

Agenda Report

October 10, 2016

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Internal Audit Manager

SUBJECT: TWO YEAR EXTENSION TO CONTRACT NO. 30387 WITH MACIAS, GINI & O'CONNELL LLP (MGO) FOR FRAUD RISK ASSESSMENT SERVICES PHASES 2 & 3, AND INCREASE CONTRACT VALUE FROM \$171,400 BY \$433,320 TO \$604,720

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project;
2. To the extent this could be considered a separate procurement, grant the proposed contract amendment an exemption from the competitive selection process pursuant Pasadena Municipal Code (PMC) Section 4.08.049B, contracts for which the City's best interests are served. Competitive Bidding is not required pursuant to City Charter Section 1002 (F) contracts for professional or unique services.
3. Authorize the City Manager to amend Contract No. 30387 by increasing the contract value from \$171,400 by \$433,320 for a total contract value of \$604,720 for the completion of a risk assessment of the Department of Water & Power (Phase 2) and five City Departments (Phase 3), and extend the contract duration for an additional two years.

BACKGROUND:

On October 26, 2015, following a competitive selection process, City Council awarded Phase 1 of the Fraud Risk Assessment to Macias, Gini & O'Connell LLP (MGO) for an amount not to exceed \$171,400. Staff noted in the agenda report that the award was for the first of a three-phase risk assessment. Given that this was the first time that the City would complete a comprehensive fraud risk assessment, staff only moved forward with Phase I. After working with MGO on the initial phase, staff is satisfied with the work provided by MGO, and will now request to extend the contract for the remaining phases. The Request for Proposal contemplated funding Phase 1 in the first year with Phases 2 and 3 being funded in future years.

Phase 1 assessed six departments: Finance Department, Housing and Career Services Department, Human Services and Recreation Department, Public Health Department, Public Works Department, and Transportation Department. MGO has completed the initial risk assessments for all six departments and have issued draft reports with recommendations to improve City internal controls. MGO will complete Phase 1 in October 2016 with a final report presented to the Audit Committee, a Fraud Training session for staff, and a Fraud Manual.

As proposed, Phase 2 will be a risk assessment of the Water and Power Department. It will be completed during FY 2017 for \$285,480. Phase 3 will include five departments: Fire Department, Police Department, Human Resources Department, Library and Information Services Department and Planning & Community Development Department. It will be completed during FY 2018 for \$147,840.

The anticipated impact to other operational programs or capital projects as a result of this action will improve the City's internal controls.

COUNCIL POLICY CONSIDERATION:

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

ENVIRONMENTAL ANALYSIS:

The proposed actions are governmental fiscal activities that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project to CEQA, no environmental document is required.

FISCAL IMPACT:

The cost of this action will be \$433,320. Funding for this action will be addressed by the utilization of existing budgeted appropriations in the following account(s) for Water & Power for FY 2017:

<u>Business Unit</u>	<u>GL Org</u>	<u>GL Object</u>	<u>PL</u>	<u>Amount</u>
GM-Power	41009230	811410	05400-25951-41009230-811401	\$42,822.00
GM-Water	41007980	811410	06500-53499-41007980-811401	14,274.00
F&A-Power	42009230	811410	05400-25951-42009230-811401	42,822.00
F&A-Water	42007980	811410	06500-53499-42007980-811401	14,274.00
PS	44009230	811410	05400-25951-44009230-811401	57,096.00
PD	46009230	811410	05400-25951-46009230-811401	57,096.00
WD	49007980	811410	06500-53499-49007980-811401	57,096.00
Total MGO Cost				<u>\$285,480.00</u>

In FY 2018 the funding will be from City Manager Department account 10111000-811400 for FY 2018. It is anticipated that \$285,480 of the cost will be spent during the FY 2017. The remainder of the costs will be spent in FY 2018.


The following table presents a summary of the sources of funds that will be used.

Water & Power (FY17)	\$285,480
General Fund (FY18)	\$147,840
Total Sources	\$433,320


The following table presents a contract summary.

Original Contract Phase 1 (FY 16/17)	\$171,400
Phase 2 (FY17)	\$285,480
Phase 3 (FY18)	\$147,840
Total Fiscal Impact	\$604,720

Respectfully submitted,


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