



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
May 7, 2024

TOPIC: Award a contract to CliftonLarsonAllen LLP for professional auditing services

AGENDA TITLE

Award a Contract to CliftonLarsonAllen LLP for Professional Auditing Services, in an Aggregate Amount Not to Exceed \$1,020,030, for up to a Five-Year Term (General Fund and Non-General Fund)

RECOMMENDED ACTION

Award a contract to CliftonLarsonAllen LLP for professional auditing services, for a three-year period beginning with the fiscal year-ending June 30, 2024 through June 30, 2026, with a provision for one two-year renewal exercisable by the City Manager, for the fiscal year-ending June 30, 2027 and June 30, 2028, for a total aggregate amount not to exceed \$1,020,030 (Agreement A-2024-XXX).

GOVERNMENT CODE §84308 APPLIES: Yes

DISCUSSION

The Finance and Management Services Agency (FMSA) is responsible for overseeing the financial statement audits and examinations along with the preparation of the City's Annual Comprehensive Financial Report. Annually, the City of Santa Ana utilizes the services of an independent Certified Public Accounting firm to conduct the annual audit of its financial statements, and state and federal grant audits (Single Audit). The audits are conducted in accordance with the generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States. The standard annual audits include evaluation of internal controls, determination of compliance to legal requirements, application of General Accounting Standards Board (GASB) requirements, and validation that the City's financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America.

A total of six accounting firms submitted proposals in response to the Request for Proposal (RFP) No. 24-009 (Exhibit 2): Badawi & Associates, CliftonLarsonAllen LLP, Eide Bailey LLP, Macias, Gini & O'Connell LLP, Moss Adams LLP, and The Pun Group. The six proposals were evaluated and ranked by a Review Committee (Committee) comprised of Assistant Director of Finance and Management Services Agency,

Accounting Manager, Supervising Accountant, and Police Administrative Budget Manager. The evaluation was based on the following factors:

- Technical qualifications and experience of key members of the engagement team and the firm
- Experience with similarly sized governmental agencies in providing the types of services outlined in the RFP
- Financial stability and resources to handle all aspects of the engagement as specified in this RFP and provide ongoing support and technical assistance throughout the term of the agreement
- Compliance with the requirements of the RFP. Thoroughness of auditors' proposed scope of work, clearly defined schedule of work to be performed, and ability to meet required completion dates for key parts of the audit
- Reasonableness of cost budget

Based on the Committee's evaluation and interviews with top-ranked proposers, the City's current auditor, CliftonLarsonAllen LLP (CLA) was selected as the most qualified firm to conduct the City's annual audit(s) and examinations (Exhibit 3). CLA demonstrated a high level of technical knowledge regarding all aspects of the City's engagement and experience in the field of governmental accounting and auditing with similarly sized governments. Being one of the largest national accounting firms, CLA is able to offer various resources including, but not limited to, information technology software programs to streamline the audit process and complimentary training opportunities for City staff throughout the year. In addition, they proposed to include two Engagement Partners, which will provide the City with additional technical assistance in implementation of complex accounting standards. Their highly experienced audit team will allow the City to have a comprehensive, effective, and efficient audit. In accordance with the Government Finance Officers Association best practices regarding audit procurement, CLA will rotate their engagement partner and senior manager to provide a fresh perspective and ensure continued objectivity.

CLA will conduct the following audits and reviews of the City:

- Financial Statement Audit (Annual Comprehensive Financial Report)
- Single Audit of Federal Grants
- Audit of Air Quality Improvement Program
- Appropriations Limit (GANN Limit) Review
- Compliance Review of the City's investment policy
- U.S. Department of Housing and Urban Development (HUD) Real Estate Assessment Center submission attestation and review of HUD Financial Data Schedule for the Housing Authority
- Preparation of the City's State Controller's Report
- Measure X (Sales Tax) Compliance Report

- Agreed Upon Procedures or other services as requested by the Executive Director of Finance and Management Services Agency

The proposed cost for the first year of the new contact is \$192,130, which is a 3.2% decrease in annual cost to the City compared to the current year cost of \$198,535. The aggregate contract amount reflects annual fee increases of 3% going forward and is the lowest out of all proposals received.

As such, staff recommends contracting with CLA to perform the annual auditing services for a period of three years and the option to renew for an additional two years.

The Request for Proposal (RFP) No. 29-004 was advertised on February 7, 2024 and offers were solicited. A summary of the RFPs and offers received is as follows:

153 Vendors were notified
22 Vendors downloaded the RFP
12 Santa Ana vendors notified
6 Proposals received

Outreach Efforts

The Purchasing Division advertised this project on the City's online bid management and publication system, which directly notified 12 Santa Ana vendors, one of which downloaded the RFP. The vendor based in Santa Ana submitted a proposal for consideration. However, it did not rank in the top three.

Staff's outreach efforts also included directly reaching out to audit firms well-known in local government circles requesting submission of proposals for the above-referenced RFP.

FISCAL IMPACT

Funds for these services will be included in the following fiscal years' budget within the accounts noted below along with their respective audit related costs. The allocations are subject to non-substantive changes based on the actual work performed.

Account #/Fund/Description	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
01110110-62300 General Fund/ FIN/MGMT SVS- Accounting	\$30,000	\$120,000	\$123,600	\$127,308	\$131,127	\$105,061
01110130-62300 General Fund/ FIN/MGMT SVS- Treasury Services		\$2,270	\$2,340	\$2,410	\$2,480	\$2,555
03116510-62300		\$3,590	\$3,700	\$3,810	\$3,920	\$4,040

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Air Quality Improvement/ Planning-Air Quality Imp						
14018760-62400 Housing Authority- Voucher Admin/ Housing Authority-Voucher Admin		\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
67118021-62400/ COSA-RDA Obligation Retirement/ COSA RDA Oblig Retire Debt Srv		\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Various-62300 General Fund and Various Grant Funds		\$41,270	\$43,250	\$45,302	\$47,413	\$49,584
Total	\$30,000	\$192,130	\$197,890	\$203,830	\$209,940	\$186,240

EXHIBIT

1. Professional Services Agreement with CliftonLarsonAllen LLP
2. Request for Proposal (RFP) #24-009, Professional Auditing Services
3. Response to RFP #24-009 – CliftonLarsonAllen LLP

Submitted By: Kathryn Downs, Executive Director of Finance and Management Services

Approved By: Alvaro Nuñez, Acting City Manager