



City of Huntington Beach

File #: 19-570

MEETING DATE: 5/20/2019

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Lori Ann Farrell Harrison, Interim City Manager

PREPARED BY: Gilbert Garcia, Chief Financial Officer

Subject:

Approve and authorize execution of a three year Professional Service Contract with Davis Farr LLP in the amount of \$151,120 to perform Financial Audit Services

Statement of Issue:

City Council approval is requested to approve and authorize a three year professional services contract with Davis Farr LLP in the amount of \$151,120 to perform financial audit services.

Financial Impact:

Sufficient appropriation will be budgeted in the Finance Department (\$43,800 in business unit 10035205) and West Orange County Water Board Fund (\$5,200 in business unit 50885101) for year one (fiscal year 2019/20) of the contract. Fiscal years 2020/21 (\$50,360) and 2021/22 (\$51,760) will be budgeted accordingly to cover the cost of year two and three of the audit services contract. The total three-year contract equals \$151,120.

Recommended Action:

Approve and authorize the Mayor and City Clerk to execute the "Professional Service Contract Between the City of Huntington Beach and Davis Farr LLP for Financial Audit Services."

Alternative Action(s):

Do not approve the recommended action and direct staff accordingly.

Analysis:

The City of Huntington Beach is required by Charter to arrange for an independent audit of its financial statements each year. This contract is for a financial audit of all funds of the City's reporting entity, a Single Audit Report of the City's federal grant programs, an AB 2766 Audit relating to the City's Air Quality Fund, and an audit of the West Orange County Water Board (WOCWB), a fiduciary fund of the City of Huntington Beach. The City Council will also receive a management letter that will detail recommendations to improve the City's control and financial management. The audit is to be performed with auditing standards generally accepted in the United States and Government Auditing Standards issued by the Comptroller of the United States.

Staff sent out a Request for Proposals (RFPs) for audit services to prospective independent auditors who had requested to be on a bidders' list or were listed on the California Society of Municipal Officers' website. In addition, the RFP was posted on the City's website. Eight proposals were received. The auditing firms were asked to submit cost proposals providing financial audit services for fiscal years ending June 30, 2018, 2019, and 2020.

Below is a summary of the total base fee for the three years:

Audit Firms	Year 1	Year 2	Year 3	Total*
Brown Armstrong Accountancy Corp.	55,800	55,800	55,800	\$ 167,400
Davis Farr LLP	49,000	50,360	51,760	\$ 151,120
Eadie & Payne LLP	53,000	53,000	53,000	\$ 159,000
Lance, Soll & Lungard, LLP	49,900	49,900	49,900	\$ 149,700
Moss, Levy & Hartzheim, LLP	43,480	43,700	44,150	\$ 131,330
Rogers, Anderson, Malody & Scott, LLP	50,290	50,280	51,540	\$ 152,110
The Pun Group, LLP	55,000	56,410	57,862	\$ 169,272
White Nelson Diehl Evans LLP	59,510	61,175	62,891	\$ 183,576

* Cost proposals include the audit of four major federal grant programs

Staff analyzed and reviewed all eight proposals based on a variety of factors including the firm's references, responsiveness to the RFP, qualifications in performing audits for governmental entities of similar size and scope, other relevant experience, and resumes of key staff to be assigned on the engagement. Staff is recommending Davis Farr LLP as the most qualified firm to perform auditing services for the City of Huntington Beach given the size and complexity of the City's finances including its enterprise funds and operations, fiduciary funds including the federal grants and programs, outstanding bond debt, and overall financial structure.

Environmental Status:

Not applicable

Strategic Plan Goal:

Strengthen long-term financial and economic sustainability

Attachment(s):

1. Professional Service Contract Between the City of Huntington Beach and Davis Farr LLP for Financial Audit Services
2. Certificate of Insurance
3. Rating Sheets