



## **CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR**

# 8

April 14, 2003

The Honorable City Council  
Palo Alto, California

### **Approval of Contract with Maze and Associates in an Amount Not to Exceed \$280,660 for External Audit Services for Fiscal Years Ending June 30, 2003 and June 30, 2004**

#### RECOMMENDATION

The Auditor's Office recommends approval of a two-year agreement with the accounting firm of Maze and Associates for audit services for the fiscal years ending June 30, 2003 and June 30, 2004 at a cost not to exceed \$139,216 and \$141,444 respectively.

#### DISCUSSION

The City Charter requires the City Council (through the City Auditor) to engage an independent certified public accounting firm to conduct the annual external audit, and report the results of the audit, in writing, to the City Council. In 1998, the City issued a request for proposals for audit services, and the contract was awarded to the firm of Maze and Associates. The request for proposal anticipated a one-year agreement with an option for two successive years. This was successfully completed. In April 2001, the City Council extended the agreement with Maze and Associates for the fiscal year ending June 30, 2001, and in April 2002, the City Council extended the agreement for the fiscal year ending June 30, 2002. The agreement for June 30, 2002 totaled \$160,500 (including GASB 34 contingency). On March 18, 2003, the Finance Committee approved my recommendation to negotiate an extension to the agreement with Maze and Associates for one ore more years (3-1, Burch, Beecham, and Kishmoto "for"; Freeman "against").

The proposed agreement includes a fee reduction of more than 10 percent for each of the two years of the agreement. The proposed fee reductions are possible because:

- (1) This will be the City's second and third year of GASB 34 implementation – GASB 34 required significant restructuring of the City's financial statements, and
- (2) As the City's current auditor, Maze is familiar with the City's policies and procedures and the nature of its transactions.

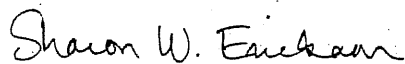
Maze and Associates specializes in government accounting and auditing services. Its client list includes more than 120 government entities and over 30 cities. Maze also has experience auditing municipal utilities. The City Auditor and Administrative Services staff have been very pleased with the quality of the firm's work and the caliber of its staff during prior audits. ASD staff rated Maze and Associates overall performance as "exceptional" on

our annual questionnaire on audit services.

I have coordinated this proposal with the Administrative Services Department. ASD staff strongly recommended retaining Maze and Associates for at least one more year to ensure continuity in the GASB 34 implementation process. Switching external auditors at this time would significantly impact ASD staffers who are already heavily impacted by the RAFTS project. According to ASD, the selection of a new firm would impact ASD's budget by requiring temporary accounting services during the audit because ASD staff would have to spend time updating a new audit team on the City's processes and procedures. In addition, extending the agreement to the fiscal year ending June 30, 2004 ensures continuity during the first year of RAFTS implementation – a critical time for ensuring that transactions have flowed accurately and completely through the new financial system.

For these reasons, I recommend the Finance Committee approve the attached agreement with Maze and Associates for audit services for two additional years.

Respectfully submitted,



Sharon W. Erickson  
City Auditor

cc. Carl Yeats  
Lalo Perez  
Trudy Eikenberry