ITEM NO. 8

STAFF REPORT

CITY OF OCEANSIDE

DATE: May 15, 2013

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

SUBJECT: **AMENDMENT 2 TO PROFESSIONAL SERVICES AGREEMENT WITH VAVRINEK, TRINE, DAY & CO., LLP FOR ACCOUNTING SERVICES**

SYNOPSIS

Staff recommends that the City Council approve amendment 2 in the amount of $100,000 annually to the professional services agreement with Vavrinek, Trine, Day & Co., of Rancho Cucamonga, and extend the term of the agreement an additional two years; and authorize the City Manager to execute the agreement.

BACKGROUND

The Financial Services Department's budget reduction plan for Fiscal Year 2011-12 included the opportunity to outsource accounting services. This addressed the City Council direction to create "smaller government", consider outsourcing functions and programs, reduce management positions, and evaluate functions performed at management level that can be reassigned downward. This also addressed the department's need for accounting technical skills, mitigate turnover and weak recruitment of supervisory positions, and centralize City-wide financial functions to comply with the auditor finding.

A three-year contract was awarded to Vavrinek, Trine, Day & Co., LLP (VTD) with an option to extend the contract for two one-year periods. Effective July 2013, VTD is entering into the third year of the contract. Finance staff and VTD staff have established a strong working relationship, and wish to continue this contract for two additional years.

ANALYSIS

Since the inception of the contract, the Finance Department's responsibilities have increased and changed significantly based on financial management of additional City programs, adhering to new Federal and State regulations, and performing centralized functions that were previously managed by other departments. Two of the functions that have increased over the years are grant coordination and bank reconciliations.

The Financial Services Director and VTD staff reviewed the entire scope of work in the existing contract and agreed to some adjustments to be consistent with the actual functions being performed by City staff and VTD staff. In many cases, it made for better control of certain tasks to be performed by the City.

VTD has provided a proposal to increase the contract price by $100,000 annually. The current contract calls for $207,600 for FY 2013-14 which will increase to $307,600. Extending the contract for two additional years brings the total amount of the amendment to $715,200. The contract change results in a cost increase of $50,000 over the prior staff costs. The Accounting division has saved $50,000 annually since FY 2011-12 by outsourcing these functions to VTD.

FISCAL IMPACT

The Accounting Division has funded the contract in the upcoming FY 2013-14 budget in account 220000101.5305 (professional services).

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council approve amendment 2 in the amount of $100,000 annually to the professional services agreement with Vavrinek, Trine, Day & Co., of Rancho Cucamonga, and extend the term of the agreement an additional two years; and authorize the City Manager to execute the agreement.

PREPARED BY:

Teri Ferro
Financial Services Director

SUBMITTED BY:

Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Attachment: Amendment 2

Proposal for Amendment to Accounting Services Contract Dated 4/4/13

CITY OF OCEANSIDE
AMENDMENT 2 TO
PROFESSIONAL SERVICES AGREEMENT

PROJECT: ACCOUNTING SERVICES

THIS AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (hereinafter "Amendment"), dated May 15, 2013 for identification purposes, is made and entered into by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY", and Vavrinek, Trine, Day & Co., LLP of Rancho Cucamonga, California, hereinafter designated as "CONSULTANT."

RECITALS

WHEREAS, City and Consultant are the parties to that certain Professional Services Agreement dated June 22, 2011, hereinafter referred to as the "Agreement", wherein Consultant agreed to provide certain services to the City as set forth therein;

AMENDMENT

NOW, THEREFORE, as set forth herein, the parties hereto do mutually agree that the Agreement shall be amended as follows:

1. Scope of Work identified in Section 1.1 B is revised per the proposal dated April 4, 2013 (attached):
   a. Maintain the general ledgers for the City in accordance with applicable laws, guidelines, standards and best practices for municipal accounting, including but not limited to General Accepted Accounting Principles (GAAP), pronouncements of the Governmental Accounting Standards Board (GASB), and best practices and advisories of the Governmental Finance Officers Association (GFOA).
   b. Prepare and review journal entries.
   c. Maintain fixed asset records.
   d. Maintain accounting subsidiary ledgers and supporting schedules to support account balances in the general ledger.
   e. Perform monthly bank reconciliations.
   f. Identify and maintain records and accounting for all grants and capital projects.
   g. Reconcile and maintain monthly debt service accounts and related schedules.
   h. Analysis and reconciliation of debt service transactions, including verification of budget postings, payments, inter-fund transfers, year-end

reconciliations of short-term and long-term debt and general ledger balances.

