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Title: Award Outside Audit Contract to The Pun Group and authorize the Finance Director/Controller to negotiate and execute the contract for services

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Attachments: 1. Report from Evaluation Committee, 2. 9646 SERVICE AGREEMENT DRAFT

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REPORT TO THE CITY COUNCIL

FROM: MICHAEL A. LIMA, Finance Director/Controller
Finance Department

SUBJECT

Award Independent Audit Contract to The Pun Group and authorize the Finance Director/Controller to negotiate and execute a four (4) year contract for services

RECOMMENDATION

Staff recommends that the City of Fresno engage The Pun Group as the City's independent outside auditor to audit various City financial documents for the fiscal years 2022 through and including fiscal year 2025 (four years) at a not to exceed fee (inclusive of indirect expenses) in the total amount of \$732,135.

EXECUTIVE SUMMARY

Section 1216 of the City of Fresno's Charter requires the City to employ a public accountant to perform an independent audit of the City's books, public records, inventories, and reports. It is City policy meet this Charter requirement by periodically issuing a Request for Proposals (RFP) for outside audit services. On March 21, 2022, an RFP for outside audit services was posted on Planet Bids with links on the City's website. Correspondingly, a Notice Inviting Proposals was published in the Business Journal. Twenty-six (26) proposals were disseminated, with six (6) firms responding to the RFP. Each of the responding firms was evaluated on responsiveness to the criteria outlined in the RFP, qualifications and experience with similar municipal engagements, detail audit plan presented and proposed fees. An Audit RFP Evaluation Committee (Committee) selected three (3)

proposers to have live interviews and formal presentations. Based upon the results of both the RFP process and the live interviews, the Committee determined the firm The Pun Group was the most responsive and responsible proposer. The Committee cited The Pun Group has over 15 years of auditing experience with a variety of government agencies, as well as experience with clients converting to the Tyler Munis ERP system. Thus, staff recommends The Pun Group to be the City's independent outside auditor for the fiscal years 2022 through and including 2025. The contract to be entered into also allows the City and the Pun Group to negotiate, if so desired, three one-year extensions for fiscal years 2026, 2027 and 2028.

BACKGROUND

Section 1216 of the Charter of the City of Fresno requires the City to employ a public accountant who shall perform an independent audit of the City's books, public records, inventories, and reports. The City's independent outside auditor performs the auditing services for the Annual Comprehensive Financial Report (ACFR), Single Audit, Fresno Area Express, Employees Health & Welfare Trust, Gann Limit Appropriations Letter, and the Passenger Facility Charges (PFC - Airports) report. The City's most recent auditors, Brown Armstrong have been with the City since 2015. They have assisted the City greatly in improving its financial reporting process, as well as addressing many of the complicated audit processes that have resulted from both federally mandated changes and Government Accounting Standards Board statements. Staff has enjoyed working with Brown Armstrong during its tenure as the City's external auditor.

A Notice Inviting Proposals was published in the Business Journal on March 21, 2022. On the same date, a Request for Proposal for outside auditor services was posted on Planet Bids with links available on the City of Fresno's website. Twenty-six (26) proposals were disseminated, with six (6) firms responding to the RFP.

An Audit RFP Evaluation Committee (Committee) was formed to evaluate the RFP responses. The Committee held its first meeting on May 13, 2022. At that meeting, the Committee evaluated each firm's responses on how well the firms addressed the criteria outlined in the RFP, their qualifications and experience with similar municipal engagements, the detailed audit plan they presented and their proposed fees. Based on this evaluation, the Committee made the decision to eliminate three respondents from further consideration. The Committee held interviews with the following three (3) proposers on May 20, 2022:

- Brown Armstrong Accountancy Corporation
- Lance, Soll & Lunghard
- 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. Based on the information presented in both the responses and the interviews, the Committee recommends that The Pun Group to be the City's independent outside auditor to audit various City financial documents for the fiscal years 2022 through and including 2025. The contract to be entered into also allows the City and the auditor to negotiate three (3) one-year extensions for fiscal years 2026, 2027, and 2028.

The Committee cited five reasons for its selection: 1) The Pun Group had the second lowest four-year all-inclusive price of the respondents; 2) The Pun Group 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 City feels that with the high number of audit hours combined with a low hourly rate, the City will receive a quality audit at a reasonable rate; 3) The Pun Group has over 15 years of governmental auditing experience, including experience as the auditors for the City of Clovis, City of Visalia, and City of Stockton; 4) The Pun Group has familiarity with clients converting to the Tyler Munis ERP system, with which the City of Fresno will begin using on July 1, 2022; 5) Under Sarbanes-Oxley, publicly traded companies are required to rotate audit staff/audit firms on a regular basis. While that requirement isn't imposed on governmental agencies, it is considered a sound fiscal practice for audit staff/firms to be changed on a periodic basis.

Staff recommends that Council award the outside audit contract to The Pun Group and authorizes the Finance Director/Controller to negotiate and execute the contract for services subject to approval as to form by the City Attorney's Office.

ENVIRONMENTAL FINDINGS

This is not a project pursuant to CEQA guidelines Section 15378.

LOCAL PREFERENCE

Local preference was not considered.

FISCAL IMPACT

Auditing services are an annual requirement of the Charter; therefore the audit fee is contained in the Finance Department's budget. The Proposed FY 2023 budget contains sufficient appropriations to cover The Pun Group's quoted first year price of \$175,000. The fee for the remaining years of the proposed agreement will need to be appropriated as part of that fiscal year's budget.

Attachments:

Report from Evaluation Committee

Sample Contract