



Office of the Mayor

CONSENT CALENDAR  
May 23, 2023

To: Members of the City Council

From: Mayor Jesse Arreguin

Submitted by: Henry Oyekanmi, Director, Finance

Subject: Contract: Badawi & Associates, Certified Public Accountants for Professional Auditing Services

RECOMMENDATION

Adopt a Resolution ratifying the Mayor's decision to select Badawi & Associates as the auditing firm to perform annual financial audits of the City's financial statements and perform annual compliance audits required by the Single Audit Act of 1984 (as amended in 1996), for the period of May 22, 2023 through June 30, 2026, in the amount of \$432,525 plus a contingency of \$50,000 for a total of \$482,525; and to authorize the execution of a three-year contract with Badawi & Associates, with an option to extend the contract for two additional years.

FISCAL IMPACTS OF RECOMMENDATION

This three-year contract will cost a total of \$432,525 plus a contingency of \$50,000 for a total not to exceed \$482,525 for all funds. If the City decides to extend the contract for the two additional option years, the total cost for the five-year period will be \$743,065 plus a contingency of \$80,000 for a not to exceed \$823,065 (FY 2023, FY 2024, FY 2025, FY 2026 and FY 2027).

Contract funding for the full 3-year term is as follows:

All Fund total cost of \$432,525:

- \$139,900 in FY 2023
- \$144,210 in FY 2024
- \$148,415 in FY 2025

General Fund total budget of \$358,653 (011-99-900-900-0000-000-412-612210):

- \$119,551 in FY 2023
- \$119,551 in FY 2024
- \$119,551 in FY 2025

Other Revenue Funds total cost and budget of \$73,872:

- Business Economic Development Fund (142-21-208-253-0000-000-446-612210): \$6,124 in FY 2023; \$6,124 in FY 2024; and \$6,124 in FY 2025;

and

- Community Block Grant Development (CDBG) Fund (128-51-504-530-0000-000-444-612210): \$16,000 in FY 2023; \$16,000 in FY 2024; and \$16,000 in FY 2025
- Measure F Alameda County Vehicle Registration Fee Fund (133-99-900-900-0000-000-412-612210): \$2,500 in FY 2023; \$2,500 in FY 2024; and \$2,500 in FY 2025; and

### CURRENT SITUATION AND ITS EFFECTS

Article VI, Section 24 of the City Charter requires the City of Berkeley to have an annual audit performed, and gives the Mayor sole authority to select the firm that will perform the audit. In addition, the City is required to perform an audit in conformance with the Federal Single Audit Act of 1984, as amended in 1996.

The Finance Selection Panel recommended, and the Mayor selected, the proposal of Badawi & Associates as the most favorable to the City based on the evaluation criteria identified in the RFP.

### BACKGROUND

On January 10, 2023, the City published Request for Proposals 23-11559-C for External Audit Services. Potential bidders submitted twenty-five clarification questions, which were subsequently answered on February 2, 2023. Responses were due on February 16, 2023, and the City received and opened submissions from two firms. The two firms were (1) Badawi & Associates and (2) Eide Bailly

The proposal was for qualified Certified Public Accountants to audit the City's financial statements for the three fiscal years ending June 30, 2023, 2024, and 2025, with an option for two additional years. These audits are to be performed in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U. S. General Accounting Office's *Government Auditing Standards* (December 2011 edition), the provisions of the Federal Single Audit Act of 1984, as amended in 1996, and U. S. Office of Management (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

The two proposals were reviewed and evaluated by the Finance Selection Panel, based on the following evaluation criteria:

- Expertise and Experience
  1. Partner, supervisory and management staff to be assigned to the engagement; the numbers of hours to be spent on the engagement; and their experience;

2. Experience of the individual performing the review of the City's information system operations;
  3. Qualifications, experience and training of staff to be assigned to the engagement; and
  4. Similar engagements with governmental entities
- Audit Approach
    1. Understanding of the major tasks and subtasks to be performed;
    2. Approach to be taken to gain and document an understanding of the City's internal control structure;
    3. Approach used to assess control risk;
    4. Approach to be taken in determining laws and regulations that will be subject to audit test work;
    5. The extent to which statistical sampling is to be used on the engagement;
    6. The approach to information systems on the engagement; and
    7. Type and extent of analytical procedures to be used in the engagement
    8. Planned hours and level of staff to be used for each major task
    9. Value added to the engagement, in the form of free training to City staff and other free services
    10. Maximum fee for the engagement

#### ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects or opportunities associated with the action requested in this report.

#### RATIONALE FOR RECOMMENDATION

The two firms that provided proposals were determined to be sufficiently qualified and experienced to timely performed the engagement. Badawi & Associate's proposal received the panel's highest score based on the evaluation criteria outlined in the RFP.

#### CONTACT PERSON

Henry Oyekanmi, Director, Finance (510) 981-7326

#### Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

RATIFYING THE MAYOR'S EXECUTION OF A CONTRACT WITH BADAWI & ASSOCIATES TO PROVIDE COMPREHENSIVE PROFESSIONAL AUDITING SERVICES

WHEREAS, a Request for Proposal (Specification No. 23-11559-C) was distributed and posted on the City's Website on January 10, 2023; and

WHEREAS, two proposals were received by the February 16, 2023 deadline; and

WHEREAS, all two proposals were considered responsive to the City's Request for Proposal requirements; and their proposals were reviewed and analyzed by the Finance Selection Panel, based on the evaluation criteria outlined in the Request for Proposal; and their references were checked; and

WHEREAS, the City Charter gives the Mayor sole authority to select the firm to perform the City's annual audit; and

WHEREAS, the Mayor selected the proposal of Badawi & Associates as the most favorable to the City, based on the recommendation of the Finance Selection Panel.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley ratifies the Mayor's selection of Badawi & Associates as the auditing firm to provide professional auditing services for the City for the period May 23, 2023 through June 30, 2026 in the amount of \$432,525 plus a contingency of \$50,000 for a total not to exceed \$482,525 to be paid from budget codes 010-9701- 410-3033, 480-8705-465-3033, and 370-7903-463-3033; and authorizes the execution of a three-year contract with Badawi & Associates, with an option to extend the contract for two additional years for a total not to exceed amount of \$823,065 which includes a \$80,000 contingency for the entire five-year period.