



**CITY OF SALINAS  
COUNCIL STAFF REPORT**

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**DATE:** JANUARY 9, 2024  
**DEPARTMENT:** FINANCE  
**FROM:** SELINA ANDREWS, ASSISTANT FINANCE DIRECTOR  
**TITLE:** SECOND AMENDMENT TO THE AGREEMENT WITH MV CHENG & ASSOCIATES, INC. FOR ACCOUNTING SERVICES

RECOMMENDED MOTION:

A motion to approve a resolution authorizing the Interim City Manager to negotiate and execute a Second Amendment to the Professional Services Agreement with MV Cheng & Associates, Inc. (MV Cheng & Associates) for accounting and financial reporting services to increase the maximum compensation from \$250,000 to \$350,000 and exercise the option to extend the term one additional year through December 31, 2024.

EXECUTIVE SUMMARY:

The City experienced a period of significant turnover of key management positions of Finance Director and Assistant Finance Director, and technical positions of Accounting Manager, Senior Accountant, and Management Analysts at the close of FY 2021-22 and into FY 2022-23 resulting in significant delays in financial reporting and critical reconciliations. While the Finance Department continues its transitional period and has had success in filling some key leadership positions, there continues to be a need to increase capacity in the area of governmental accounting. MV Cheng & Associates has identified a well-qualified individual with 20 years of governmental accounting experience. Through this engagement, the City will increase its capacity to perform timely reconciliations, complete the prior year-end close process, conduct timely annual audits, and continue to document desk procedures for business continuity. The department hopes to fill its technical positions in the coming months while continuing to develop existing staff.

BACKGROUND:

At the close of FY 2021-22, the Finance Department experienced an overwhelming number of changes in key management and highly technical positions. The Finance Director, Assistant Finance Director, Accounting Manager, Senior Accountant, and Management Analyst positions were all vacant within months of one another. Further complicating the lack of staffing was an increase in volume and complexity of governmental financial reporting due to new accounting pronouncements issued by the Governmental Accounting Standards Board.

In July 2022, the City entered into a Professional Services Agreement with MV Cheng & Associates for higher level classification consultants similar to an Assistant Finance Director and Accounting Manager to assist with complex general ledger reconciliations, coordination of the City's external audit, financial reporting, preparation of the Annual Comprehensive Financial Report (ACFR), and preparation of the Single Audit Report.

Given that the Finance Director and Assistant Finance Director, Senior Accountants, and Management Analysts positions were still vacant, the City entered into a First Amendment of its Agreement with MV Cheng & Associates in September 2023 to assist in management and technical capacities.

While the City has been successful in recruiting professionals to fill the Assistant Finance Director, Accounting Manager, Management Analyst, and Senior Accountant positions, a Senior Accountant position remains vacant. The effects of the ongoing vacancies and recent recruitments, which take time to train and onboard, continue to impact routine reconciliations, year-end, annual audits, and day to day operations. To help mitigate this, the City is recommending the continued use of consultants through MV Cheng & Associates at a lower classification level such as that of a Senior Accountant. Continuing the use of the consultant is critical to increase capacity while the department attempts to fill vacancies during its busiest times with the close of the prior year, annual audits, and the development of the FY 2024-25 budget.

CEQA CONSIDERATION:

Not a project. The City of Salinas has determined the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

Approval of the recommended resolution achieves the Council 2022-2025 Strategic Goal of Effective Government.

DEPARTMENTAL COORDINATION:

This staff report was coordinated with the City Manager's Office and City Attorney's Office.

FISCAL AND SUSTAINABILITY IMPACT:

Funds are available and appropriated in 1000.20.2030-63.5900.

ATTACHMENTS:

Resolution