



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
November 6, 2013**

TO: Mayor and City Council
FROM: Cathy Spinella, Finance Manager
SUBJECT: Resolution authorizing Audit Services
DATE: October 29, 2013

RECOMMENDATION:

Approve a resolution authorizing the Acting City Manager to execute a contract with Maze & Associates for audit services for fiscal years ending June 30, 2014, June 30, 2015, and June 30, 2016. The Budget Subcommittee met on October 28, 2013 and concurs with staff's recommendation.

BACKGROUND:

In 2010, the City awarded a three year contract to Maze & Associates for auditing services for fiscal years ending June 30, 2011, June 30, 2012 and June 30, 2013. Given the inherent benefits of maintaining the same auditing firm, staff is proposing to continue contracting with Maze and Associates for an additional three years. The firm's understanding of the City's finances avoids the learning curve and additional staff time associated with bringing in an entirely new firm, and enables Maze to conduct a more in-depth audit. Maze and Associates is proposing a 3% increase above the current rate. However, with a multiple year discount of \$5,000 for the first year, the net cost of the contract is actually less than Fiscal Year 2012-13, with additional discounts to Fiscal Years 2015 and 2016 of \$4,000 and \$3,000 respectively.

FISCAL IMPACT:

Maze & Associates' proposal is \$66,675 for the audit of Fiscal Year 2013-14, \$69,824 for Fiscal Year 2014-15 and \$73,038 for Fiscal Year 2015-16. The expenses for the first two years are already included in the biennial budget for 2013-15. Fiscal year 2016 will be budgeted in the next biennial budget.

ACTION:

Adopt a resolution authorizing the Acting City Manager to execute a contract with Maze & Associates for audit services for Fiscal Years 2014, 2015 and 2016.

Attachments:
Resolution
Agreement for Consultant Services
Maze & Associates-Exhibit A

APPROVED BY:

Acting City Manager

RESOLUTION NO. -13

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARTINEZ
AURTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH MAZE
& ASSOCIATES FOR AUDITING SERVICES FOR FISCAL YEARS ENDING
JUNE 30, 2014, JUNE 30, 2015 AND JUNE 30, 2016.

WHEREAS, the City of Martinez is required by law to conduct an independent annual financial audit; and

WHEREAS, Maze & Associates has proposed to provide the necessary auditing services to the City for fiscal years ending June 30, 2014, June 30, 2015 and June 30, 2016; and

WHEREAS, funds are available for the audit in the 2013-14 Budget and 2014-15 and 2015-16 will be budgeted during the budget process of the Biennial Budget for fiscal years 2011-13.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Martinez that Maze & Associates be the auditor of record for fiscal years ending June 30, 2014, June 30, 2015 and June 30, 2016.

BE IT FURTHER RESOLVED that the City Manager is authorized to execute a contract with Maze & Associates for auditing services for said period for the City of Martinez.

* * * * *

I HEREBY CERTIFY that the foregoing is true and correct copy of a resolution duly adopted by the City Council of the City of Martinez at a Regular Meeting of said Council held on November 6, 2013, by the following vote:

AYES:

NOES:

ABSENT:

RICHARD G. HERNANDEZ, CITY CLERK
CITY OF MARTINEZ

AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT, made and entered into this ____day of November, 2013 by and between the CITY OF MARTINEZ, hereinafter referred to as CITY, and MAZE AND ASSOCIATES, hereinafter referred to as CONSULTANT, whose address is 3478 Buskirk Avenue, Suite 215, Pleasant Hill, CA 94523. The CITY and CONSULTANT hereby agree as follows:

SPECIFIC PROVISIONS

1. DESCRIPTION OF PROJECT

Audit the financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information for the fiscal year June 30, 2014, June 30, 2015 and June 30, 2016.

2. SCOPE OF SERVICES TO BE PROVIDED BY CONSULTANT

The services provided by Consultant shall include:

- A. Audit of the basic financial statements, preparation of Memorandum on Internal Structure, assistance with the preparation of the CAFR, and review of Management's Discussion and Analysis.
- B. Testing one program for compliance with the Single Audit Act amendments of 1996, if required.
- C. Testing of compliance with Proposition 111 Appropriation Limit Increment and Issuance of report.
- D. Audit of the Water System and Marina System.
- E. Testing of compliance with Measure C requirements and preparation of report, if required.
- F. Testing of compliance for the Transportation Development Act Programs and preparation of required reports.
- G. Preparation of the Public Improvement Corporation's Information Returns
- H. Version of the CAFR suitable for posting on the City website
- I. Services as further elaborated in the proposal dated October 28, 2013 incorporated herein by reference as Exhibit "A."

4. PAYMENT

a. Compensation:

The total cost for services provided by Consultant shall not exceed \$66,675 for FY 2013-14, \$69,824 for FY 2014-15 and \$73,038 for 2015-16.

b. Time of Payment

Provided CONSULTANT is not otherwise in default under this Agreement, CONSULTANT shall be compensated monthly in arrears based on the time spent during the previous month for which an itemized invoice shall have been submitted. City agrees to pay Consultant within thirty (30) days of receipt of monthly invoices.

