



City of Grass Valley City Council Agenda Action Sheet

Title: Appointment of Independent Auditor for Fiscal Years 2023-24 and 2024-25

CEQA: Not a project

Recommendation: That Council 1) Authorize the City Manager to execute an addendum to the contract with Smith & Newell, CPAs for independent audit services for the City for Fiscal Years 2023-24 and 2024-25, subject to final legal review; 2) Authorize the Finance / Administrative Services Director to make any necessary budget adjustments / transfers; and 3) Approve Smith & Newell, CPAs as a sole-source contractor.

Prepared by: Andy Heath, Finance Director

Council Meeting Date: 06/25/2024

Date Prepared: 06/19/2024

Agenda: Consent

Background Information: Over the course of the last four fiscal years, the City has utilized the services of Smith & Newell, CPAs to conduct the audits completed for Fiscal Years 2019-20 and 2020-21 and was then extended to audit Fiscal Years 2021-22 and 2022-23. Smith & Newell, CPAs replaced the City's former auditor, JJACPA, Inc. who had conducted the City's financial audit since Fiscal Year 2012-13.

Best practices suggest that independent audit firms be rotated approximately every five years. Also, AB 1345, which added section 12410.6(b) to the State of California Government Code, requires that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years.

Currently to assure an audit of the City's financial statements is conducted and continuity of current auditing practices and procedures is maintained, staff is requesting one final extension of auditing services to be provided by Smith & Newell, CPAs who has submitted an addendum to their contract to undertake the City audits for the next two fiscal years - FY 2023-24 and FY 2024-25. It is the staff's intention to conduct a Request for Proposals (RFP) process related to the selection of a new audit firm at the conclusion of the addendum of agreement for auditing services being proposed.

As such, staff is recommending the City execute a sole-source contract pursuant to Section 3.08.140(B) of the Grass Valley Municipal Code for the next two years to allow for timely completion of the FY 2023-24 and FY 2024-25 audits and also allow appropriate time for the undertaking of a formal RFP process for future audit services.

Smith & Newell has proposed an annual contract fee of \$44,500.00 for the first year (\$2,600 more than the audit for FY 2022-23) and \$50,280 for the second year.

Council Goals/Objectives: The undertaking of an annual independent audit of the City's finances executes portions of the work tasks towards achieving / maintaining the Strategic Plan goal to maintain a High-Performance Government and Quality Service.

Fiscal Impact: The Fiscal Year 2024-25 Budget includes funding towards an annual audit and is available in the City's General, Measure E, Sewer, Water, and Successor Agency funds.

Funds Available: Yes

Account #: Multiple City Funds

Reviewed by: ___ Tim Kiser, City Manager

Attachments: Addendum to Professional Auding Services Contract May 2, 2024