



City of Arts & Innovation

Finance Committee

TO: FINANCE COMMITTEE MEMBERS **DATE: APRIL 10, 2019**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: SELECTION OF THE CITY'S INDEPENDENT ACCOUNTANTS - DIRECT SUBMITTAL

ISSUE:

Conduct the interviews of two (2) certified public accounting firms deemed most qualified by the Finance Department; and recommend that the City Council appoint one of the firms to serve as the City's independent accountants in accordance with its annual audit requirements for a five-year period, subject to annual reappointment, beginning with the fiscal year ending June 30, 2019. The interviews are to be held during the scheduled Finance Committee meeting.

RECOMMENDATIONS:

That the Finance Committee:

1. Conduct the interviews of the following independent certified accounting firms deemed most qualified by the Finance Department:
 - a. Vavrinek, Trine, Day & Co., LLP
 - b. Lance, Soll & Lunghard, LLP
2. Recommend that the City Council appoint one of the firms listed above to serve as the City's independent accountants in accordance with its annual audit requirements for a five-year period, subject to annual reappointment, beginning with the fiscal year ending June 30, 2019.

BACKGROUND:

The issuance of the June 30, 2018 annual financial reports for the City completed a five-year audit contract for external audit services with independent auditors Macias, Gini, & O'Connell, LLP (MGO). An independent audit of the City's financial statements is required by the Riverside City Charter. Additionally, per municipal code Section 1113:

"The City Council shall employ, at the beginning of each fiscal year, a qualified public accountant who shall, at such time or times as may be specified by the City Council, and at such times as such accountant shall determine, examine the books, records, inventories and reports of all officers and employees who receive, handle or disburse public funds and of

such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the fiscal year, a final audit and report shall be submitted by such accountant to the City Council, with copies to be placed on file in the Office of the City Clerk and on the City's accessible website where they shall be available for inspection by the general public. At least every five years, the City Council shall employ a qualified public accountant different from the qualified public accountant who submitted the immediately preceding year's audit report."

As a result of Municipal Code Section 1113, the City is required to rotate external audit services and MGO, while a qualified audit firm, is unable to continue on as the City's external auditor.

On February 8, 2019 the City solicited proposals from qualified firms of certified public accountants to audit the City's financial statements for the fiscal year ending June 30, 2019, with the option of providing the same services for the four subsequent fiscal years.

On March 7, 2019 six (6) proposals were received, which were evaluated based on firm qualifications, proposed staffing experience, expertise in local government auditing and ability to provide ongoing technical consultation services. On March 19, 2019, City staff interviewed the four (4) top-ranked firms and based on the results of those interviews, recommended the two (2) most qualified firms who are being interviewed by the Finance Committee today:

All-Inclusive Maximum Fee for FYE June 30,

<u>Firm</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>TOTAL</u>
Vavrinek, Trine, Day & Co	184,520	184,520	184,520	190,056	195,758	939,374
Lance, Soll & Lunghard	188,075	189,956	191,856	193,775	195,712	959,374

After the interviews, the Finance Committee will further discuss the information presented. Following that discussion, the Finance Committee will be asked to make a recommendation to the City Council for appointment of one firm to serve as the City's independent accountant to meet its various independent audit requirements for a period of five (5) years, subject to annual reappointment. Work will begin with the current fiscal year ending June 30, 2019.

FISCAL IMPACT:

\$201,500 was paid for audit services in the prior year. Audit fees are budgeted annually and are allocated to various City departments based on the level of audit work required. The existing citywide budget is sufficient to cover the audit fees associated with either firm.

Prepared by: Edward Enriquez, Chief Financial Officer / Treasurer
 Certified as to availability of funds: Marie Ricci, Assistant Chief Financial Officer
 Approved by: Lea Deesing, Assistant City Manager
 Approved as to form: Gary Geuss, City Attorney

Attachments:

1. Request for Proposal (RFP)

2. Presentation – Vavrinek, Trine, Day & Co., LLP
3. Presentation – Lance, Soll & Lunghard, LLP