

Council Meeting of
May 19, 2009

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: Finance-Award of contract with Mayer Hoffman McCann P.C . for audit services for fiscal years ended 2009, 2010 and 2011 with two two-year option renewals.

Expenditure: \$54,700 annually for Total of \$164,100 for three fiscal years

RECOMMENDATION

Recommendation of the Finance Director that Your Honorable Body approve a contract with Mayer Hoffman McCann P.C. to provide external auditing services for three fiscal years ending; 2009, 2010 and 2011 with the option to extend for two two-year periods. The aggregate cost of the three year contract totals \$164,100 which represents a cost of \$ 54,700 per year.

Funding

Funding is available in the City's Operating Budget (General Fund, Airport, Water, Transit, Section 8 Housing and Redevelopment Agency funds, etc..) .

BACKGROUND

The City charter requires that the financial statements of the City be audited by an independent auditing firm. Historically, the City has maintained long-term relationships with its' auditing firm. In 1992, the City hired the firm of KPMG Peat Marwick. KPMG performed the annual audit for 10 years from 1992 through 2001.

After the completion of the 2001 fiscal year-end audit, the City issued a request for proposal (RFP) and through the proposal process selected a new auditing firm.

On June 17, 2003, Council approved an agreement with the auditing firm Mayer Hoffman McCann P.C. (MHM) formerly known as "Conrad and Associates", L.L.P.

MHM has provided auditing services to the City for over six consecutive years for the fiscal years ending June 2002 through June 2008.

ANALYSIS

The Finance Department conducted a survey of the auditing firms for various cities that are comparable to the City of Torrance. The purpose of the survey was to obtain a list of potential auditing firms who would be sent a copy of the city's request for information package. On March 9, 2009, a Requests for Information package (RFI) for professional auditing services was sent to nine prospective auditing firms. Six of the firms submitted notification of interest letters.

On March 31, 2009, a pre-proposal conference was held in the Finance Department and four auditing firms attended. On April 16, 2009, three of these firms submitted their RFI's (Attachment A-Fee Proposals). The three firms that submitted the RFI's were Mayer Hoffman McCann P.C., Lance Soll & Lunghard L.L.P. and Caporicci & Larson C.P.A.

Staff held discussions with each of the audit firms to assist in clarifying the scope of work that the city was interested in. The audit firms were informed that because the process was not a bid, they could amend their submittals if they received information through discussions with staff that was not considered in their original proposal. One company made an amendment to its proposal. From a direct cost perspective the proposals submitted were relatively comparative in price with the firm Caporicci & Larson reflecting the lower price. The following schedule shows a summary of the annual price comparison.

Name	2008-09	2009-10	2010-11	Total
Caporicci	\$49,200	\$50,825	\$52,400	\$152,425
MHM	54,700	54,700	54,700	164,100
LSL	53,840	54,910	56,010	164,760

As shown above, there is no material pricing difference between the firms. All three firms are well known and have excellent references. Other factors not included in the proposals are indirect cost (increase internal staff overtime) incurred due to knowledge transfer issues required for new firms, systems and software training of the new firms, internal control reviews etc.

There are several issues to consider when deciding to rehire the existing auditor or switch audit firms. There used to be a school of thought that you should change auditors every so often to ensure a "fresh look" and ensure independence. That school of thought does not take into account that in the early years the new audit firm relies primarily on a statistical sampling module to select the areas of concentration of the audit. It is not possible for the audit firm to audit 100% of the organization every year.

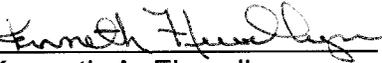
What they do is expand the scope of the audit and audit additional areas each subsequent year. And as the auditors gain knowledge about the organization the depth of the audit program becomes more thorough. In addition, a new audit firm would require additional staff time (indirect cost not included in any proposal) as the auditor is brought up to speed on City processes and operations.

Staff is completely satisfied with the work of MHM. MHM has provided the City with an experienced audit team and the "Partner in Charge" provides excellent service to the City. City Staff and MHM staff work well together and have met all deadlines.

Staff recommends that Council award a contract to Mayer Hoffman McCann P.C. for auditing services for fiscal years ending June 30, 2009, 2010 and 2011 for a three year aggregate amount of \$164,100 plus a two two-year renewal option.

