
Rio Dell City Hall
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DATE: April 15, 2025

TO: Rio Dell City Council

FROM: Travis Sanborn, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Award of Contract for Financial Audit Services to Harshwal & Company, LLP

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute a contract with Harshwal & Company, LLP to provide professional auditing services for fiscal years ending June 30, 2025 through June 30, 2030, with a total not-to-exceed amount of \$129,235 for the six-year period.

BACKGROUND

The City's current contract with JJA CPA for professional auditing services expires at the end of the current fiscal year. In accordance with the City's financial policies and best practices for governmental entities, staff initiated a procurement process for audit services by issuing a Request for Proposals (RFP) on February 5, 2025.

Professional auditing services are necessary to ensure the City's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and to comply with state requirements for annual audits of municipal financial records. Additionally, when required by federal funding thresholds, the auditor would conduct Single Audits in accordance with the Single Audit Act and OMB guidance.

DISCUSSION

Procurement Process

The RFP for audit services was publicly advertised through various channels including the City's website. The RFP solicited proposals for a comprehensive financial audit of the City for fiscal years 2024-25 through 2029-30, with options for Single Audits as needed.

The RFP process resulted in one responsive proposal from Harshwal & Company, LLP. While additional responses would have been preferred, city staff conducted a thorough review of the sole respondent's qualifications and determined that Harshwal & Company presented a comprehensive proposal that meets the City's needs at a competitive price point.

In accordance with Government Code Section 4526, professional services such as financial auditing are selected based on demonstrated competence and professional qualifications, not solely on cost. After reviewing Harshwal & Company's proposal, staff determined the firm meets these criteria.

Firm Qualifications

Harshwal & Company, LLP is a well-established firm of Certified Public Accountants offering auditing, accounting, and specialized services to various governmental entities. Key qualifications include:

1. **Experience:** The firm has extensive experience conducting financial statement audit engagements under Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS), having performed nearly 300 governmental audits since the implementation of GASB 34.
2. **Governmental Expertise:** The firm specializes in auditing state and local governments, counties, special districts, educational entities, tribes and tribal governments, housing authorities, and not-forprofit organizations.
3. **Professional Standards:** Harshwal & Company, LLP adheres meticulously to GAAP and GASB standards, ensuring high-quality financial reporting and compliance with all relevant regulations.
4. **Staff Qualifications:** The proposed audit team is highly qualified, with team members holding appropriate certifications and extensive governmental audit experience:
 - Sanwar Harshwal, Managing Partner (40+ years of governmental auditing experience)
 - Garima Pathak, Audit Manager (8+ years of experience with governmental entities)
 - Four additional team members with appropriate CPA credentials and governmental audit experience
5. **Continuing Professional Education:** All team members exceed the governmental CPE requirements, demonstrating their commitment to maintaining current knowledge of auditing standards and practices.
6. **Client Reference List:** The firm has served numerous California municipal clients and public agencies, indicating substantial relevant experience in our sector.

Scope of Services

The engagement with Harshwal & Company, LLP would include:

1. Annual financial audits in accordance with Generally Accepted Auditing Standards, Government Auditing Standards, and applicable state regulations.
2. The expression of an opinion on the fair presentation of the City's financial statements
3. Single Audits when applicable (at an additional cost, as outlined in their fee proposal)
4. Management letter with recommendations for improving internal controls or operational efficiency
5. Presentation of audit results to the City Council as requested
6. Consultation throughout the year on financial reporting and compliance matters

Proposed Fees

Harshwal & Company's fee proposal is competitive and provides good value for the comprehensive services offered. The proposed fee structure for the six-year contract period is as follows:

Fiscal Year	Financial Audit Fee
FY 2024-25	\$19,000
FY 2025-26	\$19,950
FY 2026-27	\$20,945
FY 2027-28	\$21,995
FY 2028-29	\$23,095
FY 2029-30	\$24,250
TOTAL	\$129,235

If Single Audits are required based on federal expenditure thresholds, additional fees would apply: \$4,500 for the first major program and \$3,500 for each additional major program.

The proposed fee structure represents a reasonable annual increase of approximately 5% per year to account for inflation and increased costs over the contract term.

FISCAL IMPACT:

Funds for audit services are included in the current fiscal year budget in account 5110-03 (Accounting - Finance). The budgeted amount for the current fiscal year is \$27,000, which includes provision for a Single Audit if required. The proposed contract for FY 2024-25 at \$19,000 (plus potential Single Audit fees if needed) is within this budgeted amount. Future year costs will be included in subsequent annual budget requests. The contract would include a provision that execution of services in future fiscal years is subject to annual appropriation by the City Council.

ATTACHMENTS

1. Proposal from Harshwal & Company, LLP (available for review in the City Clerk's Office)