



# STAFF REPORT

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July 27, 2022

File Number 0600-10; A-3422

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## **SUBJECT**

### **AWARD OF AUDITING SERVICES CONTRACT**

## **DEPARTMENT**

Finance

## **RECOMMENDATION**

Request the City Council adopt Resolution No. 2022-104, authorizing the Mayor to execute a Public Services Agreement with CliftonLarsonAllen LLP for audit services for fiscal years 2022 through 2026, with an option to extend up to an additional two years.

Staff Recommendation: Approval (Finance: Christina Holmes, Director of Finance)

Presenter: Christina Holmes, Director of Finance

## **FISCAL ANALYSIS**

The contract has a ceiling value of \$299,768 over a five-year term (fiscal years ending June 30, 2022, 2023, 2024, 2025, and 2026) with an option to extend up to an additional two years. Sufficient funds for the audit for fiscal year ending June 30, 2022 are available in the FY2022/23 Operating Budget in the Finance Department Professional Services account.

## **PREVIOUS ACTION**

On June 8, 2016, City Council approved a five-year contract agreement with the Pun Group, for financial statement audit services. The contract was extended for one additional year and ended with the completion of the June 30, 2021 financial statement audit.

## **BACKGROUND**

Auditing the City's financial records plays an important role in public sector finance. The auditors are responsible for evaluating the City's system of internal controls and overall financial management and condition. It is one of the most important and effective methods to ensure the credibility and transparency of the City's financial reporting to all of the City's stakeholders.

The format of the presentation of the audited financial statements is in accordance with the Governmental Accounting Standards Board (GASB) pronouncements. Audits are performed in accordance with auditing standards generally accepted in the United States and the standards set forth for financial



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audits contained in the General Accounting Office's Government Auditing Standards (2018) issued by the Comptroller General of the United States. Consistent presentation allows comparison of the City's financial information to other governmental agencies throughout the country. It also allows outside interests, such as bondholders, the information necessary to evaluate their current or future investments. Since the City's information is presented in the same format as other governmental reporting entities, reasonable and meaningful comparisons can be made between and among governmental entities by anyone inside or outside the government workplace.

In addition, the provisions of the Federal Single Audit Act of 1984 as amended in 1996, and Title 2 of the Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), commonly known as a "single audit", outlines the requirements for audits of State and local governments and non-profit organizations. The City typically is required to have a single audit performed due to the level of funding received from federal grants.

### Annual Comprehensive Financial Report

One of the primary goals related to the fiscal audit process is to issue an Annual Comprehensive Financial Report ("Report"). The Report is the standard reporting level for California municipal agencies, and is eligible to be considered for a Government Finance Officers Association ("GFOA") Certificate of Achievement for Excellence in Financial Reporting Award ("Award"). In addition to being eligible for an Award for Excellence, the Report provides a higher standard of reporting, which adds credibility and additional transparency to the financial position of the City. The City has received 31 Awards from GFOA for the annual Report. It is important to select an audit firm that will support the continued goal of achieving the Award in future years.

### Multi-Year Contract

Most California based governmental entities issue multi-year contracts for audit services (typical length is three to six years) as significant resources are typically necessary from both the City and the audit firm in the first year of an engagement. An initial year of an audit requires the firm to perform several preliminary steps regarding assessments of internal controls. Those additional steps also increase the level of City resources necessary to support the assessments during the initial year of the audit. The use of a multi-year contract reduces the overall cost of the audit and the firm can typically quote a lower overall cost as a result.

### Request for Proposal (RFP) Process

The City conducted an open Request for Proposal (RFP) in April 2022 and received four responses. The respondents' Technical and Cost Proposals were evaluated by a four-member committee comprised of employees in the Finance Department. Evaluations were scored based on mandatory elements outlined in the RFP, technical qualifications, and price.



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The top two scoring firms were invited to oral interviews in June 2022. Interviews were conducted by a panel comprised of the Director of Finance, Finance Manager, Revenue Manager, and Budget Manager. The firms were evaluated on their responses and the proposed audit plan, proposed staffing, experience and expertise on municipal audits, and reference verifications. The evaluation also included the preparation of the Successor Agency audit, Single Audit of Federal Expenditures, and a GANN Limit Review. The panel unanimously chose CliftonLarsonAllen LLP on the basis of expertise, experience, and fit with the City.

CliftonLarsonAllen, LLP, (“CLA”) is a full-service Certified Public Accounting Firm providing accounting, auditing, tax, and advisory services to a variety of industries. CLA has one of the largest governmental audit and consulting practices in the country, serving more than 4,100 governmental clients nationwide. The governmental services team members are well versed in the issues critical to complex governmental entities and have deep, technical experience in serving state and local units of government. By engaging with CLA, the City will ensure continued compliance with financial and reporting requirements and the City will also benefit from a “fresh look” at its business operations, information systems, and financial and risk management policies and procedures.

### **RESOLUTIONS**

- a. Resolution No. 2022-104
- b. Resolution No. 2022-104 Exhibit “A” Consulting Agreement with CliftonLarsonAllen LLP