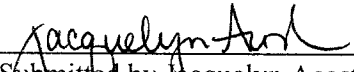


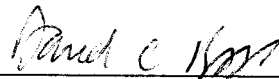


City of Carson Report to Successor Agency

May 21, 2013
New Business Consent

SUBJECT: REQUEST FOR APPROVAL TO EXTEND THE PROFESSIONAL SERVICES AGREEMENT WITH VASQUEZ AND COMPANY, LLP FOR ANNUAL FINANCIAL AUDITING SERVICES


Submitted by Jacquelyn Acosta
Director of Administrative Services


Approved by David C. Biggs
Executive Director

THIS IS A COMPANION AGENDA ITEM

I. SUMMARY

This item was continued from the May 7th Successor Agency meeting at the request of Agency Member Robles. On July 6, 2010, the former Carson Redevelopment Agency (Agency) awarded a professional services agreement to the firm of Vasquez and Company, LLP (Vasquez) for annual financial auditing services for the Agency for the three fiscal years ended June 30, 2010, 2011, and 2012, with the option for two additional fiscal years ending June 30, 2013, and 2014, at the Agency's discretion. The services for the initial three-year period have been provided. Vasquez has completed the first three annual audits in an exemplary and thorough manner and the Carson Successor Agency is desirous of having them perform our annual audit for the next two fiscal years. Therefore, the Successor Agency is being asked to approve the extension of the agreement for the two additional fiscal years.

II. RECOMMENDATION

TAKE the following actions:

1. EXTEND the agreement with Vasquez and Company, LLP for the fiscal years ending June 30, 2013, and 2014, in the amounts of and \$9,700.00 and \$9,900.00, respectively.
2. AUTHORIZE the Chairman to sign the scope of audit services letter for the fiscal year ending June 20, 2013.

III. ALTERNATIVES

TAKE any other action the Successor Agency deems appropriate.

IV. BACKGROUND

On July 6, 2010, the former Carson Redevelopment Agency (Agency) awarded Vasquez and Company, LLP, an auditing firm, a professional services agreement to provide financial auditing services for the years ended June 30, 2010, 2011, and

2012, with the option for two additional years (Exhibit No. 1). This firm is a full service Certified Public Accounting company licensed to practice in the state of California. Founded in 1967, the firm has over 40 years experience specializing in financial and compliance audits for all types of governmental entities, not-for-profit organizations, privately-held and publicly-traded companies. In accordance with the agreement, it has completed the annual audit of the books of accounts and financial records of the Agency for the years ended June 30, 2010, 2011 and 2012. In the course of providing its services, this company has enabled the Agency to be in compliance with the requirements of financial accounting and reporting standards of the Governmental Accounting Standards Board (GASB) such as GASB Statement No. 45, which relates to Accounting and Financial Reporting by Employers for Other Postemployment Benefits (OPEB), and GASB Statement No. 54, which pertains to Fund Balance Reporting and Governmental Fund Type Definitions.

The services of the firm are required for the fiscal years ending June 30, 2013, and June 30, 2014. The costs of these services for the Agency were incorporated in the original agreement in the amounts of \$4,862.00 and \$5,105.00, respectively. In its letter dated April 26, 2013, the firm, through its Managing Partner, Mr. Gilbert R. Vasquez, is proposing to extend the agreement for the two additional years ending June 30, 2013 and June 30, 2014 for a fee of \$9,700.00 and \$9,900.00, respectively (Exhibit No. 2). Compared to the original proposal, the new proposed fees represent increases of \$4,838.00 for the 2013 audit and \$4,795.00 for 2014. Vasquez explained that while the Redevelopment Agency was dissolved in January 2012, they still expect to incur significant hours because the Successor Agency will be included within the scope of the annual audit and presented as a separate private purpose trust fund. For the CSA, Vasquez will continue to be required to do the following:

1. Audit existing short and long-term debt transactions, cash and investments, payments of payables, collection of receivables, any continuing construction activity occurring as a result of construction contract commitments in place, and all other fiscal year 2012/13 transactions.
2. Audit final CSA asset, liability and net asset balances in accordance with liquidation accounting as applicable to a discontinued entity.
3. Assist with the preparation of appropriate disclosures consistent with the status of the dissolved redevelopment agencies and state legislation then in effect.
4. Audit compliance with pertinent legal and regulatory provisions in accordance with the compliance auditing requirements of generally accepted governmental auditing standards.
5. Audit the restricted assets (bond proceeds, etc.) of the former Agency to ensure they are spent on allowable projects.