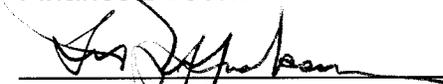
Respectfully submitted,

Eric E. Tsao
Finance Director

By 
Kenneth A. Flewellyn
Assistant Finance Director

CONCUR:


Eric E. Tsao
Finance Director


LeRoy J. Jackson
City Manager

Attachment A: Fee Proposals

Attachment B: Consulting Services Agreement (Limited Distribution)

Attachment A

CITY OF TORRANCE
REQUEST FOR INFORMATION (RFI)
AUDIT FEES

	MHM	LSL	C&L	MHM	LSL	C&L	MHM	LSL	C&L	MHM TOTAL 3 YEARS	LSL TOTAL 3 YEARS	C&L TOTAL 3 YEARS
	08-09	08-09	08-09	09-10	09-10	09-10	10-11	10-11	10-11			
Gen Audit/Single Audit	\$37,800	\$43,240	\$31,670	\$37,800	\$44,100	\$32,735	\$37,800	\$44,980	\$33,650	\$113,400	\$132,320	\$98,055
Airport	2,800	1,610	4,270	2,800	1,640	4,440	2,800	1,670	4,690	8,400	4,920	13,400
Water	2,800	2,700	4,520	2,800	2,750	4,680	2,800	2,810	4,840	8,400	8,260	14,040
Redevelopment Agency	9,100	4,150	6,360	9,100	4,230	6,520	9,100	4,310	6,720	27,300	12,690	19,600
Financing Authority	1,700	1,290	2,380	1,700	1,320	2,450	1,700	1,350	2,500	5,100	3,960	7,330
REAC Submission	500	850	0	500	870	0	500	890	0	1,500	2,610	0
Total	\$54,700	\$53,840	\$49,200	\$54,700	\$54,910	\$50,825	\$54,700	\$56,010	\$52,400	\$164,100	\$164,760	\$152,425

MHM
Mayer Hoffman McCann P.C.

LS&L
Lance, Soll & Lunghard, LLP

C&L-Caporicci & Larson, CPA

CONSULTING SERVICES AGREEMENT

This CONSULTING SERVICES AGREEMENT (“Agreement”) is made and entered into as of May 19, 2009 (the “Effective Date”), by and between the CITY OF TORRANCE, a municipal corporation (“CITY”), and Mayer Hoffman McCann P.C., a Professional Corporation. (“CONSULTANT”).

RECITALS:

- A. CITY wishes to retain the services of an experienced and qualified CONSULTANT to provide auditing services for fiscal years 2008-2009, 2009-2010 and 2010-2011, with two additional two-year options to audit fiscal years 2011-2012, 2012-2013 and fiscal years 2013-2014, 2014-2015, respectively.
- B. CONSULTANT represents that it is qualified to perform those services.

AGREEMENT:

1. SERVICES TO BE PERFORMED BY CONSULTANT

CONSULTANT will provide the services listed in the Scope of Services attached as Exhibit A. CONSULTANT warrants that all work and services set forth in the Scope of Services will be performed in a competent, professional and satisfactory manner.

2. TERM

Unless earlier terminated in accordance with Paragraph 4 below, this Agreement will continue in full force and effect from the Effective Date through December 31, 2011. If CITY decides to exercise its first option for fiscal years 2011-2012 and 2012-2013, CITY must notify CONSULTANT in writing by December 1, 2011. If CITY decides to exercise its second option for fiscal years 2013-2014 and 2014-2015, CITY must notify CONSULTANT in writing by December 1, 2013.

3. COMPENSATION

A. CONSULTANT’s Fee.

For services rendered pursuant to this Agreement, CONSULTANT will be paid in accordance with the Compensation Schedule attached as Exhibit B, provided, however, that in no event will the total amount of money paid the CONSULTANT, for services initially contemplated by this Agreement, exceed the sum of \$164,100 (“Agreement Sum”), unless otherwise first approved in writing by CITY.

B. Schedule of Payment.

Provided that the CONSULTANT is not in default under the terms of this Agreement, upon presentation of an invoice, CONSULTANT will be paid monthly the fees described in Paragraph 3.A. above, according to the

Compensation Schedule. Payment will be due within 30 days after the date of the monthly invoice.

