To: Mayor Farrer and the Honorable Members of the City Council

Prepared by: Lisa Soghor, Assistant City Manager

Approved by: Reva Feldman, City Manager

Date prepared: March 6, 2020          Meeting date: March 16, 2020

Subject: Professional Services Agreement with Lance, Soll & Lunghard, LLP

RECOMMENDED ACTION: Authorize the City Manager to execute a Professional Services Agreement with Lance, Soll & Lunghard LLP (LSL) for financial auditing services.

FISCAL IMPACT: Funding for financial auditing services is included in the Adopted Budget for Fiscal Year 2019-2020 in Account No. 100-7054-5100 (Finance Professional Services). Funding for services in Fiscal Year 2020-2021 will be included in the budget for Fiscal Year 2020-2021.

WORK PLAN: This item was not included in the Adopted Work Plan for Fiscal Year 2019-2020. This project is part of normal staff operations.

DISCUSSION: On December 2, 2019, the City issued a request for proposals for financial audit and accounting services. Proposals were due on January 9, 2020. The City received five proposals from the following firms:

- Lance, Soll & Lunghard
- Rogers Anderson Malody Scott
- White Nelson Diehl Evans LLP
- Harshwal & Company
- Brown Armstrong Accountancy

Staff reviewed all the proposals and the top three firms were invited for an interview. On February 3, 2020, interviews were conducted with LSL, Rogers Anderson Malody Scott and White Nelson Diehl Evans LLP. The selection panel included City staff as well as the Finance Director from an outside agency. After the interviews, LSL was selected from the three auditing firms.
The City has contracted with LSL for financial auditing services since May 2004. LSL conducts an interim audit, an annual audit and a single audit as required for the City each year. They prepare the City's financial statement as well as the City's federal single audit report. Because of their familiarity with the City's finances and operations, they are extremely beneficial in the preparation of the annual financial statement. LSL is very conscientious in maintaining an un-biased and optimal auditing service by rotating staff assigned the City each year. In addition, pursuant to Government Code Section 12410.6(b), regarding auditor rotation requirements of public accounting firms providing audit services to local agencies, the LSL will provide the City with a new lead audit partner who has not been previously responsible for preparing or reviewing the City's audits.

Staff recommends authorizing the City Manager to execute a professional services agreement with LSL for financial auditing services.

ATTACHMENT: Professional Services Agreement with LSL
AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into as of March 23, 2020 by and between the City of Malibu (hereinafter referred to as the "City"), and Lance, Soll & Lunghard, LLP (hereinafter referred to as "Consultant").

The City and the Consultant agree as follows:

RECITALS

A. The City does not have the personnel able and/or available to perform the services required under this Agreement.

B. The City desires to contract out for consulting services for certain projects relating the annual audit of the City's financial transactions.

C. The Consultant warrants to the City that it has the qualifications, experience and facilities to perform properly and timely the services under this Agreement.

D. The City desires to contract with the Consultant to perform the services as described in Exhibit A of this Agreement.

NOW, THEREFORE, the City and the Consultant agree as follows:

1.0 SCOPE OF THE CONSULTANT'S SERVICES. The Consultant agrees to provide the services and perform the tasks set forth in the Scope of Work, attached to and made part of this Agreement, except that, to the extent that any provision in Exhibit A conflicts with this Agreement, the provisions of this Agreement govern. The Scope of Work may be amended from time to time by way of a written directive from the City.

2.0 TERM OF AGREEMENT. This Agreement will become effective on March 23, 2020, and will remain in effect for a period of two (2) years from said date unless otherwise expressly extended and agreed to by both parties or terminated by either party as provided herein.

3.0 CITY AGENT. The City Manager, or her designee, for the purposes of this Agreement, is the agent for the City; whenever approval or authorization is required, Consultant understands that the City Manager, or her designee, has the authority to provide that approval or authorization.

4.0 COMPENSATION FOR SERVICES. The City shall pay the Consultant for its professional services rendered and costs incurred pursuant to this Agreement in accordance with the Scope of Work's fee and cost schedule. The City shall pay the Consultant a fixed professional services fee for each of the fiscal years as follows:
<table>
<thead>
<tr>
<th>Engagement Service</th>
<th>2019-2020</th>
<th>2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Audit</td>
<td>$25,146</td>
<td>$25,660</td>
</tr>
<tr>
<td>Single Audit (if required)</td>
<td>4,484</td>
<td>4,570</td>
</tr>
<tr>
<td>Total Fee</td>
<td>$29,630</td>
<td>$30,230</td>
</tr>
</tbody>
</table>

The cost of service shall not exceed $59,860. No additional compensation shall be paid for any other expenses incurred, unless first approved by the City Manager, or her designee.

4.1 The Consultant shall submit to the City, by no later than the 10th day of each month, its bill for services itemizing the fees and costs incurred during the previous month. The City shall pay the Consultant all uncontested amounts set forth in the Consultant's bill within 30 days after it is received.

5.0 CONFLICT OF INTEREST. The Consultant represents that it presently has no interest and shall not acquire any interest, direct or indirect, in any real property located in the City which may be affected by the services to be performed by the Consultant under this Agreement. The Consultant further represents that in performance of this Agreement, no person having any such interest shall be employed by it.

5.1 The Consultant represents that no City employee or official has a material financial interest in the Consultant’s business. During the term of this Agreement and/or as a result of being awarded this contract, the Consultant shall not offer, encourage or accept any financial interest in the Consultant’s business by any City employee or official.

