

MINUTE ITEM

This Calendar Item No. 33  
was approved as Minute Item  
No. 33 by the State Lands  
Commission by a vote of 3  
to 0 at its 9-24-80  
meeting.

MINUTE ITEM

9/24/80  
W 40207  
Trout

33. SELECTION OF A CONSULTING FIRM TO CONDUCT AN OPERATIONAL  
AUDIT OF THE LONG BEACH TIDELANDS OIL OPERATIONS - THUMS

During consideration of Calendar Item 33 attached, Messrs.  
Al Maulorico, Harry Schreiman and Bob Faber of the Commission's  
staff explained the selection process and the point system  
used in determining what CPA firm should perform the audit.

Upon motion duly made and carried, the recommendation as  
presented in Calendar item 33 was approved by a vote of 3-0.

Attachment: Calendar Item 33

CALENDAR ITEM

33.

9/80  
W 40207  
Trout

SELECTION OF A CONSULTING FIRM TO CONDUCT AN  
OPERATIONAL AUDIT OF THE LONG BEACH TIDELANDS  
OIL OPERATIONS - THUMS

At its meetings of April 24 and May 29, 1980, the Commission, respectively, requested staff to develop a scope for an operational audit of the Long Beach Unit oil operations, and authorized a Request for Proposal (RFP) to be sent out.

A RFP was mailed on July 25, 1980, to four Certified Public Accounting (CPA) firms, with a response due date of August 15, 1980. The four firms were Deloitte Haskins & Sells; Ernst & Whinney; Peat, Marwick, Mitchell & Co.; and Touche Ross & Co. Subsequently, on August 5, at the firm's request, an RFP was mailed to Coopers & Lybrand. This firm, by letter dated August 8, 1980, notified staff that due to a possible conflict, they would not be submitting a proposal. As provided in the RFP, the Proposers Conference was held on July 30, 1980, which afforded the firms the opportunity to clarify any aspect of the RFP which may have been in need of such clarification. To respond to questions, there were in attendance, in addition to Commission staff, Mr. Robert Fronke, City Auditor of the City of Long Beach, a representative from the Long Beach Department of Oil Properties (DOP) and several officials from THUMS. In addition to the conference, proposers, on that date and subsequently, visited the offices of the City Auditor, the DOP and THUMS, to obtain supplemental information for the preparation of their respective proposals.

Each of the firms noted above submitted a timely proposal.

To evaluate each of the proposals, a three-member evaluation committee was established, representing three sectors of the Commission staff, i.e., Executive, Long Beach Operations and Administrative and Technical Services. Four essential elements were considered by the committee. These were: 1) overall firm experience in conducting audits of oil and gas operations; 2) experience of the specific audit team named by each firm to conduct the audit; 3) the plan of audit; and 4) the cost of audit. Greatest weight was given by the committee to elements two and three. The maximum cost factor for each firm was as follows:

CALENDAR ITEM NO. 33 (CONTD)

Touche Ross & Co.	\$165,200
Deloitte Haskins & Sells	\$168,855
Ernst & Whinney	\$174,810
Peat, Marwick, Mitchell & Co.	\$194,002

Following extensive individual and joint deliberation, the committee selected Deloitte Haskins & Sells as its recommendation to the Commission to conduct the audit. Each of the firms submitted fine proposals, but it was the committee's judgment that the proposal submitted by Deloitte Haskins and Sells represented the best combination of audit plan and team.

THEREFORE IT IS RECOMMENDED THAT THE STATE LANDS COMMISSION:

1. SELECT THE CERTIFIED PUBLIC ACCOUNTING FIRM OF DELOITTE HASKINS AND SELLS TO CONDUCT AN OPERATIONAL AUDIT OF THE THUMS - LONG BEACH TIDELANDS OIL OPERATIONS.
2. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE A CONTRACT WITH DELOITTE HASKINS AND SELLS TO CONDUCT THE SUBJECT OPERATIONAL AUDIT WITH A TOTAL PROJECT COST NOT TO EXCEED \$200,000.