

**REPORT FROM EVALUATION COMMITTEE
REQUEST FOR PROPOSAL FOR
PROFESSIONAL AUDIT SERVICES**

June 17, 2022

COMMITTEE MEMBERS:

Mike Lima, Controller/Finance Director, City of Fresno Finance Department
Yvonne Dedmore, Assistant Controller/Finance Director, City of Fresno Finance Department
Roberta Cope, Principal Accountant, City of Fresno Finance Department
Susanne Galvan, Senior Accountant, City of Fresno Finance Department
Scott Zulewski, Senior Accountant, City of Fresno Finance Department
Kriti Agrawal, Principal Internal Auditor, City of Fresno Finance Department
Mike Getty, Business Manager, City of Fresno Fire Department
Christine Stevens, Business Operations Manager, Fresno Unified School District

Augustus Krider from the City's Purchasing Unit was the facilitator to the Committee.

BACKGROUND:

A Request for Proposal (RFP) for professional audit services was issued to solicit proposals from qualified certified public accounting firms to conduct the annual independent audit of the City's financial statements (ACFR) and underlying financial transactions with the goal of expressing an opinion on the fairness of the presentation of the City's financial statements and other financial reports. A contract awarded through this RFP will have a term of four (4) years with three (3) one-year extensions and would begin with the financial statements ending June 30, 2022 (Fiscal Year 2022). With the completion of the Fiscal Year 2021 ACFR, the City's contract with Brown Armstrong Accountancy Corporation for audit services reached the end of its term.

Twenty-six (26) proposals were downloaded from the City's Planet bid site. Six (6) proposals were received and opened on April 21, 2022.

An RFP review committee (Committee) was formed to evaluate the RFP responses. The Committee held its first meeting on May 13, 2022. At that meeting, the Committee made the decision to eliminate three respondents from further consideration, as the price they proposed was significantly higher than both the current amount paid for these services and the proposed price offered by three of the respondents. The Committee held interviews with the following three (3) proposers on May 20, 2022: Brown Armstrong Accountancy Corporation; Lance, Soll & Lunghard; and The Pun Group. The Committee met on May 26, 2022 to finalize the selection of a firm to provide the City with outside audit services.

EVALUATION BY COMMITTEE:

The Pun Group (Pun)

This proposer offered an all-inclusive price of \$732,135 which was the second lowest. Pun has over 10 years of governmental auditing experience, including experience as the auditors for the City of Clovis and the City of Visalia. Pun has familiarity with clients converting their ERP system to Tyler Munis, which will be highly beneficial for the City of Fresno. Kenneth Pun (partner at Pun) was the former Chair of the CalCPA Government Accounting and Auditing Committee. His expertise will be very beneficial when the City is implementing new statements from the Government Accounting Standards Board (GASB). Pun allocated 1,472 yearly audit hours to the performance of the City's annual audit.

They have an hourly rate of \$118.89, which was the lowest of all responders. The high number of audit hours combined with a low hourly rate impressed the Committee, as it indicates the City will receive a quality audit at a reasonable rate. Their proposal meets all the RFP requirements. The Committee also noted that The Pun Group had a stability in their clients that wasn't seen with the other interviews respondents. For example, the Pun Group has provided these services to the City of Clovis since 2006. Their headquarters are located in Santa Ana, California. They do not have an office based in Fresno.

Brown & Armstrong (B&A)

This proposer is the City's most recent auditor and submitted the third lowest all-inclusive price of \$796,360. While their main office is in Bakersfield, California, they also maintain a field office in Fresno. B&A has over 10 years of governmental auditing experience. B&A is currently the auditor for the City of Fresno Retirement System and the County of Fresno. They audit the ACFRs for several municipalities, including Bakersfield, and have been provided these services to the City since 2015. They are familiar with the City and accounting procedures for municipalities. While the Committee recognized and appreciated B&A's experience, the Committee believed that contracting with a new firm would help the City strengthen financial practices, especially as the City is transitioning to a new financial system. A periodic change of firms providing professional audit services is also recommended by GASB.

Lance, Soll, & Lunghard (LSL)

LSL had the lowest proposed rate in their response for audit services of \$722,278. While LSL has a qualified staff, they do not have experience with municipalities the size of the City of Fresno. They are located in Brea, California and do not have an office based in Fresno. LSL did have experience with cities transitioning from PeopleSoft to Tyler. LSL allocated the least number of hours to the audit (1,139 hours per audit year), which the Committee feels is not sufficient to complete all audit procedures and can lead to increased costs for any time exceeding the hours proposed. LSL also proposed the fewest major programs, or grants, to be audited for Single Audit purposes (LSL proposed four, while the other interviewed respondents proposed five) This lesser number of major programs/grants is significant, particularly given the large amount of Coronavirus mitigation grant funds that the City has received in the past couple of fiscal years. If such monies were to be awarded in the future, the City could (under LSL's proposal) incur additional cost to audit those programs/grants.

RECOMMENDATION

Based on the RFP responses and information gathered during the interviews, the Committee recommends award of the contract to The Pun Group of Santa Ana, California in the amount of \$732,135, for audit services with a contract term of four (4) years and three (3) one-year extensions.