

CITY COUNCIL

For City Clerk's Use:

APPROVED **DENIED**

Reso No. _____ File No. _____

Ord No. _____

Agenda Item No.: 7

Date: May 26, 2010

TO: Honorable Mayor and Members of the City Council

FROM: Gilbert Rojas, Director of Finance

SUBJECT: Contract for Audit Services

RECOMMENDATION:

It is requested that Council adopt Resolution No. 2010-83 for a five-year audit service contract with Lance, Soll & Lunghard, LLP.

FISCAL ANALYSIS:

Costs for the five-year contract are as follows, (not to exceed):

For the year ending June 30, 2010	\$46,000
For the year ending June 30, 2011	47,098
For the year ending June 30, 2012	48,223
For the year ending June 30, 2013	49,377
For the year ending June 30, 2014	50,560

BACKGROUND:

Request for Proposals (RFP) were submitted to ten (10) accounting firms. Seven (7) firms submitted proposals as listed below.

<u>Firm</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Moss, Levy & Hertzheim	\$42,714	\$39,852	\$39,852	\$39,852	\$39,852
Lance, Soll & Lunghard, LLP	\$39,950	\$39,950	\$39,950	\$41,150	\$42,380
Caporicci & Larson	\$42,000	\$42,100	\$41,100	\$41,100	\$41,100
Nigro, Nigro & White	\$50,000	\$45,925	\$46,850	\$47,775	\$48,750
Macias Gini & O'Connell	\$59,571	\$58,312	\$59,478	\$61,263	\$63,713
Diehl Evans & Co.	\$60,960	\$60,320	\$62,130	\$63,995	\$65,915
CBIZ MHM, LLC	\$59,800	\$61,295	\$62,825	\$64,395	\$66,005

The Director of Finance and the Finance Manager conducted interviews with the firms who submitted the lowest prices, which were, Moss, Levy & Hertzheim and Lance, Soll & Lunghard, LLP. As a result of the interview, bid price, and the reference verifications, I am recommending Council award the audit contract to Lance, Soll & Lunghard, LLP.

Respectfully submitted,



Gilbert Rojas
Director of Finance

RESOLUTION NO. 2010-83

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE, ON BEHALF OF THE CITY, A CONSULTING AGREEMENT WITH LANCE, SOLL & LUNGHARD, LLP FOR AUDITING SERVICES FOR FIVE YEARS

WHEREAS, proposals were submitted for the service of preparing the City's financial audit for fiscal years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14; and

WHEREAS, proposals from seven firms were opened on April 19, 2010; and

WHEREAS, the Director of Finance has recommended the execution of the Agreement with Lance, Soll & Lunghard, LLP for the City's financial audit; and

WHEREAS, this City Council desires at this time and deems it to be in the best public interest to approve said Agreement in an amount not to exceed \$39,950 for fiscal year 2009-10; \$39,950 for fiscal year 2010-11; \$39,950 for fiscal year 2011-12; \$41,150 for fiscal year 2012-13 and \$42,380 for fiscal year 2013-14.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.

2. That the City Council accepts the recommendation of the Director of Finance and finds Lance, Soll & Lunghard, LLP to be competent to perform the services.

3. That the Mayor and City Clerk are hereby authorized to execute, on behalf of the City, a Consulting Agreement ("Agreement") with Land, Soll & Lunghard, LLP for the City's financial audit for the next five fiscal years. A copy of the Agreement is attached as Exhibit "1" and is incorporated by this reference.



CITY OF ESCONDIDO
CONSULTING AGREEMENT

This Agreement is made this _____ day of _____, 2010.

Between: CITY OF ESCONDIDO
a Municipal Corporation
201 N. Broadway
Escondido, California 92025
Attn: Gilbert Rojas
760-839-4322
("CITY")

And: Lance, Soll & Lunghard, LLP
41185 Golden Gate Circle, Suite 103
Murrieta, CA 92562
Richard K. Kikuchi, Partner
(951) 304-2728
("CONSULTANT")

Witness that whereas:

- A. It has been determined to be in the CITY's best interest to retain the professional services of a consultant to conduct an audit for the fiscal years 2009-10, 2010-11, 2011-12, 2012-13, and 2013-14.
- B. The CONSULTANT is considered competent to perform the necessary professional services for CITY;

NOW, THEREFORE, it is mutually agreed by and between CITY and CONSULTANT as follows:

- 1. Services. The CONSULTANT will furnish all of the services as described in "Attachment A" which is attached and incorporated by this reference.
- 2. Compensation. The CITY will compensate the CONSULTANT in the amount and according to the conditions contained in "Attachment B". Any breach of this Agreement will relieve CITY from the obligation to pay CONSULTANT, if CONSULTANT has not corrected the breach after CITY provides notice and a reasonable time to correct it.
- 3. Scope of Compensation. The CONSULTANT will be compensated for performance of tasks specified in Attachment A only. No compensation will be provided for any other tasks without specific prior written consent from the CITY.

