

Agenda Report

May 16, 2011

TO: The Honorable Mayor and City Council

THROUGH: Finance/Audit Committee (May 16, 2011)

FROM: Director of Finance

SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH BROWN ARMSTRONG ACCOUNTANCY CORPORATION FOR AUDIT SERVICES FOR FISCAL YEARS 2011 – 2013, WITH TWO ONE YEAR OPTIONS

RECOMMENDATION:

It is recommended that the City Council authorize the City Manager to execute a contract with the public accounting firm of Brown Armstrong Accountancy Corporation to perform the annual audits of the financial statements of the City of Pasadena, the Pasadena Community Development Commission, the Rose Bowl Operating Company, the Pasadena Center Operating Company, and the Pasadena Community Access Corporation. The proposed contract is exempt from competitive bidding pursuant to City Charter Section 1002(F), Contracts for Professional or Unique Services.

BACKGROUND:

Section 912 of the City Charter requires the City Council to employ a certified public accountant to examine the City's records, books, and inventories and report findings to the City Council.

It is the policy and practice of the City of Pasadena to open the audit contract to competitive bids every three to five years.

Mayer Hoffman McCann P.C. (formerly Conrad and Associates, LLP) has been the City's auditor and has performed the annual audits since fiscal year 2001 when the firm was selected through a competitive selection process. Mayer Hoffman McCann was again awarded the auditing contract through competitive selection processes in 2005 and 2009. On January 31, 2011, the City Council took action to terminate the five year contract with Mayer Hoffman McCann and directed staff to issue a Request for Proposal (RFP) for auditor services.

On March 18, 2011, RFP packets were made available on the City's website and notice was sent to all vendors who had previously registered for notification. Additionally, Finance notified twelve auditing firms. Final proposals were due April 11, 2011. Eleven firms submitted proposals.

Each firm was evaluated based on the competitive selection process, in which the evaluation of proposals was not limited to price alone. Technical merit and firm expertise and capacity were also given significant consideration in the selection process.

The competitive selection evaluation criteria were as follows:

Firm Qualifications: Technical experience of the firm as documented by experience in auditing similar entities and performing the type of work outlined; size and structure of the firm; ability to provide ongoing technical support when necessary. (30 points)

Personnel Qualifications: Qualifications of partners and staff at various levels. The City expects the field senior in-charge to be a CPA with at least three years experience in auditing municipalities or other governmental entities. (30 points)

Methodology: Responsiveness of the proposal in clearly stating an understanding of the audit service to be performed, including appropriateness and adequacy of proposed procedures, reasonableness of time estimates and timeliness of expected completion. (10 points)

Dollar Cost Bid: Cost of contracted services. (20 points)

Local Preference: Local Pasadena Businesses receive a 5 percent preference. (5 points)

Small and Micro-Business: Small and Micro-businesses receive a 5 percent preference. (5 points)

Based on an initial screening, the top six firms were interviewed separately on April 28, and 29, 2011. The top three firms were invited back for a second interview on May 3, 2011. The interviewing team included the Director of Finance, Controller, Assistant General Manager of Pasadena Water and Power, Chief Financial Officers of RBOC and PCOC, and one member of the Finance/Audit Committee.

The top three firms were ranked as follows (100 points possible):

Brown Armstrong Accountancy Corporation	79
Vavrinek, Trine, Day & Co., LLP	74
Macias Gini & O'Connell LLP	71

(Brown Armstrong qualified for the local preference of 5 points.)

