



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager's Office



DATE: March 12, 2012
BOARD MEETING DATE: March 27, 2012
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors
FROM: John L. Maltbie, County Manager
SUBJECT: Amendment to an Agreement with Macias Gini & O'Connell LLP

RECOMMENDATION:

Adopt a Resolution authorizing the President of the Board of Supervisors to execute an amendment to the agreement with Macias Gini & O'Connell LLP for Audit Services, adding four (4) programs to the Single Audit for each of the fiscal years ending June 30, 2011, 2012 and 2013, and increasing the amount by \$92,400 to \$1,624,208.

BACKGROUND:

The County Charter (Article VI Section 603) provides that the Board of Supervisors shall have an annual audit made by a certified public accountant and the auditor shall report on the County's financial transactions and records and the effectiveness of internal controls.

On March 15, 2011, the County entered into an agreement with Macias Gini & O'Connell LLP for post-audits, examination of various County auditors' financial statements and for other audit work for the fiscal years ending June 30, 2011, 2012, 2013 and 2014 for a total amount not to exceed \$1,531,808. The term of the Agreement is from April 1, 2011 to March 31, 2015. This agreement provides for Macias to review up to eight programs in the Single Audit.

DISCUSSION:

Under the Federal American Recovery and Reinvestment Act (ARRA) of 2009, the County received over \$33 million of ARRA funds and in FY 2010-11, expended over \$13.9 million of this grant funding. The Federal Office of Management and Budget (OMB) Circular A-133 (Audits of States, Local Governments and Non-Profit Organizations) requires that programs with more than \$500,000 of federal awards be audited. The OMB placed additional audit requirements on programs with ARRA funds. As a result, the County is required to include four additional programs in the Single Audit for FY 2010-11 (from eight programs in the current agreement to twelve programs in the amended agreement). We expect to continue to expend ARRA funding until FY 2012-

13. Therefore, Macias and the Controller's Office anticipate the need to audit up to four additional programs in FY 2011-12 and FY 2012-13 as well. ARRA expenditures are expected to cease by FY 2013-14.

The Contractor has assured compliance with the County's Contractor Employee Jury Service Ordinance, as well as all other contract provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless, non-discrimination and equal benefits.

The Controller's Office and County Counsel have reviewed and approved the Resolution and amendment as to form.

Approval of this amendment contributes to the County's Shared Vision 2025 of a Collaborative Community by providing fiscal accountability and concern for future impacts.

Performance Measure(s):

| Measure | FY 2008-09 Actual | FY 2009-10 Projected |
|--|------------------------------|---------------------------------|
| County submits financial statements to the State on time and attains Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR) | Yes | Yes |

FISCAL IMPACT:

This amendment increases the Agreement amount by \$92,400 for a total not to exceed \$1,624,208 paid out by fiscal year, as follows:

- Increase for Fiscal Year ending June 30, 2011 by \$30,000 to \$394,636
- Increase for Fiscal Year ending June 30, 2012 by \$30,800 to \$408,416
- Increase for Fiscal Year ending June 30, 2013 by \$31,600 to \$420,544
- \$400,612 for Fiscal Year ending June 30, 2014 remains the same.

There is sufficient funding to cover this increased cost in the Grand Jury budget, which is fully funded by the General Fund.

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

* * * * *

RESOLUTION AUTHORIZING THE PRESIDENT OF THE BOARD OF SUPERVISORS TO EXECUTE AN AMENDMENT TO THE AGREEMENT WITH MACIAS GINI & O'CONNELL LLP FOR AUDIT SERVICES, ADDING FOUR (4) PROGRAMS TO THE SINGLE AUDIT FOR EACH OF THE FISCAL YEARS ENDING JUNE 30, 2011, 2012 AND 2013, AND INCREASING THE AMOUNT BY \$92,400 TO \$1,624,208

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, on March 15, 2011, the County contracted with Macias Gini & O'Connell LLP to provide post-audits, examinations of various County Auditors' financial statements and other auditing services; and

WHEREAS due to the receipt of \$33 million in Federal grant funding under the American Recovery and Reinvestment Act of 2009, the County has expended over \$13.9 in Federal funding in FY 2010-11 and expects to expend additional amounts in FY 2011-12 and FY 2012-13 for programs that need to be added to the Single Audit for those fiscal years; and

WHEREAS there has been presented to this Board of Supervisors for its consideration and approval an amendment to the agreement adding four (4) programs to the Single Audit for each of the fiscal years ending June 30, 2011, 2012 and 2013 increasing the agreement amount by \$92,400 for a total amount not to exceed \$1,624,208; and

WHEREAS, this Board has determined that it is in the best interest of the County to enter into the Amended March 15, 2011 Agreement; and

NOW THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the President of the Board of Supervisors be, and is hereby authorized to execute said contract Amendment for and on behalf of the County of San Mateo, and the Clerk of the Board shall attest the signature thereto.

* * * * *

**AMENDMENT TO AGREEMENT
BETWEEN THE COUNTY OF SAN MATEO AND
MACIAS GINI & O'CONNELL LLP**

THIS AMENDMENT TO THE AGREEMENT, entered into this _____ day of March, 2012, by and between the COUNTY OF SAN MATEO, hereinafter called "County," and Macias Gini & O'Connell LLP, hereinafter called "Contractor";

W I T N E S S E T H:

WHEREAS, pursuant to Government Code, Section 31000, County may contract with independent contractors for the furnishing of such services to or for County or any Department thereof;

WHEREAS, the parties entered into an Agreement for post-audits, examinations of various County Auditors' financial statements and other auditing services on March 15, 2011; and

WHEREAS, the parties wish to amend the Agreement to add four (4) programs to the Single Audit at an additional cost of \$7,500 each for an additional cost of \$30,000 for the audit year ending June 30, 2011, four (4) programs to the Single Audit at an additional cost of \$7,700 each for an additional cost of \$30,800 for the audit year ending June 30, 2012, four (4) programs to the Single Audit at an additional cost of \$7,900 each for an additional cost of \$31,600 for the audit year ending June 30, 2013.

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Section 4 of the Agreement is amended to read as follows:

4. Compensation to Auditors. Auditors agree to perform the services required of them to be performed under this Agreement for an all-inclusive maximum amount not to exceed ~~\$364,636.00~~ ~~\$394,636.00~~ for the audit for the year ending June 30, 2011, ~~\$377,616.00~~ ~~\$408,416.00~~ for the audit for the year ending June 30, 2012, ~~\$388,944.00~~ ~~\$420,544.00~~ for the audit for the year ending June 30, 2013, and \$400,612.00 for the audit for the year ending June 30, 2014. If there is a substantial change in the County's audit specifications outlined in Attachment "A", Auditor shall provide notice thereof and discussions will be held as to what amount will be paid if this Agreement is not terminated.

2. Total Cost table on page 16 of Attachment A and page 29 of Attachment C of the Agreement is amended as follows:

Total Cost

| | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---|---------------------|---------------------|---------------------|----------------|
| Comprehensive Annual Financial Report | 187,417 | 194,124 | 199,948 | 205,946 |
| Single Audit* (up to eight major programs per year) | 98,504 | 102,094 | 105,157 | 108,312 |
| Investment Policy Compliance Procedures | \$131,837 | 136,317 | 140,268 | |
| Gann Appropriations Limit Procedures | 9,110 | 9,432 | 9,715 | 10,006 |
| District Attorney Grants | 1,595 | 1,645 | 1,694 | 1,745 |
| Joint Powers Financing Authority | 10,041 | 10,404 | 10,716 | 11,037 |
| San Mateo Medical Center | 26,163 | 27,096 | 27,909 | 28,746 |
| Local Transportation Fund | 72,759 | 75,233 | 77,490 | 79,815 |
| | 2,909 | 3,013 | 3,103 | 3,196 |
| | 408,498 | 423,041 | 435,732 | |
| | 441,831 | 457,264 | 470,843 | 448,803 |
| Less (1) District Attorney Grant | (3,347) | (3,468) | (3,572) | (3,679) |
| | (40,515) | (41,957) | (43,216) | |
| Less 10% discount | (43,848) | (45,380) | (46,727) | (44,512) |
| | 364,636 | 377,616 | 388,944 | |
| Total Fees | 394,636 | 408,416 | 420,544 | 400,612 |

*** Up to twelve major programs per year for the first 3 years and up to eight major programs per year in the last year.**

3. All other terms and conditions of the Agreement dated March 15, 2011, between the County and Contractor shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives,
have affixed their hands.

