



Council Agenda Report

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

Prepared by: Joseph D. Toney, Assistant City Manager

Approved by: Steve McClary, City Manager

Date prepared: April 15, 2024 Meeting date: May 13, 2024

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

RECOMMENDED ACTION: Authorize the Mayor to execute Amendment No. 2 to the Professional Services Agreement with Lance, Soll & Lunghard LLP (LSL) for financial auditing services, extending the Term of Agreement to May 12, 2025.

FISCAL IMPACT: No additional appropriation is required. Funding for this agreement is included in the Adopted Budget for FY 2023-24 in Account No. 100-7054-5100 (Finance-Professional Services), and is included in the FY 2024-25 Proposed Budget. The term of the agreement will not exceed \$39,320.

STRATEGIC PRIORITY: This item is part of the day-to-day operations identified in the Adopted FY 2023-24 Strategic Priority Project List.

DISCUSSION: On December 2, 2019, the City issued a request for proposals for financial audit and accounting services. After reviewing the proposals and interviewing the top three firms, LSL was selected. On March 10, 2020, the City Council authorized a two-year agreement with LSL for auditing services. On January 10, 2022, the City Council executed Amended No. 1, extending the term to March 23, 2024. Amendment No. 2 will extend the term one additional year and staff will conduct a Request for Proposals for Auditing Services in the upcoming fiscal year.

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 statements, 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 comprehensive financial report. LSL is very conscientious in maintaining an un-biased and optimal auditing

service by rotating staff assigned to oversee the City's audit 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, LSL has continued to provide the City with a new lead audit partner for each audit who had not been previously responsible for preparing or reviewing the City's audits.

Retaining LSL as the City's audit firm will ensure continuity in the City's financial processes while staff conducts a RFP for a future auditing services agreement. Staff recommends authorizing the Mayor to execute Amendment No. 2 to the Professional Services Agreement with LSL for financial auditing services, extending the term of Agreement to May 12, 2025.

ATTACHMENTS: Amendment No. 2 to Professional Services Agreement with LSL.

AMENDMENT NO. 2 TO AGREEMENT

THIS AMENDMENT NO. 2 TO AGREEMENT is made and entered in the City of Malibu on May 13, 2024, by and between the CITY OF MALIBU, hereinafter referred to as City, and Lance, Soll & Lunghard, LLP, hereinafter referred to as Consultant.

The City and the Consultant agree as follows:

RECITALS

- A. On March 16, 2020, the City entered into an Agreement with Consultant to perform the annual audit (the "Agreement").
- B. On January 10, 2022, the City amended the Agreement with Consultant, extending the term to March 23, 2024.
- C. The City desires to amend the Agreement to include financial auditing for Fiscal Year 2023-24 and the Consultant has submitted a proposal for this purpose that is acceptable to the City.
- D. The City desires to amend the Agreement to extend the Term of the Agreement, such that the contract will now expire on May 12, 2025.

NOW THEREFORE, in consideration of their mutual promises, obligations and covenants hereinafter contained, the parties hereto agree as follows:

- 1. Section 2.0 – Term of Agreement, of the Agreement, is hereby extended to May 12, 2025.
- 2. Section 4.0 – Compensation for Services, of the Agreement, is hereby amended as set forth in Exhibit A attached hereto, for an additional \$39,320.
- 3. The Parties agree that this Amendment will be considered signed when the signature of a party is delivered physically or by facsimile transmission or scanned and delivered via electronic mail. Such facsimile or electronic mail copies will be treated in all respects as having the same effect as an original signature.
- 4. All terms and conditions of the Agreement not amended by this Amendment No. 2 remain in full force and effect.

This Agreement is executed on _____, at Malibu, California, and effective as of May 13, 2024.