i. Monthly analysis and reconciliation of investment transactions.
j. Monthly preparation of adjustments for bank charges and merchant fees.
k. Monthly analysis of miscellaneous cash transactions (i.e. wires, voids, stop payments).
l. Quarterly analysis, processing and verification of submittal of unclaimed funds.
m. Prepare and provide requested information, schedules and reports for the auditors for year end and interim reporting as well as special audits as needed (i.e. TransNET, SBOE, etc.) as directed by the Financial Services Director.
n. Cooperate and assist grant coordinators as needed in fulfilling all obligations that accompany grants from various funding sources.
o. Monitor and reconcile all receivable accounts on a monthly basis.
p. Prepare and review journal entries for revenue and receivable accounts.
q. Assist with internal audits as requested by the Financial Services Director, assignment to be performed jointly by VTD and City staff.
r. Provide recommendations for improvements in internal control, accounting processes and systems.
s. Research current and relevant trends and laws that might have an impact on the City and provide communication on the events' impact(s) to the City.
t. Perform other accounting responsibilities not specifically set forth above, at the direction of the City.

2. Compensation for this amended scope of work shall not exceed $922,800 for three years with the annual costs not to exceed $307,600.
3. This amendment extends the agreement two additional years and expires June 30, 2016.
4. Termination for Convenience Agreement identified in Section 9 is amended to read "The CITY or CONSULTANT may terminate this Agreement for any reason by providing ninety (90) days written notice. CONSULTANT shall be paid for the reasonable value of the services provided as of the date of termination."
5. Except as expressly set forth in this Amendment, the Agreement shall remain in full force and effect and is hereby ratified and reaffirmed.

ACCOUNTING SERVICES

SIGNATURES. The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Amendment on behalf of the respective legal entities of the CONSULTANT and the CITY.

IN WITNESS WHEREOF the parties hereto being duly authorized on behalf of their respective entities to execute this Amendment, do hereby agree to the covenants contained in the Agreement, including this Amendment and have caused this Amendment to be executed by setting hereunto their signatures on the dates set forth below.

VAVRINEK, TRINE, DAY & CO.

By: Joseph Aguilar, Partner
Name/Title

Date: 4/23/13

By: _____
Name/Title

Date: _____

95-2648289
Employer ID No.

CITY OF OCEANSIDE

By: _____
Peter Weiss, City Manager

Date: _____

APPROVED AS TO FORM:

_____
City Attorney

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.

I:\City Attorney\Professional Services Agreement Short Amendment 2008 .doc

(Revised 11-2008)

Acknowledgment

State of California)

County of Madera)

On **April 23, 2013** before me, Sonia Alvarez, Notary Public, personally appeared **Joseph Aguilar**, who proved to me on the basis of satisfactory evidence to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity(~~ies~~), and that by his/~~her~~/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Sonia Alvarez (Seal)

SONIA ALVAREZ
Commission # 1898944
Notary Public - California
Madera County
My Comm. Expires Aug 9, 2014

DESCRIPTION OF ATTACHED DOCUMENT *(OPTIONAL)*

Title or Type of Document: City of Oceanside Amendment 2 to Professional Services Agreement

Document Date: 5/15/13 Number of Pages:

Signer(s) Other Than Named Above:

CAPACITY(IES) CLAIMED BY SIGNER(S)

Signer's Name: Signer's Name:

Title: Title:

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

April 4, 2013

Terri Ferro
City of Oceanside
300 N. Coast Hwy.
Oceanside, CA 92054

Re: Amendment to Accounting Services Contract

Dear Terri:

Vavrinek Trine Day & Co. ("VTD") began servicing the City of Oceanside with accounting services in July 2011. Since the inception of the contract, the City and VTD encountered a variety of situations that requires VTD to provide additional hours of service in order to meet the City's end results of its accounting services. Furthermore, it seems prudent to update the scope of work to be consistent to the actual experience that has occurred over the last 21 months of service. In summary, VTD hereby requests an increase to its contract price by $100,000 for services commencing in July 2013.