COUNTY OF SAN MATEO

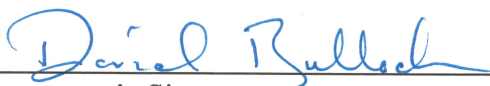
By: _____
President, Board of Supervisors, San Mateo County

Date: _____

ATTEST:

By: _____
Clerk of Said Board

Macias Gini & O'Connell LLP



Contractor's Signature

Date: 3/12/12

**County of San Mateo
Contractor's Declaration Form**

I. CONTRACTOR INFORMATION

| | | | |
|------------------|---|--------|--------------|
| Contractor Name: | Macias Gini & O'Connell LLP | Phone: | 925-395-2808 |
| Contact Person: | David Bullock | Fax: | 925-274-2819 |
| Address: | 2121 N. California Blvd., Suite 750 Walnut Creek, CA 94596 | | |

II. EQUAL BENEFITS (check one or more boxes)

Contractors with contracts in excess of \$5,000 must treat spouses and domestic partners equally as to employee benefits.

- ☒ Contractor complies with the County's Equal Benefits Ordinance by:
- ☒ offering equal benefits to employees with spouses and employees with domestic partners.
 - ☐ offering a cash equivalent payment to eligible employees in lieu of equal benefits.
- ☐ Contractor does not comply with the County's Equal Benefits Ordinance.
- ☐ Contractor is exempt from this requirement because:
- ☐ Contractor has no employees, does not provide benefits to employees' spouses, or the contract is for \$5,000 or less.
 - ☐ Contractor is a party to a collective bargaining agreement that began on _____ (date) and expires on _____ (date), and intends to offer equal benefits when said agreement expires.

III. NON-DISCRIMINATION (check appropriate box)


- ☐ Finding(s) of discrimination have been issued against Contractor within the past year by the Equal Employment Opportunity Commission, Fair Employment and Housing Commission, or other investigative entity. Please see attached sheet of paper explaining the outcome(s) or remedy for the discrimination.
- ☒ No finding of discrimination has been issued in the past year against the Contractor by the Equal Employment Opportunity Commission, Fair Employment and Housing Commission, or any other entity.

IV. EMPLOYEE JURY SERVICE (check one or more boxes)

Contractors with original or amended contracts in excess of \$100,000 must have and adhere to a written policy that provides its employees living in San Mateo County up to five days regular pay for actual jury service in the County.

- ☒ Contractor complies with the County's Employee Jury Service Ordinance.
- ☐ Contractor does not comply with the County's Employee Jury Service Ordinance.
- ☐ Contractor is exempt from this requirement because:
- ☐ the contract is for \$100,000 or less.
 - ☐ Contractor is a party to a collective bargaining agreement that began on _____ (date) and expires on _____ (date), and intends to comply when the collective bargaining agreement expires.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that I am authorized to bind this entity contractually.


Signature

David Bullock
Name

March 12, 2012
Date

Partner
Title

AGREEMENT BETWEEN THE COUNTY OF SAN MATEO AND

MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS, FROM APRIL 1, 2011 TO MARCH 31, 2015
FOR POST-AUDITS, EXAMINATION OF VARIOUS COUNTY AUDITORS'
FINANCIAL STATEMENTS AND FOR OTHER SPECIFIED AUDIT WORK FOR THE
FISCAL YEARS ENDING
JUNE 30, 2011, 2012, 2013 AND 2014

THIS AGREEMENT, entered into this 15TH day of MARCH, 2011, by and
between the COUNTY OF SAN MATEO, hereinafter called "County," and Macias Gini &
O'Connell LLP, hereinafter called "Auditors";

WITNESSETH:

WHEREAS, the Grand Jury of the County of San Mateo and the Board of Supervisors of the County of San Mateo have determined to engage Auditors for the purpose of acquiring a post audit of the financial transactions and records of the County of San Mateo in accordance with generally accepted auditing standards, the standards set forth for financial audits in the current Government Accountability Office's (GAO) *Government Auditing Standards*, the provisions of the federal Single Audit Act of 1984 (as amended in 1996) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* as well as the following additional requirements:

- California Government Code Section 25250 and Penal Code Section 925,
- Specific requirements of any compilations, audits or reviews performed under Attachment "A" of this document, "Audit Specifications."

NOW, THEREFORE, IT IS HEREBY AGREED by and between the County and Auditors as follows:

1. Term of Agreement. This Agreement shall be in full force and effect from April 1, 2011 to March 31, 2015, for the post-audit of the fiscal years ending June 30, 2011, 2012, 2013 and 2014 only, and shall terminate upon satisfactory completion of said post audits in accordance with the Specifications for Audit set forth below.

2. Specifications for Audit. Auditors shall comply with the specifications contained in that certain document attached hereto and made a part hereof, marked Attachment "A" and entitled "Audit Specifications."

3. Completion of Audit. The Auditors shall perform the said audits in compliance with the specifications above mentioned and will diligently pursue said audits in conformance with the dates specified on that certain document attached hereto and made a part hereof, marked Attachment "A" and entitled "Time Requirements." Reports shall be delivered as provided

herein, provided that by August 29 the accounts for the year ending June 30 maintained by the Controller's Office, are properly closed and draft financial statements, notes and all required supplementary schedules and statistical data are available.

4. Compensation to Auditors. Auditors agree to perform the services required of them to be performed under this Agreement for an all-inclusive maximum amount not to exceed \$364,636.00 for the audit for the year ending June 30, 2011, \$377,616.00 for the audit for the year ending June 30, 2012, \$388,944.00 for the audit for the year ending June 30, 2013, and \$400,612.00 for the audit for the year ending June 30, 2014. If there is a substantial change in the County's audit specifications outlined in Attachment "A", Auditor shall provide notice thereof and discussions will be held as to what amount will be paid if this Agreement is not terminated.

5. Extension of Audit and Provision for Compensation. Should any defalcation or other irregularity be encountered by Auditors during the performance of their work as herein specified which shall require the expenditure of time or services additional to that provided for in the specifications referred to in paragraph 2 hereof, such defalcations or irregularities shall be immediately brought to the attention of the Board of Supervisors and Grand Jury for their specific instructions in regard to the extension of the time provided for herein or in regard to the extension of compensation as provided herein. No additional time or services shall be expended by Auditors unless and until arrangements covering a charge for the additional work shall be agreed upon and approved by the Board of Supervisors and the Grand Jury.

6. Cooperation of County Officers. Auditors shall have the power of investigation and the same powers with regard to compelling the attendance of witnesses and production of books and papers and administering of oaths, as are conferred upon Boards of Supervisors to the extent permitted by law. Every officer and employee shall give all required assistance and information to Auditors and submit to them for examination such books and papers of their office as may be requested. Any instance of lack of cooperation on the part of any such County officer shall immediately be brought by the Auditors to the attention of the Board of Supervisors and the Grand Jury.

7. Time for Payment of Compensation to Auditors. On or about May 26 of each contract year, Auditors shall submit to the Grand Jury, Audit Committee, Controller and County Manager their progress report of work completed and request that their actual costs, not to exceed 35% of the maximum contract cost, be reimbursed based on the rates specified in paragraph 4 above; and if the County is satisfied that Auditors have performed satisfactorily, the request for payment shall be approved by the County Manager or his/her designee.

Within ten (10) days after the County's receipt of the initial Auditor's partner review notes of the County's draft Comprehensive Annual Financial Report "CAFR" and all other deliverables for its review as specified in Attachment "A" under "Time Requirements", Auditors shall request that their actual costs, not to exceed an additional 45% for a total of 80% of the maximum contract cost, be reimbursed based on the rates specified in paragraph 4 above; and if the County is satisfied that the Auditors have performed satisfactorily all things required of them under the terms of this Agreement, the request for payment shall be approved by the County Manager or his/her designee.

Within ten (10) days after the receipt of the final report as specified in Attachment "A" under "Time Requirements", Auditors shall submit to the County their statement that they have performed all services required of them under the terms of this Agreement; and if the County is satisfied that the Auditors have performed satisfactorily all things required of them under the terms of this Agreement, the remaining compensation for payment to Auditors shall be approved by the County Manager or his/her designee.

8. Reports. Auditors shall furnish reports pursuant to the provisions of this Agreement on or before the due dates specified on Attachment "A" attached hereto by delivering to the Controller at 555 County Center, 4th Floor, Redwood City, California 94063, subject to the conditions in paragraph 3.

9. Hold Harmless. Auditors shall indemnify, defend and hold County, its officers, agents, employees and independent contractors free and harmless from any loss or liability whatsoever, based or asserted upon any act or omission of Auditors, their partners, agents, employees, subcontractors and independent contractors, relating to or in any way connected with or arising from the accomplishment or failure to accomplish the services to be rendered hereunder, including any sanctions, penalties, or claims of damages resulting from Auditors' failure to comply with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and all Federal regulations promulgated thereunder, as amended, and Auditors shall defend at their expense, including attorneys' fees, County, its officers, agents, employees and independent contractors in any legal action based upon such alleged acts or omissions.

