

Meeting Agendas/Info

CITY COUNCIL
COMMUNICATION:

ITEM _____

OFFICE OF THE CITY MANAGER CITY OF DES MOINES, IOWA

01-566

SYNOPSIS -

AGENDA:

NOVEMBER 5, 2001

SUBJECT:

Amending the annual audit contract with McGladrey & Pullen to increase the scope of the contract to include additional requirements of Governmental Accounting Standards Board (GASB) 34 and to add a training/implementation component to assist staff in meeting the additional requirements on a timely basis.

PROPOSAL BY
MCGLADREY &
PULLEN, LLP FOR
GASB 34
IMPLEMENTATION

FISCAL IMPACT -

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

MERRILL R.
STANLEY
FINANCE
DIRECTOR

The additional scope of the audit will address the newly formatted entity-wide statements and a more extensive review of fixed asset records and recording procedures and policies. This component is expected to cost \$15,660. In addition, Finance staff requested assistance in the preparation of the Fiscal Year (FY) 2001-2002 Comprehensive Annual Financial Report (CAFR) for the first time under the new GASB 34 reporting model. The training/assistance component is expected to cost \$34,941. The cost will be charged to the General Fund - Finance Accounting Budget for \$5,000 in FY2001-2002 and \$18,601 in FY2002-2003, and to the Finance Department allocation in the Employee Development Fund for \$23,000 in FY2001-02 and \$4,000 in FY2002-03. Total cost to provide additional services for preparation assistance, training, and review is not to exceed \$50,601.

RECOMMENDATION -

Approval.

BACKGROUND -

In June 1999, the GASB issued Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments. This statement is seen as the most significant change to occur in the history of governmental financial

reporting. The basic premise of the new reporting model is the change to entity-wide reporting on a full accrual basis. The intent is to present governmental financial statements in a form that is as near to private industry financial reporting as possible. The change also requires the addition of sections on Management's Discussion and Analysis and Required Supplementary Information.

Des Moines is a Phase 1 government, meaning that since its revenues exceed \$100,000,000 annually it is required to adopt the new reporting model for the fiscal year ending June 30, 2002. Due to significant management staff turnover in the Finance Department, we are not as far along in preparing to deal with the new reporting model as we should be.

The City entered into a contract with McGladrey & Pullen, LLP in June 2000 for the standard audit work that prescribed standards as they have been for several years. The added scope of work and associated costs related to GASB 34 were anticipated, but were as yet undefined, and subsequently excluded from the evaluation process, scope of work, and contract amount. There was, however, a section of the contract that allowed for modifications to the scope.

A request was made to McGladrey & Pullen, LLP to assist in our efforts to assure the FY2002 financial report was issued in conformance with GASB 34 and on time. Their response was a proposal which included a planned effort commencing in November 2001, laying the groundwork for the reporting requirements and assembling the necessary information. The plan would end in August 2002 with the completion of the final planning step and on schedule for the preparation of the actual financial statements.

Staff views this process as our best option for completing the FY2002 CAFR on time and in compliance with the new GASB 34 reporting model.
