



Mayor Tony Vazquez  
Councilmember Pam O'Connor  
Councilmember Sue Himmelrich  
Committee Member Frances Ellington  
Committee Member Nimish Patel

## **AUDIT SUBCOMMITTEE MEETING AGENDA**

Tuesday, January 19, 2016, 7:00 P.M.

Ken Edwards Center  
1527 4<sup>th</sup> Street, Room 104  
Santa Monica, CA 90401

**(This is a special City Council meeting. Public comment is restricted to only items listed on the agenda. Please note that agenda items may be reordered during the meeting at the discretion of the Audit Subcommittee.)**

1. Call to Order and Roll Call
2. Election of Chair and Vice Chair of the Audit Subcommittee of the City of Santa Monica (this item was listed for consideration at the committee's first meeting and is listed again to correct an error in posting)
3. Adoption of Resolution setting Regular Meeting Time and Place for FY 2015-16 (Subcommittee Report) (this item was listed for consideration at the committee's first meeting and is listed again to correct an error in posting)
4. Receive an Update on Internal Controls Work Plan and Progress on Internal Review Findings
  - a. Internal Audit Work Plan Update (presented by Mark Steranka, Partner, Moss Adams LLP)
  - b. Internal Controls Review Progress Report (presented by Gigi Decavalles-Hughes, Director of Finance)
5. Receive the Consolidated Annual Financial Report (CAFR) Executive Summary (presented by Jim Godsey, Partner, Macias, Gini and O'Connell LLP)
6. Selection of the Professional Auditing Firm be Recommended to the City Council for Award of a Contract (Subcommittee Report)
7. Announcements & Updates
8. Adjournment

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<http://www.smgov.net/departments/council/content.aspx?id=53159>

**STANDARDS OF BEHAVIOR THAT PROMOTE CIVILITY AT ALL PUBLIC MEETINGS:**

- Treat everyone courteously
- Listen to others respectfully
- Exercise self-control
- Give open-minded consideration to all viewpoints
- Focus on the issues and avoid personalizing debate
- Embrace respectful disagreement and dissent as democratic rights, inherent components of inclusive public process, and tools for forging sound decisions

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Agenda Item 3:

Adoption of Resolution setting Regular Meeting Time and Place  
for FY 2015-16

(Subcommittee Report)



## Santa Monica Audit Subcommittee Report

### Audit Subcommittee of the Santa Monica City Council

Meeting: January 19, 2016

Agenda Item: 3

To: Chairperson and Members  
From: Gigi Decavalles-Hughes, Director of Finance  
Subject: Resolution of the Audit Subcommittee of the Santa Monica City Council  
Establishing Regular Meeting Dates

#### **Recommended Action**

Staff recommends that the Audit Subcommittee of the Santa Monica City Council:

1. Adopt the attached Subcommittee Resolution establishing regular meetings of the Subcommittee;
2. Authorize the members of the Subcommittee to take all actions necessary to implement the purpose of the Resolution.

#### **Executive Summary**

On July 28, 2015, the Council adopted a resolution establishing an Audit Subcommittee in accordance with best practices in financial management. The resolution calls for the Subcommittee to meet a minimum of three times annually. This resolution sets the dates and times of the regular meetings.

#### **Background**

On July 28, 2015, as authorized by Resolution No. 10901 (CCS), the Audit Committee of the Santa Monica City Council was established. The purpose of the Audit Subcommittee (the Subcommittee) is to assist the Council in fulfilling their oversight responsibility for the financial reporting process, the framework for internal control, and the audit process. On October 12, 2015, the Audit Subcommittee met for the first time. At that meeting, the members of the Subcommittee adopted a resolution establishing regular meeting dates. However, due to an error in the posting of the meeting, it is necessary that the Subcommittee re-votes on this issue.

## **Discussion**

The Resolution of the City Council of the City of Santa Monica Establishing an Audit Committee calls for the Subcommittee to meet a minimum of three times annually. The preferred timing for the meetings is in the Fall, Winter and Spring. The attached Resolution sets the date and time of the Subcommittee's ongoing regular meeting schedule going forward. The regular meetings of the Audit Subcommittee will occur on the third Tuesday of January, April and October at 7:00 p.m. in the Ken Edwards Center. If an action is not ready to be taken on the date of the regularly scheduled meeting, the item may be continued pursuant to the Ralph M. Brown Act or rescheduled for the following regular meeting. If a meeting is deemed not to be necessary on the scheduled meeting date, or a change of date is required, the Subcommittee may reschedule the meeting. Additional regularly scheduled meetings may be added by resolution in the future.