CITY OF MALIBU:

STEVE UHRING, Mayor

ATTEST:

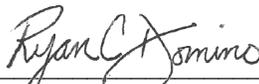
KELSEY PETTIJOHN, City Clerk
(seal)

APPROVED AS TO FORM:

THIS DOCUMENT HAS BEEN REVIEWED
BY THE CITY ATTORNEY'S OFFICE

TREVOR RUSIN, Interim City Attorney

CONSULTANT:



By: RYAN DOMINO, CPA
3 Title: Partner



PREPARED BY

Lance, Soll & Lunghard, LLP
Certified Public Accountants
License Number 2584

**City of Malibu
Professional Audit Services**

Date of Submission: March 13, 2024

Authorized by

Ryan Domino, CPA, Partner

203 N. Brea Blvd., Suite 203

Brea, CA 92821

(714) 672-0022

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LETTER OF TRANSMITTAL

January 23, 2024

Renee Neermann
Finance Manager
City of Malibu
23825 Stuart Ranch Road
Malibu, California 90265

Dear Ms. Neermann,

LANCE, SOLL & LUNGHARD, LLP ("LSL CPAs," "LSL") is pleased to present our technical expertise of auditing services for the City of Malibu ("City"). We value the opportunity to demonstrate our professional qualifications and why our services are second to none.

This qualifications proposal highlights our firm's strength and stability, along with our knowledge, passion, and creative problem-solving capabilities as a leader in the field of governmental finance, accounting, and auditing. Our dynamic team is comprised of top talent within the industry, and with our comprehensive government experience we believe you will find that LSL CPAs is one of the best-qualified accounting firms to provide audit services for the City of Malibu.

SPECIFIC APPROACH TO SCOPE OF SERVICES

LSL has a structured and well-tested approach to providing independent auditing services. Based on our understanding of the City's needs, our team is ready to assist with the annual financial audit of the City's Annual Comprehensive Financial Report, Single Audit Report, and perform the agreed-upon procedures for the Gann Limit calculation. For the fiscal year 2023-24 and, at the City's discretion, fiscal year 2024-25, LSL shall perform the scope of work outlined in our existing contract with the City to audit financial records for the purpose of expressing an opinion on the City's basic financial statements, and the City's compliance with the Uniform Guidance with respect to its major federal awards programs. Additionally, LSL will report on internal controls in accordance with *Government Auditing Standards*.

QUALIFICATIONS/PERSONNEL

LSL Partner, Ryan Domino, CPA, will be responsible for overseeing this engagement. He currently serves as a technical reviewer for the Government Finance Officers Association (GFOA) and regularly presents at our firm's annual GASB Update and at CSMFO's chapter meetings where he presents and trains on the latest GASB pronouncements. Ryan is an expert on Single Audit planning and execution and holds advanced certification from the AICPA. Ryan provides our clients with a competitive advantage as a member of GFOA's Special Review Committee for the Award for Excellence in Financial Reporting and is able to provide valuable insights and recommendations to help organizations achieve excellence in financial reporting.

All of our government partners and team members have worked within government agencies for the majority of their careers and are experts in their respective fields. Ryan will assign the best professionals who have expertise in auditing and a range of complementary subjects. Their experiences and skills gained from previous assignments are tailored to meet the specific needs of the City.

ADAPTING TO A REMOTE WORKING RELATIONSHIP

LSL is fully equipped with software and communication tools to support a remote process. We leverage Microsoft Teams to easily connect over a video call in a face-to-face setting, giving us the ability to share screens and information in real-time. Additionally, having the customizable *LSL CaseWare Cloud Portal* makes the exchange of secure information easy and painless. The LSL team is also accustomed to working with our client's financial software solutions in a remote environment, taking advantage of VPN connections and remote desktops.

In an effort to reduce costs, our team works remotely using remote desktop technology. It is anticipated that the independent audit work for the City will be performed entirely remotely. If onsite time is required or requested, this can be discussed on a case-by-case basis.

DOLLAR-COST PROPOSAL

All-Inclusive Maximum Price by Report	
Report	2023-24
City Financial Audit	\$41,400
Single Audit	\$6,970
Gann Limit AUP	\$780
SUBTOTAL FOR FISCAL YEAR	\$49,150
Current Client Discount (20%)	(\$9,830)
Total for Fiscal Year (Not-to-Exceed)	\$39,320

Please note that any non-personnel-related costs will be billed and reimbursed as they are incurred, if necessary. Progress bills will be sent monthly on the basis of hours of work completed during the course of the engagement plus out-of-pocket expenses incurred in accordance with our proposal.

CONCLUSION

Our collective experience in local government accounting and internal controls backed by our comprehensive understanding of all federal and state grant programs awarded to municipalities, has refined our development of efficient procedures and streamlined work plan approach to the City's audits. We believe that these qualities establish LSL as one of the most highly qualified teams to perform this engagement for the City.