4. Duties. CONSULTANT will be responsible for the professional quality, technical accuracy, timely completion, and coordination of all reports and other services furnished by the CONSULTANT under this Agreement, except that the CONSULTANT will not be responsible for the accuracy of information supplied by the CITY.
5. Personnel. The performance of services under this Agreement by certain professionals is significant to the CITY. CONSULTANT will assign the persons listed on "Attachment B," which is attached and incorporated by this reference, to perform the Services described in Paragraph 1, and will not add or remove persons from the list without the prior written consent of the CITY. CONSULTANT will not subcontract any tasks under this Agreement without obtaining the advance written consent of the CITY.
6. Termination. Either CONSULTANT or the CITY may terminate this Agreement with thirty (30) days advance written notice.
7. City Property. All original documents, drawings, electronic media, and other material prepared by CONSULTANT under this Agreement immediately becomes the exclusive property of the CITY, and may not be used by CONSULTANT for any other purpose without prior written consent of the CITY.
8. Insurance.
 - a. The CONSULTANT must have insurance in the following amounts at all times during this Agreement:
 - (1) General liability insurance with at least \$1 Million combined single-limit coverage per occurrence for bodily injury and property damage; and
 - (2) Automobile liability insurance of \$1 Million combined single-limit per accident for bodily injury and property damage; and
 - (3) Workers' compensation and employer's liability insurance as required by the California Labor Code, as amended, or certificate of sole proprietorship; and
 - (4) Errors and Omissions professional liability insurance with minimum coverage of \$1 Million, unless waived or reduced by the City Attorney.
 - b. Each insurance policy required above must be acceptable to the City Attorney:
 - (1) Each policy must name the CITY specifically as an additional insured under the policy on a separate endorsement page, with the exception of the workers' compensation and the Errors and Omissions policies.
 - (2) Each policy must provide for written notice within no more than thirty (30) days if cancellation or termination of the policy occurs. Insurance coverage must be provided by an A.M. Best's A-rated,

class V carrier or better, admitted in California, or if non-admitted, a company that is not on the Department of Insurance list of unacceptable carriers.

- (3) All non-admitted carriers will be required to provide a service of suit endorsement in addition to the additional insured endorsement.
- c. In executing this Agreement, CONSULTANT agrees to have completed insurance documents on file with the CITY within 14 days after the date of execution. Failure to comply with insurance requirements under this Agreement will be a material breach of this Agreement, resulting in immediate termination at CITY's option.
9. Indemnification. CONSULTANT (which in this paragraph 9 includes its agents, employees and subcontractors, if any) agrees to indemnify, defend, and hold harmless the CITY from all claims, lawsuits, damages, judgments, loss, liability, or expenses, including attorneys' fees, for any of the following:
- Any personal injuries, property damage or death that CONSULTANT may sustain while using CITY-controlled property or equipment, while participating in any activity sponsored by the CITY, or from any dangerous condition of property;
 - Any injury or death which results or increases by any action taken to medically treat CONSULTANT; or
 - Any claim of liability arising out of the negligence or any acts or omissions of CONSULTANT in the performance of this Agreement.
10. Anti-Assignment Clause. The CONSULTANT may not assign, delegate or transfer any interest or duty under this Agreement without advance written approval of the CITY, and any attempt to do so will immediately render this entire Agreement null and void.
11. Costs and Attorney's Fees. In the event that legal action is required to enforce the terms and conditions of this Agreement, the prevailing party will be entitled to reasonable attorneys' fees and costs.
12. Independent Contractor. CONSULTANT is an independent contractor and no agency or employment relationship, either express or implied, is created by the execution of this Agreement.
13. Merger Clause. This Agreement and its Attachments, if any, are the entire understanding of the parties, and there are no other terms or conditions, written or oral, controlling this matter. In the event of any conflict between the provisions of this Agreement and any of its Attachments, the provisions of this Agreement must prevail.
14. Anti-Waiver Clause. None of the provisions in this Agreement will be waived by City because of previous failure to insist upon strict performance, nor will any provision be waived by City because any other provision has been waived, in whole or in part.

