

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

98-540

SYNOPSIS -

AGENDA:

To complete the audit work papers and Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 1998, the Finance Department needs additional accounting and audit resources. The City's existing contract with its external financial auditors, KPMG Peat Marwick, includes provisions for such assistance.

DECEMBER 7, 1998

SUBJECT:

CONTRACT AMENDMENT
WITH KPMG PEAT
MARWICK

FISCAL IMPACT -

TYPE:

The \$18,000 cost of the contract amendment would be funded from salary savings for positions that are currently vacant.

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

RECOMMENDATION -

SUBMITTED BY:

Approve the contract amendment with KPMG Peat Marwick to include additional accounting and audit resources for completion of Fiscal Year 1998 audit work papers and CAFR submission.

KEVIN RIPER
FINANCE DIRECTOR

BACKGROUND -

At the end of November, the Finance and Information Technology Departments turned off most of the City's mainframe-based legacy software for accounting (general ledger and accounts payable). On December 1, the PeopleSoft implementation project team went live with three new financial modules (general ledger, accounts payable, and purchasing) residing on NT servers, and reached by users via personal computers linked to the Citywide network.

The Finance Department's contribution to the PeopleSoft implementation team is seven employees working full-time on the project (nearly 20 percent of the Department's workforce). Many of those employees are usually involved in the annual audit and CAFR preparation. Additional accounting and audit resources from the City's external financial auditors, KPMG Peat Marwick, will help to fill that large gap in available hours.

The proposed contract amendment language is: "In conjunction with the annual audit for the year ending June 30, 1998, and under the terms of this contract, the following tasks will be performed by KPMG Peat Marwick:

1. Computation of wages payable funded by: (i) the default and deficiency fund; and (ii) the employee benefits fund. Eight hours estimated work.
2. Preparation of all statements of cash flow. Forty hours estimated work.
3. Cash reconciliation of CDBG special revenue funds. Twenty-four hours estimated work.
4. Preparation of the cash note in the CAFR (note 3). Twenty-four hours estimated work.
5. Incorporate the Municipal Housing Agency financial statements into the general long-term debt account group. Four hours estimated work.
6. Creation of the budget-to-actual schedules, and other tasks as assigned that are critical to completion of the CAFR. Fifty hours estimated work.

Total compensation to KPMG Peat Marwick will not exceed \$18,000."

With this contract amendment I am hopeful that the Finance Department will be able to print the 1998 CAFR in time for the City Council meeting of February 15, 1999. Fallback printing dates would be the Council meetings of February 22 or March 1. This schedule would be similar to the 1996 CAFR, which was

submitted to Council in early March 1997. (Before the PeopleSoft project began, the Finance Department was able to submit the 1997 CAFR to Council in early January 1998.)

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