



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

07

**The Honorable City Council
Palo Alto, California**

April 1, 2002

Approval of Contract Between the City of Palo Alto and Maze and Associates for an amount Not to Exceed \$160,500 for External Audit Services

Recommendation

The Audit committee and the City Auditor's Office recommend that the City council approve the negotiated agreement with the accounting firm of Maze and Associates at a cost not to exceed \$145,500 plus a \$15,000 contingency for audit services for fiscal year ending June 30, 2002.

Background

In 1998, the City went out to bid for audit services. 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 2002, the City Council approved a new agreement with Maze and Associates for the fiscal year ending June 30, 2001. The attached agreement for an additional year would bring Maze and Associates to a total of five years tenure. Five years is a reasonable duration for an agreement of this type.

For the past two years, the Administrative Services Department contracted separately with Maze and Associates to prepare the City's annual reports to the California State Controller's Office. This year we are including the \$11,500 fee for those services in this contract.

In January 2002, the Auditor's office surveyed the Administrative Services Department staff members who were most intimately involved with the 2000-01 audit. According to staff, Maze and Associates "did a good job discussing issues and explaining their position." In addition, "recommendations were thorough and reasonable." Furthermore, Administrative Services Department staff strongly recommended retaining Maze and Associates for another year to ensure continuity in the GASB 34 implementation process. The City is required to implement the accounting changes in GASB 34 in its June 30, 2002 financial statements.

The 2001-02 contract for Maze and Associates includes a base fee of \$120,000 plus \$14,000 of transitioning costs to GASB 34 for the City of Palo Alto and \$11,500 to prepare the State Controller's reports. A \$15,000 contingency fee has been added to cover potential costs

associated with some significant accounting GASB 34 changes. Maze and Associates specializes in government audit services and has expertise in implementing GASB 34.

The ad-hoc Audit Committee composed of Councilmembers Beecham, Freeman and Morton has reviewed and concur with this proposal.

Respectfully submitted,

Sharon W. Erickson

Sharon W. Erickson
City Auditor

Attachment: Maze & Associates Contract