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**OFFICE OF THE CITY AUDITOR**  
Long Beach, California

LAURA L. DOUD, CPA  
City Auditor

July 9, 2013

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Adopt Specifications No. RFP AU13-033 and award a contract to KPMG, LLC, of Irvine, CA (not an MBE, WBE, SBE, or Local) for external audit services for the audit of the Comprehensive Annual Financial Report (CAFR), the Federal Single Audit and related reporting entities, in an annual amount not to exceed \$995,825, for a period of two years, with the option to renew for two additional one-year periods, at the discretion of the City Auditor. (Citywide)

**DISCUSSION**

City Council approval is requested to enter in an annual contract with KPMG, LLC, for external audit services for the audit of the Comprehensive Annual Financial Report (CAFR), the Federal Single Audit and related reporting entities.

Pursuant to Section 803 of the City Charter, the Office of the City Auditor is charged with causing "an annual audit of the City's financial records" and rendering an appropriate auditor's opinion thereon in accordance with auditing standards generally accepted in the United States.

In March 2013, the Office of the City Auditor issued a Request for Proposal (RFP) to provide external audit services for the audit of the CAFR and the Federal Single Audit for the City of Long Beach and related reporting entities. The RFP was posted on the City's website and sent to several CPA firms, with five firms submitting proposals.

A six-member steering committee comprised of representatives from the Department of Financial Management, the Harbor Department, the Water Department, Development Services, the Aquarium of the Pacific, and the City Auditor's Office reviewed the proposals in depth and conducted interviews of the finalists. Firms were evaluated based on criteria identified in the RFP, which included reputation and

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stability of the firm, experience auditing government agencies, availability and expertise of key personnel assigned to the audit, conformance with the terms of the RFP, and cost.

Following deliberations and interviews, the committee identified KPMG, LLC as the firm that would provide the best value to the City over the term of the agreement.

The term of the proposed agreement covers fiscal years 2013 and 2014 and includes two one-year renewal options the City may elect to exercise for fiscal years 2015 and 2016. Costs for year one of the agreement shall not exceed \$995,825. This amount is a reduction from current year costs. Costs in subsequent years of the agreement will be adjusted based on changes in CPI as detailed in the agreement.

The proposal was advertised in the Press-Telegram on March 20, 2013 and 1600 potential proposers were notified of the bid opportunity. Of those bidders, 32 downloaded the bids via our electronic bid system. The bid document was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at [www.longbeach.gov/purchasing](http://www.longbeach.gov/purchasing). A bid announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 30 local, minority and women-owned business groups.

Five proposals were received on May 3, 2013. Of those five bidders, one was a Minority-owned Business Enterprise (MBE), none were Women-owned Business Enterprises (WBEs), one was a certified Small Business Enterprise (SBE), and none were Long Beach businesses (Local). KPMG, LLC was the lowest responsible proposer.

### **Local Business Outreach**

In an effort to align with our outreach goal, Long Beach businesses are encouraged to submit bids for City contracts. The Purchasing Division assists businesses with registering on the Bids Online database to download bid specifications. Through outreach, 222 Long Beach vendors were notified to submit bids, of which one downloaded and none submitted a proposal. The Purchasing Division is committed to continuing to perform outreach to local vendors to expand the bidder pool.

This matter was reviewed by Deputy City Attorney Amy R. Webber on June 7, 2013, and by Budget Management Officer Victoria Bell on June 10, 2013.

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TIMING CONSIDERATIONS

City Council action to adopt Specifications No. RFP AU13-033 and award a contract is requested on July 2, 2013, to allow sufficient time for the planning of the audit engagement.

FISCAL IMPACT

The annual not to exceed cost of the audit of \$995,825 includes funding for 12 single audit programs. Costs will be allocated to the departments and funds receiving the services. The allocation to the General Fund is estimated at \$215,000. Additional fees of \$25,700 will be charged for each required single audit program exceeding 12 programs.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LAURA L. DOUD, CPA  
CITY AUDITOR