

MEMORANDUM

April 10, 2009

TO: County Council

FROM: ^{LR} Leslie Rubin, Legislative Analyst
Office of Legislative Oversight

SUBJECT: **Contract Renewals for Audit Services**

Audit Committee Recommendations:

- ◆ **Approve Amendment #2 to the Council's Contract with Clifton Gunderson LLP, and authorize the Council President to execute the Amendment on behalf of the Council.** The Amendment renews for one year the Council's contract with Clifton Gunderson for professional auditing services. The County Attorney's Office reviewed and approved Amendment #2 for form and legality.
- ◆ **Approve Amendment #1 to the Council's Contract with Rager, Lehman & Houck, and authorize the Council President to execute the Amendment on behalf of the Council.** The Amendment renews for one year the Council's contract with Rager, Lehman & Houck for professional auditing services. The County Attorney's Office reviewed and approved Amendment #1 for form and legality.

Background:

A. Clifton Gunderson LLP

Amendment #2 to the Council's Contract with Clifton Gunderson LLP is attached at ©1. The Council Audit Committee reviewed Amendment #2 on April 2, 2009 and recommends approval. The Amendment renews the contract to allow Clifton Gunderson to complete the FY 2009 audit, including:

- An audit of the County Government Financial Statements, Employees' Retirement Plans, and the County's Emergency 9-1-1 System;
- A single audit of Federal Grant programs; and
- Agreed-Upon Procedures related to the Landfill Financial Assurance and the Federal Transit Act Grant.

The FY09 audit is the second year of Clifton Gunderson’s audit engagement. According to the Council’s contract with Clifton Gunderson, the fees for audit services are fixed for the first two years of the contract. Therefore, the contract amendment does not reflect any increase in fees from the first year of the contract.

If the Council approves the contract Amendment, Amendment #2 indicates that the cost for FY09 audit services totals \$297,440. The source of funds will be the Independent Audit Non-Departmental Account, the County’s Retirement System, the Solid Waste Disposal Fund, and the State Emergency Number Systems Board.

B. Rager, Lehman & Houck, P.C.

Amendment #1 to the Council’s Contract with Rager, Lehman & Houck, P.C. is attached at ©4. The Council Audit Committee reviewed Amendment #1 on April 2, 2009 and recommends approval. The Amendment renews the contract to allow Rager, Lehman & Houck to complete the FY 2009 audit of the County’s Local Fire and Rescue Departments.

The FY09 audit is the second year of Rager, Lehman & Houck’s engagement. According to the Council’s contract with Rager, Lehman & Houck, the fees for audit services are fixed for the first two years of the contract. Therefore, the contract amendment does not reflect any increase in fees from the first year of the contract.

If the Council approves the contract Amendment, Amendment #1 indicates that the cost for FY09 audit services totals \$95,000. The source of funds is the Independent Audit NDA.

Attachment	Begins on ©
Clifton Gunderson LLP Contract Amendment #2	©1
Rager, Lehman & Houck, P.C. Contract Amendment #1	©4

CONTRACT AMENDMENT #2
CONTRACT NUMBER 8031000103AB

This Amendment is entered into between Montgomery County, Maryland, on behalf of the County Council for Montgomery County, Maryland ("Council"), and Clifton Gunderson LLP, 11710 Beltsville Drive, Suite 300, Calverton, MD 20705 ("Contractor" or "Auditor").

BACKGROUND

1. The Council and the Auditor entered into Contract No. 8031000103AB on April 24, 2008. The current contract expires on July 23, 2009.
2. The purpose of this Contract is to provide for auditing services as required by Section 315 of the Montgomery County Charter.
3. The Council may renew the Contract, one year at a time, for three additional one year periods. The Auditor's services are needed to conduct the Fiscal Year 2009 audit.
4. Under this Contract, Article V. "Payments", Paragraph D. Payments in Subsequent Years., the fee for Auditor services is firm for a period of two years after execution of the Contract.

CHANGE

1. Article V. "Payments", Paragraph A., Subparagraph 1. Payment for Subparagraphs 1, 2, 3, 4, 5, 10a, and 11a is amended by adding the following:
 - a. The County will pay the Contractor a fixed fee not to exceed \$243,466 for Fiscal Year 2009 audit services performed under this portion of the Contract. The Council will pay the Contractor on a monthly basis for work completed during the month, on the condition that the Contract Administrator determines, in his or her sole discretion, that the Contractor is making satisfactory progress toward completing all auditing services. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
2. Article V. "Payments", Paragraph A., Subparagraph 2. Payment for Subparagraph 6 is amended by adding the following:
 - a. The County will pay the Contractor a fixed fee not to exceed \$10,000 for Fiscal Year 2009 audit services performed under this portion of the Contract. The County will pay the Contractor in two equal installments, with the first installment paid upon completion of the Contractor's field work, and the second installment paid after the Council accepts the deliverables described in Article II. "Deliverables", Paragraph B., Subparagraph 5. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.

