

**CITY COUNCIL COMMUNICATION 98-105  
MARCH 23, 1998 AGENDA**

**SUBJECT:**

**AUTHORIZATION TO SIGN CONTRACT  
WITH KPMG PEAT MARWICK LLP AS  
EXTERNAL AUDITOR**

**SUBMITTED BY:**

**KEVIN RIPER  
FINANCE DIRECTOR**

**SYNOPSIS –**

A contract has been prepared with KPMG Peat Marwick LLP for the third year of the three-year period for a fee not to exceed \$70,000. The contract will allow work to begin on the annual audit for the year ending June 30, 1998. This third-year contract for \$70,000 is consistent with KPMG Peat Marwick' s original three-year proposal.

**FISCAL IMPACT –**

The stated fee of \$70,000 is provided for in the operating budget.

**RECOMMENDATION –**

**Approval of the contract between the City and KPMG Peat Marwick LLP to perform the annual audit of the City' s finances for the year ending June 30, 1998, including the Single Audit required by the federal government for governmental entities receiving federal funds.**

**BACKGROUND –**

Two years ago, requests for proposals were sent to five public accounting firms and the Auditor of the State of Iowa. Notice of availability of the City' s request for audit proposals was published April 9, 1996, in the Des Moines Register. Bids were received from two firms. KPMG Peat Marwick LLP proposed a fee of \$70,000 for each of the three years for a total of \$210,000. The proposal from Deloitte and Touche LLP for the three-year period was for \$89,750, \$94,750, and \$99,750. The three-year total was \$284,250. Staff recommended and Council selected

KPMG Peat Marwick LLP to be the City' s independent auditor at the June 17, 1996, Council meeting by Roll Call No. 96-2232. (Two other accounting firms and the State Auditor did not bid. Each advised that they lacked available staff to perform the audit.)

As stated above, this contract for the upcoming 1998 audit will complete the original three-year engagement with KPMG Peat Marwick LLP to provide auditing services to the City. This professional services agreement is currently scheduled to be re-bid competitively in early 1999 to retain a public accounting firm to perform auditing services for the City. The Finance Department, however, is launching the installation/conversion process of the recently-selected PeopleSoft software that will be replacing the present financial/accounting and payroll/human resources software. This project will require all available resources of the Finance Department– and then some– for at least the next year, and probably beyond. Furthermore, there may be advantages to having the same external auditor monitor the transition and conversion to new Citywide software. Therefore, it is possible that a year from now, staff may request an extension of the contract with KPMG Peat Marwick– to preserve both audit continuity and limited staff resources. As the software implementation unfolds, staff will explore this option, and return to Council with a recommendation.