5.2 If a portion of the Consultant’s services called for under this Agreement shall ultimately be paid for by reimbursement from and through an agreement with a developer of any land within the City or with a City franchisee, the Consultant warrants that it has not performed any work for such developer/franchisee within the last 12 months, and shall not negotiate, offer or accept any contract or request to perform services for that identified developer/franchisee during the term of this Agreement.

6.0 GENERAL TERMS AND CONDITIONS.

6.1 Termination. Either the City Manager or the Consultant may terminate this Agreement, without cause, by giving the other party ten (10) days written notice of such termination and the effective date thereof.

6.1.1 In the event of such termination, all finished or unfinished documents, reports, photographs, films, charts, data, studies, surveys, drawings, models, maps, or other documentation prepared by or in the possession of the Consultant under this Agreement shall be returned to the City. If the City terminates this Agreement without cause, the Consultant shall prepare and shall be entitled to receive compensation pursuant to a close-out bill for services rendered and fees incurred pursuant to this Agreement through the notice of termination. If the Consultant terminates this Agreement without cause, the Consultant shall be paid only for those services completed in a manner satisfactory to the City.
6.1.2 If the Consultant or the City fail to fulfill in a timely and proper manner its obligations under this Agreement, or if the Consultant or the City violate any of the covenants, agreements, or stipulations of this Agreement, the Consultant or the City shall have the right to terminate this Agreement by giving written notice to the other party of such termination and specifying the effective date of such termination. The Consultant shall be entitled to receive compensation in accordance with the terms of this Agreement for any work satisfactorily completed hereunder. Notwithstanding the foregoing, the Consultants shall not be relieved of liability for damage sustained by virtue of any breach of this Agreement and any payments due under this Agreement may be withheld to off-set anticipated damages.

6.2 Non-Assignability. The Consultant shall not assign or transfer any interest in this Agreement without the express prior written consent of the City.

6.3 Non-Discrimination. The Consultant shall not discriminate as to race, creed, gender, color, national origin or sexual orientation in the performance of its services and duties pursuant to this Agreement, and will comply with all applicable laws, ordinances and codes of the Federal, State, County and City governments.

6.4 Insurance. The Consultant shall submit to the City certificates indicating compliance with the following minimum insurance requirements no less than one (1) day prior to beginning of performance under this Agreement:

(a) Workers Compensation Insurance as required by law. The Consultant shall require all subcontractors similarly to provide such compensation insurance for their respective employees.

(b) Comprehensive general and automobile liability insurance protecting the Consultant in amounts not less than $1,000,000 for personal injury to any one person, $1,000,000 for injuries arising out of one occurrence, and $500,000 for property damages or a combined single limit of $1,000,000. Each such policy of insurance shall:

1) Be issued by a financially responsible insurance company or companies admitted and authorized to do business in the State of California or which is approved in writing by City.

2) Name and list as additional insured the City, its officers and employees.

3) Specify its acts as primary insurance.

4) Contain a clause substantially in the following words: "It is hereby understood and agreed that this policy shall not be canceled nor materially changed except upon thirty (30) days prior written notice to the City of such cancellation or material change."

5) Cover the operations of the Consultant pursuant to the
terms of this Agreement.

6.5 Indemnification. Consultant shall indemnify, defend with counsel approved by City, and hold harmless City, its officers, officials, employees and volunteers from and against all liability, loss, damage, expense, cost (including without limitation reasonable attorneys fees, expert fees and all other costs and fees of litigation) of every nature arising out of or in connection with Consultant's performance of work hereunder or its failure to comply with any of its obligations contained in this Agreement, regardless of City's passive negligence, but excepting such loss or damage which is caused by the sole active negligence or willful misconduct of the City. Should City in its sole discretion find Consultant's legal counsel unacceptable, then Consultant shall reimburse the City its costs of defense, including without limitation reasonable attorneys fees, expert fees and all other costs and fees of litigation. The Consultant shall promptly pay any final judgment rendered against the City (and its officers, officials, employees and volunteers) covered by this indemnity obligation. It is expressly understood and agreed that the foregoing provisions are intended to be as broad and inclusive as is permitted by the law of the State of California and will survive termination of this Agreement.

6.6 Compliance with Applicable Law. The Consultant and the City shall comply with all applicable laws, ordinances and codes of the federal, state, county and city governments, including, without limitation, Malibu Municipal Code Chapter 5.36 Minimum Wage.

6.7 Independent Contractor. This Agreement is by and between the City and the Consultant and is not intended, and shall not be construed, to create the relationship of agency, servant, employee, partnership, joint venture or association, as between the City and the Consultant.

6.7.1. The Consultant shall be an independent contractor, and shall have no power to incur any debt or obligation for or on behalf of the City. Neither the City nor any of its officers or employees shall have any control over the conduct of the Consultant, or any of the Consultant's employees, except as herein set forth, and the Consultant expressly warrants not to, at any time or in any manner, represent that it, or any of its agents, servants or employees are in any manner employees of the City, it being distinctly understood that the Consultant is and shall at all times remain to the City a wholly independent contractor and the Consultant's obligations to the City are solely such as are prescribed by this Agreement.

6.8 Copyright. No reports, maps or other documents produced in whole or in part under this Agreement shall be the subject of an application for copyright by or on behalf of the Consultant.

6.9 Legal Construction.

(a) This Agreement is made and entered into in the State of California and shall in all respects be interpreted, enforced and governed under the laws of the State of California.

