



Council Communication

Office of the City Manager

Date May 7, 2007

Agenda Item No. 47
Roll Call No. 07-
Communication No. 07-281
Submitted by: Allen McKinley, Finance
Director/Treasurer

AGENDA HEADING:

Contract renewal for one year with McGladrey & Pullen, LLP for independent auditing services.

SYNOPSIS:

To exercise the City's option for the first of two one-year contract renewals with McGladrey & Pullen, LLP as the city's independent auditor.

FISCAL IMPACT:

Amount: \$125,000

Funding Source: 2007-2008 Operating Budget under:

- \$76,845 GE001 FIN070000 – Finance Accounting
- \$21,304 SP350 HSG040000 – Housing Services Accounting
- \$13,425 EN002 AIR010100 – Airport Administration
- \$13,426 AG251 WRA770166 – WRA Management

ADDITIONAL INFORMATION:

On May 17, 2004 the City Council awarded the contract for professional auditing services to McGladrey & Pullen LLP at the conclusion of an RFP process that involved a total of three proposals. The contract was for a three-year period with two one-year renewal options. The base price for the contract was \$82,000 for each of the three years with an allowance for inflation based on the CPI and changes in scope through negotiations with the Finance Director. The contract price under the one-year extension reflects both a CPI adjustment and various changes in scope. The "Single Audit Scope" price increase is a result of a qualified opinion in 2004 regarding SEFA (Schedule of Expenditures on Federal Awards). As a result, the audit scope in this area was required to be expanded from 20% to 50% and was not foreseen during the original RFP process. The "New Standards" increase results from additional auditing standards that have been adopted by AICPA (American Institute of CPAs) that revised many fundamental auditing principles that will require the auditor to perform more extensive procedures than in the past (Statements on Auditing Standards Nos. 104 – 111). The "Added Scope" reflects the additional time that has been required of the auditors to complete on a timely basis the review of debt and assets particularly involving the Airport and the WRA. The change in price is outlined in the following table:

	<u>Base Bid</u>	<u>CPI</u>	<u>Single Audit Scope</u>	<u>New Standards</u>	<u>Added Scope</u>	<u>New Price</u>
General Audit	\$50,000	\$ 845	\$20,000	\$ 6,000	\$ 0	\$ 76,845
Airport Audit	7,000	118	0	3,000	3,307	13,425
Housing Audit	18,000	304	0	3,000	0	21,304
WRA Audit	7,000	118	0	3,000	3,308	13,426
Total	\$82,000	\$1,385	\$20,000	\$15,000	\$6,615	\$125,000

During the RFP process in 2004 the third year contract price of the other bidders were \$108,000 and \$135,000. Therefore, setting aside the additional SEFA audit requirements the one-year contract renewal price is less than the other bid prices.

PREVIOUS COUNCIL ACTION(S): NONE

Date: May 17, 2004

Roll Call Number: 04-1033

Action: Selection of McGladrey & Pullen, LLP as the City's independent financial auditor and directing negotiation and execution of a contract for fiscal years ending June 30, 2004, 2005 and 2006, with the option of two one-year renewals. **Moved by Brooks to adopt. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S): NONE

Date:

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: