

REPORT

To the Honorable Mayor and City Council
From the Audit Committee

September 24, 2007

SUBJECT

Amendment No. 2 to Agreement for Auditing Services (Caporicci & Larson)

RECOMMENDATION

Approve amendment to extend the agreement with Caporicci & Larson to provide auditing services for the next four fiscal years.

BACKGROUND

The City engages an independent certified public accountant to conduct an audit on the City's financial records each year. The current independent auditor, Caporicci & Larson, was first engaged by the City Council for the FY 2002/03 audit based upon a recommendation from the Council's Audit Committee.

Since this is the final year of the contract between the City and Caporicci & Larson for auditing services, Caporicci & Larson has submitted a proposal to extend this agreement for four additional years. The terms of the existing agreement remain unchanged except for their fees which are proposed as follows:

		Percent increase <u>From prior year</u>
FY 2007/08	\$48,150	0%
FY 2008/09	\$49,150	2.08%
FY 2009/10	\$50,180	2.10%
FY 2010/11	\$51,225	2.08%


The Audit Committee is very pleased with the quality of services provided by Caporicci & Larson and recommends that the Council approve this contract extension. The City retains the right to cancel this agreement without cause as of the fiscal year succeeding the year under audit.

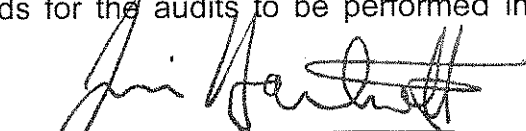
ALTERNATIVES

The City Council may reject the recommendation and direct staff to issue a request for proposal for auditing services.

FISCAL IMPACT

The FY 2007/08 budget contains an appropriation that is sufficient to cover the proposed cost of these services for the current year. Appropriations will be required in each of the subsequent years to provide funds for the audits to be performed in the respective years.


Jeff Dan
Council Member


Jim Hartnett
Council Member

ATTACHMENTS

1. Proposal from Caporicci & Larson

RELATED DOCUMENTS IN CITY CLERK'S OFFICE

None

**AMENDMENT NO. TWO TO EXTEND THE AGREEMENT FOR
AUDITING SERVICES
(Caporicci & Larson)**

This Amendment No. Two is entered into and effective as of the _____ day of _____, 2007, extending and amending the agreement dated April 9, 2003 (the "Agreement") by and between the City of Redwood City, a charter city and municipal corporation of the State of California ("City"), and Caporicci & Larson, an accountancy partnership ("Consultant") (collectively, the "Parties").

RECITALS

A. On June 20, 2005, the Parties executed Amendment No. 1 to the Agreement to extend and fund the Agreement; and

B. The Parties desire to extend and fund the Agreement for an additional period of four (4) years; and

C. The Parties desire to alter the Agreement's scope of work to provide for audit services for the years ending June 30, 2008 through 2011; and

D. The Parties have negotiated and agreed to a supplemental scope of work and fee schedule, which is attached to and incorporated in by this reference as Exhibit "A."

NOW, THEREFORE, in consideration of these recitals and the mutual covenants contained herein, the Parties agree as follows:

1. In addition to those services contained in the Agreement, as may have been amended from time to time, Consultant will provide those services described in Exhibit "A." City will pay Consultant for all work associated with those services described in Exhibit "A" on a time and materials basis not-to-exceed One Hundred Ninety Eight Thousand Seven Hundred Five Dollars (\$198,705). Consultant will provide City, on a monthly basis, copies of invoices sufficiently detailed to include hours performed, hourly rates, and related activities and costs for approval by City.

2. With this Amendment, the aggregate Agreement amount shall not exceed Three Hundred Ninety One Thousand Eight Hundred Five Dollars (\$391,805).

3. All other provisions of the Agreement, as may have been amended from time to time, shall remain in full force and effect.

4. All requisite insurance policies to be maintained by the Consultant pursuant to the Agreement, as may have been amended from time to time, shall include coverage for this Amendment.

5. The individuals executing this Amendment and the instruments referenced on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions hereof of this Amendment.

CONSULTANT
Caporicci & Larson
Certified Public Accountants
180 Grand Avenue, Suite 1365
Oakland, CA 94612

CITY OF REDWOOD CITY, a charter
city and municipal corporation of the
State of California

*By: _____
(sign here)

By: _____
Ed Everett, City Manager

(print name/title)

ATTEST:

**By: _____
(sign here)

Patricia Howe, City Clerk

(print name/title)

If required by City, proper notarial acknowledgment of execution by Consultant must be attached. If a Corporation, Agreement must be signed by one corporate officer from each of the following two groups.

***Group A.**
Chairman,
President, **or**
Vice-President

****Group B.**
Secretary,
Assistant Secretary,
CFO **or** Assistant Treasurer

Otherwise, the corporation must attach a resolution certified by the secretary or assistant secretary under corporate seal empowering the officer(s) signing to bind the corporation.

August 31, 2007

Mr. Jeff Ira
Mr. Jim Hartnet
Audit Committee
City of Redwood City
1017 Middlefield Road
Redwood City, CA 94063

Dear Audit Committee Members:

I would like to take this opportunity to thank you and your staff for the confidence and support you have provided to us over the past five years. I would also like to take this opportunity to present this letter for your consideration regarding extending the Caporicci & Larson audit contract with the City of Redwood City (City).

Over the past years, we have developed an understanding of the City's operation that has aided us in providing quality audit services. With that knowledge, we've been able to expand our audit efforts and provide observations that, hopefully, have assisted City staff. We have also demonstrated our ability to respond to requests of the City and our ability to deliver a quality product. We trust the City has been satisfied with our efforts.

Per your request, we are pleased to present this proposal to provide audit services the City for the years ended June 30, 2008 through 2011. The objective of our audit is to issue an opinion regarding the fairness of presentation of the City's financial position for each year in accordance with generally accepted accounting principles. The audit to be performed will follow generally accepted auditing standards, U.S. General Accounting Office's Government Auditing Standards, Single Audit Act, and OMB A-133.

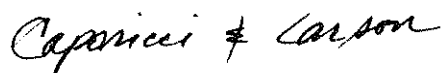
Our fees for the year 2008 through 2011 will be as follows. The fees represent a slight increase to include the cost of living indexes (approximately 2%):

<u>Audit Year</u>	<u>Amount</u>
For the year ending June 30, 2008	\$48,150
For the year ending June 30, 2009	\$49,150
For the year ending June 30, 2010	\$50,180
For the year ending June 30, 2011	\$51,225

The services we will provide will follow the guidelines as outline in the original proposal to the City, except for the TDA audit which the City will no longer need. We would very much like to continue our relationship with the City and stand ready to provide the level of service and commitment for which the City has become accustomed.

If you have any questions, please feel free to call me at our toll-free number (877) 862-2200, ext. 126.

Sincerely,



Caporicci & Larson, CPAs
Oakland, CA

RESPONSE:

This letter correctly sets forth the understanding of the City of Redwood City.

By: _____

Title: _____

Date: _____