(b) This Agreement shall be construed without regard to the identity of
the persons who drafted its various provisions. Each and every provision of this Agreement shall
be construed as though each of the parties participated equally in the drafting of same, and any
rule of construction that a document is to be construed against the drafting party shall not be
applicable to this Agreement.

(c) The article and section, captions and headings herein have been
inserted for convenience only and shall not be considered or referred to in resolving questions of
interpretation or construction.

(d) Whenever in this Agreement the context may so require, the
masculine gender shall be deemed to refer to and include the feminine and neuter, and the
singular shall refer to and include the plural.

6.10 Counterparts. This Agreement may be executed in counterparts and as
so executed shall constitute an agreement which shall be binding upon all parties hereto.

6.11 Final Payment Acceptance Constitutes Release. The acceptance by the
Consultant of the final payment made under this Agreement shall operate as and be a release of
the City from all claims and liabilities for compensation to the Consultant for anything done,
furnished or relating to the Consultant’s work or services. Acceptance of payment shall be any
negotiation of the City’s check or the failure to make a written extra compensation claim within
ten (10) calendar days of the receipt of that check. However, approval or payment by the City
shall not constitute, nor be deemed, a release of the responsibility and liability of the Consultant,
its employees, sub-consultants and agents for the accuracy and competency of the information
provided and/or work performed; nor shall such approval or payment be deemed to be an
assumption of such responsibility or liability by the City for any defect or error in the work
prepared by the Consultant, its employees, sub-consultants and agents.

6.12 Corrections. In addition to the above indemnification obligations, the
Consultant shall correct, at its expense, all errors in the work which may be disclosed during the
City’s review of the Consultant’s report or plans. Should the Consultant fail to make such
correction in a reasonably timely manner, such correction shall be made by the City, and the cost
thereof shall be charged to the Consultant.

6.13 Files. All files of the Consultant pertaining to the City shall be and remain
the property of the City. The Consultant will control the physical location of such files during
the term of this Agreement and shall be entitled to retain copies of such files upon termination of
this Agreement.

6.14 Waiver; Remedies Cumulative. Failure by a party to insist upon the
performance of any of the provisions of this Agreement by the other party, irrespective of the
length of time for which such failure continues, shall not constitute a waiver of such party’s right
to demand compliance by such other party in the future. No waiver by a party of a default or
breach of the other party shall be effective or binding upon such party unless made in writing by
such party, and no such waiver shall be implied from any omissions by a party to take any action
with respect to such default or breach. No express written waiver of a specified default or breach
shall affect any other default or breach, or cover any other period of time, other than any default
or breach and/or period of time specified. All of the remedies permitted or available to a party under this Agreement, or at law or in equity, shall be cumulative and alternative, and invocation of any such right or remedy shall not constitute a waiver or election of remedies with respect to any other permitted or available right of remedy.

6.15 Mitigation of Damages. In all such situations arising out of this Agreement, the parties shall attempt to avoid and minimize the damages resulting from the conduct of the other party.

6.16 Partial Invalidity. If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.

6.17 Attorneys' Fees. The parties hereto acknowledge and agree that each will bear his/her or its own costs, expenses and attorneys' fees arising out of and/or connected with the negotiation, drafting and execution of the Agreement, and all matters arising out of or connected therewith except that, in the event any action is brought by any party hereto to enforce this Agreement, the prevailing party in such action shall be entitled to reasonable attorneys' fees and costs in addition to all other relief to which that party or those parties may be entitled.

6.18 Entire Agreement. This Agreement constitutes the whole agreement between the City and the Consultant, and neither party has made any representations to the other except as expressly contained herein. Neither party, in executing or performing this Agreement, is relying upon any statement or information not contained in this Agreement. Any changes or modifications to this Agreement must be made in writing appropriately executed by both the City and the Consultant.

6.19 Notices. Any notice required to be given hereunder shall be deemed to have been given by depositing said notice in the United States mail, postage prepaid, and addressed as follows:

CITY: Reva Feldman
City Manager
City of Malibu
23825 Stuart Ranch Road
Malibu, CA 90265-4861
TEL (310) 456-2489 x 224
FAX (310) 456-2760

CONSULTANT: Richard K. Kikuchi, Partner
Lance, Soll & Lunghard, LLP
Certified Public Accountants
203 N. Brea Blvd., Suite 203
Brea, CA 92821
TEL (714) 672-0022
FAX (714) 672-0331

6.20 Warranty of Authorized Signatories. Each of the signatories hereto warrants and represents that he or she is competent and authorized to enter into this Agreement on behalf of the party for whom he or she purports to sign.
7.0 GENERAL TERMS AND CONDITIONS. (City and Consultant initials required at EITHER 7.1 or 7.2)

7.1 Disclosure Required. By their respective initials next to this paragraph, City and Consultant hereby acknowledge that Consultant is a “consultant” for the purposes of the California Political Reform Act because Consultant’s duties would require him or her to make one or more of the governmental decisions set forth in Fair Political Practices Commission Regulation 18700.3(a) or otherwise serves in a staff capacity for which disclosure would otherwise be required were Consultant employed by the City. Consultant hereby acknowledges his or her assuming-office, annual, and leaving-office financial reporting obligations under the California Political Reform Act and the City’s Conflict of Interest Code and agrees to comply with those obligations at his or her expense. Prior to consultant commencing services hereunder, the City’s Manager shall prepare and deliver to consultant a memorandum detailing the extent of Consultant’s disclosure obligations in accordance with the City’s Conflict of Interest Code.

