



RON GALPERIN
CONTROLLER

March 23, 2015

Honorable Members of the City Council
of the City of Los Angeles

**SUBJECT: ADMENDMENT TO THE CITY OF LOS ANGELES' ANNUAL AUDIT
CONTRACT**

In March 2014, an Audit Committee comprised of the City Controller as Chair, the City Administrative Officer and the Director of the Office of Accounting, Board of Public Works recommended the selection of Macias, Gini and O'Connell, LLP (MGO) as the City's independent auditor. The City Council approved the selection and awarded contract C-124148 to MGO for the Annual and Single Audits of fiscal years 2013-14, 2014-15 and 2015-16.

This report seeks to amend the agreement to allow the City to pay for audits required for funds administered by the Housing and Community Investment Department (HCIDLA).

DISCUSSION

Low and Moderate Housing Fund

SB341 allowed the City to designate a successor agency to wind down the affairs of, or retain the assets and continue the functions of, the dissolved Community Redevelopment Agency (CRALA). The law provided that the funds transferred from the redevelopment agency along with funds generated from housing assets be maintained in a separate Low and Moderate Income Housing Fund. Further, the law requires successor agency to the CRALA to audit the financial statements of the Low and Moderate Housing fund annually. The City designated the Housing and Community Investment Department (HCIDLA) to be the successor agency to CRALA.

McKinney Act Savings Fund

The City is also a recipient of the McKinney Act Savings Funds. The City is required to audit the housing projects that receive the McKinney funds every three years. The last audit was for the three years ending June 30, 2011. The audit for the three year period covering July 1, 2011 through June 30, 2014 is now due.

These audit requirements were not included in the contract for the City's annual audit. The cost for these two additional audits is \$49,910. The Controller's Office agreed to the HCIDLA's request to add these two audits in the Annual Audit contract to avoid any delays in meeting compliance requirements.

RECOMMENDATIONS

That the City Council:

1. Approve the amendment of the Agreement with Macias Gini and O'Connell, LLP for the audits of the Low and Moderate Housing Fund and McKinney Act Savings Fund required for FY 2013-14 and authorize the City Controller to execute the attached contract amendment subject to the approval of the City Attorney as to form;
2. Instruct the Housing and Community Development Department to reimburse the General Fund in the amount of \$49,910 for the audits of the Low and Moderate Income Housing Fund and the McKinney Act Savings Fund.

FISCAL IMPACT STATEMENT

HCIDLA has committed to reimburse the General Fund for the Low and Moderate Income Housing Fund and the McKinney Savings Act Fund audits. The General Purpose Fund appropriation of \$994,967 for the Fiscal Year 2013-14 audits is adequate to cover all costs. No additional appropriation will be needed.

Sincerely,



CLAIRE BARTELS
Chief Deputy Controller

Attachment(s)

**FIRST AMENDMENT TO THE AGREEMENT (C-124148) BETWEEN THE CITY
OF LOS ANGELES AND MACIAS GINI & O'CONNELL, LLP FOR THE
ANNUAL AUDIT OF THE CITY**

This First Amendment is made and entered into by and between the City of Los Angeles, a municipal corporation, hereinafter referred to as "City", and Macias Gini & O'Connell, LLP hereinafter referred to as "Auditor", with reference to the following:

WHEREAS, on or about June 30, 2014, the City and Auditor entered into an agreement (City contract C-124148) whereby Contractor agreed to conduct the City Audit for the Fiscal Years 2013-14, 2014-15 and 2015-16; and

WHEREAS, the agreement allowed for the performance of additional audits related to the annual audit; and

WHEREAS, the additional audits must be authorized by an amendment to the agreement C-124148; and

WHEREAS, the Contractor's services are of a professional, temporary and occasional in nature; and

NOW THEREFORE, in consideration of the premises and of the covenants, representations and agreements set forth herein, the parties hereby covenant, represent and agree that the agreement is amended effective upon execution of the first amendment, as follows:

1. As allowed by Section II. J. Optional Audit Service of agreement C-124148 perform the following additional audits of Housing and Community Investment Department of Los Angeles (HCIDLA) required for FY 2013-14:
 - a. Low and Moderate Income Housing Fund audit. Audit the basic financial statements of the Low and Moderate Income Housing Fund as of and for the year ending June 30, 2014.
 - b. McKinney Act Savings Fund. Apply agreed upon procedures to projects funded by the McKinney Act Savings Fund of the HCIDLA for the three years ended June 30, 2014 in accordance with the requirements of the McKinney Act.

2. Article V. PAYMENT is amended as follows:

- Delete: A. Total Basic Audit Cost
The City's total annual obligation under this agreement for services enumerated in Section V above shall not exceed:

Year	2013-14
Amount	\$810,890

D. Total Obligation

Year	2013-14
Amount	910,890

- Add: A. Total Basic Audit Cost

The City's total annual obligation under this agreement for services enumerated in Section II of C-124148 and the First Amendment (C-124148-1) above shall not exceed:

Year	2013-14
Amount	\$860,800

D. Total Obligation

Year	2013-14
Amount	\$960,800

3. Ratification Clause: Due to the need for the Contractor's services to be provided continuously on an ongoing basis, Contractor may have provided services prior to the execution of this Amendment. To the extent that said services were performed in accordance with the terms and conditions of this Supplemental Agreement, those services are hereby ratified.
4. Except as amended by this First Amendment, all other provisions of Agreement C – 124148 shall remain in full force and effect.

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

THE CITY OF LOS ANGELES

Macias Gini & O'Connell, LLP
777 South Figueroa, Suite 2500
Los Angeles, CA 90017

By _____
Ron Galperin
City Controller

By _____
James V. Godsey
Partner

Date: _____

Date: _____

APPROVED AS TO FORM

ATTESTED

Michael N. Feuer, City Attorney

Holly L. Wolcott, City Clerk

By _____

By _____

Date: _____

Date: _____

City Business License Number: _____

Internal Revenue Service ID Number: _____

Said Agreement is Number _____ of City Contract