MEETING DATE: 10/08/07

AGENDA ITEM: Review and Comment on the Request for Proposal for Audit Services

ATTACHMENTS

	Pages
1. Request for Proposal for Audit Services	1 – 11

Culver CITY

REQUEST FOR PROPOSAL

For

AUDIT SERVICES

Prepared By

City of Culver City
Office of the City Treasurer

October 2007

INTRODUCTION

The City of Culver City (City), along with the Culver City Redevelopment Agency (Agency) is requesting sealed proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2008 and the two (2) subsequent fiscal years thereafter, with an option based on performance to extend the contract to one (1) year periods, not to exceed two (2) additional fiscal years. These audits are to be performed in accordance with the provisions contained in this request for proposal (RFP). This RFP additionally requests 100 hours of executive time to be included in each year for miscellaneous professional services at the request of Culver City.

In addition, the City will be required to include as a component unit the Culver City Cultural Affairs Foundation (Foundation), a non-profit corporation within the meaning of Section 501©(3) of the Internal Revenue Code. We request a separate (optional) bid for the Foundation's audit and tax preparation services.

BACKGROUND

The City of Culver City encompasses almost 5 square miles, has a residential population of slightly more than 41,000 and a total population of more than 200,000 during working hours.

Governed by a Charter approved in 1947 and last amended in 2006, the City is operated under a Council/City Manager form of government. Five City Councilmembers are elected at large to serve four-year terms. The Mayor is selected from among Councilmembers. The City Council Members also serve as Agency members.

The City Manager is a hired position. The City Treasurer and City Clerk are elected. Due to changes in the charter, both the City Treasurer and City Clerk's elected status will cease as of April 9, 2008. The City Council approved the creation of a Finance Department with a Chief Financial Officer as head of the department, to combine the functions currently performed in the City Treasurer's Office and the City Controller's Office. Recruitment for a new position of Chief Financial Officer is expected to be completed by Fall 2007. The Budget and Finance Division and the Purchasing Division are part of the City Controller's Office which is currently assigned to the City Manager's Office. These divisions will also report to the new CFO with the formation of the new Finance Department.

Due to the Charter changes, the contract for the first fiscal year July 1, 2007 to June 30, 2008 should include pricing for an interim audit. As the elected City Treasurer's last date of service is April 8, 2008, the audit firm should provide the full scope of audit services for two periods for fiscal year 2007-08. The pricing for the first section will be from July 1, 2007 to April 8, 2008, and for the second section will be a continuation of the audit from April 9 to June 30, 2008 which is to complete the annual audit of fiscal year 2007-08. The result for both the interim and the annual fiscal year audit will be presented to the City/Agency Audit Committee for a completed audit documents as requested in the RFP.

2

The Accounting Division, which includes Agency Accounting, is currently part of the City Treasurer's Office. The City and Agency have automated much of the finance and budget activities. The core financial modules of the City/Agency software package (JD Edwards) have been in use since July 1, 1999.
The City provides full services to its residents and businesses including: Police, Fire, Parks, Refuse Disposal, Bus Line, Paramedics and other ancillary services.

Below is a comparison of the City/Agency's Adopted 2 year budget for the fiscal year **2007-08 and 2008-09**.

	Adopted Budget 2007-2008	Approved Budget 2008-2009
Governmental Funds	$ 85,890,629	$ 90,143,901
Enterprise Funds	40,087,200	43,693,033
Capital Improvement Funds	8,315,818	3,260,883
Total City Budget	$134,293,647	$137,097,817
Redevelopment Agency	$ 50,447,651	$ 40,555,556

To date, the Foundation has neither adopted a budget nor carried out any financial activity.

The City has been a recipient of the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for more than twenty consecutive years, and the Certificate of Award for Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for several years. The City has also received awards from the CSMFO for Excellence in Budgeting and from the GFOA for Distinguished Budget Presentation.

AUDIT EXPECTATIONS

The City annually issues a Comprehensive Annual Financial Report (CAFR). The Agency issues annual Financial Statements. The City receives federal grants from several federal government agencies and as such issues a Single Audit Report. The City operates a Municipal Bus Line and issues a separate financial report that is due in the month of October following the close of the fiscal year. The City carries out a Section 8-funded housing program and issues the Financial Data Schedule if required by the U.S. Department of Housing and Urban Development's (HUD's) REAC (Real Estate Assessment Center). The City receives state grants from the State of California Office of Criminal Justice Planning (OCJP) and may be required to issue an OCJP Financial and Compliance Audit Report. The City from time to time receives State and Local Transportation Partnership Program (SLTPP) grants and issues, when required, project-specific Financial and Compliance Audit Reports. Additionally, the auditor is to perform Article XIIIB appropriation limit test work and issue a "Gann Letter". Finally, the City issues to the California

3

State Controller's Office annual reports for the City, Agency, Financing Authority, Risk Management, and the Municipal Bus Lines.

