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CITY OF CAMBRIDGE
INTEROFFICE CORRESPONDENCE

To James L. Sullivan, City Manager

Date February 28, 1980

From George E. O'Brien, Assistant City Manager/
Fiscal Affairs *Geo* **Reference**

Subject Council Order # 2 dated February 11, 1980 regarding progress on completion of the outside audit of the City of Cambridge and report of such progress by March 1, 1980, and a list of bidders for the audit as required by federal and state laws.

The list of CPA firms who, on March 9, 1979, were invited to bid on the audit is as follows:

Deloitte, Haskins & Sells
Touche Ross & Co.
Arthur Young & Company
Price Waterhouse & Co.
Alexander Grant & Co.
Peat, Marwick, Mitchell & Co.
Arthur Andersen & Co.
Ernst & Ernst
Stavisky, Shapiro & Whyte
Feeley & Driscoll
Charles E. DiPesa & Co.
Coopers and Lybrand
John H. Kelleher & Co.
Laventhol & Horwath
Main, LaFrentz & Co.
Herndon & Cranston

Following a preproposal conference, at which most of the above were represented, individual conferences were conducted upon request of the potential bidders to explain further and/or clarify the proposal solicitation and evaluation criteria.

Five (5) firms submitted proposals on or before April 9, 1979:

Arthur Andersen & Co.	\$39,000
Ernst & Ernst	60,000
Feeley & Driscoll	39,000
Peat, Marwick, Mitchell & Co.	35,000
Touche, Ross & Co.	40,000

Eight (8) City management officials independently evaluated the proposals. Peat, Marwick, Mitchell & Co. was successful bidder with the highest composite score and, coincidentally, the lowest price.

A contract with PMM & Co. was executed effective June 1, 1979. The Office of Revenue Sharing (ORS) required that an independent audit firm be under contract no later than December 31, 1979.

Since the original contract was signed, two (2) amendments were executed. The first, for \$5,000. was to extend the scope of the audit to include the Retirement System. ORS advised Revenue Sharing recipients in September, 1979, that this would be required. This amendment was executed early in November, 1979.

The second amendment, also for \$5,000, was executed in February, 1980, to regard the City Hospital as an Enterprise Fund, consistent with generally accepted accounting principles toward which the City has been moving incrementally for several years. The nature of most operations financed and accounted for through proprietary (enterprise) funds is such that the demand for goods and services provided largely determines the appropriate level of revenues and expenses and is conducive to flexible budgeting; i.e., several levels of possible activity.

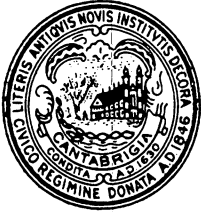
In further developments regarding the audit completion date, the Office of Revenue Sharing has extended the completion and submittal date from March 1, 1980 to September 1, 1980, as an "absolute final deadline for completion and submission". As required, the City has advised ORS that the audit is complete and we expect to submit reports on or before March 15, 1980.

Subject audit report, the financial statements and management letter, are now in final review and will be made available to you shortly.

OFFICE OF THE
CITY MANAGER

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CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139
Tel. 498-9011

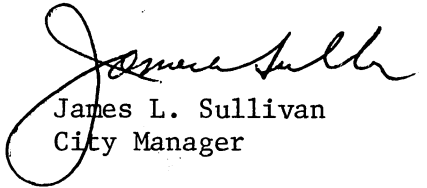
EXECUTIVE DEPARTMENT
JAMES L. SULLIVAN
City Manager

March 3, 1980

To the Honorable, the City Council:

With respect to Awaiting Report Item No. 7, relative to an outside audit of the City of Cambridge, enclosed please find copy of a report from George E. O'Brien, Assistant City Manager for Fiscal Affairs.

Very truly yours,


James L. Sullivan
City Manager

JLS/mbf
Enc.

Agenda #2

Y'd

Response to Awaiting Report no. 7 re:
outside audit of the City of Cambridge.

In City Council,
March 3, 1980

3/3/1980

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