



# Council Agenda Report

From: Catherine Piatti, Finance Manager

Subject: Approval of Agreement with Moss, Levy and Hartzhiem, LLP for Auditing Services for Fiscal Years 2023-24 through 2027-28

CEQA Determination: The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378.

Date: March 19, 2024

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## Facts

1. State law requires municipalities to have their records and accounts audited by an independent and outside auditor each year. Furthermore, municipalities are required to present a set of financial statements prepared based on said audit.
2. Assembly Bill 1345 states that a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for each of the six previous consecutive years.
3. In order to ensure independence of the audit process, the Government Finance Officers Association (GFOA) recommends that organizations evaluate auditors periodically.
4. The City has used the certified public accounting firm, Brown Armstrong Accountancy Corporation for the past five years; their contract expired with the audited statements for Fiscal Year (FY) 2022-23.
5. On December 21, 2023, the City prepared and released a request for proposal to numerous accounting agencies throughout the State; the City received four responses.
6. The audit services proposals were evaluated by an Audit Service Proposal Review Committee comprised of the Director of Administrative Services, Finance Manager and Senior Accountant.

## Options

1. Take no action;
2. Authorize the City Manager to enter into a contract with Moss, Levy & Hartzheim LLP, for auditing services for the Fiscal Years 2023-24, 2024-25, 2025-26 with additional one-year options for Fiscal Years 2026-27 and 2027-28;
3. Provide alternative direction to staff.

## Analysis and Conclusions

The function of the independent audit is to provide an annual review of all City funds and financial transactions in accordance with generally accepted auditing standards, as established by the Auditing Standards Board of the American Institute of Certified Public Accountants; Governmental Auditing Standards established by the Comptroller General of the United States; the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996; and the U.S. Office of Management and Budget Circular A-133 (Audits of States, Local Governments, and non-profit organizations). Following the audit, the independent

auditor issues an “opinion letter” and other reports to the City’s management, addressing the fair presentation of financial position of the financial statements, matters involving internal controls over financial reporting, and compliance with applicable laws, regulations, contracts, and grants.

Independent auditors perform a review of internal controls of all significant accounting procedures, report their observations concerning any significant deficiencies, and make recommendations to correct identified weaknesses in a management letter issued to the City Council.

Additionally, the independent auditors remain available throughout the term of the contract to provide financial advice and counsel on matters that would affect the City’s financial statements.

The review committee members independently evaluated each of the four proposals. The members then convened, compared their analysis, and ranked the firms based on the various mandatory elements. The consensus of the review committee was that Moss, Levy & Hartzheim LLP should be selected as the City’s auditor. Their qualifications best suit the City’s needs because of the firm’s expertise in the governmental accounting field, the strength of their proposed audit team, and pricing for said services. Moss, Levy and Hartzheim, LLP is not new to the City and had previously conducted the City’s audit from approximately FY’s 1999-00 through 2017-18.

#### **Fiscal Impact**

The total cost of the five-year contract is up to \$171,600, with the average annual cost of \$34,320 per year. Auditing services are included in the adopted annual budget for FY 2023-24, therefore, there is an adequate budget to award this contract and no further budget appropriations are needed. The maximum cost of the contract for each future year will be included in the annual adopted budget.

#### **CEQA**

The City finds that this action is not a project under the California Environmental Quality Act pursuant to State Guidelines Section State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378.

#### **Recommendation**

Authorize the City Manager to enter into a contract with Moss, Levy & Hartzheim LLP for auditing services for the Fiscal Years 2023-24, 2024-25, 2025-26 with additional one-year options for Fiscal Years 2026-27 and 2027-28.

#### **Attachments**

1. Professional Auditing Services Agreement