With respect to any action or claim which is subject to indemnification by Auditors as set forth above, Auditors shall, at their own costs, have the right to defend the same using counsel of their choice and shall have the right to adjust, settle, or compromise any such actions or claims without the prior consent of County provided, however, that any such adjustment, settlement or compromise in no manner whatsoever limits or circumscribes Auditors' indemnification to County as set forth above.

The duty of Auditors to indemnify and save harmless, as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

10. Insurance. Auditors shall not commence work under this Agreement until all insurance required under this section has been obtained and such insurance has been approved by the County's Risk Management Division. Auditor shall furnish to the County's Risk Management Division Certificates of Insurance evidencing the required coverage and there shall be a specific contractual liability endorsement extending the Auditor's coverage to include the contractual liability assumed by Auditors pursuant to this Agreement. These Certificates shall specify or be endorsed to provide that thirty (30) days notice must be given, in writing, to the County's Risk Management Division of any pending change in the limits of liability or of any cancellation or modification of the policy.

a. Workers' Compensation and Employer Liability Insurance: Auditors shall have in effect

during the entire life of this Agreement Workers' Compensation and Employer Liability Insurance providing full statutory coverage. In signing this Agreement, Auditor makes the following certification, required by Section 1861 of the California Labor Code:

I am aware of the provision of Section 3700 of the California Labor Code, which requires every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement.

b. Liability Insurance: Auditors shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect the Auditor while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from the contractor's operations under this Agreement, whether such operations be by the firm or by any sub-contractor or by anyone directly or indirectly employed by either of them and the amounts of such insurance shall be one million dollars (\$1,000,000.00) combined single limit bodily injury and property damage for each occurrence. The County may, at its sole discretion, require an increase in the amount of liability insurance to the level then customary in similar County agreements by giving sixty (60) days notice to Auditors. County and its officers, agents, employees and servants shall be named as additional insured on any such policies of insurance, which shall also contain a provision that the insurance afforded thereby to the County, its officers, agents, employees and servants shall be primary insurance to the full limits of liability of the policy, and that if the County or its officers and employees have other insurance against a loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, the County at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further work pursuant to this Agreement.

11. Compliance with laws; payment of Licenses. All services to be performed by Contractor pursuant to this Agreement shall be performed in accordance with all applicable Federal, State, County, and municipal laws, ordinances and regulations, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and the Federal Regulations promulgated thereunder, as amended, and will comply with the Business Associate requirements set forth in Attachment "B," and the Americans with Disabilities Act of 1990, as amended, and Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of handicap in programs and activities receiving any Federal or County financial assistance. Such services shall also be performed in accordance with all applicable ordinances and regulations, including, but not limited to, appropriate licensure, certification regulations, provisions pertaining to confidentiality of records, and applicable quality assurance regulations. In the event of a conflict between the terms of this Agreement and State, Federal, County, or municipal law or regulations, the requirements of the applicable law will take precedence over the requirements set forth in this Agreement. Contractor will timely

and accurately complete, sign, and submit all necessary documentation of compliance with the HIPAA requirements as set forth in Attachment "B".

12. Non-Discrimination. Auditors, with regard to the work performed by them during the contract, shall not discriminate, in any way, against any person on the basis of race, color, religion, national origin, age, sex, sexual orientation, pregnancy, childbirth or related conditions, medical condition, mental or physical disability or veteran's status in connection with or related to the performance of this Agreement, selection of their employees or in the retention of sub-contractors, including procurement of materials and leases of equipment.

Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement and subject the Auditors to penalties, to be determined by the County Manager, including but not limited to: i) termination of this Agreement; ii) disqualification of the Auditors from bidding on or being awarded a County contract for a period of up to 3 years; iii) liquidated damages of \$2,500 per violation; iv) imposition of other appropriate contractual and civil remedies and sanctions, as determined by the County Manager.

To effectuate the provisions of this paragraph, the County Manager shall have the authority to: i) examine Auditor's employment records with respect to compliance with this paragraph and ii) set off all or any portion of the amount described in this paragraph against amounts due to Auditors under the Agreement or another Agreement between Auditors and County.

Auditors shall report to the County Manager the filing by any person in any court of any complaint of discrimination or the filing by any person of any and all charges with the Equal Employment Opportunity Commission, the Fair Employment and Housing Commission or any other entity charged with the investigation of allegations within 30 days of such filing, provided that within such 30 days such entity has not notified Auditors that such charges are dismissed or otherwise unfounded. Such notification shall include the name of the complainant, a copy of such complaint and a description of the circumstance. Auditors shall provide County with a copy of its response to the Complaint when filed.

Non-Discrimination - Employment. Auditors, with regard to the work performed by them during the contract, shall ensure equal employment opportunity based on objective standards of recruitment, selection, promotion, classification, compensation, performance evaluations, and management relations, for all employees under this Agreement. Auditors' affirmative action policies shall be made available to County upon request.

Equal Benefits. With respect to the provision of employee benefits, Auditors shall comply with the County Ordinance which prohibits contractors from discriminating in the provision of employee benefits between an employee with a domestic partner and an employee with a spouse.

Contractor Employee Jury Service Ordinance. Contractor shall comply with the County Ordinance with respect to provision of jury duty pay to employees and have and adhere to a written policy that provides that its employees shall receive from the contractor, on an annual

basis, no less than five days of regular pay for actual jury service in San Mateo County. The policy may provide that employees deposit any fees received for such jury service with the contractor or that the contractor deduct from the employees regular pay the fees received for jury service.

13. Auditors - Independent Contractor. It is understood and agreed that the Auditors in the performance of the services herein agreed to be performed by Auditors shall act as and be independent contractors and not agents or employees of the County; and that as an independent contractor, Auditors shall obtain no rights to any benefits which accrue to County employees.

14. Supervision of Work by Partner and Manager. Auditors covenant to have all work performed by them under the terms of this Agreement under the direct supervision of one of the partners and the assigned manager of said Auditors and warrant that all work will be carefully supervised. If the County believes the audit would benefit from the replacement of Auditors' assigned personnel, the County reserves the right to have any and all individuals replaced within a reasonable period of time.

15. Interest of Auditors. The Auditors will covenant that they presently have no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required to be performed under this Agreement. The Auditors further covenant that, in the performance of this Agreement, no persons having any such interest shall be employed.

16. Termination. This Agreement may be terminated in whole or in part at any time by County upon thirty (30) days written notice to Auditors. In the event of termination, Auditors shall be paid for acceptable work performed hereunder through the date of termination based upon the number of hours worked and allowable expenses incurred. After receipt of the notice of termination, Auditors shall perform only those duties specified by the County Manager.

17. Records. County reserves the right to use, duplicate, and disclose, in whole or in part, in any manner for any purpose whatsoever and to authorize others to do so, all writings, graphic representations and works of a similar nature produced by Auditors pursuant to this Agreement.

All records and data of the County which are appropriate and necessary to the audit will be made available to Auditors for review and evaluation.

18. Auditors' Personnel. The personnel employed by Auditors in carrying out their duties under this Agreement shall be those specified in Attachment "C". Auditors will notify the County of any changes in the specified personnel. The County shall have the right to approve the assignment of personnel or request replacements. The Auditors agree to make comparable personnel available for all audits.

CAFR/Single Audit/JPFA /Other

David Bullock, Client Services Partner

Caroline Walsh, Professional Standards Reviewer

Annie Louie, Senior Manager

Irene Chan, Senior Assurance Associate
Assurance Associates

San Mateo Medical Center
Gary Bong, Client Services Partner
Caroline Walsh, Professional Standards Reviewer
Robert Lewis, Senior Assurance Associate
Assurance Associates

19. Modification of Agreement. This Agreement, including Attachment "A" and all Attachments thereto constitute the entire agreement between the parties. Any inconsistencies between the provisions of these documents shall be resolved by giving precedence in the following order:

1. Agreement
2. Audit Specifications (Attachment A)
3. HIPAA Business Associate Requirements (Attachment B)
4. Auditors' Technical and Cost Proposals (Attachment C)

The Agreement may be modified only by a further written agreement between the parties hereto.

20. Non-Assignability. Auditor shall not assign this Agreement or any portion thereof to a third party, and any attempted assignment in violation of this Section shall be null and void and shall give the County the right to immediately terminate this Agreement if it chooses to do so.

