



# STAFF REPORT

## CITY of YORBA LINDA

FINANCE DEPARTMENT

**DATE: MAY 3, 2022**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: DIANNA HONEYWELL, FINANCE DIRECTOR / CITY TREASURER**

**SUBJECT: AWARD OF CONTRACT FOR AUDIT SERVICES**

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### **RECOMMENDATION**

It is recommended that the City Council:

1. Authorize the City Manager to execute a three-year contract, with two optional one-year extensions with Rogers, Anderson, Malody and Scott LLC ("RAMS") in a not to exceed amount of \$312,500: and
2. Authorize additional time and materials expenditures for the Special Audit Program at the set hourly rates outlined in the proposed contract with RAMS, not to exceed \$10,000 per year in each of the five years of the contract.

### **BACKGROUND**

On April 3, 2018, the City entered into a three-year contract with Macias Gini and O'Connell, LLP to provide the City with auditing services. That contract included two optional one-year extensions, one of which has been exercised by the City for the fiscal year ended June 30, 2021. On February 1, 2022, the Finance Committee met and recommended that staff issue a request for proposals (RFP) for professional audit services.

Per the Finance Committee's direction, staff issued an RFP on February 23, 2022. Seven proposals were received by the City from qualified audit firms. A panel of City staff consisting of the Assistant City Manager, Finance Director and Financial Services Manager narrowed the list down to four firms for in-person/virtual interviews. Those interviews were conducted the week of April 4, 2022.

### **FINANCE COMMITTEE RECOMMENDATION**

The Finance Committee reviewed and discussed this item at their meeting on April 19, 2022. The Finance Committee concurred with staff's recommendation to award the audit services contract to RAMS and directed staff to forward this item on to the full City Council for consideration.

# AWARD OF CONTRACT FOR AUDIT SERVICES

## DISCUSSION

Following the in-person interviews with City staff, it was determined that Rogers, Anderson, Malody & Scott, LLP (“RAMS”) was the audit firm that best meets the City’s needs. The firm has been in business for 73 years and has established a reputation in the governmental accounting and auditing community for providing excellent, timely service with high quality reporting to their clients. As outlined in their attached proposal, they have a dedicated team of auditors that possess the specialized knowledge and experience required to ensure their audits are planned and executed in a way that maximizes efficiency and effectiveness to provide the highest quality services.

The proposal review panel identified a number of benefits to the City that would come from RAMS experience in the governmental audit sector. Most importantly, RAMS will provide expert assistance in completing the Annual Comprehensive Financial Report (ACFR). They have staff that also serve as ACFR reviewers for the Government Finance Officers Association (GFOA) so they can ensure that the City is not only presenting a financial report that meets the most current industry standards, but one that will also qualify for the GFOA award program. In addition, RAMS appears best suited to help the City implement a new Government Accounting Standards Board (GASB) pronouncement that is required for FY 2021/22. GASB 87 improves the accounting and financial reporting for leases by governments.

## FISCAL IMPACT

The costs for the full term of the contract, including the two optional years, are shown in the table below. The seven bids received in response to the RFP ranged from a low of \$278,000 to the high of \$390,500 with RAMS being the second to the lowest bidder. Sufficient funds are in the FY 2022/23 Finance Department budget to fund the costs associated with the first year of the contract. Funds will be included in subsequent Two-Year Budgets to fund the costs associated with future years of the contract.

|                           | <b>FY 2022</b>  | <b>FY 2023</b>  | <b>FY 2024</b>  | <b>FY 2025</b>  | <b>FY 2026</b>  |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| City Audit                | \$52,120        | \$52,120        | \$54,120        | \$54,120        | \$56,120        |
| Gann Limit Calc. Review   | 800             | 800             | 825             | 825             | 850             |
| Single Audit              | 4,820           | 4,820           | 4,990           | 4,990           | 5,160           |
| State Controller’s Report | 2,950           | 2,950           | 3,020           | 3,020           | 3,080           |
| <b>Total</b>              | <b>\$60,690</b> | <b>\$60,690</b> | <b>\$62,955</b> | <b>\$62,955</b> | <b>\$65,210</b> |

In addition to the base contract, the City’s Special Audit Program will be billed at the hourly rates outlined in the contract with RAMS. \$10,000 has been included in the Finance Department budget for the Special Audit Program, which is anticipated to be sufficient to fund the planned special audits. The subject(s) of the special audits will be selected by the Finance Committee and approved by the City Council at a later date.

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### **ATTACHMENTS**

1. RAMS Proposal
  2. Proposed Contract with RAMS
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