



CITY COUNCIL AGENDA REPORT

MEETING DATE: MAY 17, 2004

ITEM NUMBER:

SUBJECT: SELECTION OF INDEPENDENT AUDITOR

DATE: APRIL 23, 2004

FROM: FINANCE DEPARTMENT

PRESENTATION BY: MARC R. PUCKETT, DIRECTOR OF FINANCE

FOR FURTHER INFORMATION CONTACT: COLLEEN O'DONOGHUE (714) 754-5219

RECOMMENDED ACTION

Award contract for annual independent audit services for fiscal years 2004, 2005 and 2006 to Conrad and Associates, L.L.P., in the amount of \$152,833 with an option to extend the contract in one-year periods, for a minimum of two fiscal years.

BACKGROUND

Staff prepared and sent a Request for Proposal (RFP) to thirteen (13) Certified Public Accounting (CPA) firms. On April 1, 2004, staff conducted a bidders conference to provide additional information on the City's financial operations and to answer fiscal related questions. Six (6) firms attended the bidders conference. Proposals were due on April 16, 2004 by 5 p.m. and staff received six (6) proposals in response to the RFP.

Those firms responding were:

- Conrad and Associates, LLP
- Vavrinek, Trine, Day & Co.
- Diehl, Evans & Company, LLP
- Moreland & Associates, Inc.
- Caporicci & Larson
- Macias, Gini & Company

The proposals were evaluated using the following criteria:

- The responsiveness to the objectives and the scope of the audit and the thoroughness of approach to conducting the audit.
- The firm's technical experience.
- The audit team's qualifications, related experience and independence.

- Commitment to timeliness in the conduct of the audit
- The audit fee for services
- References of local government clients

A copy of the bid tabulation summary is attached as attachment number 2. Staff eliminated three firms that submitted a proposal. One firm was eliminated due to excessive annual audit fees. Another firm was eliminated because their proposal did not clearly identify the firm's scope and approach to conducting the audit as requested in the RFP. The third firm was eliminated due to high hourly fees to be charged by the firm for work conducted outside the scope of the audit.

Of the six firms submitting proposals, we ultimately selected Conrad & Associates because their proposal had the lowest annual audit fees; the firm has an excellent reputation, and the City has been very satisfied with the quality of service and expertise provided by the firm.

ANALYSIS

The three firms under consideration offer exceptional audit services. Staff, however, found that the audit proposal received by Conrad and Associates was superior most notably in the areas of actual field audit hours budgeted for this engagement, lowest annual audit fees, quality of the staff auditors that would be assigned to the Costa Mesa audit and their past performance has been satisfactory

Among other attributes, the following list summarizes the advantages to the City for selecting the firm of Conrad and Associates, LLP.

- The firm specializes in local government auditing. Currently, the firm serves as auditors to forty-four (44) municipalities.
- The firm has a proven track record in aiding our City and other cities in complying with both the GFOA and CSMFO awards for excellence in financial reporting.
- The firm has established a high level of responsiveness to staff's inquiries and does not bill for non-audit consultation and advisory services.
- The firm was the first in Southern California to implement GASB 34 on behalf of their public sector clients.
- Conrad and Associates has been the City's external independent auditors for several years. The quality of audit services provided by Conrad is enhanced based on their familiarity with the City's financial operations.

FISCAL REVIEW

Adequate funds have been proposed in the fiscal year 2003-2004 Budget document to cover the proposed costs of \$49,693 for the 2003/04 independent audits of the City and the related entities. The audit fee will increase approximately 2 1/2% each year to \$50,934 in fiscal year 2004/05 and \$52,206 in fiscal year 2005/06.

LEGAL REVIEW

The attached professional service agreement has been reviewed and approved as to form.

MARC PUCKETT
Director of Finance

TOM WOOD
Acting City Attorney

Attachments:

1. [Professional Services Agreement](#)
2. [Bid Tabulation Worksheet](#)
3. [Hourly Rate Outside Scope of Audit](#)