



ADMINISTRATIVE SERVICES DEPARTMENT

CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255
TELEPHONE: (408) 777-3220 • FAX: (408) 777-3109
CUPERTINO.ORG

CITY COUNCIL STAFF REPORT

Meeting: June 21, 2023

Subject

Consider authorizing the City Manager to execute a Second Amendment to the Professional Services Agreement with Moss Adams, LLP.

Recommended Action

Authorize the City Manager to execute a Second Amendment to the Professional Services Agreement with Moss Adams, LLP for continued internal auditor services, extending the current contract term an additional 3 years to June 30, 2026, and increasing the total contract amount to \$500,000 (\$100,000 annually).

Reasons for Recommendation

The proposed Second Amendment with Moss Adams, LLP ("Moss Adams") will provide continued internal auditor services for the City through June 30, 2026. At the May 31, 2023, Audit Committee Special Meeting, the Audit Committee voted unanimously to retain Moss Adams as the City's internal auditor and forwarded its recommendation to City Council for consideration. The City's municipal code section 2.88.100 lists the Audit Committee's Powers and Function and includes "To recommend appointment of auditors".

Background

On August 23, 2021, following a Request for Proposal process, the City entered into an agreement with Moss Adams to perform internal auditor services for the FY 2021-22 internal audit work plan. On June 1, 2022, a First Amendment to extend the contract term to June 30, 2023, was executed under the authority of the City Manager per direction from the City Attorney's Office at that time. The internal audit reports and plans from fiscal year 2021-22 and 2022-23 are located on the City's [website](#) under the Finance Department.

The proposed Second Amendment will continue internal auditor services performed by Moss Adams through FY 2023-24, FY 2024-25, and FY 2025-26. In accordance with industry standard best practices from the Government Finance Officers Association (GFOA), retaining internal auditors are recommended for a minimum of five years. Initially the City only pursued a shorter-term agreement as this was a new service and it was uncertain if the City would continue with these audit services.

The FY 2023-24 internal audit work plan is tentatively scheduled to be reviewed by the Audit Committee in July 2023 and for City Council’s consideration in September 2023. If a potential project identified by Moss Adams, the Audit Committee, or City Council is not included in the FY 2023-24 internal audit work plan, it will be considered for inclusion as part of the FY 2024-25 internal audit work plan. If the FY 2023-24 internal audit work plan is approved by City Council, the recommended audits would be completed by Moss Adams, and the audit reports would be presented to Audit Committee for review and City Council for acceptance at the standard reporting periods.

The adopted FY 2023-24 Budget includes \$80,000 for internal audit services, which is less than the forecasted annual contract amount of up to \$100,000 in the proposed second amendment. This reduction was made to meet the 20% budget reductions in contract services. The City Council will have the discretion to increase the budget during the September meeting to accommodate a more robust audit work plan.

Sustainability Impact

No sustainability impact.

Fiscal Impact

Funds for this agreement are included in Administrative Services, Finance Division budget, 100-41-405 700-702, Fiscal Year 2023-24 Adopted Budget.

Fiscal Year	Amount
FY 2023-24	100,000
FY 2024-25	100,000
FY 2025-26	100,000
Total	\$300,000

California Environmental Quality Act

Not applicable.

Prepared by: Jonathan Orozco, Finance Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Approved for Submission by: Pamela Wu, City Manager

Attachments:

A – Moss Adams, LLP Agreement

B – Moss Adams, LLP First Amendment

C – Draft Second Amendment