



Agenda Item #: \_\_\_\_\_

# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Cohen and Members of the City Council

**THROUGH:** Geoff Dolan, City Manager

**FROM:** Bruce Moe, Finance Director  
Sharon Koike, Assistant Finance Director  
Henry Mitzner, Controller

**DATE:** May 5, 2009

**SUBJECT:** Consideration of a Three Year Contract with Lance, Soll & Lunghard, LLP to Provide Professional Audit Services (Estimated Value of \$113,504)

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### **RECOMMENDATION:**

The Finance Subcommittee and staff recommend that the City Council authorize the City Manager to negotiate and execute a contract with Lance, Soll & Lunghard, LLP, Certified Public Accountants, to provide financial audit services for three fiscal years. Services will commence with the fiscal year ended June 30, 2009 and include the two subsequent fiscal years ending June 30, 2010 and June 30, 2011. The contract provides for two additional optional years subject to future Finance Subcommittee and City Council approval.

### **FISCAL IMPLICATION:**

The proposed contract covers a three year audit period (FY 2009 through FY 2011). Services are provided on a fixed fee basis as follows:

<u>Fiscal Year</u>	<u>Not-to-Exceed</u>
2008-2009	\$ 36,722
2009-2010	\$ 37,824
2010-2011	<u>\$ 38,958</u>
Total	\$113,504

Funds totaling \$40,000 are budgeted in FY 2009-2010 for the first year of the contract. Sufficient funds will be budgeted annually within the Finance Department for future years.

### **BACKGROUND:**

The State of California requires an annual audit of the City's finances. Such audits are to be conducted in conformance with generally accepted auditing standards by a licensed independent public accounting firm. The City's financial policies also require the performance of an annual audit and establish a three year contract term as a standard (two optional years may be awarded).

For the past five years, the City has engaged the audit firm of Lance, Soll & Lunghard, LLP (LSL). The original contract with LSL expired this year and in accordance with the City's financial policies, a new contract for auditing services is now required. In February 2009, staff issued a Request for Proposal (RFP) for professional audit services for a new three year engagement.

**DISCUSSION:**

Staff solicited proposals from qualified firms known to specialize in governmental auditing and also posted the RFP on the City's website. A total of six firms responded:

- Brown Armstrong CPA's
- Caporicci & Larson, CPA's
- Diehl, Evans & Company, LLP
- Lance, Soll & Lunghard, LLP
- Mayer Hoffman McCann P.C.
- Vavrinek, Trine, Day & Company, LLP

Members of the Finance Subcommittee, as well as staff, served as a selection team for the proposals. The evaluation process involved a review of the proposals, an evaluation of the qualifications of each firm's audit team, and interviews with a final selection of three firms. Based on those factors, the Finance Subcommittee recommends that a three year contract for audit services be awarded to the firm of Lance, Soll & Lunghard, LLP. The Subcommittee's recommendation is based upon the firm's:

- Excellent technical qualifications
- Strong experience in local government auditing
- Personalized service
- Practical approach to the work
- Seasoned audit team

Lance, Soll & Lunghard has served the City for two non-consecutive five year terms, including the last five years. During both of the engagement terms, LSL provided excellent, objective and professional service and the Finance Subcommittee was very pleased with their performance.

While professional services such as auditing are awarded primarily on criteria other than cost, Lance, Soll & Lunghard's cost of service proposal was in the middle of the three final firms interviewed with a three-year cost not-to-exceed \$113,504. The other firms' proposals ranged from \$97,300 to \$147,523.

If approved by Council, the City Manager will negotiate and execute the final contract document. Interim audit work on FY 2008-2009 is expected to commence in the next month, with the audit results being presented to the City Council in January 2010.