

January 10, 2005

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular Meeting
January 25, 2005

EXERCISE OF OPTION TO EXTEND AUDIT SERVICES

Recommendation:

It is recommended that the City Council extend the existing audit contract with Caporicci & Larson for two years at the current annual cost of \$23,225.

Background:

The City originally retained the firm of Caporicci and 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 for three years, with an extension of two years, which the City did exercise, for services through the 2003-04 audit.

Analysis:

Staff is interested in backing up the audit schedule and production of financial statements so that the report can be presented to the City Council earlier. Currently, we typically present the Comprehensive Annual Financial Report (CAFR) to the City Council in January. We would like to try backing up one month to present the CAFR in December.

In order to achieve this shortened timeframe, staff recommends that we contract with our current firm for another two years at the current cost of \$23,225. Normally, firms use a CPI inflator for multi-year contracts, but Caporicci is offering to forego any increase at this time. To assuage any concerns over retaining the same firm, the auditors are willing to assign a new Senior Audit Manager and all new audit staff 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 auditor's performance and therefore recommend the contract extension.

Respectfully submitted,

Concur:

Viki Copeland
Finance Director

Stephen Burrell
City Manager

John Workman
City Treasurer