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COUNTY OF ORANGE**

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April 3, 2008

CONFIDENTIAL

TO: Audit Oversight Committee Members

SUBJECT: Evaluation of Proposals to Perform Independent Audit and Related Services
Fiscal Years Ending June 30, 2008, 2009, and 2010

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A three-person committee, composed of the Auditor-Controller, Chief Financial Officer, and David Carlson, a public member of the Audit Oversight Committee was established to evaluate the proposals submitted by certified public accounting firms to perform independent auditing and related services for the County. This committee has now completed its evaluation, and the results are presented herein to assist you in making a recommendation to the Board of Supervisors.

As part of the process for procuring independent auditing and related services, requests for Letters of Interest were sent out to 144 firms who registered on the County's purchasing web site indicating interest in providing auditing and/or accounting services. Requests for Proposals (RFPs) were sent out to 12 firms, which indicated interest in submitting a proposal. Four of the 12 firms responded by submitting a proposal.

In their review of the proposals submitted, members of the evaluation committee independently rated each firm's qualifications to perform the independent auditing and related services outlined in the RFP. Firms were evaluated on their background and experience in auditing governmental entities similar in size/number of programs to the County of Orange and specifically on their experience in conducting audits of: general purpose financial statements and comprehensive annual financial reports; single audits of federal award programs; audits of component units and enterprise funds; assisting governments in obtaining the Government Finance Officers' Association "Certificate of Achievement for Excellence in Financial Reporting"; and in performing consent reviews for debt financings.

The major evaluation categories and their corresponding weights are as follows:

Comprehensiveness of work plan	10%
Planned time and hours	10%

Auditing of types of subprojects under consideration	15%
Auditing of similar governmental entities	15%
Qualifications of audit team	10%
General supervision	10%
Size, structure, and depth of firm	10%
Cost	20%

Total scores for the proposals submitted by the firms were calculated by each committee member, with a minimum score of 0 and a maximum of 15.6, using detailed evaluation forms which were developed prior to receiving the proposals. The average scores for the firms, and therefore the relative ratings of the acceptability and the responsiveness of the proposals, are as follows:

	<u>Evaluator #1</u>	<u>Evaluator #2</u>	<u>Evaluator #3</u>
Vavrinek, Trine, Day & Co. LLP	15.0	12.7	11.9
Macias, Gini & O'Connell	13.6	12.7	13.7
Caporicci & Larson	11.6	9.6	10.45
Vazquez & Company	9.4	8.0	8.7

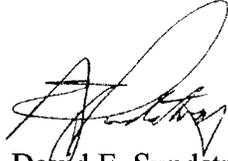
The submitted fixed prices per fiscal year (which were considered in the ratings noted above) are as follows:

	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
Varvrinek, Trine, Day & Co. LLP	\$549,385	\$576,855	\$605,699
Macias, Gini & O'Connell	\$912,078	\$959,315	\$1,051,401
Caporicci & Larson	\$559,875	\$564,630	\$564,630
Vazquez & Company	\$612,000	N/A	N/A

Based on its review, one member of the evaluation panel selected Macias, Gini & O'Connell as their first selection, another member selected Vavrinek, Trine, Day & Co LLP as number one and the third member had a tie between both firms. After further discussion among the evaluation panel, it was concluded that the firm of Vavrinek, Trine, Day & Co. LLP should be recommended to the Board of Supervisors as the firm to perform independent auditing and related services for the County for the Fiscal Years ending June 30, 2008, 2009, and 2010.

Auditor Oversight Committee Members
April 3, 2008
Page 3

Attached are the synopses of the proposals received from the four certified public accounting firms. This information should be kept confidential until the evaluation process is finalized.



David E. Sundstrom
Auditor-Controller

DES:jdc:lr (Independent Audit Proposals Evaluation/auditor)
Attachment

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SYNOPSIS OF PROPOSALS
INDEPENDENT AUDITING AND RELATED SERVICES
FISCAL YEARS ENDING JUNE 30, 2008, 2009 AND 2010

VAVRINEK, TRINE, DAY & CO. LLP

Vavrinek, Trine, Day & Co. LLP was established in 1948. They currently have 32 partners and over 200 professional staff. They are a large regional firm with a significant percentage of their practice devoted to governmental auditing and consulting.

