City of Culver City, California

City Council Agenda Item Report

Meeting Date: 10/08/07		Item Number: A-3
AGENDA ITEM: Review and Comment on and Authorize the Release of a Request for Proposal for Audit Services		
Contact Person/Dept.: Shally Lin / City Treasurer's Office	Phone Number: (310) 253-5871	
Fiscal Impact: Yes [] No []	General Fund: Yes [] No []	
Public Hearing: []	Action Item: [X]	Attachments: [x]
Public Notification: Master Notification List (10/03/07)		
Department Approval: Crystal C. Alexander (09/11/07)	City Attorney Approval: Carol Schwab (by H. Iker) (10/01/07)	
Fiscal Impact Approval: Marlee Chang (10/03/07)	City Manager Approval: Jerry B. Fulwood (10/03/07)	

RECOMMENDATION:

Staff recommends the City Council review and comment on and authorize the release of the attached Request for Proposal (RFP) for Audit Services.

BACKGROUND:

The contract for financial audit services with the firm of Lance, Soll & Lunghard, LLP expires on December 31, 2007. The firm has served as the City's Outside Auditor and has provided quality, efficient delivery of audit services for the past seven years. The firm has in depth knowledge of the City and a good working relationship with the City's staff and the City Council's Audit Committee.

Auditors are required to gain and document an understanding of the City's internal control framework as part of the audit planning process for the independent audit of the City's financial statements. In fact, this will be very costly for the first year of a new audit engagement, as the new firm will require time to familiarize itself with the City's financial system for documenting the City's internal control policies, procedures and transactions. The Government Finance Officers Association (GFOA) recommends governmental agencies award multi-year contracts, allowing the audit firm to recover their first year's audit fee, thus lowering overall costs for the City, and also establishing continuity in the audit process.

There has been a desire that the audit process for financial systems, internal control policies and procedures be reviewed by a new set of auditors. This can be accomplished either by a change of audit firm, or by changing the partner and/or manager in charge if an existing auditing firm is retained.

The current contract the City has with Lance, Soll & Lunghard, LLP will expire by the end of year, and this contract was awarded after the previous contract expired on December 31, 2004. Staff desires to solicit proposals from qualified audit firms to bid for multi-year audit services.

DISCUSSION:

The attached RFP describes the audit expectations, financial structure, deliverables, evaluation and selection process, qualification and approach, and the fee for the audit services. In addition to the regular annual professional auditing services, the selected audit firm shall help the City with implementation of Governmental Accounting Standard Board (GASB) Statement 45 and the new Accounting Auditing Standards, which will take effect during this contract. It should be noted that the City is also requesting an interim audit for the first fiscal year of 2007-08 due to the changes in the charter, the detail description of such audit is included in the attachment under the background section.

FISCAL ANALYSIS:

The Fiscal Year 2007/2008 budget includes sufficient funding for Professional Audit Services in General Fund, Enterprise Fund, Housing Section 8 Fund, and Redevelopment Agency Fund.

With the effect of the new Auditing Standards (SAS No. 103, No. 104-111 and No. 112), staff anticipates the audit services cost will likely increase by 10 to 15 percent.

ATTACHMENTS:

1. Request for Proposal for Professional Audit Services.

MOTION:

That the City Council:

1. Review and provide any comments or changes deemed necessary to the RFP; and

2. Authorize the release of the RFP to the prospective audit firms.