City Initials
Consultant Initials

7.2 Disclosure not Required. By their initials next to this paragraph, City and Consultant hereby acknowledge that Consultant is not a “consultant” for the purpose of the California Political Reform Act because Consultant’s duties and responsibilities are not within the scope of the definition of consultant in Fair Political Practice Commission Regulation 18700.3(a) and is otherwise not serving in staff capacity in accordance with the City’s Conflict of Interest Code.

City Initials
Consultant Initials

This Agreement is executed on _____________, 2020, at Malibu, California, and effective as of March 23, 2020.

CITY OF MALIBU:

REVA FELDMAN, City Manager

ATTEST:

HEATHER GLASER, City Clerk
(seal)

CONSULTANT:

By: Richard K. Kikuchi, Partner

APPROVED AS TO FORM:

CHRISTI HOGIN, City Attorney
Proposal Presented to

CITY OF MALIBU

PROPOSAL FOR
AUDITING SERVICES

CONTACT PERSON:
Richard Kikuchi, CPA, Partner
Richard.Kikuchi@lslcpas.com
(714) 672-0022

January 9, 2020
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www.lslcpas.com
January 9, 2020

Elizabeth Shavelson
Assistant to the City Manager
23825 Stuart Ranch Road
Malibu, CA 90265

LANCE, SOLL & LUNGHARD, LLP (LSL) is pleased to respond to your request for proposal for auditing services. As a leader in the field of governmental accounting and auditing, we appreciate this opportunity to present our professional qualifications. Because of our extensive city government experience, dedication to excellence, and determination to retain the brightest talent, we hope you find that LSL is the most qualified accounting firm to provide professional audit services to the City of Malibu.

ANNUAL SERVICES

The City of Malibu (City) will receive the following services for a base term of two years:

- Perform an audit of the basic financial statements of the City in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller of the United States, and express an opinion on the fair presentation of the basic financial statements. We will review the Comprehensive Annual Financial Report (CAFR) prepared by the City for full compliance with all current GASB pronouncements and in accordance with the guideline from the Government Finance Officers Association (GFOA) necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting. We will also apply limited audit procedures to the Management's Discussion and Analysis and required supplementary information.

- Perform a Single Audit on the expenditures of federal grants in accordance with the provision of the Single Audit Act as amended and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance).

- Issue a report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

- Provide assistance, information and recommendations to City staff on Government Accounting Standards Board (GASB) and other related financial and accounting matters as required throughout the year.
The sections that follow describe the benefits your organization would receive from Lance, Soll & Lunghard, LLP. We are committed to provide the services discussed in our proposal in accordance with the timetable indicated. For purposes of this proposal, Richard K. Kikuchi, Partner, is authorized to make representations for our firm, empowered to submit this bid and authorized to sign a contract with the City of Malibu. I can be reached at the address above, by phone at (714) 672-0022 or through email at richard.kikuchi@lslcpas.com.

Very truly yours,

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

The services will be divided into three segments.

Segment 1 - Planning and Obtaining an Understanding:

LSL will provide an annual audit communication letter, engagement letter, and Government Audit Quality Center information letter. The audit communication letter is to be provided to the Governing Board. In addition, this can be communicated orally to the Governing Board or sub-committee, if requested. This communication will discuss the planning stages, the responsibilities of the Governing Board, Auditors, and Management, and provide an opportunity for communication with us as the auditors.

LSL's audit team will meet prior to our initial on-site visit to brainstorm and discuss economic conditions, industry elements, and new standards that will affect the City of Malibu. A trial balance is requested for our planning meeting to assist the LSL team in obtaining knowledge and preparing expectations for the audit year. We will compile a list of "Prepared by Client" ("PBC") items based on our review of prior year financial statements and information gathered. This will be provided to the City of Malibu one month prior to our visit or earlier if requested. We operate on a paperless software system and provide a secured cloud-based portal for all clients. The City of Malibu will have its own folder which can be customized to organize, and upload requested schedules, support documents, etc.

Segment 2 - Financial Audit Testing:

Based on the information gathered each year thus far, we will utilize a customized audit program based on the risk assessment developed during our assessment of the City's internal controls and government auditing standards. The primary benefit of a tailored program is a focused set of procedures to address relevant areas. We believe that this approach will be the most effective and efficient by linking financial statement assertions, audit objectives, and procedures that are basic to most governmental audit engagements and critical to the compliance with other material laws and regulations. We will annually compile another customized "Prepared by Client" (PBC) list for the year-end on-site visit and provide it at least one month prior or earlier if requested. We will request a trial balance for our analytical review to be provided one week prior to our arrival. Year-end fieldwork will include testing of the balance sheet, revenue and expenditures accounts, confirmation of selected balances, analytical procedures, evaluation of the internal controls and preparation of reports and letters.

Segment 3 - Conclusion:

Based on our year-end exit meeting, we will schedule a plan to finalize the reports within the timetable of the City. We will schedule dates for the initial and final drafts including time for review and approval of the financial statements and reports. In addition, this will account for the review of the engagement partner and quality assurance partner. After the review and receipt of the signed representation letter from City, we will provide the reports according with your agreed due date.
ADDITIONAL BENEFITS TO WORKING WITH LSL

In today's environment, keeping up with the numerous accounting and regulatory changes can seem unmanageable. Finance departments are facing more complexity, risk, and change than ever before, and with less resources. As the industry continues to evolve, a strategic relationship with LSL can help you better manage these changes and be more equipped for the future. Training and communication is the bridge that connects us. We offer to our clients:

1) Annual Governmental Accounting Update
   Annually, we hold a half-day seminar providing an update to new accounting and regulatory standards impacting local governments. The goal is to provide useful relevant information that impacts your organization.