21. Permits/Licenses. Auditor shall obtain and maintain any license, permit, or approval from any agency whatsoever for the work/services to be performed under this Agreement, at his/her own expense, prior to commencement of said work/services or forfeit any right to compensation under this Agreement.

22. Retention of Records. Auditor shall maintain all required records for seven (7) years after the County makes final payment and all other pending matters are closed.

23. Confidentiality. All financial, statistical, personal, technical, and other data and information relating to the County's operations which is made available to Auditor in order to engage in the performance of services under this Agreement shall be presumed to be confidential. Auditor shall protect said data and information from unauthorized use and disclosure. Auditor shall not, however, be required by this paragraph to keep confidential any data or information that is or becomes publicly available, is already rightfully in Auditors' possession, is independently developed by Auditor outside the scope of this Agreement, or is rightfully obtained from third parties or is required to be disclosed by judicial or administrative order, by subpoena or other legal requirement.

24. Independence. Auditors are required by certain regulatory standards to be independent in both fact and appearance with respect to the County in the performance of services. For this reason, the County agrees to inform Auditors of any discussions regarding

employment opportunities extended to Auditors' staff so that the appropriate safeguards may be implemented to maintain independence between the County and the Auditors.

25. Governing Law and Severability. The terms and conditions of this Agreement shall be governed by, and construed in accordance with, the laws of the State of California (without giving effect to the choice of law principles thereof) with venue in the County of San Mateo Superior Court. If any provision of these terms is found by a court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions, but such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.

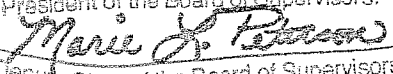
IN WITNESS WHEREOF, the parties have hereunto set their hands and seal the day and year first hereinabove written.

Attest:


Clerk of Said Board

BOARD OF SUPERVISORS, COUNTY OF
SAN MATEO, STATE OF CALIFORNIA

By: Carole Gruen
President, Board of Supervisors

Certificate of Delivery
(Government Code Section 25103)
I certify that a copy of the original document filed in
the Office of the Clerk of the Board of Supervisors of
San Mateo County has been delivered to the
President of the Board of Supervisors.

Deputy Clerk of the Board of Supervisors

MACIAS GINI & O'CONNELL LLP

By: David Bullock
"Auditors"

ATTACHMENT A

AUDIT SPECIFICATIONS

Auditors shall perform all necessary services to perform audits as specified below for fiscal years ending June 30, 2011, 2012, 2013 and 2014:

Scope of Work to be Performed

The Auditors shall express an opinion on the fair presentation of the County's basic financial statements contained in its Comprehensive Annual Financial Report (CAFR) in conformity with accounting principles generally accepted in the United States of America.

The following sections provide additional detail and describe the specific areas to be audited:

1. The auditor shall conduct an audit of the financial statements of the County in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The audit shall conduct such tests of the accounting records and such other auditing procedures considered necessary under the circumstances in order that the auditor may render an opinion of the financial statements of the County for the fiscal year ending June 30.

The auditor is not required to audit the combining and individual fund financial statements and supporting schedules. However, the auditor is to provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements. The auditor is not required to audit the introductory section of the CAFR or the statistical section of the CAFR.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board (GASB) as mandated by generally accepted auditing standards.

2. The auditor shall conduct a Single Audit (up to eight major programs) in accordance with OMB Circular A-133. The auditor shall, in conjunction with the audit of the County's financial statements, conduct audits described in the following three (3) paragraphs and issue separate reports thereon:
 - a. The audits shall be the financial and compliance type described in the *Government Auditing Standards* published by the Comptroller General of the United States.
 - b. The auditor's examination of the County's financial statements shall be the financial type described in the American Institute of Certified Public Accountants (AICPA) Industry Audit Guide, *Audits of State and Local Governmental Units* and the *Codification of Governmental Accounting*

and Financial Reporting Standards published by GASB. The examination shall be conducted in accordance with auditing standards generally accepted in the United States of America leading to the expression of an opinion in compliance with Accountancy Regulations, Section 58, of the California State Board of Accountancy.

- c. The compliance examination shall enable the auditor to determine whether the organization has complied with the laws and regulations that may have a material effect on each major Federal assistance program. The auditor shall supply special reports and expressions as required by the cognizant agency and express an opinion on the County's compliance with all major Federal assistance programs in accordance with OMB Circular A-133. Audits of secondary recipients are excluded from this agreement.

The auditor is not required to audit the schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

3. The audit shall include a review to determine if the County is complying with the uniform accounting standards and procedures as specified by the California Code of Regulations.
4. The scope of the audit shall include examination by selective tests of financial transactions of the County as reflected in the records of the County Controller and, to the extent deemed necessary, the records of financial transactions in other County offices, institutions and departments. The extent of tests necessary for such other offices, institutions and departments will be determined by the auditor.
5. The auditor shall examine and review the responses of the County departments to the recommendations of the prior year audit arising out of its examination of the internal controls and accounting procedures of said departments and offices of the County for the fiscal year ended. The auditor will render a written report of recommendations and conclusions to the Controller, Audit Committee, County Manager and Grand Jury foreman each fiscal year.

Each year the auditor shall communicate in writing to management and audit committee matters required to be communicated under the auditing standards described in this section - Scope of Work to be Performed. Such matters shall include but not be limited to control deficiencies identified during the audit that are considered significant deficiencies or material weaknesses, including matters that were communicated in previous audits and have not yet been remediated.

Each year the auditor shall also communicate in writing to management and the Audit Committee matters related to internal control that the auditor believes to be

of potential benefit to the entity, such as recommendations for operational or administrative efficiency, or for improving internal control.

6. The audit is not to cover the financial statements of school district funds and funds of special districts governed by local boards. For each fiscal year ending June 30, the auditor shall conduct agreed upon procedures and prepare separate reports on the County's compliance with the Investment Policy adopted by the Board of Supervisors and other relevant Government Code sections.
7. For each fiscal year ending June 30, the auditor shall conduct agreed upon procedures on the calculations of the appropriations limits of the County pursuant to the provisions of Proposition 111 (Section 1.5 of Article XIII B of the California Constitution). The procedures will evaluate the accuracy of the computations and the adequacy of documentation. The auditor shall provide a separate report thereon.
8. The auditor shall audit the following two grants for the District Attorney's Office and issue separate reports thereon in accordance with grant requirements:
 - a. California Department of Insurance
 - Automobile Insurance Fraud Grant - Sub-Org 25132
 - Worker's Compensation Insurance Fraud Grant - Sub-Org 25131
9. The auditor shall audit the Joint Powers Financing Authority and issue a report thereon. These financial statements will be blended into the County's financial statements.
10. The auditor shall perform a separate, stand-alone audit of the San Mateo Medical Center enterprise funds (inclusive of Clinics). This audit shall be performed in accordance with auditing standards generally accepted in the United States of America and shall comply with the applicable AICPA audit guide(s).
11. The auditor shall audit the Local Transportation Fund and issue a report thereon.

Auditing Standards To Be Followed

The audit shall be performed in accordance with generally accepting auditing standards as set forth by AICPA, the standards for financial audits set forth in the GAO's *Government Auditing Standards* (2007), and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Reports to be Issued

Following the completion of the audit of each fiscal year's financial statements, the auditor shall issue to the Controller, Audit Committee, County Manager and Grand Jury foreman:

1. A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

2. A report on compliance and internal control over financial reporting based on an audit of the financial statements.
3. A report on compliance and internal control over compliance applicable to each major federal program.

In the required reports on compliance and internal controls, the auditor shall communicate any control deficiency that is considered a material weakness or a significant deficiency found during the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The reports on compliance and internal controls shall include all material instances of non-compliance. Auditors shall discuss all immaterial instances of non-compliance with County management.

Irregularities and illegal acts. Auditor shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the County.

Reporting

Auditors shall assure themselves that the County is informed of each of the following:

1. The auditor's responsibility under auditing standards generally accepted in the United States of America and OMB Circular A-133.
2. Significant accounting policies
3. Accounting estimates
4. Audit adjustments
5. Disagreements with management
6. Consultations with other independent accountants
7. Major issues discussed with management prior to retention
8. Difficulties in performing the audit

Special Considerations

1. The County will send its CAFR to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. The auditor will be required to provide special assistance, primarily in the form of a technical review and guidance, to the County to meet the requirements of that program. Should the Award not be received for any fiscal year covered by the contract, it shall be considered sufficient grounds for the County to terminate the contract.
2. The County currently does not anticipate in Fiscal Years 2010-11 it will prepare one or more official statements in connection with the sale of debt securities which will contain the County's financial statements and the auditor's report thereon.
3. The Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on compliance and internal controls are not to be included in the CAFR, but are to be issued separately.

Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of seven (7) years, unless the auditor is notified in writing by the County of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- The Grand Jury
- Audit Committee
- County Management
- Government Accounting Office (GAO)
- Parties designated by the federal or state governments or by the County as part of an audit quality review process
- Auditor of entities of which the County is a subrecipient of grant funds

In addition, the auditor shall respond to the reasonable inquiries of successor auditor and allow successor auditor to review working papers relating to matters of continuing accounting significance.

Time Requirements

The County will have all records ready for audit and all management personnel available to meet with the auditor's personnel as of April 4, 2011.

1. Schedule for the 2011 Fiscal Year Audit of the CAFR (a similar time schedule will be developed for audits of future fiscal years).

Each of the following should be completed by the auditor no later than the dates indicated. Should the County require additional time, the auditor shall ensure that

the necessary auditor resources are available to complete the audit as close to the scheduled dates as possible.

a. Interim Work

The auditor shall complete interim work by June 15.

b. Detailed Audit Plan

The auditor shall provide County by June 15 a list of all schedules to be prepared by the County.

c. Fieldwork

The auditor shall complete all fieldwork by September 30.

d. Draft Reports

The auditor shall have drafts of the audit report and recommendations to management available for review by the Controller, the Audit Committee, the County Manager and Grand Jury foreman by November 1.

2. Entrance Conferences, Progress Reporting and Exit Conferences (A similar time schedule will be developed with the Controller's Office for audits of future fiscal years).

At a minimum, the following conferences should be held by the dates indicated on the schedule:

| | <u>Week of</u> |
|---|----------------|
| Entrance conference with Controller, Audit Committee, County Manager and Grand Jury foreman | April 25 |
| Progress conference with Controller, Audit Committee, County Manager and Grand Jury foreman | May 23 |
| Progress conference with Controller, key finance department personnel and other department heads of key offices or programs | June 20 |
| - The purpose of this meeting will be to discuss the year-end work to be performed | |
| Entrance conference with Controller to commence year-end audit work | September 6 |

Exit conference with Controller,
Audit Committee, County Manager and
Grand Jury foreman

September 29

3. Date Final CAFR Report is Due

The Controller shall prepare draft financial statements, notes and all required supplementary schedules and statistical data by August 29. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Controller by September 29.

The Controller will incorporate all recommendations, revisions, and suggestions into the draft report as expeditiously as possible. It is expected that this process should not exceed one week. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Controller within 5 working days. It is anticipated that this process will be completed and the final report delivered by November 1.

The auditor shall deliver the signed opinion electronically in a format similar to the 2010 CAFR appearing on the Controller's Internet site.

Assistance to be Provided to the Auditor and Report Preparation

1. Controller's Office and Clerical Assistance

The Controller's Office staff and responsible management personnel will be available during the audit to assist the auditor by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the County under direction of the auditor.

2. Internal Audit Staff Assistance

Auditors are advised not to anticipate any field assistance from the internal audit division, other than providing information, documentation, and explanation for CAFR and single audit sections performed by Internal Audit staff instead of Controller's Office staff.

3. Work Area, Telephones, Photocopying and Fax Machines

The County will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to 1 telephone line, 1 modem line, photocopying facilities and fax machines.

4. Report Preparation

Report preparation, editing and printing shall be the responsibility of the auditor and the County.

5. Timetable for other reports listed in Scope of Work to be Performed.

| Deliverable | <u>Due Date</u> |
|---|------------------------|
| • JPFA Report (15 copies) (#9) | September 22 |
| • Comprehensive Annual Financial Report (CAFR) (1 electronic copy of signed opinion) (#1) | November 1 |
| • Report on Appropriation Limit (50 bound copies) (#7) | September 22 |
| • Medical Center Enterprise Funds Audit Report (50 bound copies) (#-10) | September 22 |
| • Investment Policy Report (25 bound copies) (#6) | November 15 |
| • Two (2) reports for the District Attorney's Office (5 bound copies each) (#8) | November 15 |
| • Single Audit Reports (50 bound copies) (#2) | November 30 |
| • Local Transportation Fund (10 bound copies) (#11) | November 30 |
| • Management Letter (50 bound copies) (#5) | November 1 |

Note: Numbers in parenthesis (#) refer to items in Section "Scope of Work to Be Performed".

Total Cost

| | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Comprehensive Annual Financial Report | 187,417 | 194,124 | 199,948 | 205,946 |
| Single Audit (up to eight major programs) | 98,504 | 102,094 | 105,157 | 108,312 |
| Investment Policy Compliance Procedures | 9,110 | 9,432 | 9,715 | 10,006 |
| Gann Appropriations Limit Procedures | 1,595 | 1,645 | 1,694 | 1,745 |
| District Attorney Grants | 10,041 | 10,404 | 10,716 | 11,037 |
| Joint Powers Financing Authority | 26,163 | 27,096 | 27,909 | 28,746 |
| San Mateo Medical Center | 72,759 | 75,233 | 77,490 | 79,815 |
| Local Transportation Fund | 2,909 | 3,013 | 3,103 | 3,196 |
| | <u>408,498</u> | <u>423,041</u> | <u>435,732</u> | <u>448,803</u> |
| Less (1) District Attorney Grant | (3,347) | (3,468) | (3,572) | (3,679) |
| Less 10% discount | (40,515) | (41,957) | (43,216) | (44,512) |
| Total Fees | <u>364,636</u> | <u>377,616</u> | <u>388,944</u> | <u>400,612</u> |

ATTACHMENT B
Health Insurance Portability and Accountability Act (HIPAA)
Business Associate Requirements

Definitions

Terms used, but not otherwise defined, in this Schedule shall have the same meaning as those terms are defined in 45 Code of Federal Regulations section 160.103 164.304 and 164.501. (All regulatory references in this Schedule are to Title 45 of the Code of Federal Regulations unless otherwise specified.)

- a. *Designated Record Set*. “Designated Record Set” shall have the same meaning as the term “designated record set” in Section 164.501.
- b. *Electronic Protected Health Information*. “Electronic Protected Health Information” (“EPHI”) means individually identifiable health information that is transmitted or maintained in electronic media, limited to the information created, received, maintained or transmitted by Business Associate from or on behalf of Covered Entity.
- c. *Individual*. “Individual” shall have the same meaning as the term “individual” in Section 164.501 and shall include a person who qualifies as a personal representative in accordance with Section 164.502(g).
- d. *Privacy Rule*. “Privacy Rule” shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 Code of Federal Regulations Part 160 and Part 164, Subparts A and E.
- e. *Protected Health Information*. “Protected Health Information” shall have the same meaning as the term “protected health information” in Section 164.501 and is limited to the information created or received by Contractor from or on behalf of County.
- f. *Required By Law*. “Required by law” shall have the same meaning as the term “required by law” in Section 164.501.
- g. *Secretary*. “Secretary” shall mean the Secretary of the United States Department of Health and Human Services or his or her designee.
- h. *Security Incident*. “Security Incident” shall mean the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with systems operations in an information system, but does not include minor incidents that occur on a daily basis, such as scans, “pings”, or unsuccessful random attempts to penetrate computer networks or servers maintained by Business Associate
- i. *Security Rule*. “Security Rule” shall mean the Standards for the Protection of Electronic Protected Health Information at 45 CFR Part 160 and Part 164, Subparts A and C.

Obligations and Activities of Contractor

- a. Auditor (“Contractor”) agrees to not use or further disclose Protected Health Information other than as permitted or required by the Agreement or as required by law.

