



Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee

FROM: Steve Charelion, Finance Director *Steve Charelion*
Henry Mitzner, Controller *Henry Mitzner*

DATE: February 21, 2019

SUBJECT: Interview, Selection and Recommendation to the Full City Council of an Audit Firm to Conduct Financial Audits for Fiscal Years 2019-2021

RECOMMENDATION:

Staff recommends the audit firm Lance, Soll & Lunghard, LLP to the Finance Subcommittee for consideration and make a recommendation to the City Council for a new three-year audit contract.

FISCAL IMPLICATION:

Funds for the recommended firm are within the FY 2018-2019 and FY 2019-2020 budget. Subsequent years will be budgeted accordingly.

DISCUSSION:

Staff issued request for proposal 1195-19 for audit services on November 14, 2018 and received seven proposals. Staff reviewed the seven proposals based on the scope of work and references, narrowed the field down to three firms and interviewed them on January 25, 2019. One firm was eliminated during the interviews, and the top two firms were interviewed by the City Treasurer, Controller, and Senior Accountant on February 1, 2019. The two firms for consideration are:

- Lance, Soll & Lunghard, LLP (LSL) – current audit firm
- White Nelson Diehl Evans LLP (WNDE)

Based on the interviews, staff recommends the audit firm LSL. The recommendation is based on LSL's extensive experience in auditing mid-sized government entities as well as a very satisfactory past work performance. Additionally, LSL has stated that they are able to provide the City with guidance on any accounting questions in relation to the City's Enterprise Resource Planning (ERP) implementation to MUNIS. The current audit manager has experience with the City's current EDEN system account structure and has managed audits with other cities that have implemented the MUNIS system.

Section 12410.6 of AB-1345 prescribes that effective fiscal 2013-2014, the lead partner in the audit engagement serve in that capacity for not more than six consecutive years. Thus, after fiscal year 2018-2019, the lead partner will change. Present at the initial interview with staff was the

Agenda Item #: _____

succeeding lead partner. This gentleman has 14-years of experience and made an eloquent presentation. Staff is confident that he will provide the required oversight.

The selected firm will be under a three-year contract to perform the FY 2018-2019 through FY 2019-2021 audits. An additional two-year option is available upon approval of the Finance Subcommittee and City Council. Should the Finance Subcommittee concur with staff recommendation, staff proposes to present this recommendation at the March 19, 2019 City Council meeting.

ALTERNATIVES:

Alternative # 1: Finance Subcommittee takes Staff recommendation and make recommendation to the City Council for a new three-year contract for audit services with Lance, Soll & Lunghard, LLP.

Alternative # 2: Finance Subcommittee interviews the top two firm and make a recommendation for an audit firm.