5. TIME OF COMPLETION

- a. The CONSULTANT shall perform the work described in paragraph 2 in accordance with the following schedule:

<u>Service</u>	<u>Completion Date</u>
Interim Audit	June 2014
Final Audit	September 2014
Interim Audit	June 2015
Final Audit	September 2015
Interim Audit	June 2016
Final Audit	September 2016

6. CONSULTANT and the CITY agree the schedule in Paragraph 5 above represents their best estimates with respect to completion dates and both CONSULTANT and CITY acknowledge that departures from the schedule may occur. Therefore, both CONSULTANT and CITY will use reasonable efforts to notify one another of changes to the schedule. Any proposed change in the schedule, including a change based on the events described in Section 7, immediately below, shall be delivered to the other party in writing. Any such proposed change by one party shall be subject to the approval of the other party; provided, however, that any such approval may not be withheld unreasonably. The person executing this Agreement on behalf of the CITY shall have the authority to agree to extensions proposed by the CONSULTANT.
7. CONSULTANT shall not be responsible for performance delays caused by others, or delays beyond CONSULTANT'S control, and such delays shall extend the times for performance of the work by CONSULTANT.

GENERAL PROVISIONS

1. The status of CONSULTANT is that of an independent contractor operating having control of his/her work and the manner in which it is performed. CONSULTANT is not considered to be an officer, an employee, or an agent of CITY, nor shall he/she hold him/herself out as or represent that he/she is an officer, employee, or agent of the CITY. CONSULTANT is required to obtain a business license with the City.
2. The CONSULTANT agrees that he/she/it has not employed or retained any company or person, other than a bona fide employee working solely for the CONSULTANT, to solicit or secure this Agreement, and that he/she/it has not paid or agreed to pay any company or person, other than a bona fide employee working solely for the CONSULTANT, any fee, commission, percentage, brokerage fee, gifts, or any other considerations, contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, the CITY shall have the right to annul and cancel this Agreement without liability of any sort and/or, in its discretion to deduct from the contract price or consideration, or otherwise recover the full amount of such fee, commission, percentage brokerage fee, gift, or contingent fee.

All reports, drawings, calculations, plans, specifications, and other documents prepared or obtained pursuant to the terms of this Agreement shall be endorsed by Consultant and delivered to and become the property of the City with the exception of proprietary/copyrighted information (as in agreements or software services). In addition, data prepared or obtained under this Agreement shall be made available, upon request, to the City. The foregoing notwithstanding, said documents, plans, etc. which are site specific for the subject project shall not be used for any other work without the consent of Consultant.

Consultant and his/her/its subconsultants shall keep and maintain full and complete documentation and accounting records, including all records, employees' time sheets and correspondence pertaining to this Agreement. The Consultant shall make such documents and records available for review and/or audit evaluation by representatives of the City at all reasonable times during the contract period and for at least four (4) years from the date of final payment. Upon written request by the City, the Consultant shall provide the City with copies of all pertinent reports and correspondence.

3. CONSULTANT shall provide properly skilled professional and technical personnel to perform all services under this contract. The CONSULTANT shall not engage the services of any person or persons now employed by the CITY, except with the written permission of the CITY. Except as otherwise herein provided, the CONSULTANT shall not assign or sublet any portion of the services to be performed under this Agreement without the prior written consent of the CITY. Said consent may be withheld with or

without reasons. In the event that the CITY, in writing, approves any assignment or subletting of this Agreement or the retention of sub-consultants by CONSULTANT, the CONSULTANT shall provide to the CITY copies of each and every sub-consultant contract prior to the execution thereof by the CONSULTANT and sub-consultant.

4. CONSULTANT shall comply with all Federal, State and Local laws, statutes, ordinances, rules and regulations, and the orders and decrees of any courts or administrative bodies or tribunals in any manner affecting the performance of this Agreement, including without limitation laws requiring licensing and non-discrimination in employment because of race, creed, color, sex, age, marital status, physical or mental disability, national origin or other prohibited bases.
5. All changes and/or extra work shall be performed and paid for in accordance with the following:
 - a. Only the CITY Manager may authorize extra and/or changed work. CONSULTANT expressly recognizes that other CITY personnel are without authorization to either order extra and/or changed work or waive contract requirements. Failure of CONSULTANT to secure the CITY Manager's prior, written authorization for such extra and/or changed work shall constitute a waiver of any and all right to adjustment in contract price due to such unauthorized work and CONSULTANT thereafter shall be entitled to no compensation whatsoever for performance of such work.
 - b. If the CONSULTANT is of the opinion that any work he has been directed to perform is beyond the scope of this Agreement and constitutes extra work, he shall promptly notify the CITY Manager of the fact. The CITY Manager shall make a determination as to whether or not such work is, in fact, beyond the scope of this Agreement and constitutes extra work. In the event that the CITY Manager determines that such work does constitute extra work, the CITY shall provide compensation to the CONSULTANT on a fair and equitable basis. A Supplemental Agreement providing for such compensation for extra work shall be negotiated between the CITY and the CONSULTANT. Such Supplemental Agreement shall be executed by the CONSULTANT and be approved by the necessary CITY officials.
 - c. In the event the CITY Manager determines that such work does not constitute extra work, CONSULTANT shall not be paid extra compensation above that provided herein. The determination of the CITY Manager may be appealed to the CITY Council as long as a written appeal is submitted to the CITY Manager within five (5) days after the date of the CITY Manager's determination. Said written appeal shall include a description of each and every ground upon which CONSULTANT challenges the CITY Manager's determination.
6. CITY has relied upon the professional ability and training of CONSULTANT as a material inducement to enter into this Agreement. Consultant shall perform in accordance with generally accepted professional practices and standards as well as the requirements of applicable federal, state and local laws, it being understood that payment for or acceptance of CONSULTANT'S work by CITY shall not operate as a waiver or release. CONSULTANT shall indemnify and hold harmless the CITY from and against any and all claims or expenses caused or occasioned directly or indirectly by CONSULTANT'S failure to so perform.
7. CONSULTANT assumes all responsibility for damages to property or injury or death to persons caused by the negligent performance errors or omissions of CONSULTANT and/or his/her agents or employees. To the extent permitted by law, CONSULTANT shall indemnify, hold harmless, release and defend CITY, its officers, employees and agents from and against any and all actions, claims, demands, damages, disability, losses, failure to comply with any current or prospective laws, and expenses including attorneys' fees and other defense costs or liabilities of any nature that may be asserted by any person or entity including CONSULTANT from any cause whatsoever including another's concurrent negligence arising out of or in any way connected with the activities of CONSULTANT, his employees and agents hereunder and regardless of CITY'S passive negligence. CITY agrees to provide CONSULTANT with reasonable