4. TERMINATION OF AGREEMENT

A. Termination by CITY for Convenience.

1. CITY may, at any time, terminate the Agreement for CITY's convenience and without cause.
2. Upon receipt of written notice from CITY of such termination for CITY's convenience, CONSULTANT will:
 - a. cease operations as directed by CITY in the notice;
 - b. take actions necessary, or that CITY may direct, for the protection and preservation of the work; and
 - c. except for work directed to be performed prior to the effective date of termination stated in the notice, terminate all existing subcontracts and purchase orders and enter into no further subcontracts and purchase orders.
3. In case of such termination for CITY's convenience, CONSULTANT will be entitled to receive payment for work executed; and costs incurred by reason of such termination, along with reasonable overhead and profit on the work not executed.

B. Termination for Cause.

1. If either party fails to perform any term, covenant or condition in this Agreement and that failure continues for 15 calendar days after the nondefaulting party gives the defaulting party written notice of the failure to perform, this Agreement may be terminated for cause; provided, however, that if during the notice period the defaulting party has promptly commenced and continues diligent efforts to remedy the default, the defaulting party will have such additional time as is reasonably necessary to remedy the default.
2. In the event this Agreement is terminated for cause by the default of the CONSULTANT, the CITY may, at the expense of the CONSULTANT and its surety, complete this Agreement or cause it to be completed. Any check or bond delivered to the CITY in connection with this Agreement, and the money payable thereon, will be forfeited to and remain the property of the CITY. All moneys due the CONSULTANT under the terms of this Agreement will be retained by the CITY, but the retention will not release the CONSULTANT and its surety from liability for the default. Under these circumstances, however, the CONSULTANT and its surety will be credited with the amount of money retained, toward any amount by which the cost of completion exceeds the Agreement Sum and any amount authorized for extra services.

3. Termination for cause will not affect or terminate any of the rights of the CITY as against the CONSULTANT or its surety then existing, or which may thereafter accrue because of the default; this provision is in addition to all other rights and remedies available to the CITY under law.

C. Termination for Breach of Law.

In the event the CONSULTANT or any of its officers, directors, shareholders, employees, agents, subsidiaries or affiliates is convicted (i) of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of a contract or subcontract; (ii) under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty which currently, seriously, and directly affects responsibility as a public consultant or contractor; (iii) under state or federal antitrust statutes arising out of the submission of bids or proposals; or (iv) of violation of Paragraph 19 of this Agreement; or for any other cause the CITY determines to be so serious and compelling as to affect CONSULTANT's responsibility as a public consultant or contractor, including but not limited to, debarment by another governmental agency, then the CITY reserves the unilateral right to terminate this Agreement or to impose such other sanctions (which may include financial sanctions, temporary suspensions or any other condition deemed appropriate short of termination) as it deems proper. The CITY will not take action until CONSULTANT has been given notice and an opportunity to present evidence in mitigation.

5. **FORCE MAJEURE**

If any party fails to perform its obligations because of strikes, lockouts, labor disputes, embargoes, acts of God, inability to obtain labor or materials or reasonable substitutes for labor or materials, governmental restrictions, governmental regulations, governmental control, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform, then that party's performance shall be excused for a period equal to the period of such cause for failure to perform.

6. **RETENTION OF FUNDS**

CONSULTANT authorizes CITY to deduct from any amount payable to CONSULTANT (whether or not arising out of this Agreement) any amounts the payment of which may be in dispute or that are necessary to compensate CITY for any losses, costs, liabilities, or damages suffered by CITY, and all amounts for which CITY may be liable to third parties, by reason of CONSULTANT's negligent acts or omissions or willful misconduct in performing or failing to perform CONSULTANT's obligations under this Agreement. In the event that any claim is made by a third party, the amount or validity of which is disputed by CONSULTANT, or any indebtedness exists that appears to be the basis for a claim of lien, CITY may withhold from any payment due, without liability for interest because of the withholding, an amount sufficient to cover the claim. The failure of CITY to exercise the right to deduct or to withhold will not, however, affect the obligations of

CONSULTANT to insure, indemnify, and protect CITY as elsewhere provided in this Agreement.