### Attachments:

Resolution of the Audit Subcommittee of the Santa Monica City Council  
Establishing Regular Meeting Dates

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE AUDIT COMMITTEE OF THE CITY COUNCIL  
OF THE CITY OF SANTA MONICA ESTABLISHING REGULAR  
MEETING DATES

WHEREAS, on July 28, 2015, the City Council of the City of Santa Monica adopted Resolution Number 10901, establishing an Audit Subcommittee (the "Audit Committee") to assist the Council in fulfilling their oversight responsibility for the financial reporting process, the framework for internal control, and the audit process; and

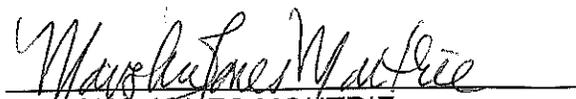
WHEREAS, in accordance with the provisions California Government Code section 54954(a), the Audit Committee wishes to establish times and a location for its regular meetings.

NOW, THEREFORE, the Members of the Audit Subcommittee of the City Council of the City of Santa Monica do hereby resolve as follows:

SECTION 1. Regular Meetings. From the date hereof, the regular meetings of the Audit Committee shall be held on the third Tuesday of each January, April and October at 7:00 p.m. at the Ken Edwards Center, 1527 4th Street, Santa Monica, CA 90401.

SECTION 2. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect.

APPROVED AS TO FORM:

  
MARSHA JONES MOUTRIE  
Authority Counsel

Agenda Item 4(a):  
Internal Audit Status Report



Date: December 17, 2015  
To: City of Santa Monica Audit Committee  
From: Mark Steranka  
Subject: Internal Audit Status Report June 1, 2015 through November 30, 2015

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#### Bank Reconciliation Support:

- Schedule Status: June 1, 2015 through December 31, 2015.
- Activities for This Period: Met with representatives of Finance Department and Treasurer's Office to understand current processes. Identified opportunities for improvement.
- Activities for Next Period: Schedule meeting with Finance Department and Treasurer's Office to explore alternatives.
- Issues: none

#### External Audit Preparation Support:

- Schedule Status: July 1, 2015 through September 30, 2015.
- Activities for This Period: Met with representatives of Finance Department to understand current processes. Provided input on external audit expectations, steps, and timing.
- Activities for Next Period: None anticipated.
- Issues: none

#### Ambulance Contract Audit:

- Schedule Status: November 1, 2015 through February 29, 2016.
- Activities for This Period: Performed engagement planning, conducted kickoff meeting, and submitted initial document request.
- Activities for Next Period: Review relevant documents and conduct onsite interviews and walkthroughs.
- Issues: none

#### Ongoing Internal Audit Services

- Schedule Status: July 1, 2015 through June 30, 2016.
- Activities for This Period: Attended first Audit Committee meeting and provided internal controls training. Reviewed Audit Committee resolution.
- Activities for Next Period: Attend second meeting of Audit Committee.
- Issues: none

