

Agenda Report

December 8, 2014

TO: Honorable Mayor and City Council

FROM: City Manager's Office

SUBJECT: INCREASE EXISTING PURCHASE ORDER WITH KPMG FOR ACCOUNTING SERVICES ON CITYWIDE CONTRACTS AND PURCHASE ORDERS

RECOMMENDATION:

It is recommended that the City Council authorize the City Manager to

1. Amend Purchase Order #57748 with KPMG to increase the amount from \$275,000 to \$375,000 to complete a detailed analysis on approved contract and purchase orders; and
2. To the extent this transaction could be considered a separate procurement subject to competitive selection, grant the proposed contract with KPMG an exemption from Competitive Selection process set forth in the Competitive Bidding and Purchasing Ordinance pursuant to P.M.C. section 4.08.049 (B), contracts for which the City's best interests are served.

BACKGROUND:

Recently staff presented to City Council several examples where city departments either overspent the amount authorized on an approved contract and/or continued work after the contract had expired. As a result, staff committed to the Finance Committee that a detailed review of the last three years of contracts and purchase orders would be completed to ensure that they were in compliance with the approved contract amount and timeframe staff contracted with KPMG to undertake this work. Once this analysis was completed, staff would return to the Finance Committee with the results and any recommendations for further actions. Additionally, on another financial issue, the City has retained the services of KPMG to do a forensic analysis of the accounting for one of the City's special revenue fund. In an effort to expedite the process of completing the contract compliance review, staff recommended expanding the scope of work for KPMG

and approved a combined contract not to exceed \$375,000. Given that KPMG was already under contract by the City, by selecting them the time needed to train another consultant on our unique financial system and procurement practices and policies was reduced.

When the City Council approved the KPMG contract in September, staff noted that they were uncertain exactly how long it will take KPMG to complete this task but every effort will be made to do this expeditiously. As the project moved forward, it was necessary to gather more detailed information than we originally anticipated. Also, more manual data gathering was required since many of our contracts were not being tracked in the city's financial system. Additional work has been completed and we now have a final end date and product. Once staff has analyzed the work product completed by KPMG we will bring forward to the Finance Committee any outstanding issues as well as revisions to the current policies and procedures for procurement.


COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility.

FISCAL IMPACT:

The initial \$275,000 was funded from existing appropriations within the City Manager's Office Fiscal Year 2015 operating budget. For the additional \$100,000 funding will initially come from the City Manager's Office budget however, this budget will be reviewed in the third quarter and additional funds may be requested at that time.

Respectfully submitted,


JULIE A. GUTIERREZ
Assistant City Manager

Approved by:


MICHAEL J. BECK
City Manager