15. Severability. The invalidity in whole or in part of any provision of this Agreement will not void or affect the validity of any other provisions of this Agreement.
16. Choice of Law. This Agreement shall be interpreted, construed and governed according to the laws of the State of California. In the event of litigation between the parties, venue in state trial courts shall lie exclusively in North San Diego County, California. In the event of litigation in a U.S. District Court, venue shall lie exclusively in the Southern District of California, in San Diego.
17. Multiple Copies of Agreement/Counterparts. Multiple copies and/or counterparts of this Agreement may be executed, including duplication by photocopy or by computerized scanning device. Each duplicate will be deemed an original with the same effect as if all the signatures were on the same instrument. However, the parties agree that the Agreement on file in the office of the Escondido City Clerk is the copy of the Agreement that shall take precedence should any differences exist among copies or counterparts of the document.
18. Provisions Cumulative. The foregoing provisions are cumulative and in addition to and not in limitation of any other rights or remedies available to the CITY.
19. Notices to Parties. Any statements, communications or notices to be provided pursuant to this Agreement must be sent to the attention of the persons indicated below. Each party agrees to promptly send notice of any changes of this information to the other party, at the address first above written.
20. Business License. The CONSULTANT is required to obtain a City of Escondido Business License prior to execution of this Agreement.
21. Compliance with Applicable Laws; Permits and Licenses. CONSULTANT shall keep itself informed of and comply with all applicable federal, state and local laws, statutes, codes, ordinances, regulations and rules in effect during the term of this AGREEMENT. This shall include, but not be limited to, all California Labor Code provisions and all OSHA regulations. CONSULTANT shall obtain any and all licenses, permits and authorizations necessary to perform the services set forth in this AGREEMENT. Neither CITY, nor any elected nor appointed boards, officers, officials, employees or agents of CITY, shall be liable, at law or in equity, as a result of any failure of CONSULTANT to comply with this section.
22. Prevailing Wages. If applicable, pursuant to Section 1770 et seq. of the Labor Code, CONSULTANT agrees that a prevailing rate and scale of wages, in accordance with applicable State and Federal law, will be paid in the carrying out of this Agreement. CONSULTANT shall keep itself informed of and comply with all applicable federal, state and local laws, statutes, codes, ordinances, regulations and rules pertaining to the payment of prevailing wages. The prevailing rate and scale to be paid shall be the same as the "General Prevailing Wage Rates" approved by the Department of Industrial Relations as of the date of the execution of this Agreement. Said rates and scales are herein referred to and adopted in this Agreement as though fully and completely set forth herein, and said scale as adopted by the Department is made a part of this Agreement

by reference. Copies of the prevailing rate of per diem wages are available on the Internet at (<http://www.dir.ca.gov/DLSR>). Neither CITY, nor any elected nor appointed boards, officers, officials, employees or agents of CITY, shall be liable, at law or in equity, as a result of any failure of CONSULTANT to comply with this section.

IN WITNESS WHEREOF, the parties below are authorized to act on behalf of their organizations, and have executed this Agreement as of the date set forth below.

CITY OF ESCONDIDO

Date: _____

Lori Holt Pfeiler
Mayor

Date: _____

Marsha Whalen
City Clerk

Lance, Soll & Lunghard, LLP
41185 Golden Gate Circle, Suite 103
Murrieta, CA 92562

Date: _____

Richard Kikuchi
Partner

(The above signature must be notarized)

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY
JEFFREY R. EPP, City Attorney

By: _____

THE CITY OF ESCONDIDO DOES NOT DISCRIMINATE AGAINST QUALIFIED PERSONS WITH DISABILITIES.



CERTIFIED PUBLIC ACCOUNTANTS

Attachment A

Resolution No. 2010-83

EXHIBIT 1

Page 6 of 8

- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- Michael K. Chu, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA

April 19, 2010

Lisa Palmer
City of Escondido
201 North Broadway
Escondido, CA 92025-2798

Lance, Soll & Lunghard, LLP (LSL) is pleased to respond to your Request for Proposal for Professional Auditing Services. As a leader in the field of governmental accounting and auditing, we appreciate this opportunity given us to present our professional qualifications. Because of our extensive municipal experience, dedication to excellence and determination to retain the brightest and most talented professionals, we are certain that Lance, Soll & Lunghard, LLP is the most qualified accounting firm to provide professional auditing services to the City of Escondido.

