a very complex year with the wind-down of BSCFD, starting up a new Fire Department, and the winding down of the RDA. Discussion ensued regarding the potential challenges that may surface as a result of these significant changes within the City.

Principal Biggs encouraged the Audit Committee to contact him with any follow-up questions they may have and made clear his responsibility as Auditor to keep the two-way lines of communication open. Chair Violet thanked Maze & Associates for responding to the economic crisis with a fee discount for the past two years. Principal Biggs was then excused from the meeting.

Director Fil stated that Maze & Associates' contract is now at the end of a 5-year term, and that staff is recommending approval of this year's term. In order to keep the City's regular audit cycle on track, the auditors need to start the next round fairly quickly. Chair Violet provided a brief history of the auditing services contract renewal process 5 years ago, explaining that the Audit Committee did issue a Request for Proposals (RFP) and, after thorough review of all submitted proposals, decided to stay with Maze & Associates. He noted that another RFP would need to be issued very quickly in order for the City to stay on schedule.

The Audit Committee took some time to discuss Maze & Associates' length of service to the City. In response to a question by Committee Member Braunstein, Director Fil stated that a 5-year cycle is a good one, and generally recommended. Discussion ensued regarding principal rotation. Director Fil assured the Committee that Maze & Associates is very thorough in rotating the manager and staff regularly for each of the City's audits.

Director Fil made mention of the issues that arise out of the RDA wind-down. He noted that it is a huge challenge to unwind, and that there is a benefit to having Maze & Associates perform the work this year, as they are experts in the field and have an historically ongoing open communication with staff regarding the City's accounting.

Director Fil added that Maze & Associates is the best in the business, but that the Audit Committee should do their due diligence in issuing an RFP for auditing services for FY13, and make sure that they are still comfortable with Maze & Associates as the best fit for Belmont.

Moved by Committee Member Braunstein, seconded by Committee Member Wozniak, by unanimous voice vote, the Audit Committee approved the auditing services contract with Maze & Associates for FY 2012, and recommended that staff issue a Request for Proposals for auditing services for FY 2013 through 2018.

Chair Violet recapped that the Audit Committee would meet again in mid-summer to review the proposal responses to the RFP so that changes, if made, can be made quickly to stay on schedule.

The Committee moved on to the next order of business, Annual Selection of Chair and Vice Chair. Chair Violet explained that, as part of the Audit Committee, the Treasurer is the one member who stays constant, while Council members rotate as members, so the general consensus has been to keep the Treasurer as the Chair of the Audit Committee. The Committee agreed.

On a motion by Committee Member Wozniak, seconded by Chair Violet, by unanimous

voice vote, the Audit Committee appointed Committee Member Braunstein as Vice Chair of the Audit Committee for 2012.

After some discussion on next meeting date, it was decided that the Committee would meet in April "if needed", but otherwise would meet in mid-summer to review proposals submitted for the auditing services RFP.

Discussion developed around the challenges of the Redevelopment Agency dissolution.

The meeting was adjourned at 5:12 PM.

Sincerely,

Thomas Fil  
Finance Director

DRAFT