



# CITY OF CARSON

## Legislation Text

File #: 2016-526, Version: 1

### Report to Mayor and City Council

Wednesday, June 08, 2016

Consent

#### **SUBJECT:**

#### **CONSIDER AWARD OF CONTRACT FOR PROFESSIONAL INDEPENDENT AUDIT SERVICES (CITY COUNCIL)**

#### **I. SUMMARY**

The City retains a professional independent auditor to perform an annual audit of the City's financial statements and provide other related services as needed.

#### **II. RECOMMENDATION**

AWARD a contract to the certified public accounting firm White Nelson Diehl Evans LLP for an amount not to exceed \$453,455 for five years of services beginning with the audit of fiscal year ended June 30, 2016.

#### **III. ALTERNATIVES**

TAKE another action deemed appropriate by the City Council.

#### **IV. BACKGROUND**

Independent audit services have been provided by Vasquez & Co., LLP for the past six years. The original contract was executed in 2010 for audits of FY09-10, FY10-11, and FY11-12, with the option to extend the engagement two additional years (FY12-13 & FY13-14). On July 30, 2015, the City Council approved another one-year extension for FY14-15.

California Government Code section 12410.6(b) indicates:

*"a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years."*

Of course the audit firm may propose a different audit partner to comply with this code section. However, periodically changing audit firms offers advantages such as a fresh outlook and greater independence from Management.

On March 15, 2016, the City issued Request for Proposal (RFP) for Professional Audit Services. The RFP was sent directly to 12 independent audit firms with experience auditing government agencies, and posted to the City's website. The City received 8 proposals, including a proposal from Vasquez & Co., LLP. Staff reviewed the proposals; and considered expertise, depth of resources, geographical location, and price. Two firms were selected to be interviewed by the City Attorney, City Manager, Assistant City Manager, Director of Finance, and the Senior Accountant. Staff recommends awarding the contract to White Nelson Diehl Evans LLP.

The engagement would include audit of the annual financial statements for the City, Successor Agency, Housing Authority and Reclamation Authority. The engagement also includes meetings with the Audit Ad-Hoc Subcommittee of the City Council, review of the annual appropriations limit, and the Single Audit for federal financial assistance. Optional services include preparation of the annual Comprehensive Annual Financial Report, and the City's required annual reports to the California State Controller's Office. Staff is recommending an additional contract authorization of up to \$25,000 for special services, to be authorized by the City Manager. Such services may include a review of payroll tax calculations to ensure compliance with state and federal law, or a review of internal controls to check compliance with state guidelines.

The proposed contract is for an initial period of 3 years, plus 2 additional one-year options to be exercised by written authorization from the City Manager. The proposed contract includes 3 deviations from the form contract language listed on agenda item pages 30-31. The deviations relate to: 1) professional standards defined as auditing standards issued by the federal government; 2) the multi-year term of the contract; and 3) the ownership of the auditor's work-papers in conformance with auditing standards.

## **V. FISCAL IMPACT**

The total maximum contract award of \$453,455 is for five years of services (3 years + 2 one-year options); and includes the additional \$25,000 optional authorization noted above. Actual cost of services may be less than \$453,455, depending upon the optional services requested. The draft FY16-17 budget includes sufficient funding for the first year of services.

## **VI. EXHIBITS**

A - Contract for Professional Auditing Services Proposal with White Nelson Diehl Evans LLP (pages 3-41)

Prepared by: Kathryn Downs, Director of Finance