SUPPLEMENTAL AGREEMENT

Project Title and Job Number: 2005-2006 Audit 'Group A' **Date: May 23, 2006**
Purchase Order #: **Supplemental Agreement No.: 1**

The City of Sacramento ("City") and Macias, Gini & Company LLP ("Auditor"), as parties to that certain Consultant and Professional Services Agreement designated as Agreement Number 2005-0046, including any and all prior supplemental agreements modifying said agreement (said agreement and supplemental agreements are hereafter collectively referred to as the "Agreement"), hereby supplement and modify the Agreement as follows:

1. The scope of Services specified in Exhibit A of the Agreement is amended as follows:
   Please see Exhibit A

2. In consideration of the additional and/or revised services described in section 1, above, the maximum not-to-exceed amount that is specified in Exhibit B of the Agreement for payment of Consultant's fees and expenses, is **increased** by $165,387, and said maximum not-to-exceed amount is amended as follows:

Agreement's original not-to-exceed amount:	$141,446
Net change by previous supplemental agreements:	$468,205
Not-to-exceed amount prior to this supplemental agreement:	$609,651
Increase by this supplemental agreement:	$165,387
New not-to exceed amount including all supplemental agreements:	$775,038

3. Consultant agrees that the amount of increase or decrease in the not-to-exceed amount specified in section 2, above, shall constitute full compensation for the additional and/or revised services specified in section 1, above, and shall fully compensate Consultant for any and all direct and indirect costs that may be incurred by Consultant in connection with such additional and/or revised services, including costs associated with any changes and/or delays in work schedules or in the performance of other services or work by Consultant.

4. Consultant warrants and represents that the person or persons executing this supplemental agreement on behalf of Consultant has or have been duly authorized by Consultant to sign this supplemental agreement and bind Consultant to the terms hereof.

5. Except as specifically revised herein, all terms and conditions of the Agreement shall remain in full force and effect, and Consultant shall perform all of the services, duties, obligations, and conditions required under the Agreement, as supplemented and modified by this supplemental agreement.

Approval Recommended By:

Project Manager

Approved By: Dennis Kauffman, Accounting Manager

Approved As To Form By:

Lawrence J Duran
City Attorney

Consultant

Approved By:

City of Sacramento
Russ Fehr, Finance Director for Ray Kerridge, City Manager

Attested To By:

City Clerk

SUPPLEMENTAL AGREEMENT

EXHIBIT A

CONSULTANT AND PROFESSIONAL SERVICES AGREEMENT

SCOPE OF SERVICES

AUDITOR shall provide audit services for the fiscal year ending June 30, 2006, as stated in the Proposal to Provide Professional Audit Services to the City of Sacramento – Technical Proposal, dated April 5, 2002, which is incorporated into City Agreement 2005-0046.

1. Reporting to Management and City Council

   1.1 AUDITOR shall assure themselves that management, City Council, and the governing board of the other agencies included in the scope of work are informed of each of the following, in accordance with government auditing standards:
   - a. AUDITOR'S responsibility under generally accepted auditing standards
   - b. Significant accounting policies
   - c. Management judgments and accounting estimates
   - d. Significant audit adjustments
   - e. Other information in documents containing audited financial statements
   - f. Disagreements with management
   - g. Management consultation with other accountants
   - h. Major issues discussed with management prior to retention
   - i. Difficulties encountered in performing the audit

   1.2 AUDITOR shall be available to management, City Council, and other governing boards for presentation of financial statements as requested.

   1.3 AUDITOR shall conduct milestone meetings with management on a schedule to be agreed with the CITY. The meetings will mutually review progress toward project milestones and discuss any audit issues that may arise.

2. Approval of Change in Auditor Personnel

   AUDITOR personnel assigned to conduct these services may be changed at the discretion of the AUDITOR provided that replacements have substantially the same or better qualifications or experience. The CITY retains the right to approve or reject replacements.

3. Emerging and Small Business Development (ESBD)

   AUDITOR was ESBD certified at the time of the original contract award.

4. Production of Financial Statements and Other Reports

   4.1 City of Sacramento Basic Financial Statements

   The CITY shall prepare a camera-ready document and be responsible for report covers, tabs, reproduction, and binding. The AUDITOR shall provide one copy of the independent auditor's report.

4.2 Single Audit

The CITY shall prepare a camera-ready Schedule of Expenditures of Federal Awards. The AUDITOR shall prepare auditor reports, footnotes, and be responsible for report covers, reproduction, and binding.

