



## Staff Report Details (With Text)

**File #:** 24-1184      **Version:** 1      **Name:** Professional Services Agreement - Audit Services  
**Type:** Minute Order      **Status:** Consent Agenda  
**File created:** 6/12/2024      **In control:** City Council Meeting Agenda  
**On agenda:** 7/8/2024      **Final action:**  
**Title:** CC - CONSENT ITEM: (1) Approval of a Three-Year Professional Services Agreement with Lance, Soll & Lunghard, LLP for Financial Audit Services for a Total Amount Not to Exceed \$339,480; and (2) Authorization for the City Manager to Exercise Two One-Year Options to Extend the Agreement for a Total Amount Not to Exceed \$228,980.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
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**Meeting Date:** July 8, 2024

**Contact Person/Dept:** Lisa Soghor/Finance Department

**Phone Number:** (310) 253-5865

**Fiscal Impact:** Yes ☒ No ☐

**General Fund:** Yes ☒ No ☐

**Attachments:** Yes ☐ No ☒

**Public Notification:** (E-Mail) Meetings and Agendas - City Council (07/02/2024)

**Department Approval:** Lisa Soghor, Chief Financial Officer (07/02/2024)

## RECOMMENDATION

Staff recommends the City Council (1) approve a three-year professional services agreement with Lance, Soll & Lunghard, LLP for financial audit services for a total amount not to exceed \$339,480; and (2) authorize the City Manager to exercise two one-year options to extend the agreement for a total amount not to exceed \$228,980.

## **BACKGROUND**

The City prepares its financial statements in conformance with Generally Accepted Accounting Principles (GAAP). Responsibility for the accuracy and completeness of the financial statements rests with the City. However, the City retains the services of an external accounting firm to audit the financial statements on an annual basis. On March 21, 2024, the City released a Request for Proposals (RFP) for financial audit services. The RFP was posted online on the City's PlanetBids webpage. Proposals were due on April 18, 2024.

As part of the scope detailed in the RFP, firms are asked to provide independent audit and report preparation for the City, Other Postemployment Benefit Plan, Municipal Bus Lines, Single Audit as required by the federal government, review of the Gann Appropriations Limit, and preparation of various State Controller and Housing Authority reports. In addition, the selected firm will assist the City in implementing any new Governmental Accounting Standard Board (GASB) statements taking effect during the term of this contract and perform cash control testing. The RFP provided for an initial term of three years, with the ability for agreement renewal two additional years.

## **DISCUSSION**

In response to the RFP, the City received proposals from six firms. Proposals were evaluated by staff with an emphasis on comparable governmental auditing experience, the quality of the firm's personnel to be assigned to the Culver City engagement, the adequacy of the proposed staffing plan, the firm's approach to the audit and review of the City's financial statements, and municipal government experience.

All six firms were invited for oral interviews with City staff. Five firms were available to participate in the interview process. Each firm had an opportunity to give a brief presentation and were asked a series of questions to assess their technical knowledge, project approach, implementation schedule, and their ability to provide valuable insight and information related to new accounting standards, and industry best practices.

Based on staff's careful evaluation of the proposals submitted and interviews conducted, staff selected Lance, Soll & Lunghard, LLP (LSL). Staff's selection was based on LSL's focus on governmental accounting, years of governmental auditing experience, thorough review process, commitment to quality control, approach to managing the audit process, its size and location.

LSL is a licensed California Certified Public Accounting firm based in Brea, California. With nearly 100 years of experience in performing government auditing in California. LSL currently serves many cities throughout California including Burbank and Santa Monica. The firm will bring a new and independent perspective to the City's systems, operations, and practices. LSL will assess the City's risk and compare existing policies and practices to industry best practices in effort to improve critical operational areas.

LSL's cost proposal for the first three-years totals \$339,480. This amount may increase slightly if

additional major program audits are required.

On June 27, 2024, the Audit, Financial Planning and Budget Subcommittee held a special meeting and received a report on the RFP process and selection of LSL for financial audit services in accordance with City Council Policy Number 5002 (Financial Policies). The Subcommittee reviewed the technical and cost proposals received and unanimously recommended that the City Council approve a three-year professional services agreement with LSL for financial audit services in an amount not to exceed \$339,480 and authorize the City Manager to exercise two one-year options for renewal.

## **FISCAL ANALYSIS**

The fee for the first year of the agreement with LSL will be \$120,460 which includes \$10,950 for the onboarding process. The annual cost for the two subsequent years will be \$109,510. The Adopted Budget for Fiscal Year 2024-2025 includes \$90,000 for audit services in the General Government Section, Finance Department's Administration Division Account No. 10114100.610100 (Audit Services). The remaining \$30,460 for the first year of the agreement will come from the City Manager's Appropriated Reserve from the Adopted Budget for Fiscal Year 2023-2024 that will be carried forward into Fiscal Year 2024-2025. The Appropriated Reserve can be found in the General Government Section, Non-Departmental Account No. 10116100.910200 (Appropriated Reserve). Funding for subsequent years of the agreement will be incorporated into the budget for future fiscal years.

## **ATTACHMENTS**

None.

## **MOTIONS**

That the City Council:

1. Approve a three-year professional services agreement with Lance, Soll & Lunghard, LLP for financial audit services in an amount not to exceed \$339,480; and,
2. Authorize the City Manager to exercise two one-year options for renewal for a total amount not to exceed \$228,980; and
3. Authorize the City Attorney to review/prepare the necessary documents; and,
4. Authorize the City Manager to execute such documents on behalf of the City.