



Folsom City Council Staff Report

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| MEETING DATE: | 4/23/2024 |
| AGENDA SECTION: | Consent Calendar |
| SUBJECT: | Resolution No. 11188 – A Resolution Authorizing the City Manager to Execute an Agreement with Badawi & Associates to Provide Audit Services for Three Fiscal Years Ending June 30, 2024, 2025, and 2026 |
| FROM: | Finance Department |

RECOMMENDATION / CITY COUNCIL ACTION

The Finance Department recommends that the City Council pass and adopt Resolution No. 11188 – A Resolution Authorizing the City Manager to Execute an Agreement with Badawi & Associates to Provide Audit Services for Three Fiscal Years Ending June 30, 2024, 2025, and 2026

BACKGROUND / ISSUE

The Finance Department issued a request for proposal to qualified auditors, including the City’s current auditors, to audit the City’s financial statements for the three fiscal years ending June 30, 2024, 2025, and 2026. Five firms responded to the request by providing proposals for these services. The selection process was structured so that the principal factor in auditor selection was the auditor’s ability to perform a quality audit. The firms were evaluated based on the following criteria:

- Independent and licensed to practice in California
- Firm personnel having received adequate continuing professional education in the last two years
- No conflict of interest with regard to other work performed for the City of Folsom
- Responsiveness to the requirements of the Request for Proposal
- Thoroughness and demonstrated understanding of the tasks to be completed
- Recent municipal experience in conducting similar engagements

- Staff expertise and overall impression of personnel to be assigned to the project
- Time required to accomplish the requested services
- Depth of industry experience
- Cost

POLICY / RULE

Section 2.36.080, Award of Contracts of the Folsom Municipal Code states, in part, that contracts for supplies, equipment, services, and construction with an estimated value of \$73,209 or greater shall be awarded by the City Council.

Section 3.02.160 of the Folsom Municipal Code requires the City Council shall provide for an independent annual audit of all city accounts, financial transactions, and documents, and may provide for more frequent, more specialized, or special audits as it may determine in its discretion to be necessary to assure the integrity of City moneys, assets, accounts, and records.

ANALYSIS

As a Recommended Practice, the Government Finance Officers Association (GFOA) recommends that governmental entities undertake a competitive process for the selection of independent auditors at the end of each audit contract term. GFOA further encourages governmental entities to enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. The request for proposal included an option to extend the agreement for two (2) consecutive one-year periods.

On February 9, 2024 the Finance Department received proposals from Eide Bailly LLP, Clifton Larson Allen LLP, Chavan & Associates LLP, Badawi & Associates, and The Pun Group. The proposals were evaluated by three Finance Department staff members for technical evaluation prior to reviewing costs. The technical evaluation were scored as shown in Table 1 based on a maximum technical score of 65.

Table 1: Consultant Technical Scores without Costs

| Consultant | FIN 1 | FIN 2 | FIN 3 | Total | Average |
|--------------------------|--------------|--------------|--------------|--------------|----------------|
| Badawi & Associates | 62 | 46 | 61 | 169 | 56.33 |
| Eide Bailly LLP | 56 | 48 | 63 | 167 | 55.67 |
| The Pun Group | 55 | 49 | 60 | 164 | 54.67 |
| Clifton Larson Allen LLP | 55 | 44 | 53 | 152 | 50.67 |
| Chavan & Associates, LLP | 46 | 37 | 51 | 134 | 44.67 |

After reviewing each proposal for technical experience, the proposals were reviewed for project costs. The fee schedules for the scope of work outlined in the request for proposals for Year 1 from each consultant are shown in Table 2.

Table 2: Consultant Project Costs

| Consultant | Fee Amount |
|--------------------------|-------------------|
| Badawi & Associates | \$ 81,675.00 |
| Eide Bailly LLP | \$107,550.00 |
| The Pun Group | \$ 85,000.00 |
| Clifton Larson Allen LLP | \$ 87,260.00 |
| Chavan & Associates, LLP | \$ 70,000.00 |

To assist in the final selection, three firms were invited to interview with the Finance Director, Financial Services Manager, Deputy Treasurer and Senior Financial Analyst. The focus of the interview process was to find the firm with the best fit in terms of expertise, communication style and ability to work closely with City staff.

Based on the evaluation and results of the request for proposals and interview processes, staff recommends the firm of Badawi & Associates, as the best qualified to provide audit services for the three fiscal years ending June 30, 2024, 2025 and 2026. This firm was selected based upon its extensive municipal auditing experience, approach to internal control testing, analytical procedures, and ability to meet the City’s reporting timeline. Table 3 shows the overall total scores including project costs based on a maximum score of 80.