- b. Contractor agrees to use appropriate safeguards to prevent the use or disclosure of the Protected Health Information other than as provided for by this Agreement.
- c. Contractor agrees to mitigate, to the extent practicable, any harmful effect that is known to Contractor of a use or disclosure of Protected Health Information by Contractor in violation of the requirements of this Agreement.
- d. Contractor agrees to report to County any use or disclosure of the Protected Health Information not provided for by this Agreement.
- e. Contractor agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by Contractor on behalf of County, agrees to the same restrictions and conditions that apply through this Agreement to Contractor with respect to such information.
- f. If Contractor has protected health information in a designated record set, Contractor agrees to provide access, at the request of County, and in the time and manner designated by County, to Protected Health Information in a Designated Record Set, to County or, as directed by County, to an Individual in order to meet the requirements under Section 164.524.
- g. If Contractor has protected health information in a designated record set, Contractor agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that the County directs or agrees to make pursuant to Section 164.526 at the request of County or an Individual, and in the time and manner designed by County.
- h. Contractor agrees to make internal practices, books, and records relating to the use and disclosure of Protected Health Information received from, or created or received by Contractor on behalf of, County available to the County, or at the request of the County to the Secretary, in a time and manner designated by the County or the Secretary, for purposes of the Secretary determining County's compliance with the Privacy Rule.
- i. Contractor agrees to document such disclosures of Protected Health Information and information related to such disclosures as would be required for County to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with Section 164.528.
- j. Contractor agrees to provide to County or an Individual in the time and manner designated by County, information collected in accordance with Section (i) of this Schedule, to permit County to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with Section 164.528.
- k. Contractor shall implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of EPHI that Contractor creates, receives, maintains, or transmits on behalf of County.
- l. Contractor shall conform to generally accepted system security principles and the requirements of the final HIPAA rule pertaining to the security of health information.
- m. Contractor shall ensure that any agent to whom it provides EPHI, including a subcontractor, agrees to implement reasonable and appropriate safeguards to protect such EPHI.
- n. Contractor shall report to County any Security Incident within 5 business days of becoming aware of such incident.

- o. Contractor shall make its policies, procedures, and documentation relating to the security and privacy of protected health information, including EPHI, available to the Secretary of the U.S. Department of Health and Human Services and, at County's request, to the County for purposes of the Secretary determining County's compliance with the HIPAA privacy and security regulations.

Permitted Uses and Disclosures by Contractor

Except as otherwise limited in this Schedule, Contractor may use or disclose Protected Health Information to perform functions, activities, or services for, or on behalf of, County as specified in the Agreement; provided that such use or disclosure would not violate the Privacy Rule if done by County.

Obligations of County

- a. County shall provide Contractor with the notice of privacy practices that County produces in accordance with Section 164.520, as well as any changes to such notice.
- b. County shall provide Contractor with any changes in, or revocation of, permission by Individual to use or disclose Protected Health Information, if such changes affect Contractor's permitted or required uses and disclosures.
- c. County shall notify Contractor of any restriction to the use or disclosure of Protected Health Information that County has agreed to in accordance with Section 164.522.

Permissible Requests by County

County shall not request Contractor to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by County, unless the Contractor will use or disclose Protected Health Information for, and if the Agreement provides for, data aggregation or management and administrative activities of Contractor.

Duties Upon Termination of Agreement

- a. Upon termination of the Agreement, for any reason, Contractor shall return or destroy all Protected Health Information received from County, or created or received by Contractor on behalf of County. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Contractor. Contractor shall retain no copies of the Protected Health Information.
- b. In the event that Contractor determines that returning or destroying Protected Health Information is infeasible, Contractor shall provide to County notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of Protected Health Information is infeasible, Contractor shall extend the protections of the Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Contractor maintains such Protected Health Information.

Miscellaneous

- a. *Regulatory References.* A reference in this Schedule to a section in the Privacy Rule means the section as in effect or as amended, and for which compliance is required.
- b. *Amendment.* The Parties agree to take such action as is necessary to amend this Schedule from time to time as is necessary for County to comply with the requirements of the Privacy Rule and the Health Insurance Portability and Accountability Act, Public Law 104-191.
- c. *Survival.* The respective rights and obligations of Contractor under this Schedule shall survive the termination of the Agreement.
- d. *Interpretation.* Any ambiguity in this Schedule shall be resolved in favor of a meaning that permits County to comply with the Privacy Rule.
- e. *Reservation of Right to Monitor Activities.* County reserves the right to monitor the security policies and procedures of Contractor



ATTACHMENT C
Auditor's Technical and Cost Proposals

January 28, 2010

Mr. David S. Boesch
County Manager
County of San Mateo
400 County Center
Redwood City, CA 94063

We are pleased to confirm our understanding of the services we are to provide the County of San Mateo (County) for the years ending June 30, 2011, 2012, 2013, and 2014 should the Board of Supervisors approve the recommended contract on March 1, 2011. The Auditors will audit the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the County as of and for the years ending June 30, 2011, 2012, 2013 and 2014. The Auditors will not audit the financial statements of the Housing Authority of the County of San Mateo (Housing Authority) and the San Mateo County Employees' Retirement Association (SamCERA). Those financial statements are audited by other auditors who reports thereon will be furnished to us, insofar as they relate to the amounts included for the Housing Authority and SamCERA, are based solely on the reports of the other auditors.

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the County's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of the engagement, the Auditors will apply certain limited procedures to the County's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to the Auditor's inquiries, the basic financial statements, and other knowledge the Auditors obtained during their audit of the basic financial statements. The Auditors will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Infrastructure Assets Reported Using the Modified Approach – Road Subsystem of the Road Network.
- 3) Schedule of Funding Progress – Pension.
- 4) Schedule of Funding Progress – Other Postemployment Benefits.
- 5) Budgetary Comparison Schedule – General Fund.

Supplementary information other than RSI, such as combining and individual fund financial statements, also accompanies the County's basic financial statements. The Auditors will subject the following supplementary information to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the basic financial statements as a whole:

- 1) Combining and individual fund financial statement schedules.
- 2) Schedule of expenditures of federal awards.

The document will also include introductory and statistical sections prepared by the County that will not be subjected to the auditing procedures applied in the audit of the financial statements, and for which the auditor's report will not provide any opinion or any assurance.

In addition to the audit of the basic financial statements of the County, the Auditors will also perform the following:

- 1) Audit and separately report on the component unit financial statements of the San Mateo County Joint Powers Financing Authority (JPFA) and the fund financial statements of the San Mateo Medical Center.
- 2) Audit and separately report on the financial schedules relating to two grants funded by the State of California Department of Insurance.
- 3) Audit and separately report on the financial schedules relating to the County of San Mateo Local Transportation Fund.
- 4) Agreed-upon procedures to review compliance with the investment policy adopted by the Board of Supervisors, as revised, and Article 6 of the California Government Code (Sections 27130 to 27137).
- 5) Agreed-upon procedures to review compliance with appropriations limit requirements of Section 1.5 Article XIII B of the California Constitution.

Audit Objective

The objective of the audit is the expression of opinions as to whether the County's basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the previous section when considered in relation to the basic financial statements as a whole. The objective also includes reporting on –

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use the Grand Jury of San Mateo County, Board of Supervisors, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures the Auditors consider necessary to enable us to express such opinions and to render the required reports. If the opinions on the financial statements or the Single Audit compliance opinions are other than unqualified, the Auditors will fully discuss the reasons with management in advance.

If circumstances occur related to the condition of the County's records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in the Auditor's professional judgment prevent us from completing the audit or forming an opinion on the financial statements, the Auditors retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. Management is responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. Management will be required to acknowledge in the management representation letter that they have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, management is required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services the Auditors provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. Management is also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County and the respective changes in financial position and where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Management's responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material

misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Management's responsibilities include informing us of any knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that the County complies with applicable laws, regulations, contracts, agreements, and grants. In addition, the County is responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for the Auditor's review at the start of year-end field work. Management is responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. Management agrees to include the Auditor's report on the supplementary information in any document that contains and indicates that the Auditors have reported on the supplementary information. Management also agrees to present the supplementary information with the audited financial statements.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. Management is also responsible for providing management's views on the Auditor's current findings, conclusions, and recommendations, as well as the planned corrective actions, for the report, and for the timing and format for providing that information.

Engagement Team

The Auditors agree to rotate the County's engagement partner every three years from the starting date of the original contract. As a result, the following are the key members on the 2011, 2012 and 2013 engagement team:

Caroline Walsh, Quality Assurance Partner, Caroline is MGO's Quality Control Partner serving as the chair of the firm's Technical Standards Group. She is responsible for firm-wide quality control standards, including annual internal quality control inspections, and professional standards review of the firm's reports.

From October 2006 through 2009, Caroline served on the AICPA State and Local Government Expert Panel for a three-year term. Her role on the Expert Panel was to provide review and technical support services for the public accounting profession, including drafting and updating the AICPA guides for *Audits of State and Local Governments* and *Government Auditing Standards and Circular A-133 Audits*. The Expert Panel also serves as a liaison in activities with the GASB and government regulators. In 2009, Caroline chaired the Expert Panel Task Force which reviewed and commented on the recent GASB Invitation to Comment on Pensions on behalf of the AICPA and in August 2009 testified before the GASB summarizing the AICPA's comment letter and responding to GASB Board member questions.

In 2009, Caroline was appointed for a three-year term to the GASB Advisory Committee, which is a standing committee whose members review the GASB staff's annual proposed changes and additions to the GASB's *Implementation Guidance* and provide comments and feedback that GASB staff can consider prior to final review and clearance.

