



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** October 6, 2015

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Amendment To Professional Services Agreement With Lance, Soll & Lunghard For Independent Audit Services

### RECOMMENDATION:

That Council approve and authorize the Finance Director to execute a First Amendment to the Professional Services Agreement (No. 00023809.1) with Lance, Soll & Lunghard for independent audit services, increasing the not-to-exceed total by \$8,500 for a total of \$120,365.

### DISCUSSION:

In April 2014, the City Council approved a two-year professional services agreement between the City and the firm of Lance, Soll & Lunghard to provide independent audit services of the City's financial records and annual financial reports at a total cost of \$111,865 for the fiscal years ending June 30, 2014 and June 30, 2015.

In 2012, the Governmental Accounting Standards Board (GASB), the entity that establishes accounting and financial requirements for state and local government in the United States, issued Statement No. 68 entitled "*Accounting and Financial Reporting for Pensions.*" The primary objective of this Statement, according to GASB, is to improve accounting and financial reporting by state and local governments for pensions. While there is a fair amount of debate as to its value among local finance professionals, it does have a significant impact in the way state and local governments report the assets and liabilities associated with pension plans established for employees. One of the most significant changes is the inclusion of pension assets and liabilities within the financial statements issued by these agencies. This represents a dramatic change in how pension information has been reported for many years. For many years, this information has been included as required footnote disclosures only within the annual financial statements.

It is important to note, however, that this Statement does not affect the manner in which employer-sponsored pension plans are funded; it is strictly a change in how they are reported in the annual financial reports issued by these agencies, including the City of Santa Barbara.

As a result of the change, Certified Public Accounting (CPA) firms that perform audits of state and local governments have collectively adopted changes to their auditing standards and procedures. These new standards translate into performing new and increased testwork to assure themselves of the accuracy of the new pension-related information that must be included in the annual financial statements of their client agencies.

The City's independent audit firm, Lance, Soll & Lunghard, has indicated that the extra testwork they will need to perform will cost \$8,500. Consequently, staff is recommending an increase to their contract accordingly.

**BUDGETARY AND FINANCIAL IMPACT:**

Staff anticipates the additional \$8,500 in audit costs can be funded out of the existing Finance Department budget for Fiscal Year 2016.

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office