notification of legal claims and/or lawsuits which CITY may receive and for which CITY will request indemnification under this paragraph.

This indemnification obligation is not limited in any way by any limitation on the amount or type of damages or compensation payable by or for CONSULTANT under Workers' Compensation, disability or other employee benefits acts, acceptance of insurance certificates required under this Agreement, or the terms, applicability or limitations of any insurance held by CONSULTANT.

8. Without limiting CONSULTANT'S indemnification provided hereunder, CONSULTANT shall take out and maintain at all times during the life of this contract, up to the date of acceptance of the work by the CITY, the following policies of insurance with a Best rating of no less than A-VII.

a. Workers' Compensation insurance to cover its employees, and the CONSULTANT shall require all sub-consultants similarly to provide Workers' Compensation insurance as required by the Labor Code of the State of California for all of the sub-consultant's employees. All Workers' Compensation policies shall be endorsed with the provision that it will not be canceled without first giving thirty (30) days prior notice to the CITY.

In the event any class of employees engaged in hazardous work under the Contract is not protected under Workers' Compensation Statutes, the CONSULTANT shall provide, and shall cause all sub-consultants to provide, adequate and suitable insurance for the protection of its employees not otherwise protected. Such policy must be acceptable to CITY and shall provide that it will not be canceled without first giving thirty (30) days notice to the CITY.

CONSULTANT'S Worker's Compensation insurance shall include the following language: "All rights of subrogation are hereby waived against the CITY, its officers and employees when acting within the scope of their appointment or employment."

b. Commercial general liability insurance including personal injury and property damage insurance for all activities of the CONSULTANT and its sub-consultants arising out of or in connection with this contract, written on a commercial general liability form including, but not limited to, Broad Form Property Damage, blanket contractual, completed operations, cross liability, x, c, u hazards, subcontractors named as additional insureds (inapplicable if no subcontractors or subconsultants), vehicle coverage, products liability and employers non-ownership liability coverage in an amount no less than \$2 million dollars combined, single limit personal injury and property damage for each occurrence. The completed operations and product liability insurance shall continue for not less than 365 days following acceptance of the work by CITY. The commercial general liability policy shall be endorsed with the following language:

(1) The CITY OF MARTINEZ is named as an additional insured for all liability arising out of the operations by or on behalf of the named insured, and this policy protects the additional insured, its officers, agents and employees against liability for personal and bodily injuries, deaths or property damage or destruction arising in any respect, directly or indirectly, in the performance of the contract.

(2) The inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the coverages afforded shall apply as though separate policies had been issued to each insured.

(3) The insurance provided herein is primary and no insurance held or owned by the CITY OF MARTINEZ shall be called upon to contribute to a loss.

(4) The coverage provided by this policy shall not be canceled without thirty (30) days prior written notice given to the CITY of MARTINEZ.

c. Professional liability, errors and omissions insurance in an amount not less than \$1 million dollars.

The professional liability insurance policy shall be endorsed with a provision stating that it may not be canceled without first giving thirty (30) days prior written notice to the CITY. The professional liability policy shall be written on an occurrence policy basis to cover any professional liability, errors or omissions made during the term of policy. In the event CONSULTANT'S policy is a "claims made" policy only covering those claims made during the policy period, then CONSULTANT agrees to maintain the professional liability insurance required hereunder and with respect to this project in effect for at least three (3) years after acceptance of the work.