Agenda Item 4(b):  
Internal Controls Review Progress Report



## INTERNAL CONTROLS REVIEW PROGRESS REPORT

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
RECOMMENDATIONS ADDRESSED THROUGH INTERNAL AUDIT WORK PLANS						
Monthly Reconciliation	1	High	High	Bank Reconciliation	Internal Audit: prepare documentation Finance: create bank reconciliation procedures	<b>Nearing completion.</b> Management has implemented a streamlined methodology and procedures; final step is to streamline process between Accounting and Treasury functions. The methodology and process will be included in the updated bank reconciliation and desk procedure, to be finalized in Spring 2016.
Revenue and Cash	2, 8, 9	High	Moderate	Cash Handling	Internal Audit: update policies and procedures and provide training Finance: implement Internal Auditor recommendations	<b>Pending Review.</b> Cash handling process improvements, including issuance of standard policies and procedures and citywide training, will be implemented upon the completion of the internal auditor cash handling review in the early part of 2016.
Accounts Receivable	1				Internal Audit: assess A/R, inventory, ambulance billing, fees and invoicing Finance: implement A/R module in new ERP system; complete billing and collections procedures	<b>Pending Review/ ERP System.</b> <ul style="list-style-type: none"> <li>Internal Auditor will be reviewing citywide A/R functions in the Spring with recommendations to be incorporated in A/R and Billing &amp; Collections procedures by June 2016.</li> <li>The new ERP system, which will provide a centralized A/R capability, will begin implementation in January 2016 and be fully operational on July 1, 2017. A review of the City's ambulance provider has begun.</li> <li>The Billing &amp; Collections unit took on billing functions for fire inspections, code enforcement, the Swim Center, and Police Department billings for events. Staff collected 34% of the total amount of delinquent accounts processed, and the City's collections agency collected about 13% of the amount referred, (3% higher than the collection rate for government debt and 7% higher than that of local government).</li> </ul>
Revenue and Cash	12, 13	High	High	Accounts Receivable		
Revenue and Cash	3					<b>Pending Review.</b> <ul style="list-style-type: none"> <li>Written Counting Room procedures, including internal control practices, are in draft form. Further improvements are pending the Cash Handling review.</li> <li>Internal Auditor will be providing fraud and internal controls training as reviews are completed. Ethics code has been adopted by Council and been included in Finance training.</li> </ul>
Training	1	High	Moderate	Fraud and Internal Controls	Perform training	

**INTERNAL AUDIT RECOMMENDATIONS TRACKING**

CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
RECOMMENDATIONS THAT HAVE DISCRETE TASKS THAT ARE EASILY IMPLEMENTED						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	1	High	High	Counting Room	Finalize draft access policies, and distribute and maintain log book	<b>Completed.</b> Counting room security policies and procedures have been distributed to staff and a log book documenting visitor entry is now in use.
Purchasing and A/P	1	High	High	A/P	Disseminate existing policies and procedures, and provide training	<b>Continuing.</b> Staff is updating Accounts Payable procedures. A full set of procedures will be completed by June 2016 and citywide A/P training will be provided.
Revenue and Cash	5	Moderate	High	Cash Transport	Select secure method for cash transport	<b>Continuing.</b> There are armored transport pickups at three sites which represent the majority of cash collected. It is not economical to provide armored car pickup for all the 50 cash collection sites in the City. However, staff will consider other options for secure transport (such as check scanning) while undertaking the cash handling review in Spring 2016.
Revenue and Cash	4	High	Moderate	Storage	Lock cabinets and secure keys, issue permits in sequential order, and reconcile permit system and POS	<b>Partially completed.</b> Finance has worked with Parking Operations staff to implement improvements, including secure storage of permits and logging of permit numbers. Procedures are being drafted and are anticipated to be completed by December 31, 2015.
Revenue and Cash	7	Moderate	Moderate	Counting Room	Repair closed circuit monitor, and revise policy	<b>Completed.</b> Counting Room monitor has been repaired and is in working order. Staff has been advised to report inoperable equipment to management. A new Treasury Administrator position will provide further supervision of the Counting Room operations and equipment needs.
Purchasing and A/P	5	Moderate	Moderate	P-Cards	Provide consistent enforcement	<b>Completed.</b> The purchasing card violation program, which includes penalties, was formalized and distributed to staff in January 2015, and individual department trainings were conducted. Purchasing notifies departments on a monthly basis about outstanding receipts and status of violations. A purchasing card agreement has been signed by all purchasing card users in addition to cardholders to ensure knowledge of the enforcement system.
Revenue and Cash	6	Moderate	Moderate	Counting Room	Ensure policy compliance	<b>Completed.</b> Staff has been reminded of policies regarding use of pocketless smocks in the Counting Room.
Grants Management	1	Moderate	Moderate	Grants	Adopt draft Administrative Instruction	<b>Continuing.</b> A Grants Administrative Instruction will be completed by June 2016.
Revenue and Cash	14	Low	Moderate	Safes	Obtain safe	<b>Pending Review.</b> Treasury staff sent a notice to all cash handling locations reminding them of the need to store currency (cash/checks) and items of monetary value in secure locations. Further review and site-specific recommendations will be implemented along with the cash handling review.