7. **CITY REPRESENTATIVE**

Eric E. Tsao, Finance Director is designated as the “City Representative,” authorized to act in its behalf with respect to the work and services specified in this Agreement and to make all decisions in connection with this Agreement. Whenever approval, directions, or other actions are required by CITY under this Agreement, those actions will be taken by the City Representative, unless otherwise stated. The City Manager has the right to designate another City Representative at any time, by providing notice to CONSULTANT.

8. **CONSULTANT REPRESENTATIVE(S)**

The following principal(s) of CONSULTANT are designated as being the principal(s) and representative(s) of CONSULTANT authorized to act in its behalf with respect to the work specified in this Agreement and make all decisions in connection with this Agreement:

Ken Al-Imam, Partner/Shareholder

9. **INDEPENDENT CONTRACTOR**

The CONSULTANT is, and at all times will remain as to CITY, a wholly independent contractor. Neither CITY nor any of its agents will have control over the conduct of the CONSULTANT or any of the CONSULTANT’s employees, except as otherwise set forth in this Agreement. The CONSULTANT may not, at any time or in any manner, represent that it or any of its agents or employees are in any manner agents or employees of CITY.

10. **BUSINESS LICENSE**

The CONSULTANT must obtain a City business license prior to the start of work under this Agreement, unless CONSULTANT is qualified for an exemption.

11. **OTHER LICENSES AND PERMITS**

CONSULTANT warrants that it has all professional, contracting and other permits and licenses required to undertake the work contemplated by this Agreement.

12. **FAMILIARITY WITH WORK**

By executing this Agreement, CONSULTANT warrants that CONSULTANT (a) has thoroughly investigated and considered the scope of services to be performed, (b) has carefully considered how the services should be performed, and (c) fully understands the facilities, difficulties and restrictions attending performance of the services under this Agreement. If the services involve work upon any site, CONSULTANT warrants that CONSULTANT has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of services set forth in this Agreement. Should CONSULTANT discover any latent or unknown conditions that will materially affect the performance of the services set forth in this Agreement, CONSULTANT must immediately inform CITY of that fact and may not proceed except at CONSULTANT’s risk until written instructions are received from CITY.

13. **CARE OF WORK**

CONSULTANT must adopt reasonable methods during the term of the Agreement to furnish continuous protection to the work, and the equipment, materials, papers, documents, plans, studies and other components to prevent losses or damages, and will be responsible for all damages, to persons or property, until acceptance of the work by CITY, except those losses or damages as may be caused by CITY's own negligence.

14. **CONSULTANT'S ACCOUNTING RECORDS; OTHER PROJECT RECORDS**

Records of the CONSULTANT's time pertaining to the project, and records of accounts between CITY and the CONSULTANT, will be kept on a generally recognized accounting basis. CONSULTANT will also maintain all other records, including without limitation specifications, drawings, progress reports and the like, relating to the project. All records will be available to CITY during normal working hours. CONSULTANT will maintain these records for three years after final payment.

15. **INDEMNIFICATION**

CONSULTANT will indemnify, defend, and hold harmless CITY, the Redevelopment Agency of the City of Torrance, the City Council, each member thereof, present and future, members of boards and commissions, its officers, agents, employees and volunteers from and against any and all liability, expenses, including defense costs and legal fees, and claims for damages whatsoever, including, but not limited to, those arising from breach of contract, bodily injury, death, personal injury, property damage, loss of use, or property loss however the same may be caused and regardless of the responsibility for negligence. The obligation to indemnify, defend and hold harmless includes, but is not limited to, any liability or expense, including defense costs and legal fees, arising from the negligent acts or omissions, or willful misconduct of CONSULTANT, its officers, employees, agents, subcontractors or vendors. It is further agreed, CONSULTANT's obligations to indemnify, defend and hold harmless will apply even in the event of concurrent negligence on the part of CITY, the City Council, each member thereof, present and future, or its officers, agents and employees, except for liability resulting solely from the negligence or willful misconduct of CITY, its officers, employees or agents. Payment by CITY is not a condition precedent to enforcement of this indemnity. In the event of any dispute between CONSULTANT and CITY, as to whether liability arises from the sole negligence of the CITY or its officers, employees, agents, subcontractors or vendors, CONSULTANT will be obligated to pay for CITY's defense until such time as a final judgment has been entered adjudicating the CITY as solely negligent. CONSULTANT will not be entitled in the event of such a determination to any reimbursement of defense costs including but not limited to attorney's fees, expert fees and costs of litigation.

