

**MOORPARK CITY COUNCIL  
AGENDA REPORT**

**TO:** Honorable City Council

**FROM:** Ron Ahlers, Finance Director 

**DATE:** September 18, 2014 (City Council Meeting October 1, 2014)

**SUBJECT:** Consider Amendment No. 2 to Agreement with Rogers, Anderson, Malody & Scott, LLP for Independent Financial Audit of Low and Moderate Income Housing Fund and Authorize the City Manager to Execute the Amendment; and Consider Resolution Amending the Fiscal Year 2014/15 Budget to Fund the Audit

**SUMMARY**

Senate Bill 341 (SB 341), signed by the Governor on October 13, 2013, requires two reports to be filed with the State by December 31<sup>st</sup> each year. One report is the annual progress report; the other is “an independent financial audit of the Low and Moderate Income Housing Asset Fund”. Staff has received a quote from the City’s auditors that these reports shall cost \$5,000 to \$8,000 annually (see attached letter from Terry Shea, Partner in Rogers, Anderson, Malody & Scott, LLP (RAMS)).

Staff is requesting the City Council consider Amendment No. 2 to the RAMS contract to enlist the services of RAMS to complete the Addendum to the Annual Progress Report and to prepare “an independent financial audit of the Low and Moderate Income Housing Asset Fund”. This action shall increase the contract by \$24,000. There are three years remaining on the contract (\$8,000 each year: 2014, 2015 and 2016). Staff is requesting the City Council consider the attached Resolution to appropriate \$8,000 from the Housing-Successor Agency Fund, in FY 2014/15 for the specified services for fiscal year ending June 30, 2014.

**DISCUSSION**

Below is the government code section relating to the independent financial audit and the applicable dates of completion and submission of the reports.

Government Code section 34176.1 states:

34176 (a) (1) The city, county, or city and county that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency. If a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations, and housing assets, as defined in subdivision (e), excluding any amounts on deposit in the Low and Moderate Income Housing Fund and enforceable obligations retained by the successor agency, shall be transferred to the city, county, or city and county...

34176.1 Funds in the Low and Moderate Income Housing Asset Fund described in subdivision (d) of Section 34176 shall be subject to the provisions of the Community Redevelopment Law (Part 1 (commencing with Section 33000)) relating to the Low and Moderate Income Housing Fund, except as follows: ...

(f) Section 33080.1 of this code and Section 12463.3 of the Government Code shall not apply. Instead, **the housing successor shall conduct, and shall provide to its governing body, an independent financial audit of the Low and Moderate Income Housing Asset Fund within six months after the end of each fiscal year**, which may be included in the independent financial audit of the host jurisdiction. If the housing successor is a city or county, it shall also include in its report pursuant to Section 65400 of the Government Code and post on its Internet Web site all of the following information for the previous fiscal year. If the housing successor is not a city or county, it shall also provide to its governing body and post on its Internet Web site all of the following information for the previous fiscal year:

- (1) The amount deposited to the Low and Moderate Income Housing Asset Fund, distinguishing any amounts deposited for items listed on the Recognized Obligation Payment Schedule from other amounts deposited.
- (2) A statement of the balance in the fund as of the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule from other amounts.

(3) A description of expenditures from the fund by category, including, but not limited to, expenditures (A) for monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor and administering the activities described in paragraphs (2) and (3) of subdivision (a), (B) for homeless prevention and rapid rehousing services for the development of housing described in paragraph (2) of subdivision (a), and (C) for the development of housing pursuant to paragraph (3) of subdivision (a).

(4) As described in paragraph (1) of subdivision (a), the statutory value of real property owned by the housing successor, the value of loans and grants receivable, and the sum of these two amounts.

(5) A description of any transfers made pursuant to paragraph (2) of subdivision (c) in the previous fiscal year and, if still unencumbered, in earlier fiscal years and a description of and status update on any project for which transferred funds have been or will be expended if that project has not yet been placed in service.

(6) A description of any project for which the housing successor receives or holds property tax revenue pursuant to the Recognized Obligation Payment Schedule and the status of that project.

(7) For interests in real property acquired by the former redevelopment agency prior to February 1, 2012, a status update on compliance with Section 33334.16. For interests in real property acquired on or after February 1, 2012, a status update on the project.

(8) A description of any outstanding obligations pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, of the housing successor's progress in meeting those obligations, and of the housing successor's plans to meet unmet obligations. In addition, the housing successor shall include in the report posted on its Internet Web site the implementation plans of the former redevelopment agency.

(9) The information required by subparagraph (B) of paragraph (3) of subdivision (a).

(10) The percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its

former redevelopment agency, and its host jurisdiction within the same time period.

(11) The amount of any excess surplus, the amount of time that the successor agency has had excess surplus, and the housing successor's plan for eliminating the excess surplus.