**INTERNAL AUDIT RECOMMENDATIONS TRACKING**

CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Payroll	6	Moderate	Low	Overtime	Track overtime errors, and provide training	<b>Continuing.</b> <ul style="list-style-type: none"> <li>Guidelines will be incorporated in supervisor handbook to be drafted by June 2016.</li> </ul>
Purchasing and A/P	6	Low	Low	A/P Queries	Document process, and perform monitoring	<b>Partially completed.</b> Staff is continuing to monitor all warrants to ensure that cumulative vendor limits do not exceed procurement policy parameters. Desk procedures will be completed by June 2016.
Purchasing and A/P	7	Low	Low	Duplicate Payments	Increase frequency of monitoring	<b>Completed.</b> Staff now conducts monthly duplicate payment monitoring rather than quarterly monitoring.

**RECOMMENDATIONS TO BE IMPLEMENTED BY THE CITY THAT WILL TAKE TIME TO IMPLEMENT**

CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Payroll	1	High	Moderate	On boarding and off boarding	Perform process development and documentation	<b>Pending ERP System.</b> While current payroll policies and procedures include processes payroll staff can control when notified of an employee's termination (i.e., verification that additional pays have end dates and the appropriate deductions will be taken from the final check), the new ERP system will make it possible to keep track of equipment issued to employees and allow new policies to be implemented such as deducting the value of outstanding equipment from final paychecks if not returned, and will have better workflow capability to allow the appropriate departments to be notified when key events happen.
Purchasing and A/P	2	High	Moderate	Personnel changes	Perform process development and documentation	<b>Completed.</b> When an employee terminates employment with the City, the purchasing card is one of the items that is retrieved along with other City-issued items (badge, keys, computer, phone). The responsibility to cancel the card has been incorporated in the Purchasing Card policies and procedures.
Purchasing and A/P	3	High	Moderate	P-card review	Perform process development and documentation	<b>Continuing.</b> Management believes that responsibility for monitoring the appropriateness of transactions is clearly assigned and stated in the purchasing card policies and procedures and is the approver's responsibility at the department level, rather than the responsibility of Finance staff. There is also a limited restriction on the use of the card for certain purchases (i.e., amusement parks, liquor store purchases, are denied upon initial swipe), Finance staff will be conducting spot audits of pcard transactions as recommended.
Purchasing and A/P	4	High	Low	Credit card refunds	Perform process development and documentation	<b>Completed.</b> Management believes that the controls that are in place are sufficient. Refunds by credit card appear on the purchasing card statement and are reviewed and

**INTERNAL AUDIT RECOMMENDATIONS TRACKING**

CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						approved by department approvers during the reconciliation process as if they were a charge. Department approvers are managers and department heads. To ensure that staff has a proper understanding of the process, a refund process has been incorporated in the purchasing card policies and procedures.
Accounts Receivable	2	Moderate	Moderate	Billing and Collections	Develop process, policies, and procedures for billing and collections	<b>Pending Review.</b> As noted above, billing and collection procedures are in draft form and will be submitted to the Finance Director for approval by end of December 2015. Drafting a separate A/R policy will be the joint effort of Accounting and Revenue Division and is scheduled to occur in first quarter of 2016, informed by internal audit A/R review. Development of AI will follow final approval of policies and procedures.
Revenue and Cash	9	Moderate	Moderate	Cash handling	After cash handling audit, develop program and perform random cash audits	<b>Pending Review.</b> As noted above, this will occur after internal audit review and recommendations for cash handling policy.
Grants Management	2	Moderate	Moderate	Grants management	Hire dedicated position, develop policies, provide training	<b>Continuing.</b> Senior Grants Analyst position has been created and filled. Policies and procedures will be completed by June 2016.
Payroll	2	Moderate	Moderate	Pay rate verification	Perform process improvement and documentation	<b>Completed.</b> Finance has a monthly meeting with HR to review / refine roles, responsibilities, process documentation.  HR has created a query to identify pay rates that do not match the agreed upon salary schedules for all job codes. Once the query is run and if it returns data, it is the responsibility of HR staff to make the corrections and notify the employees affected with any potential over or underpayments that may have happened as a result of the incorrect pay rate.
Payroll	3	Moderate	Moderate	Timekeeping	Implement electronic timecards	<b>Near Completion.</b> The City has purchased mobile licenses for our electronic timekeeping system to accommodate the submission of electronic timecards by staff operating in remote locations. The mobile licenses are currently being implemented and tested with anticipation of the technology going "live" in January 2016. Staff is also continuing to work with the City Attorney's Office to implement electronic timekeeping.
Payroll	4	Moderate	Moderate	Overtime	Perform process improvement and documentation	<b>Continuing.</b> Management has confirmed that departments must be responsible for approving overtime requests. In general, employees are to receive advance authorization for overtime and supervisors approve timecards prior to payment. Guidelines will be