2) Annual Onsite Client Specific Training
   This is tailored training for your organization on topics that are most relevant and needed for you and your team. Topics may include fraud risk management, internal controls, accounting pronouncements, governmental accounting, and CAFR preparation.

3) Focused Topic Specific Webinars and Ongoing News & Alerts
   These discuss important topics effecting local governments sometimes need more attention and explanation. In addition to our annual update, our webinars and news offer a short-focused approach to these critical areas.

4) Meetings with Council & Committees
   We believe communication is the key to a successful relationship and offer two annual meetings with your City Council or Committees. Both meetings encourage dialogue between LSL and City Council during the preliminary and concluding segments of the audit.
1. ORGANIZATION, CREDENTIALS AND EXPERIENCE

A. FIRM QUALIFICATIONS, CREDENTIALS AND EXPERIENCE

LSL is a regional public accounting firm that currently meets the auditing needs of governmental entities throughout California. Services to local governmental entities have been provided since 1929. This experience has led to the development of efficient procedures that provide numerous client benefits.

Our clients have grown to understand that an audit from LSL provides them with a wealth of knowledge, confidence and value-added services. For this and many other reasons, our firm has consistently been named one of the “Top Accounting Firms” in Orange County by the Orange County Business Journal, “Top Workplaces 2016 and 2017” in Orange County by the Orange County Register. We were also on the list of CalCPA Top 150 firms in 2016.

LICENSE TO PRACTICE IN CALIFORNIA

LSL is a limited liability partnership and is not a wholly owned subsidiary of a parent company. LSL is a public accounting firm licensed by the State of California, Department of Consumer Affairs, as a Public Accounting Partnership. As a firm, we are members of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. All key staff to be assigned to this engagement are or will be licensed by the State of California to practice as Certified Public Accountants.

INDEPENDENCE

We meet the independence requirements as defined by Government Auditing Standards for the City of Malibu and its component unit. Our partners do not own any other business organization that has in the past, or will in the future, be providing services, supplies, materials or equipment to the City of Malibu. We have no conflicts of interest relative to performing the audit. LSL will provide written notice of any reportable professional relationship entered into during the period of the proposed agreement.

EXTERNAL QUALITY CONTROL REVIEWS

We have participated in the peer review program since its inception. The most recent peer review was conducted by Sikich. All peer reviews covered governmental engagements. Our most recent peer review is included at the end of our proposal.

LOCATION OF OFFICES

LSL is a regional firm with offices in Brea, Santa Ana and Sacramento, California. The audit for the City of Malibu will be staffed from our Brea location.
EXPERIENCE WITH THE CITY OF MALIBU

LSL has performed the annual audit of the City of Malibu and the single audit when applicable since 2004. We are very knowledgeable with the operation of the City and its Finance Department.

LOCAL EXPERIENCE

We currently provide professional auditing services to nearly 60 governmental entities throughout California. A current list our government clients is included at the end of this proposal.

GFOA AWARD PROGRAM

We prepare the financial statements and footnote disclosures for most of our clients that have received the GFOA award. All of our governmental partners, managers, and seniors have been closely involved in the preparation of these reports.

RANGE OF ACTIVITIES

Our Brea office’s activities overall cover auditing and attestation, business advisory, taxes and planning, and accounting and financial services. Our government attestation activities represent approximately 30% of the overall firm activities. As a firm, we have extensive experience with audits of municipalities' compliance with OMB Circular A-133 and the Uniform Guidance. We are familiar with nearly all federal and state grant programs typically participated in by municipalities. We have also performed engagements related to bond reporting, including issuing letters of comfort and other services.

B. SIZE OF THE FIRM, PRINCIPAL, COMPANY OFFICIAL, RPROJECT MANAGER AND OTHER PERSONNEL TO BE ASSIGNED TO THE WORK

Our firm has approximately 120 employees including 15 partners and professional staff of approximately 70. Governmental staff consists of four partners, two senior managers, four managers, five supervisors and ten seniors. All professional staff assigned to the proposed engagement work on a full-time basis.

For the audit of the City of Malibu, the personnel assigned and their number of years of experience auditing governmental entities in California is as follows:

Richard K Kikuchi, CPA – Engagement Partner - 29 years
Deborah A. Harper, CPA – Quality Control/Concurring Partner – 19 Years
Ryan C. Domino CPA – Audit Manager – 8 Years
Maggie Wu – Senior In-Charge – 3 Years

The audit team will also include one additional staff. All staff assigned to the City of Malibu will work on a full-time basis.
C. THREE CLIENTS WITH SIMILAR SERVICES PROVIDED

Following is three clients receiving services similar to the services being requested by the City of Malibu:

City of Manhattan Beach
Address: 1400 Highland Avenue, Manhattan Beach, CA 90266
Contact person: Mr. Steve S. Charelian, Finance Director
Phone: (310) 802-5552
Email: scharelian@cityymb.info

City of Redondo Beach
Address: 415 Diamond Street, Redondo Beach, CA 90277
Contact person: Ms. M. Ruhland, Assistant Finance Director
Phone: (310) 318-0683
Email: Marni.Ruhland@redondo.org

City of Agoura
Address: 3001 Ladyface Court, Agoura Hills, CA 91301
Contact person: Ms. Christy Pinuelas, Finance Director
Phone: (818) 597-7319
Email: cpinuelas@ci.agoura-hills.ca.us

2. SCOPE OF WORK

The scope of the work to be performed under this proposal will be as follows:

- Perform an audit of the basic financial statements of the City in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller of the United States, and express an opinion on the fair presentation of the basic financial statements. We will review the Comprehensive Annual Financial Report (CAFR) prepared by the City for full compliance with all current GASB pronouncements and in accordance with the guideline from the Government Finance Officers Association (GFOA) necessary to obtain the Certificate of Achievement for Excellence in Financial Reporting. We will also apply limited audit procedures to the Management’s Discussion and Analysis and required supplementary information.