The annual services that would be provided for the City of Escondido, for the fiscal years ending June 30, 2010 through June 30, 2014, would be as follows:

1. Perform a financial audit of the Basic Financial Statements of the City of Escondido that would include the following oversight and component units:
 - City of Escondido
 - Escondido Community Development Commission (CDC)
 - Escondido Vehicle Parking District
 - Escondido Joint Powers Financing Authority
 - California Center for the Arts, Escondido Foundation

We understand that Lance, Soll & Lunghard, LLP will be preparing the footnotes for the City and CDC financial statements and that the City will be preparing the statements and schedules. These financial statements will be included within a Comprehensive Annual Financial Report (CAFR) which may be submitted under the National awards programs. Our audit would be conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We would express an opinion as to whether the financial statements and associated notes conform to accounting principles generally accepted in the United States of America.

2. Perform a financial audit of the Component Unit Financial Statements of the Escondido Community Development Commission. We understand we will be preparing the footnotes for the CDC financial statements and that the City will be preparing the statements and schedules. These financial statements and our opinion would indicate adherence to generally accepted accounting principles. A separate compliance audit would be performed and an opinion issued as required by Section 33080.1 of the Health and Safety Code. This audit would be done in accordance with *Guidelines for Compliance Audits of California Redevelopment Agencies* of the State Controller's Office.
3. Perform a Single Audit of all federal grants of the City utilizing auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. This audit would be performed according to the requirements of OMB Circular A-133 and the AICPA Industry Audit Guide. Our audit would include preparing all the required audit reports and schedules.
4. Review and issue a report on the calculation of the City's Appropriation Limit (GANN), as required by Article XIII B Section 1.5 of the California Constitution and Proposition 111.
5. Review and report on the expenditures related to the \$84.3 million dollar General Obligation Bond (FY 09-10 only).
6. Perform procedures and report on the fair presentation of the CCAE's financial statements in accordance with generally accepted accounting principles. It is our understanding that we will be preparing the footnotes for the CCAE financial statements and that the City will be preparing the statements and schedules.
7. Perform a review and make recommendations on the internal control structure, which consists of the Control Environment, Accounting System and Control Procedures. Annually, we will prepare and issue a management letter. Also, we shall make an immediate and written report of any irregularities and illegal acts or indication of illegal acts coming to our attention.

The sections that follow describe the benefits your organization would receive from Lance, Soll & Lunghard, LLP. **We are committed to provide the services discussed above in accordance with the timetable specified in your request for proposal.** This proposal is a firm and irrevocable offer for the fiscal years ending June 30, 2010 through June 30, 2014 for thirty days. For purposes of this proposal, Richard K. Kikuchi, Partner is authorized to make representations for our firm. I can be reached by e-mail at richard.kikuchi@lslcpas.com or by phone at (951) 304-2728 or (714) 672-0022.

Very truly yours,


Richard K. Kikuchi, Partner
LANCE, SOLL & LUNGHARD, LLP

Attachment B
CITY OF ESCONDIDO

SCHEDULE OF PROFESSIONAL FEES BY LSL CPAS

	09/10	10/11	11/12	12/13	13/14
Audit, Preparation of CAFR Notes to Financial Statements and Opinion Letter	<u>\$ 31,640</u>	<u>\$ 31,640</u>	<u>\$ 31,640</u>	<u>\$ 32,590</u>	<u>\$ 33,570</u>
Audit, Preparation of Notes to Financial Statements and Opinion on CDC (Redevelopment) Statements	<u>4,250</u>	<u>4,250</u>	<u>4,250</u>	<u>4,380</u>	<u>4,510</u>
Audit, Preparation of Notes to Financial Statements and Opinion on CCAE (including Management Letter)	<u>1,610</u>	<u>1,610</u>	<u>1,610</u>	<u>1,660</u>	<u>1,710</u>
Single Audit	<u>1,970</u>	<u>1,970</u>	<u>1,970</u>	<u>2,030</u>	<u>2,090</u>
Review of Appropriations Limit	<u>480</u>	<u>480</u>	<u>480</u>	<u>490</u>	<u>500</u>
Review of General Obligation Bond and Expenditures	<u>Included</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Audit Cost Proposal	<u><u>\$ 39,950</u></u>	<u><u>\$ 39,950</u></u>	<u><u>\$ 39,950</u></u>	<u><u>\$ 41,150</u></u>	<u><u>\$ 42,380</u></u>
Supplemental Information (Billable hourly rate for projects outside the scope of the audit):					
Partner	<u>\$ 198</u>	<u>\$ 198</u>	<u>\$ 198</u>	<u>\$ 205</u>	<u>\$ 211</u>
Manager	<u>108</u>	<u>108</u>	<u>108</u>	<u>111</u>	<u>114</u>
Supervisory Staff	<u>90</u>	<u>90</u>	<u>90</u>	<u>93</u>	<u>95</u>
Staff	<u>81</u>	<u>81</u>	<u>81</u>	<u>83</u>	<u>86</u>
Other	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>