Unlike previous auditors, the fee of Vasquez also included printing the report pages and binding the City's Comprehensive Annual Financial Report or CAFR. Vasquez has also been a valuable resource for CSA questions regarding accounting and financial reporting - giving sage advice and clear guidance. Furthermore, Vasquez is knowledgeable in the requirements of the provisions of the law governing the dissolution of redevelopment agencies and has assisted the CSA with the completion of the Due Diligence Review that was required by the State Department of Finance.

In consideration of the foregoing, staff is recommending the extension of the Vasquez agreement for two additional fiscal years for the provision of financial auditing services for the Carson Successor Agency. Concurrently presented this evening are the reports of the City Council and CHA which likewise recommend the extension/award of the agreement. The scope of audit services letter attached to this report delineates the process and parameters for the June 30, 2013 audit (Exhibit No. 3). Should the Successor Agency approve the two-year agreement extension, a separate letter will be provided by Vasquez prior to the start of the June 30, 2014 audit.

V. FISCAL IMPACT

Funds required for the June 30, 2013 component of this agreement have been included in the proposed FY 2013/14 budget of the CSA funds. The required funds for the audit services for the 2014/15 fiscal year will be included in that year's budget.

VI. EXHIBITS

1. Excerpt of the minutes of Redevelopment Agency meeting held on July 6, 2010. (pg. 5)
2. Audit proposal from Vasquez dated April 26, 2013. (pgs. 6-7)
3. Scope of audit services letter from Vasquez dated May 1, 2013. (pgs. 8-9)

Document 1

Prepared by: Trini H. Catbagan, Finance Officer

TO: Rev09-04-2012

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Public Works
Community Development	Community Services

Action taken by Successor Agency

Date_____ Action_____

**ITEM NO. (4) CONSIDERATION OF AWARD OF A PROFESSIONAL SERVICES
AGREEMENT FOR FINANCIAL AUDITING SERVICES
(ADMINISTRATIVE SERVICES)**

THIS IS A JOINT AGENDA ITEM WITH COUNCIL ITEM NO. 9

Agency Item No. 4 and Council Item No. 9 were heard after Continued Closed Session Report.

RECOMMENDATION for the Redevelopment Agency:

TAKE the following actions:

1. AWARD a professional services agreement to Vasquez and Company LLP for the provision of financial auditing services for the three (3) fiscal years ending June 30, 2010, 2011 and 2012, in the amounts of \$4,200.00, \$4,410.00 and \$4,631.00, respectively, with the option to extend the agreement for two additional fiscal years.
2. AUTHORIZE the Agency Chairman to sign the professional services agreement after approval as to form by the Agency Counsel.

ACTION: It was moved to approve the staff recommendations on motion of Dear, seconded by Santarina and unanimously carried by the following vote:

Ayes: Mayor/Chairman Dear, Mayor Pro Tem/Vice Chairman Santarina, Council/Agency Member Gipson, Council/Agency Member Davis Holmes, and Council/Agency Member Ruiz-Raber

Noes: None

Abstain: None

Absent: None





REGISTERED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

701 South Grand Avenue, Suite 400 • Los Angeles, CA 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777 • www.vasquezcpa.com

April 26, 2013

To the Honorable Members of City Council
City of Carson
Carson City Hall
701 E. Carson Street
Carson, CA 90745

We have completed our agreement to serve as the City of Carson's (City) independent auditor for the three fiscal years ending June 30, 2010 through June 30, 2012. We are pleased to extend the agreement for an additional two years. Our fees to perform the audits of the City for the fiscal years ended June 30, 2013 and 2014 are presented below.

	2013	2014
City Audit	\$ 41,593	\$ 42,500
Single Audit	9,562	10,002
AQMD	1,700	1,875
Successor Agency	9,700	9,900
Housing Authority	2,500	2,550
Total	\$ 65,055	\$ 66,827

Vasquez remains committed to providing the level of service the City has come to expect, even as we strive to exceed our past performance. Our relationship with the City is important to us and your feedback indicates you are satisfied with our work on your current engagement. We trust you will continue to find Vasquez uniquely qualified to serve as the City's auditor. I, Gilbert R. Vasquez, Managing Partner of Vasquez & Company LLP am authorized to negotiate and bind the firm to the terms of the proposal. Should you have any questions or desire further assistance, please contact me at 213-873-1701.