16. **NON-LIABILITY OF CITY OFFICERS AND EMPLOYEES**

No officer or employee of CITY will be personally liable to CONSULTANT, in the event of any default or breach by the CITY or for any amount that may become due to CONSULTANT.

17. INSURANCE

- A. CONSULTANT must maintain at its sole expense the following insurance, which will be full coverage not subject to self insurance provisions:
1. Automobile Liability, including owned, non-owned and hired vehicles, with at least the following limits of liability:
 - a. Primary Bodily Injury with limits of at least \$500,000 per person, \$1,000,000 per occurrence; and
 - b. Primary Property Damage of at least \$250,000 per occurrence; or
 - c. Combined single limits of \$1,000,000 per occurrence.
 2. General Liability including coverage for premises, products and completed operations, independent contractors/vendors, personal injury and contractual obligations with combined single limits of coverage of at least \$1,000,000 per occurrence.
 3. Professional liability insurance with limits of at least \$1,000,000 per occurrence.
 4. Workers' Compensation with limits as required by the State of California and Employers Liability with limits of at least \$1,000,000.
- B. The insurance provided by CONSULTANT will be primary and non-contributory
- C. CITY ("City of Torrance"), the Redevelopment Agency of the City of Torrance, the City Council and each member thereof, members of boards and commissions, every officer, agent, official, employee and volunteer must be named as additional insured under the automobile and general liability policies.
- D. CONSULTANT must provide certificates of insurance and/or endorsements to the City Clerk of the City of Torrance before the commencement of work.
- E. Each insurance policy required by this Paragraph must contain a provision that no termination, cancellation or change of coverage can be made without thirty days notice to CITY.

18. SUFFICIENCY OF INSURERS AND SURETIES

Insurance or bonds required by this Agreement will be satisfactory only if issued by companies admitted to do business in California, rated "B+" or better in the most recent edition of Best's Key Rating Guide, and only if they are of a financial category Class VII or better, unless these requirements are waived by the Risk Manager of CITY ("Risk Manager") due to unique circumstances. In the event the Risk Manager determines that the work or services to be performed under this Agreement creates an increased or decreased risk of loss to CITY, the CONSULTANT agrees that the minimum limits of

any insurance policies or performance bonds required by this Agreement may be changed accordingly upon receipt of written notice from the Risk Manager; provided that CONSULTANT will have the right to appeal a determination of increased coverage by the Risk Manager to the City Council of CITY within 10 days of receipt of notice from the Risk Manager.

19. CONFLICT OF INTEREST

- A. No officer or employee of the CITY may have any financial interest, direct or indirect, in this Agreement, nor may any officer or employee participate in any decision relating to the Agreement that effects the officer or employee's financial interest or the financial interest of any corporation, partnership or association in which the officer or employee is, directly or indirectly interested, in violation of any law, rule or regulation.
- B. No person may offer, give, or agree to give any officer or employee or former officer or employee, nor may any officer or employee solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation or any part of a program requirement or a purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any way pertaining to any program requirement, contract or subcontract, or to any solicitation or proposal.

20. NOTICE

- A. All notices, requests, demands, or other communications under this Agreement will be in writing. Notice will be sufficiently given for all purposes as follows:
1. Personal delivery. When personally delivered to the recipient: notice is effective on delivery.
 2. First Class mail. When mailed first class to the last address of the recipient known to the party giving notice: notice is effective three mail delivery days after deposit in an United States Postal Service office or mailbox.
 3. Certified mail. When mailed certified mail, return receipt requested: notice is effective on receipt, if delivery is confirmed by a return receipt.
 4. Overnight delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account: notice is effective on delivery, if delivery is confirmed by the delivery service.
 5. Facsimile transmission. When sent by fax to the last fax number of the recipient known to the party giving notice: notice is effective on receipt. Any notice given by fax will be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.