- (1) SUB-CONSULTANTS providing professional services under this agreement shall be added to CONSULTANT'S policy as additional insured, or shall provide evidence of their own professional liability insurance which is acceptable to the CITY Attorney.
 - d. CONSULTANT shall submit to CITY documentation evidencing its required insurances signed by the insurance agent and companies, copies of which are attached as Exhibit "B". Any deductible or self-insured retentions must be declared to and approved by CITY. At the option of CITY, insurer shall reduce or eliminate such deductible or self-insured retention as respects CITY, its officers and employees or CONSULTANT shall procure a bond guaranteeing payment of losses and related investigations, claims, administration and defense expenses.
9. The CITY shall furnish the CONSULTANT, to the extent that they are available, CITY standards, details, specifications, and regulations applying to the Project and other such information which may be helpful to the CONSULTANT in performance of its service. Any and all additional data necessary for design shall be the responsibility of the CONSULTANT.
 10. This Agreement and all obligations hereunder may be terminated at any time, with or without cause, by the CITY within its sole discretion upon written notice to CONSULTANT. CONSULTANT may terminate this Agreement upon thirty (30) days' written notice to the CITY only for good cause, including without limitation, CONSULTANT'S serious illness or material breach of this Agreement by the CITY. CONSULTANT'S written notice of termination shall contain a full explanation of the facts and circumstances constituting good cause. Upon termination, all finished and unfinished documents, project data and reports shall, at the option of the CITY, become its sole property and shall, at CONSULTANTS' expense, be delivered to the CITY or to any party the CITY may so designate. In the event of termination by CONSULTANT, CONSULTANT shall only be compensated for all work CONSULTANT satisfactorily performs prior to the time CONSULTANT delivers to the CITY the termination notice, unless other arrangements are agreed to by the CITY. In the event of termination by the CITY, CONSULTANT shall be compensated for all work satisfactorily performed prior to the time CONSULTANT receives the termination notice, and shall be compensated for all materials ordered by CONSULTANT, and services of others ordered by CONSULTANT prior to receipt of the CITY'S termination notice, whether or not such materials or instruments of services of others have actually been delivered to CONSULTANT or to the CITY, provided that CONSULTANT is not able to cancel such orders for materials or services of others. In the event this Agreement is terminated pursuant to this section, CONSULTANT shall not be entitled to any additional compensation over that provided herein; nor shall CONSULTANT be entitled to payment for alleged damages or injuries (including lost opportunity damages) purportedly caused by the termination of this Agreement by the CITY pursuant to this section.
 11. Should the CONSULTANT fail to perform any of its obligations hereunder, within the time and in the manner provided or otherwise violate any of the terms of this Agreement, the CITY may terminate this Agreement by giving written notice of such termination, stating the reasons for such termination in such event. CONSULTANT shall be compensated as above, provided, however, there shall be deducted from such amount the amount of damage, if any, sustained by CITY by virtue of the CONSULTANT'S breach of this Agreement.

12. This Agreement shall inure to the benefit of, and be binding upon, the successors in interest, legal representatives, trustees, and permitted assigns of either party.
13. This writing is intended both as the final expression of the Agreement between the parties hereto with respect to included terms and a complete and exclusive statement of the terms of the Agreement, pursuant to Code of Civil Procedure, section 1856. No modification hereof shall be effective unless and until such modification is evidenced by a writing signed by parties to this Agreement.
14. Each party to this Agreement undertakes the obligation that the other's expectation of receiving due performance will not be impaired. When reasonable grounds for insecurity arise with respect to the performance of either party, the other may in writing demand adequate assurance of due performance and until such assurance is received may, if commercially reasonable, suspend any performance for which the agreed **return** has not been received. After receipt of a demand for assurance, either party's failure to provide within a reasonable time but not exceeding thirty (30) days, such assurance of due performance as is adequate under the circumstances is a breach of this Agreement by that party. Acceptance of any improper delivery of service or payment does not prejudice the aggrieved party's right to demand adequate assurance of future performance.
15. All notices permitted or required hereunder shall be addressed as follows:
- | | |
|-----------------------|---|
| If to the CITY: | Alan Shear
Acting City Manager
City of Martinez
525 Henrietta Street
Martinez, CA 94553 |
| If to the CONSULTANT: | Tim Krisch
Maze & Associates
3478 Buskirk Ave, Suite 215
Pleasant Hill, CA 94523 |
16. This Agreement shall be construed in accordance with the law of the State of California. Venue shall be in the County of Contra Costa.

IN WITNESS WHEREOF, the parties hereby have executed this Agreement on the day first above written in the CITY OF MARTINEZ, California.

CITY OF MARTINEZ
A Municipal Corporation

Date: _____

By: _____

Alan Shear, Acting City Manager

CONSULTANT is a corporation duly organized and validly existing and in good standing under the laws of the State of California, and is authorized to perform the services under this agreement. The corporate officer executing this agreement has been authorized and directed to do so by corporate resolution.

Date: _____

By: _____

Consultant

Attachments:

Exhibit A: Maze & Associates' proposal letter dated October 28, 2013

Exhibit B: Proof of Required Insurance
Worker's Compensation Insurance
Commercial General Liability Insurance
Commercial General Liability - Auto Insurance
Professional Liability

Exhibit A

October 28, 2013

Cathy Spinella, Finance Manager
City of Martinez
525 Henrietta Street
Martinez, California 94553

Dear Cathy:

As you and I discussed, our firm is interested in extending our current audit contract with the City for the fiscal year 2013-14. For a one year extension, should the City choose that, I am proposing a 3.0% cost of living adjustment increase. However, should the City choose a multiple year extension, I would be able to offer a fee reduction. I have prepared the Extension Option Attachment for your and Council's consideration. I would be pleased to discuss it further with you or Council if desired.

