

June 4, 2007

Honorable Mayor and Members of  
the Hermosa Beach City Council

Regular Meeting  
June 12, 2007

## AWARD OF CONTRACT FOR INDEPENDENT AUDIT SERVICES

### Recommendation:

It is recommended that the City Council approve a contract with the existing independent audit firm of Caporicci & Larson for three years at a cost of \$70,000, with an option to extend for an additional two years.

### Background:

The City originally retained the firm of Caporicci & Larson in 1995. A Request for proposals (RFP) was issued in 2000, resulting with the firm being selected again as the City's independent audit firm. The 2000 contract was extended in 2005 through fiscal year 2005-06. An RFP was issued on 3/29/07 and mailed to 24 audit firms.

### Analysis:

Four proposals were received on 4/30/07, ranging in price from \$70,000 to \$107,100.

Proposals submitted:

Caporicci & Larson	\$70,000
Moss, Levy & Hartzheim	\$81,978
Rogers, Anderson, Malody, Scott	\$85,650
Moreland & Associates	\$107,100

Two firms were interviewed by the City Treasurer, Finance Director and Accounting Supervisor. (We did not invite the firm who proposed a fee of \$107,100 and we did not interview our current audit firm since we are familiar with their work.)

Based on the proposals submitted, interviews and knowledge of our existing firm, we believe our current auditors offer the most cost effective professional services proposal. The interview committee does not see the value in spending an additional \$12,000 - \$16,000 for the sole purpose of changing firms.

One of the reasons for doing an RFP every five years or so is to be sure our costs are in line with the market. The audit fee proposed by our existing firm is 17% lower than the fee we paid in 2005-06 so we can be assured that we are receiving a better than market price, in this case. While selection of professional services should not be based solely on cost, when the other criteria are equal or better, it is hard to ignore the savings to be achieved.

Our existing auditors have aided us in complying with the new accounting regulations implemented in 2002-03, assisted us in receiving the Government Finance Officers Association Award of Excellence for all years they have audited and worked with us in the past two years to submit the Comprehensive Annual Financial Report to the City Council earlier than before, within six months of the fiscal year end.

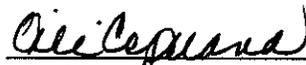
During the course of our audit engagement, we have changed personnel on the audit several times to assuage any concerns over retaining the same firm. The Engagement Manager for our audit has only been in charge of our audit for one year. The Senior Manager to be assigned will be new to our audit. In this way, we achieve having a fresh

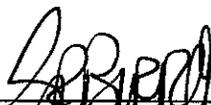
look at our procedures and internal controls without going through the additional startup time and costs associated with a new audit firm.

The Finance Director, City Treasurer and City Manager are satisfied with our current auditor's performance and therefore recommend award of the contract.

Respectfully submitted,

Concur:

  
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Viki Copeland  
Finance Director

  
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Stephen Burrell  
City Manager

  
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John Workman  
City Treasurer