



County Executive Office
Memorandum

March 22, 2007

To: Chris Norby, Chairman
From: Thomas G. Mauk, County Executive Officer *TGM*
Subject: Exception to the Rule 21

RECEIVED
07 MAR 22 PM 4:24
BOARD OF SUPERVISORS
COUNTY OF ORANGE
CALIFORNIA

SLBC

The County Executive Office is requesting a supplemental for the March 27, 2007 Board Hearing Meeting.

Agency: Auditor-Controller
Subject: Renew All Funds Audit Contract
District: All

Reason for supplemental: Allow Auditors to commence fieldwork on April 1, 2007 to perform independent Audit and Related Services for fiscal year ending June 30, 2007

Concur: *Chris Norby*
Chris Norby, Chairman Board of Supervisors

cc: Rob Richardson, Assistant to the County Executive Officer
Shaun Skelly, Chief Assistant Auditor-Controller
Jan Grimes, Assistant Auditor-Controller, Central Operations
Cindy Wong, Manager, Finance

SUPPLEMENTAL AGENDA ITEM
AGENDA STAFF REPORT

S63C



ASR Control

MEETING DATE: 03/27/07
LEGAL ENTITY TAKING ACTION: Auditor-Controller
BOARD OF SUPERVISORS DISTRICT(S): All Districts
SUBMITTING AGENCY/DEPARTMENT: Auditor-Controller
DEPARTMENT CONTACT PERSON(S): David E. Sundstrom, 834-2457
Shaun Skelly, 834-2458

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RECEIVED
COUNTY BOARD OF SUPERVISORS

SUBJECT: Renew All Funds Audit Contract

CEO CONCUR

COUNTY COUNSEL REVIEW

CLERK OF THE BOARD

Approved Contract as to Form

Discussion
3 Votes Board Majority

Budgeted: Yes

Current Year Cost: \$575,800

Annual Cost: Audit of FY
Ending 2006/2007: \$685,394

Staffing Impact: No

of Positions: N/A

Sole Source: No

Current Fiscal Year Revenue: \$218,804

Funding Source: GF: 62%, NGF: 38%

Prior Board Action: Minute Order May 2, 2006

RECOMMENDED ACTION(S)

1. Authorize Deputy Purchasing Agent or designee to renew price agreement #N1000005309 as #N5000005309 with Macias, Gini, & O'Connell LLP to perform independent audit and related services in an amount not to exceed \$685,394 for the audit of Fiscal Year 2006-2007.

2. Authorize Deputy Purchasing Agent or designee to make additional changes that may be deemed necessary in the Scope of Work, without any further Board action, in an amount not to exceed 10 percent of the total contract price (\$68,539.40). The total amount of changes will not exceed \$68,539.40. Any changes greater than 10% of contract price will be submitted to your Board for approval.

SUMMARY:

In accordance with Board policy pertaining to service contract renewals, the Auditor-Controller is returning to the Board for approval to execute a service contract renewal of Price Agreement #N1000005309 as #N5000005309. Service levels have been evaluated as satisfactory and current market conditions warrant renewal of this contract.

BACKGROUND INFORMATION:

Orange County Board of Supervisors Minute Order dated May 2, 2006 authorized the Auditor-Controller to renew the contract with Macias, Gini & O'Connell LLP to perform Independent Audit and Related

Services for Fiscal Years Ending June 30, 2003, 2004, and 2005 with an option to renew for up to two additional years.

Macias, Gini & O'Connell LLP has provided auditing services to the County on a consistent and timely basis. They are always accessible and responsive to the County's requests. Macias, Gini & O'Connell LLP completes projects in a timely manner.

In accordance with Board policy, the Auditor-Controller is requesting the Board's approval to renew contract N1000005309 as N5000005309 with Macias, Gini & O'Connell LLP to perform Independent Audit and Related Services for Fiscal Year Ending June 30, 2007. Service levels have been evaluated as satisfactory and current market conditions warrant renewal of this contract. Contract N5000005309 will be the fifth and final year to renew with Macias, Gini, & O'Connell LLP. We will be soliciting a request for proposal for a new five year contract next year.

The following changes are made to the original contract terms and conditions:

The Scope of Work was modified to include two sections:

- (1) Section F.1. entitled "Audit of John Wayne Airport Passenger Facility Charge (PFC) Revenue."
- (2) Section Q. entitled "GASB 43 Financial Statements."

The Auditor-Controller is further requesting authorization for the Deputy Purchasing Agent or designee to make additional changes that may be deemed necessary in the Scope of Work, without any further Board action, in an amount not to exceed 10 percent of the total contract price (\$685,394). The total amount of changes will not exceed \$68,539.40. Any changes greater than 10% of contract price will be submitted to your Board for approval. This will allow for any increase cost for additional testing that may be required from the course of the auditor's review of material weaknesses found.

A copy of the contract is available for review in the Office of the Clerk of the Board.

FINANCIAL IMPACT:

62% of the cost is supported by the general fund.

38% of the cost is supported by the non-general fund departments.

Of the 62% supported by the general fund, almost half of that is billed to general fund agencies with State and Federal funding sources so that they may in turn claim the expenses.

STAFFING IMPACT:

N/A

REVIEWING AGENCIES:

County Counsel

EXHIBIT(S):

N/A

ATTACHMENT(S):

Renewal Contract

**Renewal Contract Agreement
For Independent Auditing and Related Services**

This Renewal Contract Agreement Number N500005309 (hereinafter "Renewal Contract Agreement"), is made and entered into upon execution of all necessary signatures between Macias Gini & O'Connell LLP, with a place of business at 515 S. Figueroa Street, Suit 325, Los Angeles, CA 90071 (herein after "Contractor") and the County of Orange (hereinafter "County"), which are sometimes individually referred to as "Party", or collectively referred to as "Parties".

