
OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: October 24, 2008

IBA Report Number: 08-113

City Council Docket Date: October 28, 2008

Item Number: 103

Amendment No. 2 to Agreement with AKT LLP for External Auditing Services

Item 103 on the City Council Docket for October 28th, 2008 is proposed Amendment No. 2 to the agreement with AKT Certified Public Accountants, LLP (AKT) to perform auditing services for the Bid to Goal (B2G) and Pay for Performance (P4P) programs of the Water Metropolitan Wastewater Departments (collectively the Utility Departments). The IBA provides the following analysis of the contract agreement from its inception to provide a clearer understanding of past contract costs and this amendment's current funding request. In addition, the report highlights some of the issues discussed at the October 6th, 2008 Audit Committee meeting.

On April 4th, 2007 the City entered into an agreement with Grice, Lund and Tarkington, LLP (now AKT Certified Public Accountants) to provide audit services related to the Bid to Goal and Pay for Performance programs for the FY 2006 program year. The original contract was for one year, in the amount of \$112,500, with four one-year options to extend (encompassing FY 2007 through FY 2010).

On October 29th, 2007 the Utility Departments requested Amendment No. 1 to exercise the first option year of the contract in an amount not to exceed \$165,000, as well as to extend the contract for an additional three years with specified not-to-exceed costs for each subsequent year. The Council approved the one year extension, bringing the total contract value to \$277,500, but required City Council approval of subsequent contract extensions.

On October 6th, 2008, the Utility Departments presented Amendment No. 2 to the Audit Committee. As proposed, this Amendment requested authorization to expend an amount not to exceed \$515,000 over a *three year period*, which would bring the total five year

contract value to \$792,500. However, the committee recommended that it be forwarded to Council with the recommendation for only a one year extension, in an amount not to exceed \$170,000. If approved, this would bring the total not-to-exceed value of the contract to \$447,500. An overview of actions to the agreement with the authorized funding is illustrated in the table below.

Snapshot of City's Contract Agreement with AKT (with Start Date)	
Original Contract (4/4/2007)	\$112,500
Amendment No.1 (10/29/2007)	\$165,000
Amendment No.2 (10/28/2008)	\$170,000
Total	\$447,500

In addition, two requests for further information were made at the October 6th Audit Committee meeting. First, the Audit Committee requested a report by the Internal Auditor outlining the processes and procedures for the implementation of the B2G and P4P programs, to act as a guideline for the Utility Departments to follow to ensure consistency in implementing the programs and promote transparency. Secondly, upon conclusion of the audits performed by AKT, the Committee requested a report from Department management explaining whether or not the Departments agree with AKT's findings and if so, what is being done to achieve the recommendations.

[SIGNED]

Tom Haynes
Fiscal & Policy Analyst

[SIGNED]

APPROVED: Andrea Tevlin
Independent Budget Analyst

[SIGNED]

Brittany Coppage
Research Analyst