6. Addresses for purpose of giving notice are as follows:

CONSULTANT: Mayer Hoffman McCann P.C.
Attn: Ken Al-Imam
2301 Dupont Drive Suite 200
Irvine, CA. 92612
Fax: (949) 263-5520

CITY: City Clerk
City of Torrance
3031 Torrance Boulevard
Torrance, CA 90509-2970
Fax: (310) 618-2931

- B. Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified, will be deemed effective as of the first date the notice was refused, unclaimed or deemed undeliverable by the postal authorities, messenger or overnight delivery service.
- C. Either party may change its address or fax number by giving the other party notice of the change in any manner permitted by this Agreement.

21. PROHIBITION AGAINST ASSIGNMENT AND SUBCONTRACTING

This Agreement and all exhibits are binding on the heirs, successors, and assigns of the parties. The Agreement may not be assigned or subcontracted by either CITY or CONSULTANT without the prior written consent of the other.

22. INTEGRATION; AMENDMENT

This Agreement represents the entire understanding of CITY and CONSULTANT as to those matters contained in it. No prior oral or written understanding will be of any force or effect with respect to the terms of this Agreement. The Agreement may not be modified or altered except in writing signed by both parties.

23. INTERPRETATION

The terms of this Agreement should be construed in accordance with the meaning of the language used and should not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction that might otherwise apply.

24. SEVERABILITY

If any part of this Agreement is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Agreement will remain in full force and effect.

25. TIME OF ESSENCE

Time is of the essence in the performance of this Agreement.

26. **GOVERNING LAW; JURISDICTION**

This Agreement will be administered and interpreted under the laws of the State of California. Jurisdiction of any litigation arising from the Agreement will be in Los Angeles County, California.

27. **COMPLIANCE WITH STATUTES AND REGULATIONS**

CONSULTANT will be knowledgeable of and will comply with all applicable federal, state, county and city statutes, rules, regulations, ordinances and orders.

28. **WAIVER OF BREACH**

No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default will impair the right or remedy or be construed as a waiver. A party's consent or approval of any act by the other party requiring the party's consent or approval will not be deemed to waive or render unnecessary the other party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and will not be a waiver of any other default concerning the same or any other provision of this Agreement.

29. **ATTORNEY'S FEES**

Except as provided for in Paragraph 15, in any dispute, litigation, arbitration, or other proceeding by which one party either seeks to enforce its rights under this Agreement (whether in contract, tort or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party will be awarded reasonable attorney's fees, together with any costs and expenses, to resolve the dispute and to enforce any judgment.

30. **EXHIBITS**

All exhibits identified in this Agreement are incorporated into the Agreement by this reference.

31. **CONSULTANT'S AUTHORITY TO EXECUTE**

The person(s) executing this Agreement on behalf of the CONSULTANT warrant that (i) the CONSULTANT is duly organized and existing; (ii) they are duly authorized to execute this Agreement on behalf of the CONSULTANT; (iii) by so executing this Agreement, the CONSULTANT is formally bound to the provisions of this Agreement; and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which the CONSULTANT is bound.

CITY OF TORRANCE
a Municipal Corporation

Mayer Hoffman McCann P.C.

Frank Scotto, Mayor

By: _____
Ken Al-Imam
Partner/Shareholder

ATTEST:

