



CITY COUNCIL STAFF REPORT

DATE: March 17, 2010 Consent Calendar

SUBJECT: APPROVAL OF LANCE, SOLL & LUNGHARD, LLP TO PROVIDE AUDITING SERVICES

FROM: David H. Ready, City Manager

BY: Department of Finance and Treasury

SUMMARY

The City and the Community Redevelopment Agency are required by law and the Government Accounting Standards Board (GASB) to issue Comprehensive Annual Financial Reports that are audited by an outside audit firm. The City has had the same audit firm for the past 3 years and decided to solicit proposals at the end of the current agreement. In December, the City issued a formal Request for Proposals (RFP) for Audit Services. A total of eight (8) firms responded to the City's RFP and staff is recommending approval of a contract with Lance, Soll and Lunghard LLP, the highest ranked firm, for professional auditing services for an initial three (3) year contract with two (2) one (1) year options at the City's discretion.

RECOMMENDATION:

1. Approving a Contract for Professional Financial Auditing Services in a form approved by the City Attorney with Lance, Soll and Lunghard, LLP, in an amount not-to-exceed \$207,145 for the initial three (3) year term, with two (2) additional one (1) year options at the discretion of the City.
2. Authorize the City Manager to sign and execute the appropriate documents.

STAFF ANALYSIS:

The City, the Community Redevelopment Agency and other component units are required by law and by standards set up by the Government Accounting Standards Board (GASB) to issue a Comprehensive Annual Financial Report that has been audited by an outside auditing firm according to standards and procedures set up by GASB. The independent auditor plays an important and reassuring role in testing and evaluating the city's system of internal controls and overall financial management for signs of strength and weakness and reporting the results. They can also serve as a valuable resource as government financial reporting continues to evolve and government financial management becomes more complex and legally constrained.

Item No. **2.N.**

The current 3 year contract with Macias Gini & O'Connell expires this year and the City is opting not to exercise the renewal option.

The Director of Finance and Treasurer directed Procurement staff to solicit proposals for audit services at the end of the current contract term with Macias Gini & O'Connell. In December 2009 the City issued a formal Request for Proposal for audit services. The City received eight (8) proposals from the following firms: Brown Armstrong, Caporicci & Larson, Lance Soll and Lunghard LLP, Mayer Hoffman McCann, Moss Levy & Hartzheim, Sotomayor & Associates, Vasquez & Company, and Vavrinek Trine Day & Company. These proposals were reviewed and scored by an evaluation committee consisting of the Director of Finance and Treasurer, Assistant Director of Finance, the City Attorney, the City Clerk and a City Accountant.

After reviewing and scoring the proposals, the committee conducted interviews with the four (4) highest scoring firms. Following the interviews the committee unanimously recommended the selection of Lance, Soll & Lunghard to be the City's auditors for the next three (3) years pursuant to the terms and conditions of the attached contract for your review and approval.

Lance, Soll and Lunghard is a large regional CPA firm providing auditing, consulting and accounting services across the State of California. The majority of their work involves services to local government clients and water districts. LSL currently provides audit services to 48 cities throughout the State, including the cities of La Quinta, Banning, Ontario, Simi Valley, Temecula, South Pasadena, Yorba Linda and Manhattan Beach. They also provide audit services to a number of special districts including the Three Valleys Water District and the San Diego County Water Authority. LSL has offices in Brea and Murrieta, California. The City will be served by the Brea Office. The engagement partner that will be assigned to oversee the City's audit is Richard Kikuchi and he is a Certified Public Accountant with over 20 years of experience auditing public agencies.


FISCAL IMPACT:

The three (3) year contract for audit services of the City's Financial Statements is \$207,145. The cost in FY 10-11 is \$66,957. Listed below is the breakdown of the different services and the cost by year. As a point of comparison this three year contract represents a net decrease of \$24,465 or (10.5%) compared to the previous audit contract.

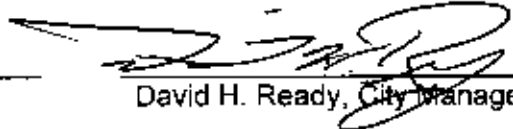
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Approval of Audit Services Contract with Lance, Soll and Lunghard, LLP.

Nature of Services to be Provided	2010	2011	2012	Total
Financial Audit Statements	40,052	41,396	42,437	123,885
Redevelopment Agency	7,965	8,229	8,436	24,630
Single Audit	4,572	4,732	4,852	14,156
Financing Authority	3,818	3,948	4,045	11,811
Single Audit and Report Preparation	-	-	-	-
Review of Disposition/Developer Agrmts	1,530	1,583	1,623	4,736
Golf Course Compliance Review	2,936	3,040	3,115	9,091
State Controller Report for City	2,830	2,931	3,005	8,766
State Controller Report for Redev Agency	1,706	1,764	1,810	5,280
Street Report	1,548	1,600	1,642	4,790
Total Services	66,957	69,223	70,965	207,145

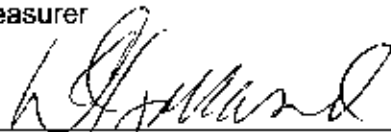
The City will budget for the audit services in various accounts in the FY 2010-2011 budget.



 Geoffrey Kiehl, Director of Finance and
 Treasurer



 David H. Ready, City Manager



 City Attorney