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OFFICE OF THE CITY AUDITOR
Long Beach, California

LAURA L. DOUD, CPA
City Auditor

December 19, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a contract with Edward White & Co., LLP to perform an Article 9 review in an amount not to exceed \$205,000 for the term of the contract from December 1, 2006 through November 30, 2007.

DISCUSSION

The Office of the City Auditor is responsible for causing an annual review of oil company records, also known as the Article 9 Review. The purpose of this review is to determine whether further compensation for oil allocated to certain companies in 2006 is due the City and State under provisions of Article 9 of the Contractor's Agreement of the Long Beach Unit, Wilmington Oil Field.

Edward White and Co., LLP has over 20 years experience in conducting reviews of oil company records, and brings the knowledge, experience and technical expertise needed for this complex engagement. Over the last 15 years, audit adjustments resulting from the work performed by Edward White & Co. resulted in over \$125 million in additional oil revenues to the State and the City.

The term of the contract is from December 1, 2006 through November 30, 2007. It should be noted that the \$205,000 contract amount represents a negotiated fee reduction of \$15,000 from the prior year's agreement.

TIMING CONSIDERATIONS

City Council action is requested on December 19, 2006, to allow time for the planning of the audit engagement.

FISCAL IMPACT

Sufficient funding for this contract is budgeted in the Tidelands Oil Revenue Fund in the Long Beach Gas and Oil Department (GO). There is no impact to the General Fund.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

A handwritten signature in black ink that reads "Laura L. Doud". The signature is written in a cursive style with a large initial "L" and "D".

LAURA L. DOUD
CITY AUDITOR

LLD/JDA