City of Culver City, California

City Council and Redevelopment Agency Agenda Item Report

Meeting Date: 12/10/2007	Item Number: J-1
AGENDA ITEM: JOINT ITEM before the City Council and Redevelopment Agency: Approval of a Professional Services Agreement with Mayer Hoffman McCann P.C. to Serve as the City's and Redevelopment Agency's Independent Certified Public Accounting Firm; and to Provide Interim Audit Services for the transition of the Treasurer duties that will take place in April.	
Contact Person/Dept.: Shally Lin/City Treasurer's Office	Phone Number: (310)253-5865
Fiscal Impact: Yes [x] No []	General Fund: Yes [x] No []
Public Hearing: [] Action Item: [x]	Attachments: [x]
Public Notification: Firms submitting proposals on 12/5/07; Master Notification List on 12/5/07	
Department Approval: Crystal Alexander (11/29/07)	City Attorney Approval: Carol Schwab (by H. Iker) (12/03/07)
Fiscal Impact Review: Marlee Chang (12/05/07)	City Manager Approval: Jerry B. Fulwood (12/05/07)

RECOMMENDATION:

Staff recommends the City Council approve the selection of the firm of Mayer Hoffman McCann P.C. as the City's Independent Certified Public Accountant for a three year contract of regular annual audit services at an amount not to exceed $257,400, and one-time Interim Audit Services for the transition of the Treasurer duties that will take place in April at an amount not to exceed $16,800.

Staff also seeks authority to negotiate a one year contract extension, if it is the best interest of the City and the Redevelopment Agency at the expiration of this three year contract.

Staff also recommends a budget transfer to Audit Services in the Redevelopment Agency Administrative Fund in the amount of $8,432.

BACKGROUND:

On October 8, 2007, the City Council approved the release of a Request for Proposal (RFP) for Audit Services. The current Audit Services contract with Lance, Soll & Lunghard, LLP will expire on December 31, 2007. The firm has served as the City's auditor for the last seven years and has provided quality, efficient delivery of audit services. However, best business practices suggest a change of audit firm at this juncture, when other qualified audit firms are available.

The RFP was mailed to seventeen (17) CPA firms for an independent audit and report preparation package that included the City in general, Municipal Bus Lines, Single Audit as required by the federal government, review of the Gann Appropriation Limit, various grant audits, and preparation of various State Controller Reports. 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. In addition to the annual audit services, the RFP also included services for an interim audit for the first fiscal year of 2007-08 due to the changes in the City Charter, Which will transition the duties of Treasurer from the current elected position to the Chief Financial Officer. This interim audit will include verification of cash balances, testing of bank reconciliations as well as investment compliance. Additionally, the firm will perform various close-out procedures to ensure the necessary actions for a full transition are completed. Having an independent firm assist with such a transition is an accepted practice and protects the interests of all parties.

DISCUSSION:

Four (4) firms responded as follows (in order of lowest to highest total proposed fee):

	Total Three Years Not to Exceed Fee			
Proposal Firm	City	Agency	Interim	Total
Caporicci & Larson, CPAs	$185,453	$30,909	0	$216,362
Moss, Levy & Hartzheim, LLP	180,617	27,810	30,434	238,860
Vasquez & Company LLP	229,506	21,122	0	250,628
Mayer Hoffman McCann P.C.	257,400	38,700	27,300	284,700

The proposals received were evaluated by the City Council Audit Committee and the City staff committee comprised of the City Treasurer, Interim Deputy City Treasurer, Accounting Operations Division Manager, Senior Accountant, Assistant City Manager, Redevelopment Project Manager, Deputy Transportation Director, and newly appointed Chief Financial Officer. After reviewing the proposals, all of the responding firms were considered to be responsive to the RFP and qualified.

The Committee recommends selection of Mayer Hoffman McCann P.C. as the firm has the best combination of services relevant to the needs of the City and the Agency. The technical qualifications of the audit staff and their response to the RFP were the most complete, responsive and thoughtful. In addition, the firm has an excellent reputation among many cities, given that their audit practice is mostly governmental and non-profit clients. The firm has significant experience in

Redevelopment Agency and Transportation Accounting. The firm will be providing client training in May 2008 with respect to new GASB pronouncements, which will save training costs for the City's professional accountants.

FISCAL ANALYSIS:

Auditing services are budgeted annually in the General Fund and various funds' audit services accounts. The following amounts were appropriated by the City Council and Redevelopment Agency for Fiscal Year 2007/2008:

1. General Fund-City Council operation budget	$ 71,297	(10110000.610100);
2. Refuse Fund	15,000	(20267100.610100);
3. Bus Fund	5,000	(20368100.610100);
4. Section 8 Housing Fund	14,000	(42654100.610100);
5. Redevelopment Agency Administrative Fund	4,068	(59190400.610100),
Total	$109,365	

The City will have sufficient fund to pay for the first year regular Annual Audit and the Interim Audit Services. The Redevelopment Agency will require a budget transfer in the amount of $8,432 to pay for the first year audit service. For the remaining years of audit services, the City and Redevelopment Agency will have to budget the appropriate amounts among the aforementioned funds beginning in the FY 2008/09 Budget.

ATTACHMENTS:

Chart: Proposed Three-Year Fees.

MOTION:

That the City Council:

1. Approve a professional services contract for the City portion of the audit package to Mayer Hoffman McCann P.C. Fiscal Years 2007/2008, 2008/2009 and 2009/2010 for a total fee not to exceed $257,400 for three (3) years and for one time interim Audit Services of an amount not to exceed $16,800, and

2. Authorize the City Attorney to review/prepare the necessary documents and authorize the City Manager to execute those documents on behalf of the City.

That the Redevelopment Agency:

1. Approve a professional services contract for the Agency portion of the audit package to Mayer Hoffman McCann P.C. Fiscal Year 2007/2008, 2008/2009 and 2009/2010 for a total fee not to exceed $38,700 for three(3) years; and

2. Contingent on the Agency Approval , approve a budget transfer for the expenditure account (591190400.610100) in the amount of $8,432 to pay for the first year Agency's audit services contract; and

3. Authorize the Agency General Council to review /prepare the necessary documents and authorize the executive Director to execute those documents on behalf of the Agency.