I would like to offer a deeper discount; however, despite the economic pressures faced by municipalities, there are other, more serious concerns to be weighed. Those being audit failures in the municipal audit sector. The City of Bell news, especially the State Controller's Office Report on that City's audit firm is raising serious questions about that firm's audit quality. Despite its responses to the Report, that firm's municipal practice appears to be in jeopardy. We received a number of inquiries and requests for proposal from that firm's clients who desire a change in auditors, including a former client of ours. Our former client's Council simply does not want to expend the energy defending whether that audit firm is providing quality work.

These trends indicate that it would be unwise to reduce audit efforts for any municipal audit. Our commitment to quality and preserving our firm's reputation remains our top priority and serves our clients best.

Consider for a moment high risk audit environments, which are those entities undergoing financial stress, bankruptcy or fraud. Clients in such situations tend to remain with us through their difficulties. For example these clients are still clients today:

- ✚ Vallejo - Bankruptcy/Financial Stress (Ongoing)
- ✚ Richmond - Financial Stress (FYs 2002-05)

We think there are two other audit engagements worthy of comment.

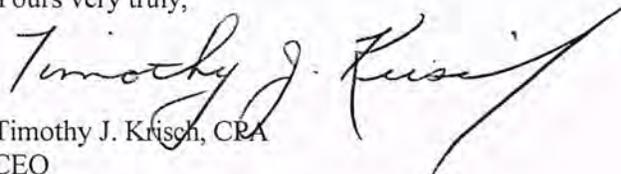
In early 2009, the City of Los Banos discovered fraud originally estimated at \$400,000. This was the second case of cash receipts fraud at that City within the last five years. The Council instructed staff to replace the then audit firm with a "credible auditor" - they hired us. After the forensic auditor completed their investigation, the actual fraud amount totaled \$1.7 million. Our audits revealed numerous material weaknesses in cash receipts and billing controls. It is clear to us that the weaknesses had been present for many years and that the weaknesses were obvious. That City no longer believes a cheap audit has value. They value our work.

Lastly, we use to audit the City of Pacific Grove. In our first year audit in fiscal 2003-04, we determined that their General Fund cash balances were not sufficient and included our comments in the year end management letter. Our firm made the local paper. The article was titled: "Auditor Warns P. G. Council!" **We are rarely in the news, but when we are, it is for doing our job.**

Since it has been a few years since you and the council have seen our proposal, I thought it might be helpful to include relevant discussions of our firm, its qualifications and staffing as an attachment to this letter. This information might come in handy in discussions with the Council.

We look forward to the opportunity to continue to work with the City!

Yours very truly,

A handwritten signature in cursive script that reads "Timothy J. Krisch". The signature is written in dark ink and is positioned above the typed name.

Timothy J. Krisch, CRA
CEO

MAZE AND ASSOCIATES BACKGROUND

EXECUTIVE OVERVIEW

We are quite certain we are the most qualified firm to be your independent accountants. Maze & Associates began operating over a quarter of a century ago, and since that time, we have rigorously employed our philosophy that "We are in Business to Help our Client Succeed!" Our clients know from experience we employ a variety of techniques, technologies and strategies to maximize effective and efficient audits without shifting our work onto our clients staff. We have summarized our reasons below:

- **We are the best-known regional municipal audit firm in Northern California.** Since we began, we have achieved national recognition with the consistent high quality of our work and with our leadership on issues such as GASB Statement 45, GASB Statement 34, Y2K, and municipal investment losses.
- **Municipal auditing is our main business.** We believe we have the necessary qualifications and are your best choice.
 - We currently have forty City clients ranging in size from small towns to large complex cities, **including eight with populations in excess of 100,000.**
 - **We have experience auditing several dozen large enterprise operations**, some operated as departments or funds of our City clients and others operated as stand-alone independent special districts and authorities.
 - **We conduct and complete over three dozen single audits each year.**
- Our **Partners are actively involved in planning, conducting and completing the audit in our client's offices** and our Partners are available when you need them. We resolve issues on the spot while the audit is being performed.
- When our Partners communicate with you, the Council and Committees, their knowledge is based on detailed specifics, not information which has been filtered through several layers of review.
- **We have a long term track record of client retention beyond our client's original contract terms because of the quality of our service.**
- **Our audit staff average more than 80 hours of training in municipal auditing and accounting and 1,500 hours of municipal audit experience each year.** This means you do not train our staff!
- With our qualified information security staff we have developed and employ a number of technologies to streamline our audit process, ensure open channels of communication and data transfer while securing the confidentiality of client data. These technologies include LANs, a VPN, "Leapfile" data file transfers, "Quarantine" email protection software, paperless audit workpapers, and a major upgrade of our "direct downloads" technique eliminating manual financial statement inputs and maximizing easy to use financial rollup reports.
- **Up to half our total audit time is spent at interim each year**, ensuring a smooth year-end audit. Our interim audit includes much of the work other firms postpone to year-end; we even begin the preparation of the financial statements.

MAZE AND ASSOCIATES BACKGROUND

As with all our audits, we remain committed to providing timely, quality audit services to the City. We have no doubt that we are the firm best qualified to perform the services described in the request for proposal.