Sue Herbers
City Clerk

APPROVED AS TO FORM:
JOHN L. FELLOWS III
City Attorney

By: _____

Attachments: Exhibit A Scope of Services
 Exhibit B Compensation Schedule

Revised: 10/29/2008

EXHIBIT A**SCOPE OF SERVICES**

- 1. Perform an audit examination of the financial statements of the City of Torrance for the fiscal years ending June 30, 2009, 2010, and 2011 with a two two-year option renewals. The Finance Department will draft and word process the financial statement schedules and notes in the financial section of the comprehensive annual financial report. Changes resulting from the review process of the draft report will be made by the Finance Department. The Finance Department will prepare the introductory section and statistical section of the comprehensive annual financial report. We will review the CAFR for conformity with the most recent edition of the GAAFR and subsequent GASB pronouncements. We will provide an “in-relation-to” report on the supporting schedules based on the auditing procedures applied during the audit of the financial statements and the combining and individual fund financial statements and schedules.**
- 2. Perform a “Single Audit” of the City of Torrance in accordance with the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 entitled Audits of States, Local Governments, and Non-Profits Organizations and include all of the reports specified in the City’s RFI. The City will provide to the Auditors the Schedule of Federal Financial Assistance encompassing all direct and pass-through federal funds received by the City and component units. The auditors will copy and bind the report.**
- 3. Perform a financial and compliance audit of the governmental activities, each major fund and the aggregate remaining fund information of the City of Torrance Redevelopment Agency. The audit will be conducted in accordance with auditing standards generally accepted in the United States, Government Auditing Standards and the Guidelines for Compliance Audits of California Redevelopment Agencies. The City will prepare and word process the RDA financial statements.**
- 4. Perform a financial audit of the Airport Fund, Water Fund, and Air Quality management District Fund of the City of Torrance. The Finance Department will draft and word process the financial statement schedules and notes in the financial section of the basic financial report. Changes resulting from the review process of the draft report will be made by the Finance Department.**
- 5. Perform a financial audit of the Torrance Public Financing Authority component unit financial statements. The Finance Department will draft and word process the financial statement schedules and notes in the financial section of the basic financial report. Changes resulting from the review process of the draft report will be made by the Finance Department.**
- 6. Perform agreed-upon procedures to test and report on the City’s Gann Limit.**
- 7. When requested, the auditors will provide a “consent letter” for the inclusion of the audited financial statements within official statements associated with the sale of debt securities.**

8. Prepare a letter to the City Council reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by SAS No. 112. The auditors will immediately report any irregularities or illegal acts that come to their attention to the City Council.

9. Review the investment policy adopted annually by the City council. The auditors also agree to serve as an ex-officio member of the Investment Review Committee, will review the City's cost allocation plan and provide oral feedback as to any concerns regarding the City's cost allocation plan.

10. Prepare a letter to City management that will provide other recommendations to the City ensuing from our review of the City's internal control procedures. This letter will address non-significant deficiencies conditions (those constructive comments not required to be included in the letter of significant deficiencies to City Council).

11. At the conclusion of the audit, the auditors will communicate to the Finance Director or his designee the following:

- a. The auditor's responsibility under generally accepted auditing standards**
- b. Significant accounting policies**
- c. Management and judgments and accounting estimates,**
- d. Significant audit adjustments**
- e. Other information in documents containing audited financial statements,**
- f. Disagreements with management**
- g. Management consultation with other accountants**
- h. Major issues discussed with management prior to retention**
- i. Difficulties encountered in performing the audit.**

This communication will be in the form stipulated by Statement on Auditing Standards No.114.

12. Will keep its local government clients abreast of new developments affecting local government finance and will also advise City staff of new accounting developments during the interim/planning stage of each year's audit. The auditors plan on providing additional client training to their clients in their May 2009 client training conference with respect to new GASB pronouncements.

13. Finally, the auditors perceive the scope of their work as being advisors to the City of Torrance regarding generally accepted accounting principles. Throughout the year, Finance personnel of the City, will have access to Mr. Al-Imam, Engagement Partner, Mr. Harrison, Technical Review Partner, and Mr. Dobrenen, Engagement Manager, to seek advice in the application of generally accepted accounting principles, the establishment and segregation of funds, advise regarding debt issuance, financial statement preparation and content, taxation issues and other matters relating to the City.

EXHIBIT B**COMPENSATION SCHEDULE**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Audit/Single Audit	\$ 37,800	\$ 37,800	\$ 37,800	\$ 38,556	\$ 39,327	\$ 40,114	\$40,916
Airport	2,800	2,800	2,800	2,856	2,913	2,971	3,030
Water	2,800	2,800	2,800	2,856	2,913	2,971	3,030
Redevelopment Agency	9,100	9,100	9,100	9,282	9,468	9,657	9,850
Public Financing Authority	1,700	1,700	1,700	1,734	1,769	1,804	1,840
REAC Submission	500	500	500	510	520	530	541
Sub-Total	\$ 54,700	\$ 54,700	\$54,700	\$ 55,794	\$ 56,910	\$ 58,047	\$59,207
Typing & printing (if elected)	4,000	4,000	4,000	4,080	4,162	4,245	4,330
Totals	\$ 58,700	\$ 58,700	\$58,700	\$ 59,874	\$ 61,072	\$ 62,292	\$63,537