Very truly yours,

VASQUEZ & COMPANY LLP


Gilbert R. Vasquez
Managing Partner



Registered with Public Company Accounting Oversight Board

Member of Private Companies Practice Section & Center for Public Company Audit Firms

EXHIBIT NO 02

Explanation of Audit Fees

City Audit

1. The original audit proposal anticipated 550 hours per year. For the last three years the audit services actual hours ranged from 700 hours to a high of 826 hours resulting in a rate per hour of \$90.
2. The original audit proposal did not account for additional time required to audit late post-closing journal entries which were submitted after the trial balance was received from the City – 24 in 2010; 18 in 2011; and 20 in 2012.
3. Using past experience as the basis, the new proposal reflects an estimate of 700 hours that will be incurred for the 2012-13 audit because of the extent of the work that we do and the level of detail that is committed to CAFR preparation. While the work hours may have increased the firm kept the cost low.
4. Additional hours will be required to assist the City in the implementation of GASB 63 which the firm will absorb in the fees requested.

Redevelopment/Successor Agency Audit

With respect to the redevelopment agency, while the original agency was dissolved in January, we still expect to incur significant hours because the successor agency will be included within the scope of the annual audit and presented as a separate private purpose trust fund. We will continue to be required to do the following:

- Audit existing short and long-term debt transactions, cash and investments, payments of payables, collection of receivables, any continuing construction activity occurring as a result of construction contract commitments in place, and all other fiscal year 2012-2013 transactions.
- Audit final Agency asset, liability and net asset balances in accordance with liquidation accounting as applicable to a discontinued entity.
- Assist with the preparation of appropriate disclosures consistent with the status of the dissolved redevelopment agencies and state legislation then in effect.
- Audit compliance with pertinent legal and regulatory provisions in accordance with the compliance auditing requirements of generally accepted governmental auditing standards.
- Audit the restricted assets (bond proceeds, etc.) of the former Agency to ensure they are spent on allowable projects.

For your reference, set forth below is a copy of the fees as set forth in the Original Cost Proposal:

	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
City	\$ 31,029	\$ 32,580	\$ 34,209	\$ 35,919	\$ 37,715
Agency	4,200	4,410	4,631	4,862	5,105
Single Audit	8,229	8,640	9,072	9,562	10,002
Air Quality Fund	1,542	1,620	1,701	1,786	1,876
	<u>\$ 45,000</u>	<u>\$ 47,250</u>	<u>\$ 49,613</u>	<u>\$ 52,129</u>	<u>\$ 54,698</u>

May 1, 2013

To the Honorable Chairman and Members of the City of Carson Successor Agency
City of Carson
Carson City Hall
701 E. Carson Street
Carson, CA 90745

We are pleased to confirm our understanding of the services we are to provide City of Carson Successor Agency (Agency) for the year ended June 30, 2013. We will audit the Agency's basic financial statements as part of the annual audit of the City of Carson's (the City) basic financial statements for the year ended June 30, 2013. A separate report for the Agency will not be issued, instead, the financial information will be included as part of the City's comprehensive annual financial report (CAFR).

The objective of our audit of the City of Carson's basic financial statements is the expression of opinions as to whether the City's basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Our audit of the City of Carson as a whole will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified, we will fully discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

We have attached a copy of the engagement letter for the City, as a reference, which fully discloses our audit objectives, management responsibilities, general audit procedures, internal controls audit procedures, compliance audit procedures, e-mail communication, ownership of audit documentation, independence, dispute resolution procedures, audit administration and fees.





City of Carson Successor Agency

May 1, 2013

Page 2

It is expected that the audit cost that will be allocated to the Agency will be **\$9,700**. This fee is subject to the assumptions described in the attached engagement letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

VASQUEZ & COMPANY LLP

A handwritten signature in cursive script, appearing to read 'Roger A. Martinez'.

Roger A. Martinez
Partner

RESPONSE:

This letter correctly sets forth the understanding of the City of Carson Successor Agency.

Chairman Jim Dear

Date