Our proposal is a firm and irrevocable offer for **90 days** following the closing date of receipt. For this proposal, Ryan Domino, CPA, Partner, is authorized to make representations for our firm. He can be reached at (714) 672-0022 or at Ryan.Domino@lslcpas.com.

Very truly yours,

Lance, Soll & Loughard, LLP

QUALIFICATIONS & EXPERIENCE

LICENSE TO PRACTICE

LSL CPAs 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. Additionally, we are members of the American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants (CalCPA).

All key members assigned to this engagement are licensed as Certified Public Accountants by the State of California or are in the process of obtaining their license.

GOVERNMENT AUDITING STANDARDS

LSL understands its responsibilities to perform audits and issue opinions on the City's financial statements as well as its fair presentation. Our financial audits are performed in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, and Single Audits are performed in accordance with the requirements of the Uniform Guidance. We will also evaluate the City's internal control system and provide recommendations for growth and improvement.

DESK REVIEWS/DISCIPLINARY ACTION

There have been no disciplinary actions against our organization since its inception. There have been no litigations against our firm in the past three years. Our Single Audit reports are desk reviewed either by the federal cognizant agency or the State Controller's Office acting as the Oversight Agency. We have never had a report rejected by any of these agencies, which demonstrates our thorough understanding of federal grant programs. LSL is highly regarded and recognized by the staff of the State Controller's Office for top-quality reports.

CONTINUING EDUCATION

As a firm policy, all professional government staff meet the requirement of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two-year period. Our educational programs include training from CalCPA, AICPA, Government Audit Quality Center, and GFOA.

RECENT EXPERIENCE

As a firm, we have extensive experience with municipalities including cities, counties, water and electric utilities, special districts, joint powers authorities, and compliance with OMB Uniform Guidance. We are familiar with all federal and state grant programs typically awarded to municipalities. Generally, our government sector services are broken down into the following major classifications: attestation, compliance, consulting, interim staffing, strategic planning, and tax services.

Our collective experience in local government accounting and finance, backed by our comprehensive understanding of all federal and state grant programs awarded to municipalities and internal controls, has refined our development of efficient procedures and streamlined work plan approach, which we believe makes LSL one of the best-qualified teams to perform these services.

PEER REVIEW

Our firm has participated in the AICPA Peer Review Program since its inception. All our peer reviews have covered governmental engagements and have received *pass* ratings. Our most recent peer review, conducted by Spafford and Landry CPAs, is provided on the following pages.

Report on the Firm's System of Quality Control

To Lance, Soll & Lunghard, LLP
and the Peer Review Committee of the California Society of CPAs

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, 2022. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of the applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and employee benefit plan audits.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

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, 2022, 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*.

Spafford & Landry, Inc.

March 30, 2023

BENEFITS OF WORKING WITH LSL

LSL is a multi-location firm with formidable resources that provides a personal feel and hands-on client experience.



Ranked # 15 on the Orange County Business Journal's CPA Firm Book of Lists



94 years young and the wisdom to go with it!



14 Partners who are dedicated to solving your issues



145 employees (and growing!)

OUR CORE VALUES

As we continue to grow and evolve, we recognized our core values needed to grow and change with us. Our values weren't decided on by management and handed down, every member of the LSL team worked together to share what values matter most to us. From there, we came up with the following five core values that embody how we approach each other, our work, and our clients.



PURSUE EXCELLENCE



LOVE WHAT YOU DO



LEAD WITH INTEGRITY



ACCOMPLISH MORE TOGETHER



FORWARD THINKING

BEST OF ACCOUNTING AWARD

LSL CPAs delivers high-quality service and has consistently secured the ClearlyRated *Best of Accounting* award. This exclusive program awards accounting firms who demonstrate high-level service of excellence within the accounting industry and solely leverages statistically validated survey responses from our clients.



4.7 based on 646 ratings

ACCOUNTING TODAY REGIONAL LEADER

LSL CPAs has been recognized as an Accounting Today Regional Leader in 2023. The list ranks the top CPA firms that have shown exceptional growth, embraced technology, and who ‘think outside the box’ when providing solutions.



TRAINING & SEMINARS

LSL regularly leads seminars and training courses on introductory governmental accounting, preliminary views on financial reporting, internal control risk assessments, and all GASB updates and best practices, which are made available to our clients for additional information and continued support. These will be opportunities made available through our firm to the City for training or continuing professional education credits on current issues or governmental auditing and accounting in general.