Table 3: Consultant Overall Scoring Including Project Costs

| Consultant | Technical Score (avg.) | Cost Score | Total Score |
|--------------------------|-------------------------------|-------------------|--------------------|
| Badawi & Associates | 56.33 | 14 | 70.33 |
| The Pun Group | 54.67 | 12 | 66.67 |
| Eide Bailly LLP | 55.67 | 8 | 63.67 |
| Clifton Larson Allen LLP | 50.67 | 13 | 63.67 |
| Chavan & Associates, LL | 44.67 | 15 | 59.67 |

Badawi & Associates is located in Berkley, CA, and has provided audit services to a variety of California cities, counties, and public agencies. The firm’s references include the Cities of Berkeley, Richmond, Dublin, Antioch, and Lafayette.

FINANCIAL IMPACT

Fees for the proposed services provided by Badawi & Associates for audits of the Fiscal Years ending June 30, 2024, 2025 and 2026 have not been budgeted. However, these services historically are budgeted in the Finance Department’s budget and costs for the first year of services will be included in the FY 2025 preliminary budget proposal. Amounts for the next two years will be included in subsequent budgets. The following table outlines the proposed audit services, which include an annual audit of the City’s financial statements, and other financial and compliance audits to be performed with the associated fees.

| <u>Financial Service</u> | Fiscal Year Ending | | | <u>Total</u> |
|--|---------------------------|-------------------------|-------------------------|--------------------------|
| | <u>6/30/2024</u> | <u>6/30/2025</u> | <u>6/30/2026</u> | |
| City Financial Statements | \$ 62,475 | \$ 64,330 | \$ 66,205 | \$ 193,010 |
| Successor Agency Financial Statements | 5,405 | 5,570 | 5,675 | 16,650 |
| Folsom Public Financing Authority Financial Statements | 4,540 | 4,640 | 4,785 | 13,965 |
| Folsom Ranch Financing Authority Financial Statements | 3,480 | 3,590 | 3,730 | 10,800 |
| Gann Appropriation Limit | 745 | 795 | 845 | 2,385 |
| Agreed-Upon-Procedures | 5,030 | 5,235 | 5,465 | 15,730 |
| Single Audit | | | | |
| | <u>\$ 81,675</u> | <u>\$ 84,160</u> | <u>\$ 86,705</u> | <u>\$ 252,540</u> |

ENVIRONMENTAL REVIEW

Not Applicable.

ATTACHMENTS

1. Resolution No. 11188 - A Resolution Authorizing the City Manager to Execute an Agreement with Badawi & Associates, to Provide Audit Services for Three Fiscal Years Ending June 30, 2024, 2025 and 2026

Submitted,

Stacey Tamagni, Finance Director

RESOLUTION NO. 11188

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH BADAWI & ASSOCIATES TO PROVIDE AUDIT SERVICES FOR THREE FISCAL YEARS ENDING JUNE 30, 2024, 2025 AND 2026

WHEREAS, Section 2.36.120 of the Folsom Municipal Code requires the City Council to approve professional service contracts greater than \$73,209; and

WHEREAS, Section 3.02.160 of the Folsom Municipal Code requires the City Council shall provide for an independent annual audit of all city accounts, financial transactions and documents, and may provide for more frequent, more specialized, or special audits as it may determine in its discretion to be necessary to assure the integrity of City moneys, assets, accounts and records; and

WHEREAS, the Government Finance Officers Association encourages governmental entities to enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors as such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit; and

WHEREAS, the agreement will include an option to extend the agreement for two (2) consecutive one-year periods; and

WHEREAS, the annual cost for this agreement will be included in the FY 2025, FY 2026 and FY 2027 budgets; and

WHEREAS, based on the evaluation and results of the request for proposals and interview processes, Badawi & Associates is the best qualified to provide audit services; and

WHEREAS, the agreement will be in a form acceptable to the City Attorney; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom authorizes the City Manager to execute an agreement with Badawi & Associates to provide audit services for the three fiscal years ending June 30, 2024, 2025 and 2026 in an amount not to exceed \$252,540.

PASSED AND ADOPTED this 23rd day of April 2024, by the following roll call vote:

AYES: Councilmember(s):
NOES: Councilmember(s):
ABSENT: Councilmember(s):
ABSTAIN: Councilmember(s):

Michael D. Kozlowski, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

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CITY OF
FOLSOM
DISTINCTIVE BY NATURE