*(Added by Stats. 2013, Ch. 796, Sec. 2. Effective January 1, 2014.)*

### **FISCAL IMPACT**

These two reports are estimated to cost a combined \$5,000 to \$8,000 annually. The contract with RAMS will be increased by \$24,000 (\$8,000 for each year: 2014, 2015 and 2016). The attached resolution appropriates \$8,000 from the Successor Housing Fund (2203) for audit work needed for fiscal year ending June 30, 2014.

### **STAFF RECOMMENDATION (ROLL CALL VOTE)**

1. Authorize the City Manager to execute the Amendment, subject to final language approval by the City Manager
2. Adopt Resolution No. 2014- \_\_\_\_\_, amending the FY 2014/15 Budget

#### Attachments:

1. Letter from Terry Shea, RAMS partner
2. Amendment #2 to the RAMS contract
3. Resolution No. 2014- \_\_\_\_\_



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

August 11, 2014

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**RE: NEW ANNUAL REPORT REQUIREMENTS FOR HOUSING SUCCESSORS TO REDEVELOPMENT AGENCIES**

Dear Ron,

In order to assist the City of Moorpark (the City) in its effort to comply with the new requirements of Senate Bill 341 (SB 341) and the California Department of Housing and Community Development, we are offering the following services to the City:

A) to prepare the Addendum to the Annual Progress Report (APR), and

B) to prepare an individual set of Audited Financial Statements for the City of Moorpark's Housing Successor Fund.

**Senate Bill 341**  
**"Addendum to the Annual Progress Report"**

Senate Bill 341 (Chapter 796, Statutes of 2013, effective January 2014) amended Health & Safety Code Section 34176 to address particular provisions and functions relating to former "redevelopment agencies" and new "Housing Successor" entities allowed to elect to assume particular functions of redevelopment agencies (RDAs) after being dissolved in 2012. SB 341 changed the former annual report requirement due to both the State Controller and Department of Housing and Community Development (HCD). As a result, all Successor Housing entities now have a new annual report requirement due within six months after the end of each fiscal year, starting with the fiscal year ending in 2014, to provide an "Independent Financial Audit" to their governing body.

In addition, a City's Housing Successor has an additional requirement to report specified housing financial and activity information by:

(1) Including the specified information with the Annual Progress Report (APR) submitted to HCD pursuant to State housing law to report progress in implementing the Housing Element, and

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Quality Center

California Society of  
Certified Public Accountants

(2) Posting specified information on the City's Housing Successor website.

The additional specified housing financial and activity information required by SB 341 should be reported as a paper filing identified as an "Addendum to the APR".

**Audited Financial Statements for the Housing Successor Fund**

Although California Code Section 34176.1, subsection(f) reads: "...the housing successor shall conduct, and shall provide to its governing body, an independent financial audit of the Low and Moderate Income Housing Asset Fund within six months after the end of each fiscal year, which may be included in the independent financial audit of the host jurisdiction." We are extending our offer to the City of Moorpark to provide a separate set of Audited Financial Statements, for the Housing Successor Fund. We consider a separate set of Audited Financial Statements a great tool for current and future planning and compliance achievements for housing development related granting agencies or organizations, at the federal and state level. From our knowledge of other Housing entities, certain housing development grants and/or loan applications require the submission of a separate set of financial statements. It is our responsibility to communicate to you the benefits of what we consider to be a great financial reporting tool and it is your responsibility to analyze these benefits and determine if the City of Moorpark could benefit from a separate set of Audited Financial Statements for the Housing Successor Fund.

**Fees Schedule**

We estimate our billings for the above mentioned services would be as follows:

- A) Addendum to the Annual Progress Report ..... between \$3,000 to \$5,000
- B) Housing Successor Fund Audited Financial Statements..... between \$3,000 to \$5,000

If you decide to engage us to prepare both reports, we estimate our fees would be:

- A & B) Addendum to the APR & Housing Successor Audited Financials... between \$5,000 to \$8,000

The above estimated fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the performance of the engagements. If while performing the engagements significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before incurring additional costs.

We appreciate the opportunity to be of service to the City of Moorpark and believe this communication accurately summarizes our proposal for new services. If you would like to engage us to perform either or both of the services offered herein, please let us know immediately to accommodate the necessary personnel required for the timely completion of the reports.

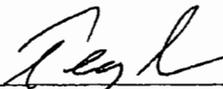
Ron Ahlers  
Finance Director

Attachment 1  
August 11, 2014  
Page 3

If you have any questions, comments or concerns please contact us.