- Perform a Single Audit on the expenditures of federal grants in accordance with the provision of the Single Audit Act as amended and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance).

- Issue a report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

- Provide assistance, information and recommendations to City staff on Government Accounting Standards Board (GASB) and other related financial and accounting matters as required throughout the year.
3. PROFESSIONAL SERVICES AGREEMENT

We have reviewed the terms and conditions of the City's standard Professional Services Agreement as provided in Attachment 1 of your Request for Proposals (RFP) and will comply with all terms and conditions.

4. COMPLIANCE

LSL has in the past and will continue to comply with the California Labor Code. Pursuant to said regulations entitled: Federal Labor Standards provisions; Federal Prevailing Wage Decision; and State of California Prevailing Wage Rates, respectively.

5. LITIGATION

Within the last five years, the firm and none of its officer or principal have been involved in any litigation, legal proceedings, or investigations by a regulatory authority.

6. REFERENCES

Below is a list of five client references for which services similar to those requested are currently being provided:

City of Manhattan Beach - Audit and preparation of a Comprehensive Annual Financial Report (CAFR) which receives the GFOA award and a Single Audit in accordance with OMB A-133 and the Uniform Guidance. Review and issue a report on the calculation of the City’s Appropriations Limit (GANN). Preparation of the annual State Controller’s Report. These services have been provided to the City for the last 16 years. Last audit performed was for June 30, 2019.
   Contact person: Mr. Steve S. Charelian, Finance Director
   Phone: (310) 802-5552
   Email: scharelian@citymb.info

City of Redondo Beach - Audit and preparation of a Comprehensive Annual Financial Report (CAFR) which receives the GFOA award and a Single Audit in accordance with OMB A-133 and the Uniform Guidance. Review and issue a report on the calculation of the City’s Appropriations Limit (GANN). Preparation of the annual State Controller’s Report. These services have been provided to the City for the last 3 years. Last audit performed was for June 30, 2019.
   Contact person: Ms. M. Ruhlman, Assistant Finance Director
   Phone: (310) 318-0683
   Email: Marni.Ruhlman@redondo.org
City of Agoura Hills - Audit and preparation of a Comprehensive Annual Financial Report (CAFR) which receives the GFOA award. These services have been provided for over 2 years. Last audit performed was for June 30, 2019. Total hours were approximately 350.

Contact person: Ms. Christy Pinuelas, Finance Director
Phone: (818) 597-7319
Email: cpinuelas@ci.agoura-hills.ca.us

City of Santa Monica - Audit of a Comprehensive Annual Financial Report (CAFR) which includes the Successor Agency of the Redevelopment Agency of the City of Santa Monica and which receives the GFOA award. Services also include a single audit, attest services on the Housing Authority financial data schedules and Real Estate Assessment Center (REAC) agreed upon procedures and various small audits. Last audit performed was for June 30, 2018. These services have been provided since fiscal year 2015-16.

Contact person: Ms. Stephanie Manglaras, Accounting Manager
Phone: (310) 458-8272
Email: stephanie.manglaras@smsgov.net

City of Ontario - Audit and preparation of a Comprehensive Annual Financial Report (CAFR) which receives the GFOA award. Audit and preparation of component unit financial statements, Air Quality Improvement Trust Fund and a Single Audit in accordance with OMB A-133 and the Uniform Guidance. Review and issue a report on the calculation of the City’s Appropriations Limit (GANN). Preparation of the annual State Controller’s Report. These services have been provided to the City for the last 20 years. Last audit performed was for June 30, 2019.

Contact person: Ms. Doreen Nunes, Director of Fiscal Services
Phone: (909) 395-2352
Email: dnunes@ci.ontario.ca.us

A complete listing of our current government audit clients, along with phone numbers of contact personnel and reference as to services provided, is provided on the next page. You are welcomed to contact any or all of them to get their opinion on the services we provide.

7. FEES

Fees for the service requested is provided under a separate cover.
SYSTEM REVIEW REPORT

October 26, 2016

To the Partners of Lance, Soll & Lunghard, LLP
and the Peer Review Committee of the California Society of CPA’s:

We have reviewed the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP (the Firm) in effect for the year ended May 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP in effect for the year ended May 31, 2016 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Lance, Soll & Lunghard, LLP has received a peer review rating of pass.

