



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**May 4, 2021**

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**TOPIC:** Agreement for Professional Auditing Services

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**AGENDA TITLE:**

Approve Agreement with CliftonLarsonAllen LLP for Professional Auditing Services in an Aggregate Amount Not to Exceed \$759,245, for Up to a Four-Year Term (General and Non-General Fund)

**RECOMMENDED ACTION**

Authorize the City Manager to execute an agreement with CliftonLarsonAllen LLP for professional auditing services, for a two-year period beginning with the fiscal year-ending June 30, 2021 and June 30, 2022, with a provision for one two-year renewal for the fiscal year-ending June 30, 2023 and June 30, 2024, for a total aggregate amount not to exceed \$759,245, subject to non-substantive changes approved by the City Manager and City Attorney.

**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 Comprehensive Annual Financial Report. Annually, the City of Santa Ana utilizes the services of an independent Certified Public Accounting firm to conduct the annual audit of the City's 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 the following: 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 seven accounting firms submitted proposals in response to the Request for Proposal (RFP) No. 21-024 (Exhibit 2); Badawi & Associates, CliftonLarsonAllen LLP, Crowe LLP, Davis Farr LLP, Eide Bailey LLP, Macias, Gini & O'Connell LLP, and The Pun Group. The seven proposals were evaluated and ranked by a Review Committee (Committee) composed of the following: Police Administrative Budget Manager, Community Development Agency Principal Management Analyst, Assistant Director of

Finance & Management Services Agency, Accounting Manager, and Supervising Accountant. 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 review of references, CliftonLarsonAllen LLP (CLA) was selected as the most qualified firm to conduct the City's annual audit(s) and examinations (Exhibit 3). They demonstrated a high level of technical knowledge regarding all aspects of the City's engagement, and experience in the field of government accounting and auditing with similarly sized governments. CLA, one of the leading national accounting firms, acquired the City's current auditors, White Nelson Diehl Evans LLP in October 2020.

In accordance with the Government Finance Officers Association best practices, CLA will rotate their engagement partner and senior manager to provide a fresh perspective and ensure continued objectivity. CLA is also able to offer the resources of a national firm, including but not limited to, various information technology software programs to streamline the audit process and complimentary training opportunities for City staff throughout the year.

Additionally, the firm has 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.

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

- City Audit (Comprehensive Annual Financial Report), including management and audit committee letters
- Single Audit of Federal Grants
- Audit of Air Quality Improvement Program
- GANN Limit Review
- Compliance Review of the City's investment policy

- U.S. Department of Housing & 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 & Management Services Agency

The proposed cost for the first year of the new contact is \$181,260, which is a 2.4% decrease in annual cost to the City compared to the current year cost of \$185,630. The aggregate contract amount reflects annual fee increases of 3% going forward.

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

The Request for Proposal (RFP) No. 21-024 was advertised on February 22, 2021 and offers were solicited. A summary of the RFPs and offers received is as follows:

- 114 Vendors were notified
- 18 Vendors downloaded the RFP
- 8 Santa Ana vendors notified
- 7 Proposals received

#### Outreach Efforts

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

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

#### **ENVIRONMENTAL IMPACT**

There is no environmental impact associated with this action.

#### **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.

<b>Fiscal Year</b>	<b>Accounting Unit-Account #</b>	<b>Fund Description</b>	<b>Accounting Unit, Account Description</b>	<b>Amount</b>
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FY20-21	01110110-62300	General Fund	FIN/MGMT SVS- Accounting	\$30,000
FY21-22	01110110-62300	General Fund	FIN/MGMT SVS- Accounting	\$100,000
FY21-22	01110130-62300	General Fund	FIN/MGMT SVS- Treasury Services	\$2,275
FY21-22	03116510-62300	Air Quality Improvement	Planning-Air Quality Imp	\$3,475
FY21-22	14018760-62400	Housing Authority- Voucher Admin	Housing Authority- Voucher Admin	\$24,000
FY21-22	67118021-62400	COSA-RDA Obligation Retirement	COSA RDA Blig Retire Debt Srv	\$5,000
FY21-22	Various-62300	General Fund and Various Grant Funds	Various	\$46,510
FY22-23	01110110-62300	General Fund	FIN/MGMT SVS- Accounting	\$100,000
FY22-23	01110130-62300	General Fund	FIN/MGMT SVS- Treasury Services	\$2,343
FY22-23	03116510-62300	Air Quality Improvement	Planning-Air Quality Imp	\$3,580
FY22-23	14018760-62400	Housing Authority- Voucher Admin	Housing Authority- Voucher Admin	\$25,000
FY22-23	67118021-62400	COSA-RDA Obligation Retirement	COSA RDA Blig Retire Debt Srv	\$5,000
FY22-23	Various-62300	General Fund and Various Grant Funds	Various	\$50,922
FY23-24	01110110-62300	General Fund	FIN/MGMT SVS- Accounting	\$100,000
FY23-24	01110130-62300	General Fund	FIN/MGMT SVS- Treasury Services	\$2,413
FY23-24	03116510-62300	Air Quality Improvement	Planning-Air Quality Imp	\$3,690
FY23-24	14018760-62400	Housing Authority- Voucher Admin	Housing Authority- Voucher Admin	\$25,000

FY23-24	67118021-62400	COSA-RDA Obligation Retirement	COSA RDA Blig Retire Debt Srv	\$5,000
FY23-24	Various-62300	General Fund and Various Grant Funds	Various	\$56,502
FY24-25	01110110-62300	General Fund	FIN/MGMT SVS- Accounting	\$70,000
FY24-25	01110130-62300	General Fund	FIN/MGMT SVS- Treasury Services	\$2,485
FY24-25	03116510-62300	Air Quality Improvement	Planning-Air Quality Imp	\$3,800
FY24-25	14018760-62400	Housing Authority- Voucher Admin	Housing Authority- Voucher Admin	\$25,000
FY24-25	67118021-62400	COSA-RDA Obligation Retirement	COSA RDA Blig Retire Debt Srv	\$5,000
FY24-25	Various-62300	General Fund and Various Grant Funds	Various	\$62,250
			Total	\$759,245

**EXHIBIT**

1. Professional Services Agreement with CliftonLarsonAllen LLP
2. Request for Proposal (RFP) #21-024, Professional Auditing Services
3. Response to RFP - #21-024 – CliftonLarsonAllen LLP

Submitted By: Kathryn Downs, FMSA Executive Director

Approved By: Kristine Ridge, City Manager