AUDIT QUALITY

Recent news from the south part of the state and two Cities' locally has severely affected two major municipal audit firms and raised doubts about municipal audit quality and service. We have been the City's auditor for over ten years and in that time we have seen dramatic changes in the municipal audit sector. The changes, which have occurred, include:

- The Great Recession of 2008/09 has been harsh on the sector and there are a growing number of cities in financial stress.
- Audit standards were entirely rewritten revamped which dramatically changed the way audits are conducted.
- Government audit standards were re-written and enhanced
- The departure of the large accounting firms from municipal audits.

All of these events emphasize the absolute necessity for quality audits and a sound quality control emphasis and program to ensure accurate timely audits.

External Quality Control Review

We are members of the Quality Review Program of the AICPA, which means we subject ourselves to a peer review of our workpapers and quality control procedures every three years by independent accountants specializing in such work. **Our most recent peer review was completed in 2011; we again received a rating of pass, the highest level of assurance possible.** This peer review included a review of four governmental and non-profit audit engagements, including a Special District. A copy of our most recent peer review opinion is located at the end of this section.

Our municipal audit reports are subject to annual reviews by various branches of the Office of the State Controller. District audit reports, Single Audit Act reports and Redevelopment Agency reports receive particular scrutiny. During the past five years every one of these reports has been accepted as submitted. Of course, all of our clients' CAFRs are also reviewed by CSMFO and GFOA for award consideration; every report submitted has won an award from one of these organizations.

Internal Quality Assurance System

Every one of our audit and assurance engagements has an Engagement Partner responsible for the successful completion of the work as well as ensuring we maintain quality levels that satisfy professional standards. **Our very high Partner to staff ratio of one to six is double that of traditional firms.** We specifically structure our work for on-site Engagement Partner participation while the audit is being conducted. This structure is done by design to ensure we have active on the job oversight of staff and timely completion of the work. And since we all operate out of one local office, constant monitoring and consistent compliance with our quality controls is easy and effective.

MAZE AND ASSOCIATES BACKGROUND

AUDIT QUALITY (Continued)

We have always subjected our audit and assurance engagements to a second Quality Assurance Review. Historically this was performed by a second partner. However, over the past several years audit quality controls standards have been revised and enhanced. Standards issued by the American Institute of Certified Public Accountants and General Accountability Office now form the guidance in determining adequate quality controls for audit firms. While not required by the Standards, we believed it would be better to have an independent second review of the work by someone without engagement responsibilities and to have that person report to the shareholders directly as a group rather than any one shareholder.

In response to that, we hired Melita Law, a Certified Public Accountant, as our Quality Assurance Director. Melita had been a top performing Supervisor with our firm for over ten years before leaving us to move to Hong Kong in 2008. Because of her many years of municipal auditing and accounting experience, she has been a perfect fit and provides a significant strengthening to our quality control. To keep current with changes in the industry, Melita attends our semi-annual continuing education and additional quality control education provided third parties.

No Disciplinary Action

We have no record of substandard or unsatisfactory performance, nor have any claims ever been filed with any State Board of Accountancy against our firm or any of our employees.

Federal or State Field Reviews

We have not been subject to any Federal or State Field Reviews of our audits during the past three years, with two exceptions. During calendar 2008, the Department of Housing and Urban Development (HUD) selected our firm for a quality assurance review of our housing authority audits. HUD selected four of the five housing authorities we audited in fiscal year 2006 and performed an extensive, thorough review of our reports, filings, workpapers, audit methodologies, and our quality assurance controls. Their team expended approximately forty hours on each audit to determine whether our firm complied with Generally Accepted Auditing Standards as well as Generally Accepted Government Auditing Standards. After HUD's extensive review, they identified only four findings. We carefully reviewed their findings, implemented a few minor changes and communicated these changes to HUD where upon they concluded that no further action was warranted.

Litigation

We have not been sued over poor work quality, nor have we paid any such claims out of court in the past five years.

But we are proud to say we have been sued! This was an action by a third-party contractor who filed suit to prevent us from issuing a report critical of their operation and their method of determining the amount of revenue they should share with our client. This action was not settled out of court; but went to judgment. In that case **the Superior Court of the State of California held in our favor and dismissed us from the proceedings without prejudice.** In other words, the Court decided that our report should be issued without any change.

MAZE AND ASSOCIATES BACKGROUND

MUNICIPAL AUDIT NICHE

Municipal Specialty

As you may recall, we are a niche firm specializing in municipal audits, which represents over 80% of our practice. We have specialized in municipal audits since our beginning in 1986. Our commitment to the sector remains an essential business strategy for our firm.

