

CITY COUNCIL MEETING
FEBRUARY 20, 1985

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CITY TO CONTINUE
RETAINING FIRM
OF ERNST AND
WHINNEY TO
PERFORM CITY'S
AUDIT

Following introduction of the matter by Staff, and Council discussion, Council on motion of Council Member Pinkerton, Reid second, determined that the City would continue retaining the services of Ernst and Whinney to perform the City's audit.

COUNCIL COMMUNICATION

TO: THE CITY COUNCIL

DATE

NO.

FROM: THE CITY MANAGER'S OFFICE

February 12, 1985

SUBJECT: CONSIDERATION OF PREPARING RFP FOR CITY AUDIT

The City of Lodi has contracted with the firm of Ernst and Whinney since 1976 to audit the City of Lodi's books. The audits have been performed in a highly professional manner which has reduced tensions and disruption in the organization. In addition to providing an audit the auditors have also provided the City with a written report discussing areas that need improvement and potential problems within the Finance department. Staff is highly satisfied with the present auditors.

The issue of whether or not to change auditors is one that rests heavily on fiduciary responsibility. There are really three reasons to change auditors:

1. Dissatisfaction with the work of the present auditor.
2. The need to have a fresh look made of the financial records of the city.
3. Appearance of propriety.

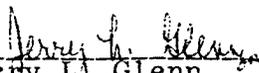
Ernst and Whinney is a large enough firm that each year there is a change in the people doing the "hands on" work so that financial records are being looked at each year with a different set of eyes. At the same time the supervisory personnel remain on the audit for two or three years and finally there is little turnover in the principal who has overall responsibility. This has worked quite well as the fresh look is there but at the same time there is continuity in methods and formats which reduces city staff workload and disruption.

There is little to mitigate the apprehensions that change should be made to assure no collusion between City employees and auditors.

If we change auditors there will be a certain amount of organizational trauma; not because a new auditor will purposefully rile the organization, but because there is a change.

A new auditor certainly must learn the organization, areas of responsibilities, the policies and procedures which have been in place, for a number of years. This will require more time on the part of staff to "show them around".

The decision then boils down to the appearance of fiduciary responsibility as opposed to the organizational trauma of change.



Jerry L. Glenn
Assistant City Manager