Sikich LLP
# LSL LISTING OF CURRENT GOVERNMENT AUDIT CLIENTS

<table>
<thead>
<tr>
<th>Client</th>
<th>Contact Person</th>
<th>Service Code</th>
<th>Year</th>
<th>Telephone</th>
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</thead>
<tbody>
<tr>
<td>Agoura Hills</td>
<td>Ms. P. Pinuela, Finance Director</td>
<td>F</td>
<td>4</td>
<td>818-597-7310</td>
</tr>
<tr>
<td>American Water Works Association</td>
<td>Ms. B. Ramakrishnan, Asst. Exec. Director</td>
<td>F</td>
<td>4</td>
<td>903-251-2114</td>
</tr>
<tr>
<td>Banning</td>
<td>Ms. M. Green, Accounting Manager</td>
<td>F, S</td>
<td>17</td>
<td>951-252-9118</td>
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<tr>
<td>Big Bear Lake</td>
<td>Ms. K. Ertl, Director of Admin. Services</td>
<td>F, S</td>
<td>11</td>
<td>909-866-5061</td>
</tr>
<tr>
<td>Burbank</td>
<td>Ms. C. Girado, Financial Services Dir</td>
<td>I</td>
<td>5</td>
<td>818-238-5448</td>
</tr>
<tr>
<td>Canoga Park</td>
<td>Ms. G. Williams, Finance Director</td>
<td>F, S</td>
<td>1</td>
<td>805-384-5300</td>
</tr>
<tr>
<td>Canyon Lake</td>
<td>Mr. T. Shea, Finance Director</td>
<td>F</td>
<td>20</td>
<td>909-244-2895</td>
</tr>
<tr>
<td>Cathedral City</td>
<td>Mr. K. Bierack, Fiscal Officer</td>
<td>F, S</td>
<td>6</td>
<td>760-770-3070</td>
</tr>
<tr>
<td>Chino Hills</td>
<td>Ms. C. Buhagiar, Finance Director</td>
<td>F, S</td>
<td>18</td>
<td>909-394-2500</td>
</tr>
<tr>
<td>Chula Vista</td>
<td>Mr. D. Bilby, Director of Finance</td>
<td>F, S</td>
<td>3</td>
<td>619-691-5250</td>
</tr>
<tr>
<td>Coachella Valley Association of Governments</td>
<td>Mr. K. Leong, Director of Administrative Services</td>
<td>F</td>
<td>2</td>
<td>760-346-1127</td>
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<tr>
<td>Coachella Valley Water District</td>
<td>Mr. G. Koehl, Finance Director</td>
<td>F, S, U</td>
<td>3</td>
<td>760-569-2661</td>
</tr>
<tr>
<td>Community Development Commission of the County of Los Angeles</td>
<td>Mr. M. Fortini, Acting Finance Director</td>
<td>F, S</td>
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<td>626-585-1880</td>
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<tr>
<td>Corona</td>
<td>Ms. K. Eden, Finance Director</td>
<td>F, S, U</td>
<td>5</td>
<td>951-736-2316</td>
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<tr>
<td>Covered California</td>
<td>Ms. D. Mejia, CFO</td>
<td>F</td>
<td>1</td>
<td>916-225-8223</td>
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<tr>
<td>Cypress</td>
<td>Ms. D. Mullen, Asst. Finance Director</td>
<td>F, S</td>
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<td>714-220-6700</td>
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<tr>
<td>Diamond Bar</td>
<td>Ms. D. Honeywell, Finance Director</td>
<td>F, S</td>
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<td>909-839-7051</td>
</tr>
<tr>
<td>Dinuba</td>
<td>Ms. M. Moreno, Admin. Services Director</td>
<td>F</td>
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<tr>
<td>Devon</td>
<td>Ms. J. Michalczek, Finance Director</td>
<td>F, S</td>
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<td>707-987-7000 x108</td>
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<tr>
<td>Downey</td>
<td>Mr. A. Cantin, Finance Director</td>
<td>F, S</td>
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<tr>
<td>Encinitas</td>
<td>Ms. S. Halas, Finance Director</td>
<td>F, S</td>
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<td>760-584-4352</td>
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<tr>
<td>Fullerton</td>
<td>Ms. K. Iwamoto, Fiscal Services Manager</td>
<td>F, S</td>
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<td>714-738-3133</td>
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<tr>
<td>Glendora</td>
<td>Ms. V. Whittenburg, Accounting Manager</td>
<td>F</td>
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<td>208-366-7150</td>
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<tr>
<td>Grand Terrace</td>
<td>Ms. F. Fortune, Finance Director</td>
<td>F</td>
<td>3</td>
<td>909-524-6621</td>
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<tr>
<td>Georgetown Dragoon Public Utility District</td>
<td>Mr. C. Cross, Management Analyst</td>
<td>F</td>
<td>1</td>
<td>530-333-4256</td>
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<tr>
<td>Greater Los Angeles Vector Control</td>
<td>Mr. T. Dower, District Manager</td>
<td>F</td>
<td>6</td>
<td>562-758-6601</td>
</tr>
<tr>
<td>Indio</td>
<td>Mr. R. Rockwell, Assistant City Manager/Director of Finance</td>
<td>F, S</td>
<td>1</td>
<td>760-391-4029</td>
</tr>
<tr>
<td>Inland Empire Utilities Agency</td>
<td>Ms. Christine England, Chief Financial Officer</td>
<td>F, U</td>
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<td>909-993-1600</td>
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<tr>
<td>Imperial Beach</td>
<td>Mr. D. Bradley, Finance Director</td>
<td>F</td>
<td>12</td>
<td>619-245-1361</td>
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<tr>
<td>Inglewood</td>
<td>Ms. K. Kelle, Assistant Finance Director</td>
<td>F, S</td>
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<td>310-412-8724</td>
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<tr>
<td>Indio</td>
<td>Ms. R. Caccamo, Finance Director</td>
<td>F, S</td>
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<tr>
<td>Lake Elsinore</td>
<td>Ms. Shana Kline, Finance Manager</td>
<td>F, S</td>
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<tr>
<td>La Verne</td>
<td>Ms. M. Buckley, Finance Director</td>
<td>F, S</td>
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<td>909-973-3346</td>
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<tr>