We have summarized our City and related separate financial statement experience below:

City	Client Since	CAFR	RDA	Single Audit	TDA	Transportation Measure	Retirement Plans	Financing Corp.
Population > 100,000								
Concord	1992	✓	✓	✓	✓	✓	✓	✓
Daly City	1992	✓	✓	✓	✓	✓	✓	
Hayward	2011	✓	✓	✓	✓	✓		✓
Richmond	2005	✓	✓	✓		✓	✓	✓
Roseville	1998	✓	✓	✓			✓	✓
Santa Clara	2012	✓	✓	✓	✓			
Sunnyvale	2008	✓	✓	✓	✓			✓
Stockton	2011	✓	✓	✓				✓
Vallejo	2004	✓	✓	✓	✓	✓		
Population < 100,000								
Alameda	1990	✓	✓	✓	✓	✓	✓	
Atherton	2009	✓		✓		✓		
Belmont	1998	✓	✓	✓		✓		
Benicia	2011	✓		✓	✓			
Brentwood	2007	✓	✓	✓	✓	✓		
Brisbane	2011	✓	✓					
Dublin	2012	✓		✓		✓		
East Palo Alto	2009	✓	✓	✓	✓		✓	
El Cerrito	2005	✓	✓	✓	✓		✓	✓
Fairfax	2009	✓						
Galt	2009	✓	✓	✓				
Larkspur	1991			✓	✓			
Lathrop	2011	✓		✓				
Livermore	1988	✓	✓	✓	✓	✓		✓
Los Banos	2009	✓	✓	✓	✓			
Manteca	1986	✓	✓	✓				✓
Martinez	2001	✓		✓	✓			
Millbrae	1998	✓	✓	✓	✓	✓		
Milpitas	1995	✓	✓	✓	✓			✓
Moraga	2012	✓	✓	✓	✓			
Mt. View	2001	✓	✓	✓	✓			
Napa	2000	✓	✓	✓	✓	✓		
Oakley	2000	✓	✓	✓	✓			
Petaluma	2011	✓		✓	✓			
Piedmont	2007	✓				✓	✓	
Pittsburg	2011	✓	✓	✓	✓		✓	
Portola Valley	2005	✓				✓		
Rancho Cordova	2009	✓	✓	✓				✓
San Leandro	2011	✓	✓	✓	✓	✓		
San Pablo	1995	✓	✓	✓	✓	✓	✓	
San Rafael	2007	✓	✓	✓				
Sausalito	2006	✓						
South Lake Tahoe	2003	✓	✓	✓	✓			
S. San Francisco	2004	✓	✓	✓	✓	✓		
Waterford	2004	✓	✓	✓	✓			✓
W. Sacramento	2008	✓	✓	✓				
Woodside	1997			✓	✓			

MAZE AND ASSOCIATES BACKGROUND

MUNICIPAL AUDIT NICHE (Continued)

As you can see from the client list above, we have a winning combination that has resulted in strong client loyalty and retention. **Our client retention is 9.75 years on average almost twice the typical five year contract period.** Several clients who left have returned after seeing the difference between our firm and our competitors. Others have remained our clients after completing a full-blown proposal process, most recently Brentwood, Belmont and Richmond.

QUALIFICATIONS AND CONTINUITY

Overview

We are a professional services corporation located in Pleasant Hill, California. We presently have a total of forty-eight people, including nine shareholders, two Directors, five Managers, nine Supervisors, seven Senior Associates, ten Associates and six Office Staff. Fifteen of our professional staff are California Certified Public Accountants and two additional staff are in the process of completing their applications for licensure. All of our professional staff comprise our governmental audit staff, as our firm's emphasis is on governmental auditing and accounting. Several of our professional staff have national accounting firm experience, which we have blended with the more personal approach of a smaller firm.

We manage our business using modern corporate philosophies with a mission statement, a vision statement, a value statement and core values. Our two non-certified shareholders function as Corporate Officers and the six that are certified serve as Partners. The Officers provide the majority of our corporate functions such as administration, information technology, human resources and practice development while Partners are fully dedicated to providing professional services to our clients. We maintain a high partner to staff ratio of one to six – almost half that of a typical firm structure. We combine this with our policy of active on-site Partner involvement throughout the audit process to ensure timely, accurate, relevant audit results and services.

Our people accumulate over 1500 hours of purely municipal audit and accounting experience annually, far more than in any general service accounting firm. And we keep the same people on the job, normally for at least three years.

Audit Team

Since 2008, I have been assigned to the City's audit as Audit Partner, replacing Katherine Yuen, after she rotated off the engagement. Our team from our prior year audit is listed below along with their years of experience and tenure on the City's audit work:

**MAZE AND ASSOCIATES
BACKGROUND**

QUALIFICATIONS AND CONTINUITY (Continued)
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Audit Partner:

- ✚ Engagement Partner – Timothy Krisch, CPA – 30 years
 - 5 years on the City’s audit

Audit Manager:

- ✚ Engagement Manager – Meghan Skilling, > 11 Years
 - 8 years on the City’s audit

Audit Supervision:

- ✚ Engagement Supervisor – Tim Cue, CPA, > 8 Years
 - 5 years on the City’s audit

Audit Staff: Experience from 1- 3 years:

- ✚ Senior Associate - Cynden Wen, 2 years
- ✚ Associate – Patrick Callan, 1 year

Additional Technical Resources: (not part of the in field audit team)

- ✚ Alternate/ Technical Assistance Partner- Katherine Yuen, CPA & CEO – 16 Years
- ✚ IT Security/ PCI Compliance: Don Hester, IT Director – 10 Years
- ✚ Quality Control: Cory Biggs, Quality Control Director – 30 Years

Audit Team Rotation Options

Some clients desire a rotation of the Audit Partner or audit team after five years on the audit. We will provide the Council with whatever staffing options it desires. **With our staff of 48 providing over 96,000 hours of availability, we can provide the City an entirely new audit team to bring a fresh perspective to the work or retain certain team members while rotating others.** We will look to Council for direction on what it sees as the best option for staffing retention or rotation.

