



# Memorandum

**TO: Board of Administration for the  
Federated City Employees'  
Retirement System**

**FROM: Benjie Chua Foy**

**SUBJECT: Macias Gini and O'Connell LLP  
Audit Agreement**

**DATE: April 7, 2023**

Approved

*B. Hayman*

Date

4/7/2023

## **RECOMMENDATION**

Discussion and action to authorize the CEO to negotiate and execute an agreement between the Board of Administration for the Federated City Employees' Retirement System and Macias Gini and O'Connell LLP ("MGO") for audit services for the maximum contract amount of \$750,000.

## **BACKGROUND**

Grant Thornton, LLP ("GT") has conducted the annual financial audits for the two Retirement Plans for the past seven years. The contract with GT ends on April 30, 2023. Accordingly, the Office of Retirement Services ("ORS") initiated a Request for Proposal ("RFP") process to select a firm to provide financial audit services for five years covering fiscal years 2023, 2024, 2025, 2026 and 2027, with two one-year options for fiscal years 2028 and 2029, subject to Board approval. The RFP was posted on Biddingo, the City's contract management system, and closed on March 17, 2023.

## **ANALYSIS**

Three proposals were received from the following firms: Eide Bailly LLP ("EB"), UHY LLP ("UHY") and MGO.

EB is a top 25 regional certified public accounting firm and business advisory firm. The firm was founded in Fargo, North Dakota in 1988. EB has over 40 offices in 15 different states and over 3,000 employees. The government industry is EB's largest practice and within the industry, the public plan sector is their largest focus area. They provide services for a variety of state pensions, investment pools, cities, counties, colleges and universities, housing authorities, school districts, state agencies and tribal entities.

UHY is a licensed national CPA firm that provides a full range of accounting and business consulting services to domestic and international companies in both the public and private sector. The firm was formed in 1968 and has been in business and grown for 50 years. Nationally, UHY has 32 locations and over 1,500 employees. The audit services for the Retirement Plans will be conducted from their Mid-Atlantic headquarters located in Columbia, MD.

MGO is a regional audit firm with extensive experience in local government pension plans. Its headquarters is located at San Francisco, California. The number of employees ranges from 250 to 500. MGO was the

ORS's financial auditor for 15 years prior to GT and is currently the City's financial auditor. The City's contract with MGO expires next year, after which an RFP will likely be issued.

The proposals submitted were evaluated by the ORS senior internal auditor, one of the ORS senior investment officers and the ORS accounting division manager. Proposals were evaluated using the following criteria and weighting. The table below shows the evaluation scores for the top two finalists.

<b>Criteria</b>	<b>Weight</b>	<b>MGO</b>	<b>EideBailly</b>
Proposal Responsiveness	Pass / Fail	Pass	Pass
Organizational Experience of the Firm	20%	20.0%	17.0%
Qualifications and Experience of Project Team	15%	15.0%	13.0%
Proposer Capabilities and Approach	20%	18.7%	17.3%
Customer Satisfaction / Firm Reputation	10%	10.0%	10.0%
Fee Structure and Cost	25%	19.3%	21.7%
Local Business Enterprise	5%	5.0%	0.0%
Small Business Enterprise	5%	0.0%	0.0%
<b>Total</b>	<b>100%</b>	<b>88.0%</b>	<b>79.0%</b>

All three evaluators were unanimous in selecting MGO as their top choice. Some of the reasons cited include extensive experience with large, local government pension plans, previous experience with MGO, California certified public accountants, and detailed audit approach and timeline provided in the proposal. In addition, the technical partner that will be assigned to the engagement used to be the engagement manager who was onsite when MGO was the auditor for ORS.

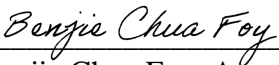
The fees proposed by MGO for five years are listed below. Based on the trend of the costs, Staff has estimated the fees for the two one-year options should the Board approve them. Staff has also added amounts for contingencies due to potential new standards proposed by the Government Finance Officers Association or any other issues that may arise in the future.

<b>Fiscal Year Ending</b>	<b>Federated System</b>	<b>Police and Fire Plan</b>	<b>Total</b>
2023	\$93,410	\$93,410	\$186,820
2024	\$91,480	\$91,480	\$182,960
2025	\$94,240	\$94,240	\$188,480
2026	\$97,000	\$97,000	\$194,000
2027	\$99,760	\$99,760	\$199,520
<b>Subtotal</b>	<b>\$475,890</b>	<b>\$475,890</b>	<b>\$951,780</b>
Estimates for 2 1-year options	\$210,00	\$210,000	\$420,000
Contingencies	\$64,110	\$64,110	\$128,220
<b>Grand Total</b>	<b>\$750,000</b>	<b>\$750,000</b>	<b>\$1,500,000</b>

Although the fees proposed are considerably higher than the two other firms (approximately \$855,000 total for EB and \$809,000 total for UHY over 5 years), Staff believes the fees reflect the depth of experience that MGO can provide. MGO will also provide more value for the money, and the learning curve will be shorter due to their experience with the Retirement Plans, as well as the City.

## **CONCLUSION**

Staff recommends engaging MGO for a five-year term with two one-year extension options for a maximum contract of \$750,000 per plan to account for the two one-year options and for contingencies.

  
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Benjie Chua Foy, Accounting Division Manager