



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: JUNE 4, 2019**

**FROM: FINANCE DEPARTMENT      WARDS: ALL**

**SUBJECT: PROFESSIONAL CONSULTANT SERVICES AGREEMENT FOR CERTIFIED PUBLIC ACCOUNTANT SERVICES WITH LANCE, SOLL & LUNGHARD, LLP TO SERVE AS INDEPENDENT EXTERNAL AUDITORS FOR ANNUAL FINANCIAL STATEMENT AUDIT FOR A FIVE-YEAR TERM**

## **ISSUE:**

Award a Professional Consultant Services Agreement for Certified Public Accountant Services to Lance, Soll & Lunghard, LLP to serve as the City's independent auditor for a five-year term, subject to annual renewals, for purposes of conducting the annual audit of the City of Riverside and its related entities' financial statements beginning with the fiscal year ending June 30, 2019.

## **RECOMMENDATIONS:**

That the City Council:

1. Award a Professional Consultant Services Agreement for Certified Public Accountant Services to Lance, Soll & Lunghard, LLP to serve as the City's independent auditor for a five-year term, subject to annual renewals;
2. Appoint Lance, Soll & Lunghard, LLP as the City's independent external auditor for a five-year term, subject to annual renewals; and
3. Authorize the City Manager, or designee, to execute the Professional Consultant Services Agreement for Certified Public Accountant Services with Lance, Soll & Lunghard, LLP and any other documents necessary to effectuate the agreement including making minor non-substantive changes.

## **COMMITTEE RECOMMENDATIONS:**

On April 10, 2019, the Finance Committee, with Chair Adams, Vice Chair Conder, and Member Soubrious present, conducted interviews for the appointment of a new independent external auditor. The Committee interviewed the top (2) accounting firms, Vavrinek, Trine, Day & Co., LLP and Lance, Soll & Lunghard, LLP, identified through a formal Request for Proposals (RFP) process. Following interviews and discussion, a motion was made by Member Soubrious and seconded by Vice Chair Conder recommending that the City Council appoint Lance, Soll & Lunghard, LLP to serve as the City's independent accountants in accordance with its annual audit

requirements for a five-year period, subject to annual reappointments, beginning with the fiscal year ending June 30, 2019.

### **BACKGROUND:**

The City of Riverside Charter requires an independent audit of the City's financial statements each year. The issuance of the June 30, 2018 annual financial reports for the City ended a five-year audit contract for external audit services with independent auditors Macias, Gini, & O'Connell, LLP (MGO). MGO, while a qualified audit firm, is unable to continue as the City's external auditor as the City is required to rotate external audit services pursuant to the Municipal Code Section 1113, which states:

*"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."*

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 four (4) 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 to the Finance Committee.

On April 10, 2019, the Finance Committee interviewed the two (2) leading firms and recommended the City Council appoint Lance, Soll & Lunghard, LLP as the firm best able to meet its various independent audit requirements for the subject period. Lance, Soll & Lunghard, LLP offered the best-specialized services and knowledge to meet the unique audit and accounting requirements at the most reasonable cost.

### **FISCAL IMPACT:**

The fiscal impact of the proposed Professional Consultant Services Agreement for Certified Public Accountant Services by Lance, Soll & Lunghard, LLP is \$188,075 for the fiscal year ending June 30, 2019. The fiscal impact for the subsequent four (4) years are as follows:

Year	Proposed Cost
Fiscal Year Ending June 30, 2020	\$189,956
Fiscal Year Ending June 30, 2021	\$191,856
Fiscal Year Ending June 30, 2022	\$193,775
Fiscal Year Ending June 30, 2023	\$195,712

Audit fees are included in the annual budget and are allocated to various City Departments based on the level of audit work required.

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

Concurs with:



Steve Adams, Chair  
Finance Committee

Attachments:

1. Request for Proposal (RFP)
2. Professional Services Agreement
3. RFP Award Recommendation