

## Key Components of the Professional Audit Consultant RFP

### Section I. Background, Scope of Work, and Objective

#### **A. Background**

The City Council established an Audit Committee comprised of three of its members on January 9, 2007. On April 9, 2007, the City Council adopted an ordinance approving a Charter for the Audit Committee and amending the San Diego Municipal Code to incorporate the Charter. City Ordinance O-19612 provides, in part, that the purpose of the Audit Committee is to:

- Provide independent, legislative oversight of the City's: accounting and financial reporting processes, financial internal controls, internal financial audit function and audits of the City's financial statements;
- Assist the City Council with legislative oversight of the above;
- Review the financial reports and other financial information provided by the City, the City's disclosure controls and procedures, and its internal financial controls;
- Consider the reports of and interact with the City's Internal Auditor in connection with the Internal Auditor's performance of an independent internal financial audit function;
- Assume direct responsibility, with appropriate consultation with the Mayor or his designee, for the appointment, compensation, retention and where appropriate, replacement of the outside auditor to the City in preparing or issuing an audit report or related work;
- Oversee the work and independence of the outside auditor, approve all auditing services and permitted non-audit services provided by the outside auditor, and resolve any disagreements between the Mayor and the outside auditor regarding financial reporting.

Other Audit Committee responsibilities are further described within Ordinance O-19612 and the San Diego Municipal Code.

The Audit Committee is a relatively new committee that is currently without direct support from expert auditing professionals. The San Diego Municipal Code Ordinance approved by the City Council specifies that the Audit Committee may retain professional consultants to directly assist the Committee in providing independent, legislative oversight of the audit work performed by and for the City. In approving the City's Fiscal Year 2008 budget, the City Council approved the recommendation to allocate not more than \$225,000 to obtain professional auditing expertise to support and assist the Audit Committee.

This RFP is being issued in order to solicit proposals from qualified professional audit consultants or audit consulting firms to provide advice, analysis and recommendations to the Audit Committee and the City Council. The Audit Committee and the City Council seek a qualified professional or firm to provide governmental auditing/accounting expertise and advice, particularly as it relates to the work of public audit committees, during the fiscal year beginning July 1, 2007. With an increasing focus on the City's internal audit responsibilities and associated legislative matters, this legislative support is critical.

Interested parties who possess most of the Desired Qualifications listed in Section IV (Specifications) and are experienced in providing audit consulting services to public agencies are encouraged to submit a Response to this Request for Proposal.

### **B. Scope of Work**

The City of San Diego seeks a professional audit consultant or audit consulting firm to assist and support the City's recently established Audit Committee and the City Council. The selected consultant will provide advice, analysis and recommendations to the Audit Committee to assist them in providing independent, legislative oversight of the audit work performed by and for the City and otherwise fulfill their responsibilities. See Section IV (Specifications) for the Core Requirements and Deliverables and other requirements.

### **C. Objective**

The objective of this RFP is to make an award to a qualified Proposer that results in the Audit Committee and the City Council having support from and access to a qualified professional audit consultant or audit consulting firm. Consultant support should be proximate to the City of San Diego and be available as-needed throughout the fiscal year beginning July 1, 2007. The end objective of this engagement should be a well-supported Audit Committee that is able to capably fulfill its legislative oversight responsibility.

## **Section IV. Specifications**

### **A. Core Requirements and Deliverables**

Consultant services will include, but not be limited to, the following:

- Assisting the Audit Committee in reviewing the City's accounting and financial reporting processes, financial internal controls, internal financial audit function and audits of the City's financial statements;
- Advising the Audit Committee on the retention of and subsequent interaction with outside auditors;
- Regularly communicating with and reviewing reports/recommendations from the City's SEC Independent Consultant and Outside Disclosure Counsel to evaluate compliance

with the SEC Order dated November 14, 2006 and other disclosure matters of interest to the Audit Committee;

- Advising the Audit Committee and City Council on the financial aspects of disclosure controls and procedures;
- Assisting the Audit Committee and City Council with developing ballot language for the City Charter to achieve permanent Audit Committee and Internal Auditor independence;
- Assisting and advising the Audit Committee and City Council regarding the recruitment and selection of a new Internal Auditor;
- Assisting the Audit Committee and the City Council in evaluating and making recommendations to facilitate the re-establishment of a fully functioning Internal Audit Program that effectively addresses administrative internal controls in addition to financial internal controls;
- Reviewing the risk assessment and work plan of the City's Internal Auditor in order to make recommendations to the Audit Committee related to their legislative oversight responsibility for the internal audit function;
- Reviewing audit progress, audit results, and providing independent advice to the Audit Committee and City Council regarding these audits;
- Analyzing all audit-related legislative actions on the Audit Committee and City Council dockets and advising the Audit Committee and the City Council on these matters;
- Assisting and advising the Audit Committee in reviewing and analyzing documents and reports from the Mayor's Office and the outside auditor;
- Providing research and developing support documents for the Audit Committee, City Council and the Mayor's Charter Commission regarding Internal Auditor and Audit Committee Charter matters;
- Evaluating City procedures and practices to assist the Audit Committee in evaluating City efficiency and effectiveness;
- Provide ongoing analysis and independent advice to the Audit Committee and the City Council regarding implementation of the Kroll Remediation Plan;
- Review the best practices of other public and private sector audit committees and recommend practices that could enhance the effectiveness of the City's Audit Committee; and
- Making oral presentations and preparing written reports related to Audit Committee matters.

**B. Desired Professional Qualifications/Experience:**

- Office or practice in the San Diego area is highly desirable with ability to attend meetings at the City Administration building on a regular basis. An individual or a firm with a qualified staff person to be available as a back-up if needed is preferred.
- An individual with experience providing advice or service to an independent local government audit committee. Alternatively, experience with internal and/or external audit work, preferably for local government and subject to a peer review every three years.
- Demonstrated familiarity with the five essential elements of a comprehensive integrated framework of internal control as identified by The Council of Sponsoring Organizations (COSO) of the Treadway Commission.
- Understanding and/or experience applying elements of the Sarbanes-Oxley Act of 2002. Ability to extrapolate and incorporate useful elements of this Act for utilization in local government.
- Bachelor degree from an accredited college or university with a major in accounting, finance, public administration or a closely related field. A Master's degree is preferred.
- Professional certification such as a Certified Public Accountant, Certified Internal Auditor and/or Certified Information System Auditor.
- Significant experience with government accounting standards, generally accepted government auditing standards; knowledge of municipal finance administration; principles and practices of municipal finance administration; principles and practices of municipal accounting systems and controls, budgeting, procurement, and investments; modern techniques of accounting; integrated computer based accounting systems; municipal regulations; and practices of internal and administrative controls.
- Experience working with elected officials, local government audit professionals and/or outside audit firms.
- Ability to help Audit Committee members evaluate and understand audit-related issues and to assist them in performing their oversight role over financial reporting and disclosure.