INTERNAL AUDIT RECOMMENDATIONS TRACKING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						incorporated in supervisor handbook to be drafted by June 2016.
Payroll	5	Moderate	Moderate	FLSA	Monitor supplemental timecards	<b>Completed.</b> A process is in place. The new ERP system will alleviate the requirement for supplemental timecards to calculate FLSA pay.
Payroll	9	Low	Moderate	Timekeeping	Implement random reviews of schedules and timekeeping	<b>Pending ERP System.</b> It is anticipated that the new HR/Payroll system will create efficiencies in a currently cumbersome process that will allow for random audits to be conducted by Payroll staff.
Revenue and Cash	15	Low	Moderate	Cash handling	After cash handling audit, analyze need for separate cash tills	<b>Pending Review.</b>
Purchasing and A/P	8	Low	Low	Waste demolition refunds	Perform process improvement and documentation	<b>Partially completed.</b> A standardized form must now be completed for all refund requests. A standard process will be documented by Spring 2016.
RECOMMENDATIONS THAT REQUIRE DOCUMENTATION OF POLICIES AND PROCEDURES						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	1	High	High	Counting Room	Develop policy for visitor access	<b>Completed.</b> This has been addressed above.
Citywide and Departmental Policies	1	High	Moderate	Administrative Instructions	Update and revise	<b>Continuing.</b> A full set of updated Finance policies and procedures will be completed by June 2016. Staff is working to update financial Administrative Instructions as part of this effort.
Payroll	7	Moderate	Low	Timekeeping Review	Develop policy and provide training	<b>Continuing.</b> In draft Payroll procedures manual. Will be included in upcoming supervisors' handbook (June 2016).
Payroll	10	Low	Low	Payroll	Document internal procedures	<b>Continuing.</b> In draft Payroll procedures manual. Manual will be finalized by June 2016.
Citywide and Departmental Policies	2	Low	Low	Department Procedures	Develop and document procedures	<b>Continuing.</b> A full set of updated Finance policies and procedures will be completed by June 2016. Staff is working to update financial Administrative Instructions as part of this effort. In the meantime, citywide training has been provided in the areas of year end accounting, reporting, procurement, and A/P procedures.
RECOMMENDATIONS THAT REQUIRE TRAINING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Purchasing and A/P	1	High	High	A/P review and approval	Conduct training for A/P staff (in departments)	<b>Completed.</b> User training completed in October and November included 52 participants. User Training Guide is completed but always being updated.
Training	2	Low	Low	Fiscal training	Assess gaps and update training	<b>Continuing.</b> Council adopted the City's Code of Ethics on November 24, 2015. Finance continues to add fiscal

**INTERNAL AUDIT RECOMMENDATIONS TRACKING**

CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
						training sessions for citywide staff. Additional training will be conducted once policies and procedures are completed.

**RECOMMENDATIONS THE REQUIRE CHANGES TO CURRENT TECHNOLOGY**

CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	11	Moderate	Moderate	Point of Sale (POS)	Explore POS features and develop plan for comprehensive deployment	<b>Pending ERP System.</b>
Payroll	9	Low	Moderate	Scheduling	Explore additional Kronos capabilities	<b>Continuing.</b> City is exploring cost/benefit of advancing scheduling components within current electronic timekeeping system.

**RECOMMENDATIONS RELATED TO INTERNAL INITIATIVES ALREADY UNDER DEVELOPMENT**

**NEW ERP SYSTEM**

Payroll (2) – Employee pay rates are accurate (cross training HR staff)  
*(response above)*

Payroll (3) – City Attorney on Kronos  
*(response above)*

Payroll (5) – FLSA monitoring / process  
*(response above)*

Payroll (8) – Manual payroll process – update with ERP and build in checks for current manual system.  
***Partially completed-*** checks for current manual system are implemented.

