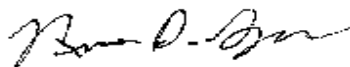


City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Gloria Leon, Administrative Services Director
DATE: March 5, 2013
SUBJECT: Audit Services for June 30, 2013 Comprehensive Annual Financial Report (CAFR)

APPROVAL FOR FORWARDING:



Richard Spitler, City Manager

1 **ISSUE:** To consider a Resolution authorizing the City Manager to execute
2 an engagement letter with R.J. Ricciardi, Inc., Certified Public Accountants, to
3 provide annual audit services for fiscal year 2012-2013 with the option of auditing
4 the City's financial statements for two subsequent years for an amount not to
5 exceed \$25,500 each year.

6
7 **RECOMMENDATION:** To adopt the Resolution authorizing the City Manager
8 to accept the auditing and reporting services proposal from R.J. Ricciardi, Inc.,
9 Certified Public Accountants for the June 30, 2013 financial statements with the
10 option of auditing for each of two (2) subsequent years (for a total of three years)
11 and for amounts not to exceed \$25,500 for each of the first three years.

12
13 **BACKGROUND/DISCUSSION:** The City operates the budget and accounting
14 system on a fiscal year from July 1st to June 30th. The twelve months of financial
15 transactions are then reported, in summary form, in a Comprehensive Annual
16 Financial Report (CAFR). The report is required to comply with the generally
17 accepted accounting principles (GAAP) and the reporting requirements of the
18 Governmental Accounting Standards Board (GASB). In addition, if the City has
19 received certain federal funds greater than \$500,000, then additional auditing
20 procedures are required under the Federal Single Audit rules.

22 Terry Krieg, CPA has provided accounting services and audited the financial
23 statements since 1990. On June 5, 2012 the Finance staff asked the members
24 of the Council if it desired to retain Terry Krieg, CPA for another year as the
25 City's outside auditing firm. While the Council thought that Terry Krieg had done
26 a good job for the City over the years, they decided that after twenty years it
27 might be time to see what the market had to offer and staff was instructed to issue
28 a Request for Proposal for auditing services. Staff issued proposals to forty (40)
29 firms (including Terry Krieg, CPA) that were identified as firms that performed
30 governmental auditing services in the State of California. The City received
31 responses from three (3) of those firms and Mr. Terry Krieg. After a review of the
32 submitted proposals, the qualified firms (including Terry Krieg) were selected to be
33 reviewed by two members of the Council (Councilmembers Canning and Kraus).

34
35 The two members of the Council, the Administrative Services Director and the City
36 Manager met on February 15th and reviewed the proposals. The Council members
37 felt that three of the firms were equally qualified to perform the work necessary for
38 the City. They ultimately decided that the firm of R.J. Ricciardi, Inc., Certified Public
39 Accountants should be selected as they had recent small town audit experience. In
40 addition they believed it would be beneficial to have a "fresh pair of eyes" to
41 undertake the next audit.

42 43 **The Audit of the Financial Statements**

44
45 The fee for the June 30, 2013 CAFR is \$25,500 for all of the financial statement
46 auditing services which is very comparable to the current auditor, Terry Krieg.
47 The auditing services include filing of the Comprehensive Annual Financial
48 Report, Local Transportation Audit, Measure A Funds Compliance, and review of
49 the Appropriations Limit. The auditing firm will also be available to provide
50 consultation on additional audit related matters as deemed necessary by the
51 Administrative Services Director at an hourly rate not to exceed \$180 per hour
52 and approved by the City Manager. The Director's verbal approval for such
53 additional services shall be sufficient authorization to perform the work; but in all
54 such cases the Director shall approve the work in advance and shall as a
55 minimum confirm the approval with an electronic email message.

56
57 It is recommended to appoint R.J. Ricciardi Inc., for the June 30, 2013
58 accounting, reporting and audit services for an amount not to exceed \$25,500.
59 Attached is R.J. Ricciardi, Inc., proposal letter, which outlines the services and
60 fees. In addition, there is a schedule to produce the June 30, 2013 audited
61 Comprehensive Annual Financial Report by no later than December 15, 2013.

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63 **FISCAL IMPACT:** Funds for the audit services will be included in the proposed
64 budget for FY 13-14.

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ATTACHMENTS:

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1. Resolution appointing R.J. Ricciardi, Inc. Certified Public Accountants for auditing services in connection with the June 30, 2013 Comprehensive Annual Financial Report (CAFR)
2. Engagement Letter from R.J. Ricciardi, Inc.,