The City and Agency expect an audit opinion for each of their financial reports to fairly represent their financial position and conform to generally accepted accounting principles. The City and Agency expect the audit of each of their financial reports to be conducted in accordance with generally accepted auditing standards. Further, the Agency expects its Financial Statements to comply with all laws and regulations pertaining to redevelopment agencies including the Health and Safety Code Section 33080. The Agency audit report shall meet, at a minimum, the audit guidelines prescribed by the State Controller's office pursuant to Section 33080.3 and also include a report on the Agency's compliance with laws, regulations, and administrative requirements governing activities of the Agency as required by the Health and Safety Code Section 33080.1 and a calculation of the excess surplus in the Low and Moderate Income Housing Fund as defined in subdivision 9g) of Section 33334.12. Further, the City expects the Single Audit to be conducted in accordance to O.M.B. Circular A-133 and related correspondence, pronouncements and regulations. The City expects the Section 8 audit to be conducted in accordance with current U.S. Department of HUD requirements. The City expects the auditor to meet the requirements of the U.S. Department of HUD's REAC Guidelines for Public Housing Authorities and Independent Auditors under the Uniform Financial Reporting Standards for Public Housing Authorities. This may include issuance of a hard copy report on the Section 8 Financial Data Schedule in accordance with SAS 29 *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* and auditor participation in the electronic Financial Data Schedule submission process. The City is required to issue reports under GASB 34; the auditor is expected to prepare the City, Bus Line, and Agency financial statements. Every year the City and Agency expect assistance and guidance in preparing their financial statements to allow for the obtaining of the Certificate of Award for Outstanding Financial Reporting from the California Society of Municipal Finance Officers and the Certificate of Achievement for Financial Reporting from the Government Finance Officers Association of the United States and Canada.

We request a full scope audit of all City and Agency funds and account groups in accordance with generally accepted auditing standards. Audit services are desired for both the City and the Agency on an annual basis as set forth above. Proposals should include separate quotes for all reports.

We request a separate (optional) bid for the Foundation. Proposal should include an annual audit including tax preparation services and financial statement compilation for the Foundation as required by its By-Laws.

DESCRIPTION OF FINANCIAL STRUCTURE

The City has a general fund, special revenue funds, capital project funds, proprietary funds, trust and agency funds, and fixed asset and long-term group of accounts. The Agency has capital improvement funds, debt service funds, trust funds and long-term debt group of accounts. The

City has three enterprises: Refuse Collection, Bus Line and Sewer Service. It is anticipated that Foundation activity will be recorded in the City's general ledger in a separate fund.

The City's and Agency's accounting personnel can provide only minimal assistance to the audit firm during the course of the audit. Cooperation may be expected in answering questions, but a minimal number of schedules or working papers can be prepared. Given limited staffing, no other significant assistance can reasonably be given to the audit firm.

NEW ACCOUNTING PRINCIPLES

The successful firm shall assist the City staff and City Council Audit Committee with implementation of Governmental Accounting Standard Board (GASB) Statement 45 during FY 08-09 and any new Accounting Model or Statement on Auditing Standards (SAS) during the duration of the contract.

DELIVERABLES

- Each year, the independent audit firm shall print 150 copies of the City's Comprehensive Annual Financial Report (CAFR) no later than December 1.

- Each year, the independent audit firm shall print 50 copies of the financial statements for the Municipal Bus Line no later than October 15.

- Each year, the independent audit firm shall print 100 copies of the Agency's Component Unit Financial Statements (CUFR) no later than December 1.

- Each year, the independent audit firm shall print 50 copies of the Foundation's stand alone Financial Statements no later than September 30 as required by the Foundation by-laws.

- Each year, the independent audit firm shall timely prepare Foundation's Federal and State tax reports as required by State and Federal law.

- The independent auditor shall prepare the Agency's Component Unit Financial Statements and provide the City with an Excel report template electronically, on CD or on diskette, which can be used to prepare succeeding years reports.

- In order to accommodate easy posting on the City's website, the individual audit firm shall provide a copy of the CAFR and the CUFR in PDF format.

- The independent audit firm shall conduct a single audit in accordance with O.M.B. Circular A-128 and related correspondence. The independent audit firm shall issue, type and print 50 copies of the reports no later than December 15.