3. Article V. "Payments", Paragraph A., Subparagraph 3. Payment for Subparagraph 7 is amended by adding the following:
 - a. The County will pay the Contractor a fixed fee not to exceed \$2,804 for Fiscal Year 2009 audit services performed under this portion of the Contract. The County will pay the Contractor after the Council accepts the deliverables described in Article II. "Deliverables", Paragraph B., Subparagraph 6. The Solid Waste Disposal Fund will be the source of funds. The Department of Environmental Protection is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
4. Article V. "Payments", Paragraph A., Subparagraph 4. Payment for Subparagraph 8 is amended by adding the following:
 - a. The State of Maryland will pay the Contractor a fixed fee not to exceed \$4,450 for Fiscal Year 2009 audit services performed under this portion of the Contract. The State will pay the Contractor upon the Emergency Number Systems Board's acceptance of the deliverables described in Article II. "Deliverables", Paragraph B., Subparagraph 7. Emergency Number Systems Board funds will be the source of funds. The Emergency Number Systems Board is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
5. Article V. "Payments", Paragraph A., Subparagraph 5. Payment for Subparagraphs 9, 10b and 11b is amended by adding the following:
 - a. The County will pay the Contractor a fixed fee not to exceed \$36,720 for Fiscal Year 2009 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed, on the condition that the Board of Investment Trustees' designee determines that the Contractor is making satisfactory progress toward completing all auditing services. The Employees' Retirement System, the Retirement Savings Plan, and the County's General Fund (on behalf of the Deferred Compensation Plan) will be the source of funds. The Board of Investment Trustees' designee is responsible for approving invoices and paying the Contractor for services satisfactorily performed under this portion of the Contract.
6. This Contract is renewed for an additional term of one year from July 24, 2009 through July 23, 2010.

EFFECT

1. Existing Contract terms remain in effect unless specifically changed by this Amendment.
2. This Amendment is entered into prior to the expiration of the Contract.
3. This Amendment is entered into on the date of signature by the President of the County Council for Montgomery County, Maryland.
4. No goods or services are to be provided pursuant to this Amendment until it is signed by the President of the County Council for Montgomery County, Maryland.

(Signature Page Follows)

WITNESS

Clifton Gunderson LLP

BY: _____
Keith Novak, Partner
Clifton Gunderson LLP

DATE _____

Montgomery County, Maryland

BY: _____
Phil Andrews, President
Montgomery County Council

DATE _____

Approved to as to form and legality:

BY: _____
Walter Wilson
Assistant County Attorney

DATE _____

CONTRACT AMENDMENT #1
CONTRACT NUMBER 8031000103BB

This Amendment is entered into between Montgomery County, Maryland on behalf of the County Council for Montgomery County, Maryland ("Council") and Rager, Lehman & Houck, P.C., 205 East Main Street, Westminster, Maryland 21157 ("Contractor" or "Auditor").

BACKGROUND

1. The Council and the Auditor entered into Contract No. 8031000103BB on May 29, 2008. The current contract expires on August 28, 2009.
2. The purpose of this Contract is to provide for auditing services as required by Section 315 of the Montgomery County Charter.
3. The Council may renew the Contract, one year at a time, for three additional one year periods. The Auditor's services are needed to conduct the Fiscal Year 2009 audit.
4. Under this Contract, Article V. "Payments", Paragraph E. Payments in Subsequent Years., the fee for Auditor services is firm for a period of two years after execution of the Contract.

CHANGE

1. Article V. "Payments", Paragraph A. Payment for Article I. "Scope of Work", Paragraph A. Basic Work is amended by adding the following subparagraph 1:
 - 1) The County will pay the Contractor a fixed fee not to exceed \$95,000 for Fiscal Year 2009 audit services performed under this portion of the Contract. The County will pay the Contractor on a monthly basis for work completed during the month, on the condition that the Contract Administrator determines, in his or her sole discretion, that the Contractor is making satisfactory progress toward completing all auditing services. The Independent Audit Non-Departmental Account is the source of funds. The Contract Administrator is responsible for approving invoices and paying the Contractor for services performed under this portion of the Contract.
2. This Contract is renewed for an additional term of one year from August 29, 2009 through August 28, 2010.

EFFECT

1. Existing Contract terms remain in effect unless specifically changed by this Amendment.
2. This Amendment is entered into prior to the expiration of the Contract.
3. This Amendment is entered into on the date of signature by the President of the County Council for Montgomery County, Maryland.
4. No goods or services are to be provided pursuant to this Amendment until it is signed by the President of the County Council for Montgomery County, Maryland.

(Signature Page Follows)

WITNESS

Rager, Lehman & Houck, P.C.

BY: _____
Karl Lehman, Managing Partner
Rager, Lehman & Houck, P.C.

DATE _____

Montgomery County, Maryland

BY: _____
Phil Andrews, President
Montgomery County Council

DATE _____

Approved to as to form and legality:

BY: _____
Walter Wilson
Assistant County Attorney

DATE _____