



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: March 1, 2016

TO: Mayor and Councilmembers

FROM: Administrative Division, Finance Department

SUBJECT: Award Of Independent Audit Contract Of The City's Financial Statements

RECOMMENDATION:

That Council approve, and authorize the Finance Director to execute, an extension of the existing professional services agreement for two years with Lance, Soll & Lunghard, LLP, Certified Public Accountants (LSL), to perform independent audits of the City of Santa Barbara for the fiscal years ending June 30, 2016 and June 30, 2017 in a total two-year amount not to exceed \$140,714.

DISCUSSION:

State law and the City Charter require that an independent audit be conducted annually by a Certified Public Accountant. In June 2011, the City Council awarded a three-year contract to LSL. In April 2014 that contract was extended two additional years.

The City typically retains an audit firm for five years provided the firm performs to the City's satisfaction. However Finance staff recommend extending the contract an additional two years. There have been several staff changes throughout the last five years, including both the Accounting Manager and Audit Manager. As such, staff believe the level of independence remains intact.

Changing auditors creates a substantial amount work on City staff, particularly Finance, as new auditors spend a great deal of time in the first year understanding the City operations and the financial systems and procedures. With the Accounting Manager position recently filled, this will allow the additional time needed to become proficient in the position. City staff will seek a new audit firm for the fiscal year end June 30, 2018 audit.

Finance staff has been pleased with the quality of the work performed by LSL and, as such, recommends extending the existing agreement, with no change to the terms and conditions, for amounts not to exceed the following costs:

Fiscal Year Ended June 30:	Amount
2016	\$ 69,625
2017	\$ 71,089
Total	\$140,714

Their fees include a 2% increase per year.

The scope of the audit includes the following elements:

1. A financial audit of the City's financial statements for the fiscal years ending June 30, 2016 and June 30, 2017.
2. A financial and compliance audit of all federal grants received by the City pursuant to the Single Audit Act of 1984.
3. A financial audit of the California Law Enforcement Telecommunications Systems (CLETS).
4. A compliance audit of the Passenger Facilities Charges.
5. A compliance audit of the Housing Successor Agency.
6. A review of the City's calculation of the Appropriation (GANN) Limit as required by Article XIII B of the California Constitution and Proposition 111.
7. A review and report on the City's internal control systems and procedures.

BUDGETARY AND FINANCIAL IMPACT

The Fiscal Year 2016 adopted budget and Fiscal Year 2017 recommended budget include sufficient appropriations to cover the costs for the audit for the fiscal year ending June 30, 2016.

PREPARED BY: Jennifer Tomaszewski, Accounting Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office