Very truly yours,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



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Terry Shea, CPA

**AMENDMENT NO. 2  
TO AGREEMENT BETWEEN THE CITY OF MOORPARK AND  
ROGERS, ANDERSON, MALODY & SCOTT, LLP  
FOR INDEPENDENT AUDIT SERVICES**

THIS SECOND AMENDMENT TO THE AGREEMENT FOR INDEPENDENT AUDIT SERVICES ("Second Amendment"), is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2014, by and between the City of Moorpark, a municipal corporation, located in the County of Ventura, state of California, hereinafter referred to as "CITY" and Rogers, Anderson, Malody & Scott, a limited liability partnership, hereinafter referred to as "AUDITOR".

WITNESSETH:

WHEREAS, on April 19, 2012, CITY and AUDITOR entered into an Agreement for professional auditing services for five (5) fiscal years ending June 30, 2012 through fiscal year ending June 30, 2016; and

WHEREAS, on October 13, 2013, the State of California Governor Jerry Brown approved Senate Bill 341 (SB 341), which includes Section 34176.1 requiring each "housing successor shall conduct, and shall provide to its governing body, an independent financial audit of the Low and Moderate Income Housing Asset Fund within six months after the end of each fiscal year, which may be included in the independent financial audit of the host jurisdiction"; and

WHEREAS, SB 341 Section 34176.1 also requires an addendum to the annual progress report to report progress on implementing the Housing Element; and

WHEREAS, at the public meeting held on October 1, 2014, the City Council of the City of Moorpark approved the staff recommendation to enlist the AUDITOR to perform the independent financial audit and the addendum to the annual progress report, increased the all-inclusive audit fees by Twenty-Four Thousand dollars (\$24,000) for the additional services; and authorized the City Manager to execute the Second Amendment; and

WHEREAS, the CITY and the AUDITOR wish to amend the Scope of Services and Payment provisions of the Agreement.

NOW, THEREFORE, in consideration of mutual covenants, benefits, and premises herein stated, the parties hereto agree to amend the aforesaid Agreement as follows:

I. Section 2, SCOPE OF SERVICES, is amended by replacing this section in its entirety as follows:

CITY does hereby retain AUDITOR, as an independent contractor, in a contractual capacity to perform the following tasks described below for fiscal years 2011/12, 2012/13, 2013/14, 2014/15, and 2015/16, in accordance with the prescribed standards in Section II.B of the RFP, attached hereto as Exhibit C and incorporated herein by this reference as though set forth in full:

A. Conduct an annual audit of all funds of the CITY and render an auditor's report on the basic financial statements, which will include both Government - wide Financial Statements and Fund Financial Statements;

B. Prepare and word process the CITY's Comprehensive Annual Financial Report (CAFR) to be in full compliance with all the Governmental Accounting Standards Board Statements (GASB);

C. Complete a Single Audit Report on federal award programs, if applicable;

D. Conduct a financial and compliance audit of the Redevelopment Agency of the City of Moorpark ("Agency ") financial statements for period ending February 1, 2012;

E. Assist in the preparation and submittal of the CAFR for the GFOA "Certificate of Achievement for Excellence in Financial Reporting" and for the CSMFO "Certificate of Award for Outstanding Financial Reporting ";

F. Prepare the State Controller's Cities Financial Transactions Report;

G. Prepare the State Controller's Transit Operators Financial Transactions Report;

H. Issue the Independent Auditors' Management Letter that identifies issues not required to be disclosed, but represent the auditors' concerns; include recommendations for improvements suggestions noted in the audit as appropriate;

I. The performance of the due diligence review as prescribed by AB 1464 Section 34179.5(c)(1) through 34179.5(c)(3) and Sections 34179.5(c)(5) through 34179.5(c)(6) to be applied separately to the Low and Moderate Income Housing Fund of the Successor Agency and to all other funds of the Successor Agency combined; and to issue the reports by the due dates established by law; and

J. The performance of providing the independent financial audit of the Low and Moderate Income Housing Asset Fund and the addendum to the Annual Progress Report as prescribed by SB 341; and to issue the reports by December 31<sup>st</sup> each year.

In the event there is a conflict between the provisions of the RFP and this Agreement, the language contained in this Agreement shall take precedence.

II. Section 5, PAYMENT, is amended by replacing this section in its entirety as follows:

Taxpayer ID or Social Security number must be provided, on an IRS 1099 form, before payments may be made to AUDITOR.

