



City of Chula Vista

Staff Report

File#: 14-0166, **Item#:** 10.

RESOLUTION NO. 2014-057 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING AN AGREEMENT WITH THE ACCOUNTING FIRM OF LANCE, SOLL AND LUNGHARD, LLP TO PROVIDE AUDITING SERVICES AND AUTHORIZING THE CITY MANAGER TO EXERCISE TWO ONE-YEAR OPTIONS TO EXTEND THE AGREEMENT

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

Section 1017 of the Chula Vista Charter requires an annual independent audit of the City. The current five-year agreement with Pun and McGeady, LLP terminated with completion of the June 30, 2013 audit report. A Request for Proposals to provide auditing services for the City was issued January 31, 2014 and closed on February 20, 2014.

ENVIRONMENTAL REVIEW

The Environmental Review Coordinator has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that approval of an agreement for audit services is not a "Project" as defined under Section 15378 (b)(4) of the State CEQA Guidelines; because approval of the contract is a continuing administrative activity, therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

BOARD/COMMISSION RECOMMENDATION

Not applicable

DISCUSSION

The Finance Department followed Municipal Code 2.56 and Council Policy No. 102-05 in the consultant services selection process. A Request for Proposal (RFP) was issued on January 31, 2014 for audit services. The RFP was posted electronically on PlanetBids.Com <../../../../KerryB/AppData/Roaming/L5/L5WordDoc/Planetbids.com>, a web-based vendor and bid management system that is widely used by other local agencies. In addition, the RFP was sent directly to accounting firms that had expressed an interest in performing audit services for the City.

Seven proposals were received and evaluated by the Selection Committee based on the following technical criteria:

- A. Organization, size, and structure of the audit firm.
- B. Qualifications and experience of staff to be assigned to the City's audit.
- C. Audit firm's understanding of the work to be performed and comprehensiveness of audit work plan.

D. Pricing of services.

There were other elements of the proposal that were considered mandatory for further consideration. These mandatory elements were:

- Independence: the firm was required to provide an affirmative statement that it is independent of the City as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards.
- Conflict of Interest: the firm should list and describe any professional relationships involving the City for the past five years together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the audit.
- License to Practice: the firm is required to provide an affirmative statement that the firm and all assigned key professional staff are properly licensed to practice in the State of California.

As discussed above, the primary basis of the ratings was the proposing firm's technical competence. After the technical scores were compiled additional points were awarded based on the price of the proposal. The Selection Committee interviewed two firms; and after checking references for the two firms recommend Lance, Soll and Lunghard, LLP (LSL) as the successful proposer. The scope of the services to be performed are as follows:

- Perform a financial audit of the City's financial statements and its component units upon conclusion of the audit, issue reports for the City, the Public Financing Authority and the Municipal Financing Authority.
- Perform a Single Audit of all direct and major federal grants of the City utilizing auditing standards generally accepted in the U.S. and in accordance with the provisions of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133.
- Perform an Agreed-Upon Procedures report on the calculation of the City's Appropriation Limit as required by Article XIII B Appropriations Limit Uniform Guidelines of the California Constitution.

In addition, LSL will provide the City with additional financial services, collectively known as retainer services. This will include services not strictly within the purview of the audit including but not limited to rendering assistance in ensuring that appropriate financial controls and procedures are in place; providing payroll tax advice and other pertinent tax law changes; updating City staff with the latest developments in governmental accounting and reporting issues; and assisting the City in implementing new Governmental Accounting Standards Board (GASB) requirements. These services will be provided up to a maximum of 40 hours per year at no additional cost to the City.

About Lance, Soll and Lunghard,LLP

Lance, Soll and Lunghard, LLP is a regional public accounting firm that has met the auditing needs of governmental entities throughout California for over 80 years. Government Services professional staff consists of three partners, five managers, two supervisors and ten staff auditors. Their main office is located in Orange County in the City of Brea. There are three other offices located in the City of Whittier (Los Angeles), City of Murrieta and the City of San Jose. The firm lists several clients locally, which include the Cities of Coronado, Escondido and Vista.

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DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site specific and consequently the 500 foot rule found in California Code of Regulations section 18704.2 (a)(1) is not applicable to this decision.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The hiring of a new audit firm is consistent with the goal of Operational Excellence. The Government Finance Officers Association best practice recommends a full-scale competitive process for the selection of independent auditors at the end of each audit contract. This also promotes auditor independence.

CURRENT YEAR FISCAL IMPACT

There is no fiscal impact to the current fiscal year. An appropriation for the audit will be included in the fiscal year 2014-15 budget.

ONGOING FISCAL IMPACT

The cost of the audit for the fiscal year ending June 30, 2014, will be \$78,265. Not-to-exceed fees for fiscal year ending June 30, 2015 and June 30, 2016 will be \$81,875 and \$85,844 respectively.

The City Manager shall have the authority to approve the extension of this agreement for two one-year terms, at the City's sole discretion. If the City extends the Agreement to include fiscal year ending 2017, the associated fee shall not exceed the cost of \$85,844 plus a maximum increase of 5%; if the City extends the Agreement to include fiscal year ending 2018, the associated fee shall not exceed a maximum increase of 5% over the previous year's fees.