<td>Live Oak</td>
<td>Mr. J. Aguilar, Finance Director</td>
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<td>1</td>
<td>530-695-2112</td>
</tr>
<tr>
<td>Los Alamitos</td>
<td>Ms. M. Valdez, Administrative Director/Treasurer</td>
<td>F, S</td>
<td>2</td>
<td>562-641-2838 x2222</td>
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<tr>
<td>Malibu</td>
<td>Ms. R. Feldman, Finance Director</td>
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<tr>
<td>Manhattan Beach</td>
<td>Mr. S. Moe, Finance Director</td>
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<td>14</td>
<td>310-322-5553</td>
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<tr>
<td>Montebello, One Water</td>
<td>Mr. B. Shull, Director of Admin. Services</td>
<td>F, S</td>
<td>16</td>
<td>626-932-5510</td>
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<tr>
<td>Moorpark</td>
<td>Ms. M. Marsh, Chief Financial Officer</td>
<td>F, U</td>
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<td>805-271-7429</td>
</tr>
<tr>
<td>Moorpark</td>
<td>Mr. R. Adams, Finance Director</td>
<td>F, S</td>
<td>1</td>
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<tr>
<td>Monterey Bay</td>
<td>Ms. J. McPherson, Finance Director</td>
<td>F, S</td>
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<td>760-435-3839</td>
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<tr>
<td>Ontario International Airport</td>
<td>Mr. D. Biltin, Finance Director</td>
<td>F, S</td>
<td>1</td>
<td>714-595-3619</td>
</tr>
<tr>
<td>Palm Desert</td>
<td>Mr. J. Espinoza, Asst. Finance Director</td>
<td>F</td>
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<td>760-346-8611</td>
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<tr>
<td>Palm Springs</td>
<td>Ms. N. Taylor, Finance Director</td>
<td>F, S</td>
<td>6</td>
<td>760-533-4329</td>
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<tr>
<td>Pasadena</td>
<td>Mr. R. Riley, Controller</td>
<td>F, S, U</td>
<td>2</td>
<td>626-744-7467</td>
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<tr>
<td>Rancho Cucamonga</td>
<td>Ms. T. Leyne, Finance Officer</td>
<td>F, S, U</td>
<td>38</td>
<td>909-699-1851</td>
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<tr>
<td>Redondo Beach</td>
<td>Ms. M. Rutland, Assistant Finance Director</td>
<td>F, S</td>
<td>1</td>
<td>310-318-0863</td>
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<tr>
<td>Rolling Hills</td>
<td>Mr. T. Shea, Finance Director</td>
<td>F</td>
<td>10</td>
<td>310-377-1521</td>
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<tr>
<td>Rosemead</td>
<td>Ms. P. Loe, Finance Director</td>
<td>F, S</td>
<td>1</td>
<td>626-589-2146</td>
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<tr>
<td>San Clemente</td>
<td>Mr. J. Rahn, Finance Director</td>
<td>F</td>
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<td>949-381-8360</td>
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<tr>
<td>San Dimas</td>
<td>Ms. M. O'Brien, Finance Director</td>
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<tr>
<td>San Marino</td>
<td>Mr. J. Betts, Finance Director</td>
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<tr>
<td>Santa Barbara</td>
<td>Mr. E. Samson, Finance Director</td>
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<tr>
<td>Santa Fe Springs</td>
<td>Mr. J. Gompertz, Director of Finance and Administrative Services</td>
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<tr>
<td>Santa Monica</td>
<td>Ms. D. Dauenhauer-Hughes, Finance Director</td>
<td>F, S</td>
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<tr>
<td>Seal Beach</td>
<td>Ms. V. Beatley, Finance Director</td>
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<tr>
<td>Soledad</td>
<td>Mr. L. Stahlaefer, Controller</td>
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<tr>
<td>South Coast Plaza</td>
<td>Mr. R. Hansen, General Manager</td>
<td>F, U</td>
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<tr>
<td>Union Sanitary District</td>
<td>Ms. L. Brenner, FS Coach</td>
<td>F, U</td>
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</table>

Service Codes:
- **F** - Financial Audit
- **S** - Single Audit
- **I** - Internal Audit
- **U** - Utility Agency
- **-** Participated in the GFOA Award Programs and has received or anticipates receiving outstanding awards
City of Malibu

Schedule of Professional Fees and Expenses
Financial Statements and Notes

Financial Audit

<table>
<thead>
<tr>
<th>Hours</th>
<th>Standard Hourly Rates</th>
<th>Quoted Hourly Rate</th>
<th>2019/2020</th>
<th>2020/2021</th>
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<tbody>
<tr>
<td>Partners</td>
<td>12</td>
<td>$315</td>
<td>$272</td>
<td>$3,264</td>
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<td>Managers</td>
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<td>179</td>
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<td>Supervisory Staff</td>
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<td>Staff</td>
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<td>124</td>
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<td>Other (specify):</td>
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Single Audit

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<th>Quoted Hourly Rate</th>
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<th>2020/2021</th>
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<td>Other (specify):</td>
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Out-of-pocket expenses: Included
Meals and Lodging: Included
Transportation: Included
Other (specify): Included

**Total Maximum Costs**

$29,830 $30,230