- The independent audit firm shall issue, and print 50 copies of an SAS 29 report on the Section 8 Financial Data Schedule and complete the auditor's role in the electronic submission process no later than December 15.

- The independent audit firm shall prepare the City, Agency, and Municipal Bus Line State Controller's Reports by their respective due dates. Considering that these reports are not audited, the independent audit firm may subcontract the preparation work but must retain control and supervision over it.

- The independent audit firm shall deliver the OCJP Financial and Compliance Report when required no later than December 15.

- The independent audit firm shall deliver the SLTPP project-specific Financial and Compliance Report when required no later than December 15.

- The independent audit firm is to perform Article XIIIB appropriation test work and issue a "Gann Letter" no later than December 31.

- Meetings with the City Council Audit Committee shall be conducted both at the beginning of the audit and again after the first draft of the Comprehensive Annual Financial Report and the Agency's Annual Report. The meetings shall be attended by the engagement partner and his or her staff, staff from the Finance Department and, at their discretion, staff from the City Manager's Office and the Agency's staff and/or general counsel in order to make decisions as to legal requirements for the financial statements.

- The successful independent audit firm is expected to meet as requested with the City Council Audit Committee to discuss the City/Agency's financial statements, management letter and other relevant subjects.

- The successful independent audit firm is expected to keep the City Council Audit Committee and the City/Agency finance staff abreast of new developments affecting municipal finance and reporting, any impact on accounting and reporting the State of California may impose on state-mandated procedures, any impacts of Government Accounting Standards Board (GASB) disclosure requirements, any required changes in grant procedures and the like. This should be done by mail, telephone or e-mail.

The successful independent audit firm shall communicate in the required reports on internal controls any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, including computer software, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions (including computer software) that are also material weaknesses shall be identified as such in the report.

b

Nonreportable conditions discovered by the auditors shall be reported in a separate letter (Management Letter) to management and the City Council Audit Committee which shall be referred to in the reports on internal controls. This Management Letter should be comprehensive and include audit findings that would assist management in the effective operation of the City/Agency's operations (including associated computer software recommendations). The Management Letter shall also include the status of prior year reported conditions.

Reports on compliance shall include all instances of noncompliance.

The successful independent audit firm shall be required to make an immediate, written report of all illegal acts or indications of illegal acts of which they become aware to the City Manager, Chief Financial Officer and the City Council Audit Committee.

The successful independent audit firm shall assure themselves that the City Council Audit Committee is informed of the following:

- The auditor's responsibility under generally accepted auditing standards,
- Significant accounting policies,
- Management judgments and accounting estimates,
- Significant audit adjustments,
- Other information in documents containing audited financial statements,
- Disagreements with management,
- Management consultation with other accountants,
- Major issues discussed with management prior to retention,
- Difficulties encountered in performing the audit, and
- Any other items deemed appropriate .

- The City/Agency expect that the professional staff provided by the independent audit firm will be fully qualified with the appropriate experience, and that answers and guidance given will be provided by executives (supervisors and above) not senior and junior level accountants.

- Included in the fee proposal shall be an additional 100 hours of executive time budgeted for research and assistance to City/Agency staff concerning accounting and other technical matters each year. The topic areas might include tax questions, the review of bond documents, cost allocation programs, cash audits, and employee benefit programs. It must be understood that these hours are <u>above</u> and <u>beyond</u> the professional time associated with the audit.

- Twelve copies of the proposal should be submitted to:

  Christopher Armenta
  City Clerk
  City of Culver City
  9770 Culver Boulevard
  Culver City, California 90232

  *Mark envelope "Audit Services Proposal"

EVALUATION AND SELECTION PROCESS

A Preparer's Conference will be held in the City Hall, Conference Room 1B, 9770 Culver Boulevard, Culver City, California, on October 15, 2007 at 10:00 a.m. so that questions concerning the RFP may be directed to staff prior to the completion of proposal. Attendance is strongly encouraged for those firms intending to submit proposals. Access to the conference via conference call can also be arranged, upon request.

Contact with City/Agency staff is encouraged up to the submittal of the proposal. After the proposal is submitted, no further contact is permitted. The City/Agency contact coordinator is Iris Kym, Accounting Division Manager and may be contacted at (310) 253-5857 or iris.kym@culvercity.org.

Each proposal must be submitted to the City Clerk's Department in a single sealed envelope.

Deadline for Submission – 12:00 noon on November 14, 2007.

The evaluation process consists of the following steps:

1. The proposals will be evaluated and rated professional by City finance staff based on their technical qualifications and approach. Final proposals will be selected from those organizations and ranked based on their price, technical qualifications and approach score.

