



**City of Rochester Hills  
AGENDA SUMMARY  
FINANCIAL ITEMS**

**1000 Rochester Hills Dr.  
Rochester Hills, MI 48309  
248.656.4630  
[www.rochesterhills.org](http://www.rochesterhills.org)**

---

**Legislative File No:** 2007-0384

**TO:** Mayor and City Council Members  
**FROM:** Pam Lee, City Accountant  
**DATE:** October 26, 2007  
**SUBJECT:** Audit Blanket

---

**Request:**

Request the authorization to exercise an option to renew the contract for professional financial auditing services to Plante & Moran, PLLC, Southfield, Michigan. The request is for the 4<sup>th</sup> and 5<sup>th</sup> option years for auditing services for fiscal years ending December 31, 2007 and 2008 AND requesting approval for one additional year for the fiscal year ending December 31, 2009, with a new amount not-to-exceed \$265,397.

**Reason for Purchase:**

An evaluation committee was selected in 2004 to review Request for Proposals (RFP) for financial auditing services for the City of Rochester Hills, OPC, and RARA. The contract authorization in 2004 to Plante & Moran was for the 2004, 2005, and 2006 auditing services with the right to exercise an option to renew for 2007 and 2008.

Plante & Moran, PLLC was selected as the most qualified firm providing the best value to the City. Plante & Moran, PLLC has highly qualified municipal staff, large client base of municipal financial audit experience, experience and involvement with the State of Michigan municipal financial structure, and involvement in all of the professional governmental finance associations. All of these qualities benefit the City to receive a thorough and comprehensive audit.

The initial fees proposed for the optional two years (2007 and 2008) is increasing due to changes in auditing standards. Eight new auditing standards have been issued that will impact and require a significant increase in hours by the auditors to perform the audit for the City, OPC, and RARA. The submitted audit fees include costs for the increased services relative to the original proposal in 2004 for the 4<sup>th</sup> and 5<sup>th</sup> option years (2007 and 2008).

The new auditing standards will require Plante & Moran, PLLC to gain an in depth understanding of the design and operations of the City's internal control in the first year, to apply to future audits. It will also require a significant increase in City staff time, especially for the 2007 audit. It is, therefore, reasonable as a best value to the City to request a 3<sup>rd</sup> years cost proposal for the period ending December 31, 2009.

Plante & Moran, PLLC has proposed two options:

1. A significant increase in the first year (\$12,000) of implementing the new standards with a decrease in the following years (\$5,000) or
2. To minimize the impact an increase spread over a 3 year period of \$7,000

The second option to spread the increase over a 3 years period is being recommended.

**Budget**

2007, 2008, and 2009 auditing services will be reflected in 2008, 2009, and 2010 Budgets. No impact on the 2007 budget and the proposed 2008 General Fund was increased by preliminary estimate or \$7,000.

<b>Fund Name</b>	<b>Department Account No.</b>	<b>Account No. Description</b>	<b>2008 Budget Amount</b>	<b>Cost</b>	<b>Remaining Budget</b>
General Fund	201.804000	Audit Fees	\$76,880	\$76,044	-\$836
RARA	808.804000	Audit Fees	\$1,800	\$1,893	+\$93
OPC	820.804000	Audit Fees	\$8,000	\$8,527	+527

<b>Fund Name</b>	<b>Department Account No.</b>	<b>Account No. Description</b>	<b>Proposed 2009 Budget Amount</b>	<b>Cost</b>	<b>Remaining Budget</b>
General Fund	201.804000	Audit Fees	\$*	\$77,789	*
RARA	808.804000	Audit Fees	\$*	\$1,937	*
OPC	820.804000	Audit Fees	\$*	\$8,722	*

<b>Fund Name</b>	<b>Department Account No.</b>	<b>Account No. Description</b>	<b>Proposed 2010 Budget Amount</b>	<b>Cost</b>	<b>Remaining Budget</b>
General Fund	201.804000	Audit Fees	\$*	\$79,580	*
RARA	808.804000	Audit Fees	\$*	\$1,982	*
OPC	820.804000	Audit Fees	\$*	\$8,923	*

\*Future years budget

**Recommendation**

It is recommended that Rochester Hills City Council approved and extend the contract for profession financial auditing services for the fiscal years ending December 31, 2007, 2008, and 2009 to Plane & Moran PLLC, Southfield, Michigan in the amount not-to-exceed \$265,397.

**RESOLUTION**

**NEXT AGENDA ITEM**

**RETURN TO AGENDA**

<b>APPROVALS:</b>	<b>SIGNATURE</b>	<b>DATE</b>
<b>Department Review</b>		
<b>Department Director</b>		
<b>Budget Content: Finance Director</b>		
<b>Purchasing Process: Supervisor of Procurement</b>		
<b>Mayor</b>		
<b>City Council Liaison</b>		

Document2