The recommendation for selection of Brown Armstrong is based on evaluation of the selection criteria and includes:

Firm Qualifications:

- Listed as one of the fifty largest CPA firms in California
- Ranked by "Inside Public Accounting" in 2009 as Best of the Best Honorable Mention in 15th Annual "America's Best-Managed Accounting Firms"
- Eight shareholders who specialize in governmental auditing
- Currently auditing over 70 government agencies
- Eighty employees, 43 who specialize in governmental auditing
- Brown Armstrong has engaged Eide Bailly, LLP, a top 25 CPA firm in the nation to be available for utility auditing consultation

Personnel Qualifications:

- Partner who is member of Government Accounting Standards Advisory Council, author of the Governmental GAAP Guide and Governmental GAAP Practice Manual, and managing partner in the Pasadena office.
- Separate staff assigned to RBOC and PCOC audits with high levels of experience
- Seasoned engagement staff, where Pasadena is not the training ground
- Leadership role in governmental accounting

Methodology:

- All firms interviewed clearly demonstrated their understanding of the audit services to be performed including the appropriateness and adequacy of proposed procedures, reasonableness of time estimates, and timeliness of expected completion.

Dollar Cost Bid:

Primary office locations and a total, three year price for the eleven firms are listed below:

Brown Armstrong	Pasadena & Bakersfield	\$ 338,800
Lance, Soll & Lunghard	Brea	346,770
Vavrinek, Trine, Day & Co.	Rancho Cucamonga	374,445
Mayer Hoffman McCann	Irvine	384,080
Sotomayor & Associates	Pasadena	412,165
Gallina LLP	Roseville	422,280
Vasquez & Company	Los Angeles	456,576
Macias Gini & O'Connell	Los Angeles	585,286
Caporicci & Larson	Irvine	601,860
Windes & McClaughry	Long Beach	637,390
KPMG	Irvine	\$ 890,100

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

The maximum costs of fiscal years 2011 through 2013 audits and two optional one year extensions under the terms of the proposed contract are listed below. Funds for the FY2011 audit are included in the FY2012 Recommended Operating Budget. The Rose Bowl Operating Company, the Pasadena Center Operating Company, and the Pasadena Community Access Corporation will pay for their respective audits.

	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014*</u>	<u>FY2015*</u>
City	\$ 58,233	59,071	60,118	61,166	\$ 62,003
PCDC	20,586	20,882	21,252	21,623	21,919
PCOC	13,785	13,984	14,232	14,479	14,678
RBOC	18,040	18,299	18,624	18,948	19,208
PCAC	556	564	574	584	592

Total: \$ 111,200 112,800 114,800 116,800 \$ 118,400

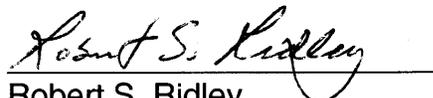
* Two optional one year extensions of contract at City Manager discretion.

Respectfully submitted,



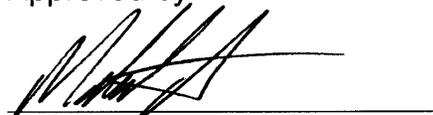
ANDREW GREEN
Director of Finance

Prepared by:



Robert S. Ridley
Controller

Approved by:



MICHAEL J. BECK
City Manager

Attachment:

Attachment A – Taxpayer Protection Amendment

Attachment A

Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment
Pasadena City Charter, Article XVII

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name:
BROWN ARMSTRONG ACCOUNTANCY CORPORATION

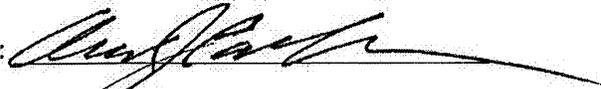
2. Type of Entity:
 non-government nonprofit 501(c)(3), (4), or (6)

3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:

ANDREW J. PAULDEN	CONNIE M. PEREZ
BURTON H. ARMSTRONG	ROSALVA FLORES
PETER C. BROWN	DIANA H. BRANTHOVER
STEVEN R. STARBUCK	THOMAS M. YOUNG
CHRISTINA M. THORNBURGH	ERIC BERMAN
ERIC H. XIN	JAY K. PORTER
RICHARD L. HALLE	

4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:

ANDREW J. PAULDEN
BURTON H. ARMSTRONG
PETER C. BROWN
STEVEN R. STARBUCK

Prepared by: 
Title: MANAGING PARTNER
Phone: 661-324-4971
Date: 5-9-11