WHEREAS, the Contractor responded to a Request for Proposal (RFP) offering Independent Auditing and Related Services for the Fiscal Years Ending June 30, 2003, 2004, and 2005; and

WHEREAS, the Contractor responded and represented that its proposed services shall meet the requirements and specifications of the RFP; and

WHEREAS, the County of Orange Board of Supervisors authorized the Deputy Purchasing Agent to enter into a contract for Independent Auditing and Related Services for the Fiscal Years Ending June 30, 2003, 2004, and 2005 with an option to renew for up to two additional years; and

WHEREAS, County and Contractor entered into Contract # N100005309 (hereinafter referred to as "Original Contract") for Auditing and Related Services, for the audit of fiscal year ending on June 30, 2003; and

WHEREAS, the Parties entered into Contract #N200005309 for audit for fiscal year ending on June 30, 2004; and

WHEREAS, the Parties entered into Contract #N300005309 for audit for fiscal year ending on June 30, 2005; and

WHEREAS, the Parties renewed the Original Contract as N400005309 for an additional year, for audit for fiscal year ending on June 30, 2006; and

WHEREAS, the County desires to renew the Original Contract as N500005309 for the fifth and final year, for the audit of fiscal year ending on June 30, 2007; and

NOW THEREFORE, in consideration of the mutual obligations set forth herein, both County and Contractor agree as follows:

1. Renewal Contract Agreement # N500005309 is hereby renewed for the fifth and final year of the Original Contract, for the audit of fiscal year ending on June 30, 2007.
2. **Scope of Work.** "Exhibit A" of the Original Contract is hereby modified as follows:
 - A) The Contractor will perform an audit for the 2007 John Wayne Airport Passenger Facility Charge (PFC) revenue. As such, the following section entitled "F.1. Audit of John Wayne Airport Passenger Facility Charge (PFC)" is hereby added to "Exhibit A" of the Original Contract and will read as follows::

"F.1. Audit of John Wayne Airport Passenger Facility Charge (PFC) Revenue.

1. The Contractor shall perform certain agreed upon procedures, which the Orange County John Wayne Airport (JWA) will specify, to perform an audit and prepare a Schedule of Passenger Facility Charge Revenues and Expenditures with accompanying notes and issue an in-relation opinion to the CAFR.

2. The Contractor shall issue an Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge (PFC) Program and on Internal Control Over Compliance. The reports will be conducted in accordance with the Federal Aviation Administration (FAA) regulations, United States Department of Transportation (USDOT) Office of Inspector General (OIG) regulations, and other applicable government rules and regulations.

3. It is anticipated by the County that JWA's data files for Fiscal Year 2006-07 will be available to the Contractor to begin the audit by April 1, 2007.

The Manager of the Airport Accounting Section, Auditor-Controller Department, will maintain and make available the necessary data reports for the examination of John Wayne Airport Passenger Facility Charge Revenue. Before issuing the final report, the Contractor shall meet with the Airport Accounting Manager to discuss the report format, audit findings and recommendations.

4. The report shall be addressed to:

John Wayne Airport

5. Approximately one hundred (100) hard copies and a PDF file of the Independent Auditor's Report for JWA Passenger Facility Charge (PFC) Revenue audit for Fiscal Year 2006-07 shall be delivered to the Airport Accounting Manager no later than December 31, 2007. Distribution shall be made by the Airport Accounting Manager."

B) The Contractor shall perform an audit of the financial statements of the Other Postemployment Benefits (OPEB) Trust only upon request by the County Project Manager. The scope of work will be determined by the County Project Manager. As such, the following section entitled "Section Q. Audit of GASB 43 – Financial Statements" is hereby added to "Exhibit A" of the Original Contract and will read as follows:

"Q. Audit of GASB 43 – Financial Statements.

1. The Contractor shall perform certain agreed upon procedures of the OPEB Trust, which the County Project Manager will specify at a later date."

3. **Compensation.** Compensation for services rendered under this Renewal Contract Agreement shall be as set forth in Attachment A, attached hereto and incorporated by this reference to this Renewal Contract Agreement #N500005309. This is a fixed price agreement for the fiscal year ending June 30, 2007. The Contractor agrees to accept the specified compensation, in the maximum amount not to exceed six hundred eighty five thousand three hundred and ninety four dollars (\$685,394) as full remuneration for performing all services and furnishing all staffing and materials called for; and for any reasonably foreseen difficulties which may arise or be encountered in the execution of the services until its acceptance; and for risks connected with the services; and for performance by the Contractor of all of its duties and obligations hereunder.

4. This Agreement modifies the Contract only as expressly set forth above. This Agreement does not modify, alter or amend the Contract in any other way whatsoever. Except as amended herein, all other terms and conditions of the Contract remain unchanged.

- Signature Page follows -

- Signature Page -

The Parties hereto have executed this Contract on the dates shown opposite their respective signatures below.

Macias Gini & O'Connell LLP.*

NAME: James V. Godsey

TITLE: Partner

SIGNATURE: James V. Godsey

DATE: 3/20/07

* NAME: _____

TITLE: _____

SIGNATURE: _____

DATE: _____

*If a corporation, the document must be signed by two corporate officers. The first signature must be either: 1) the Chairman of the Board; 2) President; or 3) any Vice President. The second signature must be that of: 1) the secretary; 2) an assistant secretary; 3) the Chief Financial Officer; or 4) any assistant treasurer.

County of Orange:

DATE: _____

Purchasing Agent / Deputy Purchasing Agent

Approved by the Board of Supervisors on: _____

**Approved As To Form
Office of the County Counsel
Orange County, California**

By Angelica Castillo Daftary
**Angelica Castillo Daftary
Deputy County Counsel**

Date 3/20/07