Since the beginning of our services to the City, two areas of work necessitate a greater amount of hours than anticipated. The bank reconciliation process on the main banking accounts is one of those areas. The City and VTD has worked diligently at streamlining the receipting process in order to reduce the amount of hours needed to complete each monthly reconciliation. Both proper internal controls and limitations to adjusting processes outside the Finance Department require more hours each month to complete these tasks. The area of grants and coordination of grant reporting has become a much greater burden on the Finance Department and VTD. Because of the increase amount of scrutiny on Federal grants and compliance requirements, the additional oversight and review process is important to keep in place. The hours of involvement from VTD staff have added to our contract burden.

In addition to the increase workload from bank reconciliations and grant coordination, part of the services contemplated from VTD includes internal audit projects. Embarking on these assignments will be start soon and fine tuning the existing scope of work allows the proper resources to be allocated towards this function. The internal audit assignments will be performed jointly with Finance Department staff and VTD staff. VTD plans to provide about eight hours per month towards the internal audit function. The City will gain greater managerial control over transaction processes by completing the internal audit assignments.

Lastly, the Finance Director and VTD went over the entire scope of work in our contract and agreed to some adjustments to the articulated items in our contract. The attached exhibit shows the changes to these items. The adjustments bring the contract provisions to be consistent to the actual functions being performed by the City staff and VTD staff. In many instances, it made for better controls for certain tasks to be performed by the City.

VTD appreciates the opportunity to serve the City of Oceanside in our contract and we endeavor to improve upon the delivery of services to the City. We believe the adjustment to the contract and the fine tuning of the scope of work strengthens the relationship between the City and VTD and properly adjusts our working relationship with realistic expectations.

Sincerely yours,

Joe Aguilar
Of VAVRINEK TRINE DAY & CO., LLP

2151 River Plaza Drive, Suite 308 Sacramento, CA 95833 Tel: 916.570.1880 Fax: 916.570.1875 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO

VTD Scope of Work

A. The firm shall perform the following accounting services:

Changes

1) Maintain the general ledgers for the City in accordance with applicable laws, guidelines, standards and best practices for municipal accounting, including but not limited to General Accepted Accounting Principles (GAAP), pronouncements of the Governmental Accounting Standards Board (GASB), and best practices and advisories of the Governmental Finance Officers Association (GFOA).

2) Prepare and review journal entries.

3) Maintain fixed asset records.

4) Maintain accounting subsidiary ledgers and supporting schedules to support account balances in the general ledger.

5) Perform monthly bank reconciliations.

6) Identify and maintain records and accounting for all grants and capital projects.

7) Reconcile and maintain monthly debt service accounts and related schedules.

8) Analysis, reconciliation and approval of debt service transactions, including budget preparation, verification of budget postings, payments, inter-fund transfers, year end reconciliations of short-term and long-term debt and general ledger balances.

Remove wording that says approval of debt service transactions
The City will approve the transactions

9) Monthly analysis and reconciliation of investment transactions.

10) Monthly preparation of adjustments for bank charges and merchant fees.

11) Quarterly analysis of bank charges and merchant fees.

To be performed by City

12) Monthly analysis of miscellaneous cash transactions (i.e. wires, voids, stop payments).

13) Quarterly analysis, processing and verification of submittal of unclaimed funds.

14) Prepare and provide requested information, schedules and reports for the auditors for year end and interim reporting as well as special audits as needed (i.e. TransNET, SBOE, etc.).

As directed by the Financ Director

15) Cooperate and assist grant coordinators as needed in fulfilling all obligations that accompany grants from various funding sources.

16) Monitor and reconcile all receivable accounts on a monthly basis.

17) Prepare and review journal entries for revenue and receivable accounts.

VTD Scope of Work

A. The firm shall perform the following accounting services:	**Changes**
18) Assist with internal audits as requested by the Financial Services Director.	
19) Monitor City revenues and prepare analytical reviews as directed.	To be performed by City
20) Monitor and report on the timely collection of all monies due to the City.	To be performed by City
21) Identify and analyze revenue trends and variances, and report finding to the City on a monthly basis.	To be performed by City
22) Provide recommendations for improvements in internal control, accounting processes and systems.	
23) Research current and relevant trends and laws that might have an impact on the City and provide communication on the events' impact(s) to the City.	
24) Perform other accounting responsibilities not specifically set forth above, at the direction of the City.	