Staff Training

We believe the level of training we provide is unmatched by any other accounting firm. **Our audit staff receive an average of 80 hours of continuing education annually, including an average of over 48 hours of municipal audit and accounting training. These are twice the amount required by professional standards.**

Our program places heavy emphasis on governmental accounting and auditing classes conducted by our own staff, supplemented by courses offered by the California Society of Certified Public Accountants, the American Institute of Certified Public Accountants, the Government Finance Officers Association, the California Municipal Finance Officers Organization and the Association of California Water Agencies.

We accomplish this task by reserving a solid week in January or February and another week in July solely for staff training. Our training is very specific and very participatory; lectures are almost non-existent as people are involved in a continual give-and-take format designed to educate while it helps us improve our services. We deal with specific clients and situations, we solve problems and do case studies, and we train people for real-life situations through role-play exercises. Everyone is equal in these exercises and everyone contributes their own experience in the field and the ideas they have formulated from that experience.

Suggestions coming out of staff training sessions are the source of most of the service improvements and refinements we make each year.

**CITY OF MARTINEZ
EXTENSION OPTION ATTACHMENT**

Service	2013 Actual	Extension Options					
		2014 Only (a)	Two Years (b)		Multiple Years (c)		
			2014	2015	2014	2015	2016
Basic Financial Statements, MOIC & CAFR prep	\$48,708	\$50,169	\$50,169	\$51,674	\$50,169	\$51,674	\$53,224
Additional Reports:							
Single Audit (Per Tested Program)	5,682	5,852	5,852	6,028	5,852	6,028	6,209
Gann Limit Agreed Upon Procedures	1,002	1,032	1,032	1,063	1,032	1,063	1,095
Martinez Water System	3,114	3,207	3,207	3,303	3,207	3,303	3,402
Martinez Marina System	3,497	3,602	3,602	3,710	3,602	3,710	3,821
Measure C Compliance (if required)	1,762	1,815	1,815	1,869	1,815	1,869	1,925
Transportation Development Act Program (if required)	2,268	2,336	2,336	2,406	2,336	2,406	2,478
Public Improvement Corp Information Returns	1,233	1,270	1,270	1,308	1,270	1,308	1,347
CAFR PDF	822	847	847	872	847	872	898
Implementation of GASB Pronouncements	1,500	1,545	1,545	1,591	1,545	1,591	1,639
Totals	\$69,588	\$71,675	\$71,675	\$73,824	\$71,675	\$73,824	\$76,038
Discount for multiple year extension		(5,000)	(5,000)		(5,000)	(4,000)	(3,000)
		\$66,675	\$66,675	\$73,824	\$66,675	\$69,824	\$73,038

Notes:

- (a) Fees have been adjusted by a 3.0% estimated cost of living adjustment.
- (b) Same as (a), except that we will offer a discount of \$5,000, which is the approximate cost of writing a proposal. Represents a 6.9% discount in the first year.
- (c) Same as (a), except that we will offer a discount of \$12,000 over the three years. Represents a 5.4% discount over the three year period.

**MAZE AND ASSOCIATES
BACKGROUND**

QUALIFICATIONS AND CONTINUITY (Continued)

A listing of our continuing education courses provided to all our staff, both certified on non-certified, over the past three years is as follows:

Area/Course	2010		2011		2012	
	Spring 40 Hrs.	Summer 40 Hrs.	Spring 40 Hrs.	Summer 40 Hrs.	Spring 40 Hrs.	Summer 40 Hrs.
Auditing and Accounting Management						
Municipal Audit - Practice Analysis and Review	☞	☞	☞	☞	☞	☞
Managing Municipal Audits - Audit Supervisors	☞	☞			☞	☞
Cities in the News					☞	
Quality Control			☞		☞	
GAAP Updates						
Cash, Debt, and Capital Asset Auditing Updates	☞	☞	☞	☞		☞
Accounting	☞					☞
GASB/FASB Update	☞	☞	☞	☞	☞	☞
GASB 34 - Training		☞				☞
Journal Entry Testing			☞			
Compliance Audits						
Transportation Audits - TDA, STIP and Measures A, B, C		☞				
RDA Compliance	☞	☞	☞		☞	☞
Single Audit Compliance		☞		☞		☞
Housing Authority Audits and REAC Submissions		☞		☞		
Prop 1B Testing		☞				
Auditing Standards						
Audit Standards Update			☞	☞	☞	
New SASs, Risk Assessment and Impacts on Approach	☞		☞	☞		☞
Assessing Internal Control Risks/ Sample Sizes	☞		☞	☞	☞	
Updating our Audit Approach	☞		☞			
SAS 112/115/Memorandum on Internal Control Workshop	☞		☞			
Compliance Auditing (SAS 117)			☞			
Yellow Book Update				☞		☞
IT/Paperless/Other						
Team Building: Building and Maintaining Effective and Successful Teams					☞	
CCH Paperless Audit Software/ Trial Balance Function	☞	☞	☞	☞	☞	☞
IT Information Systems Review Updates	☞	☞		☞	☞	☞
Professional Liability Insurer Loss Prevention Seminar			☞			