Caroline's role and responsibilities on the County's audit include: consulting with the Engagement Partners and the County on technical decisions; participating in client discussions about complex technical issues; and reviewing reports for compliance with generally accepted accounting principles and professional auditing standards.

Caroline is a member of the American Institute of Certified Public Accountants, the AICPA State & Local Government Expert Panel (2006-09), and GASB Advisor Committee for Implementation Guidance.

CAFR/Single Audit/JPFA/Other

David Bullock, Engagement Partner, is an Assurance and Government Advisory Services Partner in the San Francisco Bay Area office of MGO. He has over 17 years of professional experience providing auditing, accounting and consulting services, starting his career as a tax professional for 3 years before entering the audit profession in 1994. During the past year, David has served as the engagement partner for diverse clients such as the County of Alameda, the City of Oakland, and the San Francisco Redevelopment Agency.

Recently, David was asked by Ken Schermann, Senior Technical Advisor of GASB, to serve on the GASB Sales and Pledges Task Force, which assisted with the issuance of GASB Statement No. 48. David has made numerous presentations covering topics related to generally accepted accounting principles, promulgated by the Governmental Accounting Standards Board, and audit standards, promulgated by the American Institute of Certified Public Accountants and the Government Accountability Office.

David's role and responsibilities on the County's audits include leading and coordinating the overall delivery of the audit and technical assistance; leading project strategy and planning efforts and working with the County's management team and oversight bodies.

David is a member of the American Institute of Certified Public Accountants, President of the Association of Government Accountants, Silicon Valley Chapter and the California Society of Certified Public Accountants.

Annie Louie is an Assurance and Government Advisory Services Senior Manager in the San Francisco Bay Area office of MGO. Annie has over 8 years of public accounting experience, providing accounting, auditing and consulting work to many local governmental agencies and private sector organizations. She has served on the County of San Mateo's external audit team since 2003 in various roles. Her experience at the County enables her to facilitate on-going timely communication among all levels of the engagement. Annie also currently serves as the engagement senior manager to the City and County of San Francisco and the City of San Jose Pension Plans audit engagements.

Annie's role and responsibilities include assisting the Engagement Partner in planning, controlling, reviewing and evaluating fieldwork; consulting with audit team on issues and progress of fieldwork and discussing accounting and control issues and assists in resolving those issues and ensuring schedule compliance.

Annie is a member of the American Institute of Certified Public Accountants, California Society of Certified Public Accountants, and the GFOA Special Review Committee for CAFR awards.

Irene Chan is a Senior Assurance Associate in the San Francisco Bay Area office of MGO. Irene is a California CPA and has 6 years of accounting and auditing experience with MGO. Currently, Irene is the senior in-charge of the County of San Mateo, Oakland Housing Authority, and the Housing Authority of the County of Santa Clara engagements where she is responsible for the determination of the federal major programs to be audited, reviewing the work of the professional staff and preparing the financial statement and single audit reports. Irene's other relevant public sector experience includes participating on the federal compliance audits of the Counties of Santa Clara and Tuolumne and the Housing Authorities of the County of Santa Clara and Oakland.

Irene is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

San Mateo Medical Center

Gary Bong, Client Services Partner, is an Assurance and Advisory Services Partner in the San Francisco Bay Area office of MGO. Gary is a leader of our state-wide nonprofit and healthcare practice. He is a licensed CPA with over 25 years of experience providing auditing, accounting, tax and consulting services to clients ranging from development stage enterprises to publicly traded companies and a wide variety of nonprofit and healthcare organizations. Accordingly, he is very familiar with the operations and compliance requirements of healthcare organizations. Gary has significant experience auditing healthcare organizations and a deep understanding of the different nuances that apply specifically to governmental hospitals, such as the classification of net assets. During the past year, Gary has served as the engagement partner for complex healthcare clients such as the San Francisco General Hospital, Laguna Honda Hospital and the Alameda County Medical Center.

Gary's role and responsibilities include leading and coordinating the overall delivery of the audit and technical assistance with the Medical Center and our County engagement team; leading project strategy and planning; working closely with your management team and oversight bodies.

Gary is a member of the American Institute of Certified Public Accountants, California Society of Certified Public Accountants, and the California State Board of Accountancy Qualifications Committee. In addition, Gary volunteers as the Treasurer for the Monterey Museum of Art and is on the Finance Committee of The ARC of San Francisco.

Robert Lewis is a Senior Assurance Associate in the San Francisco Bay Area office of MGO. Robbie is a California CPA and has over 4 years of accounting and auditing experience. Currently, Robbie is the senior in-charge of the San Mateo Medical Center and the Alameda County Medical Center engagements where he is responsible for reviewing the work of the professional staff and preparing the financial statement reports.

Robbie is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. He also volunteers to provide tax assistance for Tax Aid and United Way.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, the audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because the Auditors will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, the Auditors will inform management of any material errors and any fraudulent financial reporting or misappropriation of assets that come to the Auditor's attention. The Auditors will also inform management of any violations of laws or governmental regulations that come to their attention, unless clearly inconsequential and of any material abuse that comes to their attention. The Auditors will include such matters in the reports required for a Single Audit. The Auditor's responsibility is limited to the period covered by their audit and does not extend to any later periods for which the Auditors are not engaged as auditors.

The Auditor's procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. The Auditors will request written representations from the County's attorneys as part of the engagement, and they may bill the County for responding to this inquiry. At the conclusion of the audit, the Auditors will also require certain written representations from management about the financial statements and related matters.

Audit Procedures—Internal Controls

The audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that the Auditors consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. The Auditor's tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in the report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, the Auditors will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that the Auditors consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, the tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in the report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, the Auditors will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, the Auditors will perform tests of the County's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and the Auditors will not express such an opinion in the report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that the Auditors also plan and perform the audit to obtain reasonable assurance about whether the County has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. The Auditor's procedures will consist of tests of transactions and other applicable procedures described in the OMB Circular A-133 Compliance Supplement and related addenda for the types of compliance requirements that could have a direct and material effect on each of the County's major programs. The purpose of these procedures will be to express an opinion on the County's compliance with requirements applicable to each of its major programs in the report on compliance issued pursuant to OMB Circular A-133.

Audit Administration and Other

At the conclusion of the engagement, the Auditors will complete the appropriate sections of the Data Collection Form that summarizes the audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and a corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. The Auditors will coordinate with management the electronic submission and certification. If applicable, the Auditors will provide copies of their report for management to include with the reporting package that will be submitted to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The Auditors will provide copies of their reports to the County; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of their reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Macias Gini & O'Connell LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, the Auditors may be requested to make certain audit documentation available to the cognizant agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. The Auditors will notify the County of any such request. If requested, access to such audit documentation will be provided under the supervision of Macias Gini & O'Connell LLP personnel.

Furthermore, upon request, the Auditors may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release or for any additional period requested by the County's cognizant agency or pass-through entities. If the Auditors are aware that a federal awarding agency, pass-through entity, or the County is contesting an audit finding, the Auditors will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our fees for these services over a 4-year period will be as summarized below, which have been discounted by 10%. The discount represents cost savings of \$170,200 over the 4-year period from our original proposal and includes an additional federal major program.

Total Cost

| | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|---|-------------------|-------------------|-------------------|-------------------|
| Comprehensive Annual Financial Report | \$ 187,417 | \$ 194,124 | \$ 199,948 | \$ 205,946 |
| Single Audit (up to eight major programs) | 98,504 | 102,094 | 105,157 | 108,312 |
| Investment Policy Compliance Procedures | 9,110 | 9,432 | 9,715 | 10,006 |
| Gann Appropriations Limit Procedures | 1,595 | 1,645 | 1,694 | 1,745 |
| District Attorney Grants | 10,041 | 10,404 | 10,716 | 11,037 |
| Joint Powers Financing Authority | 26,163 | 27,096 | 27,909 | 28,746 |
| San Mateo Medical Center | 72,759 | 75,233 | 77,490 | 79,815 |
| Local Transportation Fund | 2,909 | 3,013 | 3,103 | 3,196 |
| | 408,498 | 423,041 | 435,732 | 448,803 |
| Less (1) District Attorney Grant | (3,347) | (3,468) | (3,572) | (3,679) |
| Less 10% discount | (40,515) | (41,957) | (43,216) | (44,512) |
| Total Fees | <u>\$ 364,636</u> | <u>\$ 377,616</u> | <u>\$ 388,944</u> | <u>\$ 400,612</u> |

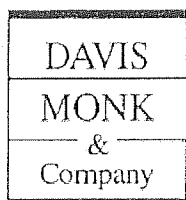
Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the County in the performance of our services. Any discussions that the County has with the Auditor's personnel regarding employment could pose a threat to their independence. Therefore, the County agrees to inform the Auditor's prior to any such discussions so that the Auditors can implement appropriate safeguards to maintain their independence. The County should also be aware that services under this agreement may be provided to the County by a nonlicensee owner (that is, by an owner of the Firm who, because of his or her specialty, is not individually licensed as a Certified Public Accountant).

