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# M E M O R A N D U M

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**DATE:** April 1, 2005  
**TO:** City Council Members  
**FROM:** Gary Mumford and Sylvia Jones  
**CC:** Rocky Fluhart, Sam Guevara  
**RE: PROPOSALS FROM CPA FIRMS FOR FINANCIAL AUDIT SERVICES**

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The overall fiscal responsibility and accountability of a city rests with its governing body. The Salt Lake City Council is required by state law (10-6-151) to provide an annual audit of its financial statements by a certified public accountant in accordance with generally accepted auditing standards. The required audit includes an audit of grants under the federal Single Audit Act. Traditionally, the Redevelopment Agency and the Library use the same auditor that is selected for the City. The enterprise funds, Redevelopment Agency, and Library pay for their portion of the annual audit. The City's contract with Deloitte & Touche for financial auditing services expired on March 31, 2005.

Council staff worked with the City's purchasing division to request proposals from CPA firms interested in conducting the City's annual financial audit. The Council Office received four proposals. These CPA firms are not currently engaged by the Administration.

Wisam Smith Racker & Prescott – Wisam Smith Racker & Prescott is located in Salt Lake City with approximately 40 auditors. The firm has an alliance with BDO Seidman, which has about 200 member firms in the United States. Wisam Smith Racker & Prescott is the current financial auditor for Sandy City. The in-charge manager to be assigned to the City's audit has prior experience with a Las Vegas CPA firm where he was in charge of several governmental audits including Clark County, City of North Las Vegas, McCarran International Airport, Boulder City Library, and Henderson City Library.

Hansen Barnett & Maxwell – Hansen Barnett & Maxwell is located in Salt Lake City with 31 auditors. The firm is a member of Baker Tilly International consisting of regional and local accounting firms. Hansen Barnett & Maxwell assisted Deloitte & Touche last year with Salt Lake City's RDA audit and Public Utilities audit. Hansen Barnett & Maxwell is the current financial auditor for Salt Lake County. This firm proposes to subcontract with an affiliate Virginia firm with airport experience, Cherry Bekaert & Holland. A manager from this affiliate firm will supervise the airport audit.

Grant Thornton – Grant Thornton is a large international CPA firm with about 50 auditors in its Salt Lake City office. In the past Grant Thornton was the City’s auditor for 10 years (1975-1979 and 1985-1989). Past municipal audit experience includes audits of the cities of West Valley, Bountiful, West Jordan, Park City, Orem, Murray, Sandy, Layton and Lehi. This firm will subcontract with two local CPA firms: Osborne Robbins & Buehler and Hansen Bradshaw Malmrose & Erickson.

Deloitte & Touche – Deloitte & Touche is one of the “Big Five” CPA firms and has served as the City’s auditor for the past three years. The Utah practice has a staff of about 100 professionals. Past clients include West Valley, Orem, Bountiful, South Ogden, West Jordan, Pleasant Grove, Park City, Salt Lake County, Davis County, Utah Retirement Systems, Utah Transit Authority, and the Metropolitan Water District of SLC.

**PROPOSAL EVALUATIONS BY REPRESENTATIVES OF CITY DEPARTMENTS:**

A committee of representatives of City departments reviewed the proposals and used a numeric evaluation score to rate the proposals. The committee was composed of one representative from each of the following: Airport, Public Utilities, Library, Redevelopment Agency; and two representatives from the Controller’s Office and from the City Council Office. The evaluation criteria included experience of the firm, experience of the senior staff that will be assigned to the City’s audit, work plan, audit schedule, number of audit staff to be assigned to the City audit, not-to-exceed audit fee, audit hours, and hourly rates. The numeric rankings of this eight-member committee are as follows:

<b>EVALUATIONS BY REPRESENTATIVES OF CITY DEPARTMENTS (in order of the committee’s evaluation ranking)</b>	
	<b>Numeric Evaluation Score (Maximum possible: 1710 points)</b>
Grant Thornton	916
Wisan, Smith, Racker & Prescott	875
Hansen, Barnett & Maxwell	866
Deloitte & Touche	759

The maximum not-to-exceed fees for the two international firms (Grant Thornton and Deloitte & Touche) are more than \$100,000 greater than the two local firms. The City Treasurer checked with Moody’s rating agency regarding the City’s bond rating and was told that use of a local CPA firm does not make a difference in bond ratings.

The proposals are available to Council Members, but proposals and fee amounts are not public information until after a contract is executed. Copies of the proposals are available for individual Council Members upon request.

### **RECOMMENDATION FROM THE COUNCIL AUDIT SUBCOMMITTEE:**

The Council Audit Subcommittee recommends that the Council contract with one of the local CPA firms because of substantial savings to the City. The Subcommittee expressed a slight preference for Hansen Barnett & Maxwell based on previous experience assisting Deloitte & Touche with the RDA and Public Utilities' audits last year. Council staff checked references, and both of the local firms were highly recommended by their current governmental clients.

### **OPTIONS:**

The City Council has several options regarding the finalization of the financial audit selection process including the following:

1. Accept the Council Audit Subcommittee's recommendation of Hansen Barnett and Maxwell.
2. Choose one of the other audit firms.
3. Conduct interviews with finalists.
4. Review all proposals. Schedule a work session to discuss proposals. Select audit firm or decide on finalists to interview.