



## Legislation Details (With Text)

**File #:** 19-0074 **Version:** 1  
**Type:** Consent - Staff Report **Status:** Agenda Ready  
**In control:** City Council Regular Meeting  
**On agenda:** 3/19/2019 **Final action:**  
**Title:** Consider Awarding RFP No. 1195-19 to Lance, Soll & Lunghard, LLP for a Three-Year Contract for Financial Audit Services with an Estimated Value of Up to \$170,070 (Finance Director Charelian).  
ADOPT RESOLUTION NO. 19-0028

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Resolution 19-0028, 2. Agreement - Lance, Soll & Lunghard, LLP, 3. Vendor Comparison Audit Services

Date	Ver.	Action By	Action	Result
3/19/2019	1	City Council Regular Meeting		

**TO:**  
Honorable Mayor and Members of the City Council

**THROUGH:**  
Bruce Moe, City Manager

**FROM:**  
Steve S. Charelian, Finance Director  
Henry Mitzner, Controller  
Julie Bondarchuk, Senior Accountant

**SUBJECT:**  
Consider Awarding RFP No. 1195-19 to Lance, Soll & Lunghard, LLP for a Three-Year Contract for Financial Audit Services with an Estimated Value of Up to \$170,070 (Finance Director Charelian).  
**ADOPT RESOLUTION NO. 19-0028**

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### RECOMMENDATION:

The Finance Subcommittee and staff recommend that the City Council adopt Resolution No. 19-0028 approving a three-year contract with Lance, Soll & Lunghard, LLP (LSL) to provide financial audit services for three fiscal years. Services will commence for the audit year ended June 30, 2019, and include the two subsequent fiscal years ending in June 30, 2020, and June 30, 2021. The contract provides for an additional two-year option if deemed in the City's best interest.

### FISCAL IMPLICATIONS:

The proposed contract covers a three-year audit period (FY 2019 through FY 2021) with option years for FY 2022 and FY 2023. Services are provided on a fixed fee basis. Sufficient funds are included in the Finance Department's budget and will be included in future budgets. The contract cost for three years of auditing services is \$170,070.

## **BACKGROUND:**

The City's financial policies require the performance of an annual audit. The Government Finance Officers Association (GFOA) recommends that an annual audit of an agency's financial statements should be conducted by an external auditor as a best practice. The purpose of an annual audit is to provide stakeholders with an auditor's opinion on whether the financial statements of an entity are presented fairly in all material respects. As a result of the Office of Management and Budget Circular A-133 (also known as the Uniform Guidance), all non-federal government agencies spending more than \$750,000 of federal awards in a fiscal year are required to obtain an annual audit from an independent certified public accountant.

These audits are to be conducted in conformance with Generally Accepted Government Auditing Standards (GAGAS) by a licensed independent public accounting firm. As such, auditors complete a risk assessment at the beginning of each audit during the planning stage and create a list of items to be tested while on-site during fieldwork.

The City's current audit firm is LSL. The original contract with LSL has expired at the conclusion of the FY 2017-2018 audit. In accordance with the City's financial policies, staff issued a Request for Proposal (RFP) for financial audit service for a new three-year engagement.

## **DISCUSSION:**

Staff issued request for proposal #1195-19 for audit services on November 14, 2018, and received seven proposals. Staff reviewed the seven proposals and narrowed the field down to three firms based on the scope of work and references. On January 25, 2019, the three audit firms were interviewed by the Finance Director, Controller, Financial Analyst, and Senior Accountant. After the initial interviews and staff consideration, one of the three firms was eliminated. The remaining top two firms were interviewed by the City Treasurer, Controller, and Senior Accountant on February 1, 2019, and a recommendation was made to the Finance Subcommittee on February 27, 2019. Professional services, such as auditing, are awarded primarily on criteria other than cost which include proposal content, interview presentation, resources, and technical abilities.

Based on the interviews, staff and the Finance Subcommittee recommends the audit firm LSL based on the following criteria:

- Experience in auditing mid-sized government entities;
- Technical qualifications;
- Personalized service;
- Practical and streamlined approach to fieldwork; and
- Seasoned audit team.

Additionally, LSL has stated that they are able to provide the City with guidance on any accounting questions in relation to the City's Enterprise Resource Planning (ERP) implementation to MUNIS. The MUNIS financial system implementation should be complete by July 2020, replacing the current EDEN system. The current audit manager has experience with the City's current EDEN system account structure and has managed audits with other cities that have implemented the MUNIS system.

Section 12410.6 of Assembly Bill (AB) 1345 prescribes that effective fiscal 2013-2014, the lead partner in the audit engagement serve in that capacity for not more than six consecutive years. Thus,

after fiscal year 2018-2019, the lead partner will change. Present at the initial interview with staff was the succeeding lead partner, who has 14-years of experience. Staff is confident that he will provide the required oversight.

Staff recommends that the City Council adopt Resolution No. 19-0028 approving a three-year contract with LSL for financial audit services with an annual value of \$56,690, and authorize the City Manager to extend the term of the agreement for an additional two-year period if deemed in the City's best interest. The City may cancel the contract at any time without cause.

Interim audit work for FY 2018-2019 is expected to commence in May and fieldwork will conclude in October, with the audit results being presented to the City Council in January 2020.

**PUBLIC OUTREACH:**

This request for proposals was advertised on the City's website as well as BidSync, a public bid notification board.

**ENVIRONMENTAL REVIEW:**

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is necessary.

**LEGAL REVIEW:**

The agreement has been reviewed by the City Attorney and is approved as to form.

**ATTACHMENTS:**

1. Resolution No. 19-0028
2. Agreement - Lance, Soll & Lunghard, LLP
3. Vendor Comparison