Accounts Receivable (1) – A/R systems: address through new ERP system and billings / collections procedures  
*(response above)*

**TRAINING ACADEMY**

Payroll (4) – Overtime approval and documentation. Include in supervisor handbook.  
*(response above)*

Payroll (6) – Timekeeping review / responsibilities. Included in existing timekeeping manuals. Will include in supervisor handbook.  
*(response above)*

Payroll (7) – Supervisor role in FLSA, other labor laws (overtime eligibility, etc.). Will include in supervisor handbook. Overtime procedures included in draft Payroll handbook.  
*(response above)*

Training (1) – Waste, abuse, fraud, abuse training. Will engage auditors to provide short training / video to supervisors during supervisor training. Ethics policy in development.  
*(response above)*

Agenda Item 6:

Selection of the Professional Auditing Firm be Recommended to  
the City Council for Award of a Contract

(Subcommittee Report)



## Santa Monica Audit Subcommittee Report

**Audit Subcommittee of the Santa Monica City Council**

**Meeting: January 19, 2016**

**Agenda Item: 6**

To: Chairperson and Members  
From: Gigi Decavalles-Hughes, Director of Finance  
Subject: Selection of the Professional Auditing Firm for Recommendation to the City Council for Award of a Contract

### **Recommended Action**

Staff recommends that the Audit Subcommittee of the Santa Monica City Council select Lance, Soll & Lunghard, LLC (LSL) for recommendation to the City Council for award of a contract to provide professional auditing services for the City.

### **Executive Summary**

In October 2015, staff issued a request for proposals for professional auditing services for the City for fiscal years 2015-16 through 2019-20. The evaluation team, consisting of two financial experts from the Audit Subcommittee and six members of City financial staff, recommends Lance, Soll, and Lunghard, LLP (LSL) as the best proposal. With the Audit Subcommittee's approval of this selection, staff will prepare a staff report for the City Council with the recommendation to authorize the City Manager to negotiate and execute a contract with LSL.

### **Discussion**

The City engages an independent auditing firm to perform an examination of the City's basic financial statements as well as an examination of its Redevelopment Successor Agency financial statements, Big Blue Bus Fund financial statements, Air Quality Improvement Program, and its Schedule of Expenditures of Federal Awards (Single Audit). The independent auditor also performs agreed-upon procedures to test and report on the City's GANN appropriation limit calculation.

Fiscal year 2014-15 is the final year of a five year contract with the City's current independent auditor, Macias, Gini and O'Connell, LLP (MGO). Completion of the current

contract requires a competitive bid process. On October 29, 2015 staff issued a request for proposal to seek qualified certified public accountants to audit its financial statements for the fiscal years 2015-16 through 2019-20. Six proposals were received.

The evaluation committee reviewed and evaluated the six proposals utilizing agreed upon criteria. MGO was one of the proposals received and remained in consideration. The evaluation committee selected three additional firms that were unfamiliar to the City to interview on January 13, 2016. The firms were given ten minutes to make a presentation, and the remainder of the interview was dedicated to questions and answers.

As a result of this process, the evaluation committee recommends that the firm of LSL be retained to provide auditing services for the City of Santa Monica and that the Audit Subcommittee recommend LSL to the full City Council on February 23, 2016 for award of contract.

Established in 1929, LSL is a California-based certified public accountant (CPA) firm that specializes in government audits and is known as an industry expert at the State and federal level. They were selected based on the technical knowledge of the partners and managers to be assigned to the engagement; their emphasis on time management, planning, and realizing deadlines; and the ability to provide valuable insight and information related to new accounting standards, industry best practices, and unusual accounting transactions throughout the process.

If the City Council approves staff's recommendation, staff will work to execute a contract swiftly so that the interim audit work for the FY 2015-16 audit can begin in the Spring. Staff anticipates that the selected auditor will be present at the April meeting of the Audit Subcommittee to discuss planning and communication.

#### Financial Impact

The cost of the contract is \$149,725 per year with a 2% increase each year, for a total of \$779,175 over the five years from FY 2015-16 to FY 2019-20.