The CITY agrees to pay AUDITOR, in accordance with the payment rates and terms and the schedule of payment as set forth in the Cost Proposal Form Attachment C of Exhibit B, attached hereto and incorporated herein by this reference as though set forth in full, based upon actual time spent on the above tasks. This amount shall not exceed Two Hundred Twelve Thousand dollars (\$212,000.00) for the term of the Agreement. Fiscal Year (FY) maximum fees to the AUDITOR are as follows:

	AUDIT YEAR					Total Contract
	2011-12	2012-13	2013-14	2014-15	2015-16	
<b>Base Services</b>						
1) City Audit & Related Reports	\$ 22,000	\$ 22,000	\$ 22,000	\$ 22,000	\$ 23,000	\$ 111,000
2) Redevelopment Audit & Related Reports	\$ 4,000	\$ 4,000	\$ 4,500	\$ 4,500	\$ 5,000	\$ 22,000
3) Single Audit & Related Reports (if applicable)	\$ 3,200	\$ 3,200	\$ 3,400	\$ 3,400	\$ 3,500	\$ 16,700
Sub-total Base Cost	\$ 29,200	\$ 29,200	\$ 29,900	\$ 29,900	\$ 31,500	\$ 149,700
<b>Optional Services</b>						
4) State Controller's Report-Cities Financial Transactions Report	\$ 2,750	\$ 2,750	\$ 3,000	\$ 3,000	\$ 3,200	\$ 14,700
5) State Controller's Report-Transit Operators Financials Transactions Report	\$ 700	\$ 700	\$ 725	\$ 725	\$ 750	\$ 3,600
6) Successor Agency-Due Diligence Reviews		\$ 20,000				\$ 20,000
7) Addendum to Annual Progress Report			\$ 4,000	\$ 4,000	\$ 4,000	\$ 12,000
8) Housing Successor Fund Audited Financial Statements			\$ 4,000	\$ 4,000	\$ 4,000	\$ 12,000
Sub-total Optional Costs	\$ 3,450	\$ 23,450	\$ 11,725	\$ 11,725	\$ 11,950	\$ 62,300
<b>Annual Maximum Fees</b>	<b>\$ 32,650</b>	<b>\$ 52,650</b>	<b>\$ 41,625</b>	<b>\$ 41,625</b>	<b>\$ 43,450</b>	<b>\$ 212,000</b>

AUDITOR shall not be compensated for any services rendered in connection with the performance of this Agreement, which are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by the City Manager. AUDITOR shall be compensated for any additional services in the amounts and in the manner as agreed to by City Manager and AUDITOR at the time CITY's written authorization is given to AUDITOR for the performance of said services. The City Manager may approve additional work not to exceed ten percent (10%) of the amount of the Agreement.

AUDITOR shall receive payment within thirty (30) days of receipt of each invoice as to all non-disputed fees. Any expense or reimbursable cost appearing on any invoice shall be accompanied by a receipt. If the CITY disputes any of AUDITOR's fees or expenses it shall give written notice to

AUDITOR within thirty (30) days of receipt of any disputed fees set forth on the invoice.

III. REMAINING PROVISIONS

Except as revised by this Amendment No. 2, all of the provisions of the Agreement shall remain in full force and effect.

In witness whereof, the parties hereto have executed this Second Amendment on the date and year first above written.

CITY OF MOORPARK

ROGERS, ANDERSON,  
MALODY & SCOTT, LLP

\_\_\_\_\_  
Steven Kueny  
City Manager

\_\_\_\_\_  
Terry Shea  
Partner

Attest:

\_\_\_\_\_  
Maureen Benson, City Clerk

RESOLUTION NO. 2014-\_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA AUTHORIZING USE OF THE HOUSING-SUCCESSOR AGENCY FUND (2203) TO PAY FOR AUDITING SERVICES AS STIPULATED IN GOVERNMENT CODE 34176

WHEREAS, on June 18, 2014 the City Council adopted the Operating and Capital Improvement Budget for Fiscal Year 2014/15; and

WHEREAS, a staff report has been presented to the City Council summarizing auditing services as required by Government Code 34176; and

WHEREAS, a budget appropriation increase of \$8,000 in the Housing-Successor Agency Fund (2203) is requested for the payment of the auditing services; and

WHEREAS, Exhibit "A" hereof describes said budget amendment and its resultant impact to the budget line items.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That a Budget Amendment in the aggregate increase of \$8,000, as more particularly described in Exhibit "A", is hereby approved.

SECTION 2. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 1<sup>st</sup> day of October, 2014.

\_\_\_\_\_  
Janice Parvin, Chair

ATTEST:

\_\_\_\_\_  
Maureen Benson, City Clerk

Exhibit A: Budget Appropriation

**Budget Amendment for  
Housing-Successor Agency Fund  
For Additional Auditing Services  
FY 2014/15**

**A. Fund Allocation**

<b>Fund Description</b>	<b>Account</b>	<b>Amount</b>
Housing-Successor Agency Fund	2203-5500	\$ 8,000
	<b>Total</b>	<b>\$ 8,000</b>

**B. Appropriation Allocation**

<b>Budget Number</b>	<b>Adopted Budget</b>	<b>Budget Change</b>	<b>Revised Budget</b>
2203-2201-0000-9102	\$ 0	\$ 8,000	\$ 8,000
<b>Total</b>	<b>\$ 0</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>

Finance Approval: 