4.3 Sacramento City Employee's Retirement System

The CITY shall prepare draft financial statements and footnotes. AUDITOR shall prepare camera-ready financial statements and footnotes and provide one copy of independent auditor's report. The CITY shall prepare camera-ready supplemental and statistical schedules and shall be responsible for report covers, tabs, reproduction, and binding.

5. Audit Schedule

5.1 Preliminary/interim field work

The AUDITOR is to complete audit planning, systems documentation, testing of major transaction cycles and, for those grants where feasible, compliance testing, prior to June 30 of each year of the contract. By June 30, the AUDITOR should deliver the CITY a detailed audit plan, staff schedule, report and schedule request, confirmation requests, and draft management comments for recommendations formulated during the planning and interim field work phases.

5.2 Year-end field work – City CAFR

Year-end field work may begin after September 25, 2006 and is to be completed by November 17, 2006. Draft management comments are to be delivered by November 17, 2006. Proposed audit adjustments are to be reviewed with the CITY on a weekly basis. Financial schedules, reports, and footnotes will be available to the AUDITOR during this period in phases and on a schedule to be determined prior to July 14, 2006. The signed independent auditor's report and management letter are to be delivered by December 1, 2006.

5.3 Year-end field work – other audits

Field work for other June 30 year-end audits is also to be conducted during August, September, and October, and reports delivered prior to November 30, 2006.

5.4 Changes to schedule

The CITY shall work with the AUDITOR to adjust these schedules as necessary due to factors outside the control of the CITY or AUDITOR.

6. Sale of Debt Securities

The CITY periodically prepared official statements in connection with the sale of debt securities which contain the CITY'S Basic Financial Statements and the independent auditor's report thereon. The AUDITOR shall issue "consent and citation of expertise" and "comfort letters" if requested by CITY, which would be billed at a fee to be determined prior to the time the work is authorized.

SUPPLEMENTAL AGREEMENT

7. Access and Retention of Audit Working Papers

AUDITOR shall retain audit working papers for at least three years after the date of the audit reports, unless circumstances require further retention.

SUPPLEMENTAL AGREEMENT

EXHIBIT B

CONSULTANT AND PROFESSIONAL SERVICES AGREEMENT

FEE SCHEDULE / MANNER OF PAYMENT

CITY shall pay for services described in Exhibit A, rendered pursuant to this agreement, a total sum of up to $165,387.00. Payment of the total sum shall be on the following schedule:

Progress Billings, payable within 30 days

June 30, 2006		$ 42,982.25
August 31, 2006		$ 42,982.25
September 30, 2006		$ 42,982.25
October 20, 2006		$ 19,900.25
	Subtotal	$ 148,847.00

Upon delivery of the following:

CAFR and Management Letter		$ 12,493.00
Single Audit		$ 2,304.00
Sacramento City Employee's Retirement System (SCERS)		$ 1,743.00
	Subtotal	$ 16,540.00

Total	$ 165,387.00

At the completion of the audit, the AUDITOR shall provide the CITY with a summary of actual hours expended on the Audit. The summary will report the total hours of work performed by AUDITOR personnel for informational purposes only.

Additional Services. Additional Services are those services related to the scope of services of AUDITOR set forth in Exhibit A but not anticipated at the time of execution of this Agreement. Additional Services shall be provided only when a Supplemental Agreement authorizing such Additional Services is approved by CITY in accordance with CITY'S Supplemental Agreement procedures. CITY reserves the right to perform any Additional Services with its own staff or to retain other consultants to perform said Additional Services.

Accounting Records of Auditor. AUDITOR shall maintain for three (3) years after completing of all Services and Additional Services hereunder, all records under this Agreement, including, but not limited to, records of AUDITOR'S direct salary costs for all Services and Additional Services performed under this Agreement and records of AUDITOR'S Reimbursable Expenses, in accordance with generally accepted accounting practices, and shall keep such records available for inspection and audit by representatives of the Department of Finance of CITY at a mutually convenient time.

Taxes. AUDITOR shall pay, when and as due, any and all taxes incurred as a result of AUDITOR'S compensation hereunder, including estimated taxes, and shall provide CITY with proof of such payment upon request. AUDITOR hereby agrees to indemnify CITY for any claims, losses, costs, fees, liabilities, damages or injuries suffered by CITY arising out of AUDITOR'S breach of this paragraph.