Vavrinek, Trine, Day & Co. provides auditing services to over 300 governmental agencies. They currently provide auditing services to large regional governments including counties and cities throughout California. Some of their clients include the County of San Bernardino, the County of Riverside, and the County of Ventura.

Vavrinek, Trine, Day has offices in Rancho Cucamonga, Pleasanton, Palo Alto, Fresno, and Laguna Niguel. One of their partners, Donald A. Driftmier, CPA, has been appointed to the State Board of Accountancy and currently serves as Vice President.

Vavrinek, Trine, Day & Co. LLP's fixed price proposal is \$549,385 in the first year with increases of 5 percent in the second and third years.

The firm is being recommended to the Audit Oversight Committee because of its experience with entities similar in size to the County of Orange as well as the cost relative to Macias, Gini & O'Connell.

MACIAS, GINI, & O'CONNELL, LLP

Macias, Gini & O'Connell, LLP is a statewide certified public accounting and consulting firm with offices in Los Angeles, San Diego, Sacramento and the San Francisco Bay Area.

Macias, Gini & O'Connell has been the independent auditor of Orange County's financial statements for the past ten years. In each of the last ten years, the County of Orange has received the GFOA "Certificate of Achievement for Excellence in Financial Reporting."

The firm has 20 years of experience serving governmental entities of similar size and complexity as the County of Orange. The key members of the County's engagement team have extensive experience performing financial audits and single audits for large counties and cities. In June, the firm was selected as auditor for the County of Los Angeles. Other clients include the Counties of Sacramento, San Diego, San Mateo, and Santa Clara.

Their fixed price is \$912,078 for the first year with a 5.2 percent increase in year 2 and a 9.6 percent increase in year 3. Their cost is significantly higher than the second highest bidder. In the first year the cost is over \$300,000 more than the next highest bidder; in the second year it is more than

\$382,000 higher than the second highest bidder; and in the third year the cost is over \$445,000 more than the next highest bidder. In this time of economic uncertainty, a cost of this proportion is excessive, especially when another firm can perform a comparable audit for significantly less. The members of the evaluation committee ranked Macias, Gini & O'Connell second overall mainly due to the cost aspect.

CAPORICCI & LARSON CPAs

Caporicci & Larson, formed in 1989, provides auditing, accounting, and advisory services to numerous governmental entities throughout California. With offices in Irvine, San Diego, Oakland, and Sacramento and a staff of 42 audit professionals, the Firm serves a variety of counties and cities throughout California. The counties served include Contra Costa, Del Norte, Modoc, Trinity, Colusa, Glen and Lassen. Their client list does not include any large enterprise funds.

The firm is a member of the Private Companies Practice Section of the AICPA and received a positive peer review report on its system of quality control. The firm is also a member of the AICPA's Governmental Audit Quality Center.

Caporicci and Larson's fixed price for year 1 is \$559,875. The price increases 0.9 percent in year 2 with no increase for year 3.

Though their cost was the lowest of all four bidding firms, Caporicci & Larson was ranked third by the evaluation panel mainly due to its lack of experience with a county government comparable to the size of the County of Orange

VASQUEZ & COMPANY, LLP

Vasquez & Company conducts financial and compliance audits of governmental entities throughout the State of California. The firm has been performing these financial and compliance audits for over 18 years and currently performs such services for over 100 governmental agencies.

Vasquez & Company's experience is largely related to single audit. The firm recently conducted the Single Audit of the County of Los Angeles – the largest single audit in the western United States. They do not have any County CAFR experience and their enterprise experience is minimal.

Their fixed price is \$612,000 in year 1. No price information was submitted for years 2 and 3. Their lack of experience with any county CAFR and entities similar in size to the County of Orange was the reason behind their ranking.