



OFFICE OF THE CITY AUDITOR
Long Beach, California

LAURA L. DOUD, CPA
City Auditor

June 19, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute an agreement with Windes & McClaughry Accountancy Corporation to perform Annual and Single Financial audit services for Long Beach Public Transportation Company (Long Beach Transit) in an amount not to exceed \$442,000 for the term of the agreement from June 30, 2007 through December 31, 2009.

DISCUSSION

On May 1, 2007, the Office of the City Auditor issued a Request for Proposal (RFP) to perform annual Financial and Single Audit services for Long Beach Transit. The RFP was sent to five audit firms and was posted on the Bids Online Management System. Windes & McClaughry's proposal was the only response received.

Windes & McClaughry is located in Long Beach, has over 80 years of service in public accounting in Southern California, and serves over 2,500 businesses and over 1,500 individuals. They are a full service business and financial consulting firm and a recognized leader in the field of accounting, assurance, tax, and business consulting services. Current clients in Long Beach include American Red Cross (LB Chapter), California State University Long Beach, Conservation Corps of Long Beach, International City Theater, and the Long Beach Convention and Visitors Bureau.

Long Beach Transit is a nonprofit corporation, formed in 1963 with the purchase of the local transit system from a private carrier. Long Beach Transit's reporting entity includes only transit operations and there is no other organization within the City of Long Beach (City) providing a similar scope of public transportation services.

Long Beach Transit issues a separate Comprehensive Annual Financial Report; however, in accordance with GAAP, Long Beach Transit is considered a component financial reporting unit of the City. As such, Long Beach Transit's financial statements are included in the City's Comprehensive Annual Financial Report as a discretely presented component unit. Long Beach Transit has a separate legal status and has historically operated as an independently managed and operated nonprofit corporation, receiving no direct administrative or financial support from the City.

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The term of the agreement is for three years beginning June 30, 2007, through December 31, 2009, and covers financial data for fiscal years 2007, 2008 and 2009. The fees for audit services will not exceed \$135,000 for 2007, \$150,000 for 2008, and \$157,000 for 2009, for a total amount not to exceed \$442,000.

TIMING CONSIDERATIONS

City Council action is requested on June 19, 2007, to allow sufficient time for the planning of the audit engagement.

FISCAL IMPACT

Long Beach Transit will pay for the cost of these audit services. There is no fiscal impact to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Laura L. Doud".

LAURA L. DOUD
CITY AUDITOR

LLD:JDA:nb