



## City of Needles, California Request for City Council Action

☒ CITY COUNCIL ☒ NPUA ☒ HACN

☒ Regular ☐ Special

**Meeting Date:** August 12, 2025

**Title:** Proposal for Financial Audit Services

**Background:** The City and its component units, the NPUA and Needles Housing Authority, are required to complete a number of independent financial audits each year. The City audit, required under state law, includes the City governmental funds, both component units of the City (NPUA and HACN), and also the Needles Public Financing Authority (NPFA). As a condition of the Refunding Revenue Bonds issued in 2016, the NPUA is required to have its own stand-alone audit. The Housing Authority is also required to have its stand-alone audit by HUD. Other audits and reports are required as a condition of grant or special revenues the city receives, including the Single Audit, State Controller's Report, and Street Report as well as transit audits performed by the County's independent auditors. The costs are significant each year.

In October 2023, city staff issued formal bids for audit services for Fiscal Year 2023 and Fiscal Year 2024 City and NPUA audits. Bids were received from only two audit firms, Vasquez and Company and LSL CPAs and Advisors. While not the low bidder, staff recommended that Council contract with Vasquez and Company because they had previously completed the NPUA stand-alone audit. Vasquez finalized the Fiscal Year 2023 City audit in July and staff has begun work on the Fiscal Year 2024 audit.

In July 2025, rather than go through a formal bidding process again that would be time-consuming and potentially unproductive, staff solicited an updated proposal from LSL CPAs and Advisors. This was done for several reasons. First, last time the city only received two bid responses, one of which was LSL CPAs and Advisors, the other was Vasquez. Second, based on the current experience and cost of Vasquez' audit services, staff believed a lower price and a higher level of service could be achieved by switching to the other bidder. Third, staff is soliciting bids for Fiscal Year 2025 and it is late since many auditors already have their audit clients lists selected and do not have the ability to take on new clients at this time. Cities typically engage auditors several months before the end of the fiscal year but that was not possible with the vacancy of the Finance Director and the tremendous backload of work in Finance. Lastly, the City hired a consultant to review the Finance Department operations in 2023. LSL CPAs and Advisors was specifically recommended as a highly qualified firm to conduct the City's audits.

The updated proposal from LSL CPAs and Advisors is lower than the actual audit costs for Fiscal Year 2023 and is a significant expansion of the audit services provided. This includes implementation services for new financial reporting requirements issued each year by the Governmental Accounting Standards Board (GASB) and audit preparation and readiness services, neither of which Finance is receiving under the current Vasquez contract. Moreover, LSL is a major audit firm in California with superior service provided to its clients. Based on these reasons, staff recommends that Council waive the formal bidding process and award a three-year contract for financial audit services for Fiscal Years 2025 through 2027 with an option to extend the contract for an additional two years.

**Fiscal Impact:** The LSL CPAs and Advisors proposal for Fiscal Year 2025 audit services is \$146,047, including the expanded services, as shown in the table on the following page.

For Fiscal Year 2023, the City has paid \$141,655 to date to Vasquez for the City and NPUA audit and Smith Marion for the Housing Authority audit. Vasquez estimates an additional \$30,000 will be billed to the City for finalizing the Fiscal Year 2023 audit. Therefore, total audit billings from both audit firms for Fiscal Year 2023 audits will total approximately \$171,655.



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The City would realize a savings of approximately \$25,608 by contracting with LSL CPAs and Advisors, including the expanded services and a 10% contingency.

Audit costs are shared between the General Fund, NPUA and Housing funds. The Fiscal Year 2026 budget contains sufficient appropriation authority for the proposed audit contract. No additional budget appropriations are needed to cover the cost of the Fiscal Year 2025 citywide audits or to increase the purchase order by \$30,000 for Vasquez audit cost overruns for the Fiscal Year 2023 city audit.

### SUMMARY OF COSTS LSL CPAs and ADVISORS PROPOSAL

	FY 2025 Year 1	FY 2026 Year 2	FY 2027 Year 3	TOTAL
Financial Audit Services	\$92,770	\$82,970	\$83,090	\$258,830
Audit Preparedness/GASB	\$40,000	\$40,000	\$40,000	\$120,000
Contingency (10%)	\$13,277	\$12,297	\$12,309	\$37,883
Total	\$146,047	\$135,267	\$135,399	\$416,713

**Environmental Impact:** None.

**Recommended Action:** Waive the formal bid requirement for independent financial audit services and accept the three-year proposal (Fiscal Year 2025-2027) from LSL CPAs and Advisors in the amount of \$416,713, including a 10% contingency, with an option to extend the contract in years 4 and 5; and Increase the Purchase Order with Vasquez and Company LLC for Fiscal Year 2023 audit services by \$30,000 for audit cost overruns.

**Submitted By:** Jill Taura, Interim Finance Director

**City Manager Approval:** Patrick J. Martinez

**Date:** 8/7/2025

**Other Department Approval (when required):** \_\_\_\_\_

**Date:** \_\_\_\_\_

Approved: ☐

Not Approved: ☐

Tabled: ☐

Other: ☐