



**CITY OF PACIFIC GROVE**  
300 Forest Avenue, Pacific Grove, California 93950

**AGENDA REPORT**

**TO:** HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
**FROM:** Director of Management and Budget Jim Becklenberg  
**MEETING DATE:** October 18, 2006  
**SUBJECT:** CONSIDER APPROVAL OF CONTRACT NOT TO EXCEED \$26,000 FOR TEMPORARY ACCOUNTING MANAGEMENT SERVICES

**RECOMMENDATION:**

**Authorize the City Manager to execute a contract not to exceed \$26,000 with Moreland and Associates Inc. for continued assistance with accounting project management and process improvement.**

**EXECUTIVE SUMMARY:**

Staff is requesting authority to execute a contract with Moreland and Associates, Inc. consultant Gary Knutson to continue work underway, performed under a preliminary, \$15,000 contract. Mr. Knutson's work includes reconciling the City's cash and investment balances with the General Ledger and revising the process for doing so, assisting staff in completing critical financial reports required by the State, evaluating financial internal controls, and providing general technical advice to staff through its transition in financial leadership. On October 5, Mr. Knutson provided an update on his work to the ad hoc Budget and Finance Committee.

Should Council authorize the new contract, staff expects Mr. Knutson to substantially complete his work by November 30, 2006, with plans to follow-up with staff on a quarterly basis, if needed, to ensure the effectiveness of process improvements implemented as a result of his work. The cost of the contract will not exceed \$26,000.

**DISCUSSION:**

The retirement of previous Administrative Services Director in August 2006 prompted a leadership change in the City's Finance Department at a time of year when many financial reports are due to State agencies. Also, in preparation for an independent financial audit, staff must reconcile cash balances with the General Ledger, a process similar to balancing a household checkbook, and complete the fiscal year end "closing" process. Completing the closing process for the prior year (FY 2005/06) correctly is also essential for understanding the City's financial position for budget planning. In order to expedite these processes and obtain expert advice on the City's accounting management practices, the City contracted with Moreland

and Associates, Inc., a Certified Public Accounting firm for temporary staffing services. Based on the City's expressed needs, the firm recommended Gary Knutson to provide these services.

### Consultant Qualifications

Gary Knutson brings 35 years of governmental accounting experience. In 2005, he retired from the County of Santa Cruz, where he had served as the elected Auditor-Controller for 20 years. Most recently, Mr. Knutson served as Interim Finance Director for the City of Santa Cruz, where he coached Finance staff and improved financial operations. Mr. Knutson currently works as a contract consultant to local governments for Moreland and Associates, Inc.

### Scope of Services

Mr. Knutson began work with the City of Pacific Grove on September 6, 2006, and has worked approximately 150 hours to this point. He has spent most of his time so far reconciling the City's cash and investment balances with the General Ledger, a process which has not been completed properly for at least one year. He is revising the format of the reconciliation, and training staff to maintain it regularly. This work will enable staff to deliver clearer Treasurer's reports to the City Council in a timely manner. Mr. Knutson's work has been instrumental in the City's ability to meet State financial reporting deadlines. He also serves as an advisor to Finance staff as they improve other technical practices to ensure they comply with Generally Accepted Accounting Principles (GAAP). Mr. Knutson's focus on technical processes has enabled the new Director of Management and Budget to focus on exploring City issues and developing a budget update for the City Council.

Staff is requesting that the City Council authorize a contract to enable Mr. Knutson to complete the work he has started, evaluate internal control systems, and work with staff to document improved practices so that City staff can effectively manage these systems in the future. Staff estimates that this work will be completed before the end of November. The recommended contract would also provide funding for Mr. Knutson to return for 20 hours (2.5 work days) at the end of each fiscal quarter for one year, to allow for additional technical coaching and monitoring of systems he will have helped to implement.

### Cost

Moreland and Associates, Inc. charges \$100 per hour for Mr. Knutson's services. The existing contract contained a "not-to-exceed amount" of \$15,000. Staff estimates that Mr. Knutson will have worked 150 hours, thereby exhausting the existing contract authority, by October 20, 2006.

Staff estimates that Mr. Knutson will complete his work in approximately six weeks. At an average of 30 hours per week, the new contract should allow for 180 hours, or \$18,000 payment to Moreland and Associates, Inc. Additionally, staff is recommending that the contract allow for Mr. Knutson's return for 20 hours per quarter for one year (four quarters), to coach staff in implementing improved cash reconciliation and reporting processes; the cost for which would not exceed \$8,000. Summarizing the cost for Mr. Knutson's services:

	<b>Hours</b>	<b>Rate</b>	<b>Cost</b>
<i>Existing (expiring) contract</i>	<i>150</i>	<i>\$100</i>	<i>\$15,000</i>
Continue/complete projects	180	\$100	\$18,000
Quarterly coaching for one year	80	\$100	\$8,000
<b>Total recommended contract</b>	<b>260</b>	<b>\$100</b>	<b>\$26,000</b>

**FISCAL IMPACT:**

The cost of the recommended contract for temporary accounting management services will not exceed \$26,000. The City Manager’s Office FY 2006/07 budget for professional services anticipated costs associated with improving financial and budgeting practices. These contract costs would be paid from this budget.

**ATTACHMENTS:**

None

RESPECTFULLY SUBMITTED:

*James L. Becklenberg*

Digitally Signed: I have authored this document

James L. Becklenberg  
DIRECTOR OF MANAGEMENT & BUDGET

REVIEWED BY:

*James J. Colangelo*

Digitally signed: I have reviewed this document

James J. Colangelo  
CITY MANAGER

