



City of Huntington Beach

File #: 22-364

MEETING DATE: 5/3/2022

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Sean Joyce, Interim City Manager

VIA: Dahle Bulosan, Chief Financial Officer

PREPARED BY: Zack Zithisakthanakul, Principal Finance Analyst

Subject:

Approve and authorize execution of a three-year Professional Service Contract with Davis Farr LLP in the amount of \$156,076 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 \$156,076 to perform financial audit services.

Financial Impact:

Sufficient appropriation is budgeted annually for audit services. The total three-year contract equals \$156,076. Year one (Fiscal Year 2021/22) of the contract is allocated as follows: General Fund Finance Department (\$46,040 in business unit 10035205) and West Orange County Water Board Fund (\$5,500 in business unit 50885101). Fiscal Years 2022/23 (\$51,540) and 2023/24 (\$52,996) will be budgeted accordingly to cover the cost of year two and three of the audit services contract.

Recommended Action:

Approve and authorize the Mayor and City Clerk to execute the "Professional Services 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 Section 616 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 issued 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. Five proposals were received. The auditing firms were asked to submit cost proposals providing financial audit services for Fiscal Years ending June 30, 2022, 2023, and 2024.

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

Audit Firms	Year 1	Year 2	Year 3	Total*
Badawi & Associates Certified Public Accountants	45,425	46,780	48,215	\$ 140,420
Davis Farr, LLP	51,540	51,540	52,996	\$ 156,076
Moss, Levy & Hartzheim, LLP	46,495	46,845	47,195	\$ 140,535
The Pun Group, LLP	58,000	59,500	61,045	\$ 178,545
Vasquez & Company, LLP	49,500	50,985	52,514	\$ 152,999

* Cost proposals include the audit of four major federal grant programs with the exception of Badawi & Associates CPAs, which includes only two major programs.

The following is a summary of Davis Farr's cost proposal and the accounts in which the amounts are proposed to be charged:

Account	Year 1	Year 2	Year 3	Total*
Finance Department (10035205.69365)	46,040	46,040	47,331	\$ 139,411
West Orange County Water Board (50885101.69345)	5,500	5,500	5,665	\$ 16,665
Total	51,540	51,540	52,996	\$ 156,076

Staff analyzed and reviewed all five 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 activities, federal grants and related programs, outstanding bond debt, and overall financial structure.

Environmental Status:

Not applicable.

Strategic Plan Goal:

Financial Sustainability, Public Safety or Other

Attachment(s):

1. Professional Service Agreement with Davis Farr LLP to perform an audit of all funds of the City's reporting entity.
2. Rating Sheet