Government Auditing Standards require that the Auditors provide the County with a copy of the Auditor's most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. The Auditor's 2009 peer review report accompanies this letter.

Macias Gini & O'Connell LLP:

By: David Bullock Title: Partner

Date: January 28, 2011



Certified Public Accountants
& Business Consultants

A Partnership Consisting of
Professional Associations

Gainesville
4010 N.W. 25th Place
P.O. Box 13494 (32604)
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(800) 344-5034
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Members:
CPAmerica International
Florida Institute of
Certified Public Accountants
American Institute of
Certified Public Accountants
Horwath International

SYSTEM REVIEW REPORT

May 14, 2009

To the Partners of
Macias, Gini & O'Connell, LLP
and the Peer Review Committee of the American Institute of Certified
Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Macias, Gini & O'Connell, LLP (the "firm") applicable to non-SEC issuers in effect for the year ended March 31, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Macias, Gini & O'Connell, LLP applicable to non-SEC issuers in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Macias, Gini & O'Connell, LLP has received a peer review rating of *pass*.

Davis, Monk & Company
DAVIS, MONK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

County of San Mateo
Contractor's Declaration Form

I. CONTRACTOR INFORMATION

| | | | |
|------------------|---|--------|--------------|
| Contractor Name: | Macias Gini & O'Connell LLP | Phone: | 925-396-2808 |
| Contact Person: | David Bullock | Fax: | 925-274-3819 |
| Address: | 2121 N. California Blvd., Suite 750 Walnut Creek, CA 94596 | | |

II. EQUAL BENEFITS (check one or more boxes)

Contractors with contracts in excess of \$5,000 must treat spouses and domestic partners equally as to employee benefits.

- ☒ Contractor complies with the County's Equal Benefits Ordinance by:
- ☒ offering equal benefits to employees with spouses and employees with domestic partners.
 - ☐ offering a cash equivalent payment to eligible employees in lieu of equal benefits.
- ☐ Contractor does not comply with the County's Equal Benefits Ordinance.
- ☐ Contractor is exempt from this requirement because:
- ☐ Contractor has no employees, does not provide benefits to employees' spouses, or the contract is for \$5,000 or less.
 - ☐ Contractor is a party to a collective bargaining agreement that began on _____ (date) and expires on _____ (date), and intends to offer equal benefits when said agreement expires.

III. NON-DISCRIMINATION (check appropriate box)

- ☐ Finding(s) of discrimination have been issued against Contractor within the past year by the Equal Employment Opportunity Commission, Fair Employment and Housing Commission, or other investigative entity. Please see attached sheet of paper explaining the outcome(s) or remedy for the discrimination.
- ☒ No finding of discrimination has been issued in the past year against the Contractor by the Equal Employment Opportunity Commission, Fair Employment and Housing Commission, or any other entity.

IV. EMPLOYEE JURY SERVICE (check one or more boxes)

Contractors with original or amended contracts in excess of \$100,000 must have and adhere to a written policy that provides its employees living in San Mateo County up to five days regular pay for actual jury service in the County.

- ☒ Contractor complies with the County's Employee Jury Service Ordinance.
- ☐ Contractor does not comply with the County's Employee Jury Service Ordinance.
- ☐ Contractor is exempt from this requirement because:
- ☐ the contract is for \$100,000 or less.
 - ☐ Contractor is a party to a collective bargaining agreement that began on _____ (date) and expires on _____ (date), and intends to comply when the collective bargaining agreement expires.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that I am authorized to bind this entity contractually.

David Bullock
Signature

2/15/11
Date

David Bullock
Name

Partner
Title

CONTRACT INSURANCE APPROVAL

HUMAN RESOURCES
PERSONNEL SERVICES
COUNTY OF SAN MATEO

DATE: 2/17/2011

2011 FEB 17 PM 4:47

TO: Faiza Steele

FAX: 363-4864 PONY: HRD 163

FROM: Shanna Collins

PHONE:
363-4174FAX:
556-1751PONY:
CMO 105

The following is to be completed by the department before submission to Risk Management:

CONTRACTOR NAME: Macias Gini & O'Connell LLP

DOES THE CONTRACTOR TRAVEL AS A PART OF THE CONTRACT SERVICES? yes.

NUMBER OF EMPLOYEES WORKING FOR CONTRACTOR: X > 50

DUTIES TO BE PERFORMED BY CONTRACTOR FOR COUNTY: Audit Services.

The following will be completed by Risk Management:

| INSURANCE COVERAGE: | Amount | Approve | Waive | Modify |
|---------------------------------|-----------|-------------------------------------|--------------------------|--------------------------|
| Comprehensive General Liability | \$ Inile | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Motor Vehicle Liability | \$ Inile | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Professional Liability | \$ Inile. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Workers' Compensation | statutory | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

REMARKS/COMMENTS:

Faiza Steele
Faiza Steele
Risk Management Analyst

2/22/11
Date

RESOLUTION NO. 071303

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

* * * * *

RESOLUTION A) WAIVING THE REQUEST FOR PROPOSALS (RFP) PROCESS AND AUTHORIZING THE PRESIDENT OF THE BOARD TO EXECUTE AN AGREEMENT WITH MACIAS GINI & O'CONNELL LLP FOR THE PROVISION OF FINANCIAL AUDIT SERVICES FOR THE FISCAL YEARS ENDING JUNE 30, 2011, 2012, 2013, AND 2014 FOR A TERM OF APRIL 1, 2011 THROUGH MARCH 31, 2015 IN AN AMOUNT NOT TO EXCEED \$1,531,808; AND B) AUTHORIZING THE COUNTY MANAGER TO EXECUTE SUBSEQUENT AMENDMENTS AND MINOR MODIFICATIONS NOT TO EXCEED AN AGGREGATE OF \$25,000 AND TO MAKE MINOR CHANGES IN THE TYPES OF SERVICES AND ACTIVITIES PROVIDED UNDER THE AGREEMENT

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, Ordinance Code Section 2.92.050 authorizes the Board of Supervisors to waive the Request for Proposals process in any situation where the Board determines that the best interest of the County would be served without the necessity of formal proposals; and

WHEREAS, A Request for Proposal (RFP) for audit services was issued in December 2007 for the same scope of services as the recommended agreement. The RFP was sent to twelve firms and advertised twice in a local newspaper. MGO was the only firm that submitted a proposal and the Board of Supervisors awarded a three year contract in April 2008; and

WHEREAS, there has been presented to this Board of Supervisors for its consideration and acceptance an agreement, reference to which is hereby made for

further particulars, whereby Macias, Gini & O'Connell LLP will provide post-audits, examination of various County Auditors' financial statements and for other specified audit work for the years ending June 30, 2011, 2012, 2013, and 2014, for an all inclusive maximum price of \$1,531,808; and

WHEREAS, it is in the County's best interests to waive the RFP process and to enter into the Agreement in order to obtain the beneficial contract provisions regarding cost savings and expanded audit coverage as set forth therein; and

WHEREAS, this Board has been presented with the form of the Agreement and has examined and approved it as to both form and content and desires to enter into the Agreement.

NOW THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the President of this Board of Supervisors be, and is hereby authorized and directed to waive the Request for Proposal (RFP) process and execute said Agreement on behalf of the County of San Mateo, and the Clerk of the Board shall attest the President's signature thereto.

BE IT FURTHER RESOLVED, that the County Manager is hereby authorized to execute subsequent amendments and minor modifications not to exceed an aggregate of \$25,000 and to make minor changes in the types of services and activities provided under the Agreement.

* * * * *

Regularly passed and adopted this 15th day of March, 2011.

AYES and in favor of said resolution:

Supervisors:

CAROLE GROOM

DON HORSLEY

ROSE JACOBS GIBSON

ADRIENNE J. TISSIER

NOES and against said resolution:

Supervisors:

NONE

Absent Supervisors:

NONE

Carole Groom

President, Board of Supervisors
County of San Mateo
State of California

Certificate of Delivery

I certify that a copy of the original resolution filed in the Office of the Clerk of the Board of Supervisors of San Mateo County has been delivered to the President of the Board of Supervisors.

Marie L. Peterson

Marie L. Peterson, Deputy
Clerk of the Board of Supervisors