2. The finalists may be required to make an oral presentation to staff and the City Council/Agency Audit Committee.

3. A Recommendation will then be made to the City Council and the Agency.

Selection of the successful proposal will be at the sole discretion of the City Council and Agency Board.

The City/Agency reserves the right without prejudice to reject any or all proposals.

The successful bidder will be required to sign a City contract and comply with the City/Agency's insurance requirements and indemnification clause.

It is expected the City Council and Agency will be presented with a recommendation on or before December 17, 2007.

THE CITY COUNCIL REQUESTS THAT ONCE PROPOSALS HAVE BEEN SUBMITTED, NO UNSOLICITED CONTACT OR DISCUSSIONS CONCERNING THESE PROPOSALS BE MADE PRIOR TO THE EVALUATION OF ALL PROPOSALS.

QUALIFICATIONS AND APPROACH

As stated in the evaluation process, the proposal will first be examined relative to their technical qualifications and approach to the audit. Each organization's proposal should include at a minimum, the following information as is deemed necessary:

1. Names and qualifications of the specific individuals who would be assigned to this audit engagement. Please outline their relevant education and government auditing experience. An affirmative statement should be included indicting that the firm and all assigned key professional staff are properly licensed to practice in California.

2. Description of any specialized skills, training, or background in public finance that members of the engagement team possess.

3. Description of experience of assigned individuals in auditing relevant agencies such as Redevelopment Agencies, Housing Agencies, state and federal grants, Bus Lines and other enterprise operations.

4. Description of engagement team's experience in auditing and reviewing financial statements receiving GFOA and CSMFO awards.

5. List of all current and former municipal audit clients, within the last 5 years, including Redevelopment Agencies in the Southern California area indicating references, type(s) of services performed dates and length of service for each.

6. Description of local office's work plan and deliverable report. The proposal should include types of audit programs, use of statistical sampling and additional components of the audit report.

7. The City has a PeopleSoft/JD Edwards network based Enterprise Resource Planning (ERP) software package, which includes General Ledger, Accounts Payable, Purchasing, Accounts Receivable, and Payroll/Personnel modules. Describe your firm's data processing experience and capabilities.

8. Description of engagement team's ability and experience in completing single audits of governmental agencies.

9. Description of engagement team's experience and capabilities to assist in governmental bond reportings.

10. Sample of type of management letter usually issued.

11. Description of any regulatory action by state/federal bodies or professional organizations against your organization or local office. If such conditions exist and/or are pending provide circumstances and status of disciplinary action.

12. Describe experience with the Transportation Development Act and the 50% Expenditure Test.

13. Indicate the location of the office in which the audit team will be based. The municipal audit experience referenced in item 5 must come from that office.

14. Ability to expedite assignment due to late start.

15. Provide firm's most recent peer review with statement whether the review included an examination of specific government engagements.

16. The successful bidder will be required to retain all working papers and reports for (5) five at the auditor's expense, unless the firm is notified in writing by the City/Agency.

17. The successful bidder will be required to make working papers available as requested by the City/Agency and shall respond to reasonable inquiries of successor auditors requesting review of working papers relating to matters of continuing accounting significance.

FEES

It is the City's and Agency's normal policy to solicit bids for audit services no less than once every three years. Accordingly, your proposal should encompass the three-year time span beginning with FYs 2007-2008 through 2009-2010. The proposal should indicate the fee for each of the three years.

The City and Agency request a statement of maximum cost be made for the annual audit as set forth above in the Audit Scope and to include, in addition to "normal audit requirements," up to 100 hours each year of executive time answering accounting questions raised by the City/ Agency staff or City Council Audit Committee. All other expenses including typing, clerical, printing services, travel, mileage and miscellaneous expenses should be included in the total audit fee.

The City requests that the proposal also include a schedule of hourly rates by professional staff classification. The schedule should reflect rates for audit services and for consulting services. It should also reflect the anticipated distribution of hours per staff classification.

Fees must be itemized: City (CAFR), Agency Financial Statements, Single Audit, Bus Line, Section 8, OCJP and SLTPP financial reports; City, Agency, and Bus Line State Controller's Reports; and executive hours.

The maximum annual fee will remain fixed for the three years covered by the audit engagement agreement. The proposer may include fees for up to an optional two years.

OTHER INFORMATION

Please list any other pertinent information you would like the City/Agency to consider in making the selection.

We encourage you, if interested, to contact Iris Kym, Accounting Division Manager, to obtain additional data, which would enable you to evaluate the scope of your operations so that you may formulate a proposal. Any financial information you may need to review is available in the City Treasurer's Office.

11