



Date: October 16, 2007
To: Honorable Mayor and Members of the City Council
From: Laura L. Doud, City Auditor *ld*
Subject: **APPROVAL OF CONTRACT WITH KPMG FOR AUDITING SERVICES**

RECOMMENDATION:

Authorize the City Manager to execute an agreement with KPMG, LLC to perform the audit of the Comprehensive Annual Financial Report (CAFR) and perform the Federal Single Audit for the City of Long Beach and related reporting entities in an amount not to exceed \$970,010 for the term of the Agreement covering Fiscal Years 2007 through 2009.

DISCUSSION:

Pursuant to section 803 of the City's 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. These services have never been subject to a Request for Proposal (RFP).

On August 15, 2007, the Office of the City Auditor issued a Request for Proposal (RFP) to perform the audit of the CAFR and the Federal Single Audit for the City of Long Beach and related reporting entities including the Harbor Department, Water Department, Gas Department, Airport, Aquarium of the Pacific, SERRF, Redevelopment Agency, City Housing Authority and Air Quality Improvement Fund. The RFP was posted on the City's website and sent to several CPA firms. Six responses were received from the following firms: KPMG, Windes & McLaughery, Charles F. Fedak, Macias, Gini & O'Connell, Mayer, Hoffman, McCann and McGladrey & Pullen.

Subsequent to receipt of the RFP responses, an eight-member steering committee, comprised of the City Controller, the CFO of the Harbor Department, two senior members of the Harbor's finance staff, and several members of the City Auditor's office, reviewed the proposals in depth. The committee set specific selection criteria including cost, quality, experience and presentation. After significant deliberations and interviews with all finalists, the committee unanimously selected KPMG to perform the requested services. The City has contracted these auditing services with KPMG for 19 of the last 20 years.

The term of the agreement is for the fiscal years 2007, 2008 and 2009.

TIMING CONSIDERATIONS:

City Council action is requested on October 16, 2007, to allow sufficient time for the planning of the audit engagement.

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FISCAL IMPACT:

Of the total contract price of \$970,010, \$372,666 will be charged to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Lld:sb