



AGENDA REPORT

CITY OF SAN CLEMENTE

CITY COUNCIL MEETING

910 Calle Negocio
2nd Floor
San Clemente, California
www.san-clemente.org

Meeting Date: April 16, 2024

Agenda Item: 10F

Submitted By: Finance and Administrative Services

Prepared By: Jake Rahn, Financial Services Officer

Subject:

CONSIDERATION OF A RESOLUTION APPOINTING AUDITOR AND APPROVING AN AUDIT SERVICES CONTRACT AMENDMENT

Fiscal Impact:

The annual audit fees would cost \$35,290 for the FY 2023-24 audit.

Summary:

Before the City Council is the appointment of and approval of a contract amendment with Lance, Soll & Lunghard, LLP for continued audit services.

Background:

Each year an independent audit of the City's accounting records is conducted and an opinion is rendered by the auditing firm with respect to the Annual Comprehensive Financial Report Audit, Single Audit of Coastal Animal Services Authority, and Issuance of Related Financial Reports.

The City solicited proposals in 2018 and awarded the audit services contract to Lance, Soll & Lunghard, LLP (LSL) to perform such services and the term was completed with the FY 2023 audit. Audit contracts typically range from five to seven years and this six-year contract has an opportunity to extend services for the completion of the FY 2024 audit. Extending the term of this contract by amendment for 1-year will ensure continuity of services during the implementation of the two-year budget cycle. A quote was requested from LSL for a one-year extension, which is within the typical range of seven years.

The proposal amount of \$35,290 is a \$1,690 increase from the previous year's cost and is within the 2018 proposals received from qualified firms for audit services, which ranged between \$27,500 and \$47,350. Due to their specific knowledge of the City, continuity of services, and expertise in governmental entities, City staff is recommending the approval of a one-year extension for LSL to provide audit services. Next year, City staff is planning to solicit proposals for a new five-year audit contract.

Council Options:

- Adopt Resolution No. 24-52, authorizing the City Manager to execute an amendment to the Professional Services Agreement with LSL extending the services for 1 year.
- Modify and adopt Resolution No. 24-52.
- Continue the item with direction to staff to provide additional information.

- Deny the request for an amendment to the Professional Services Agreement with LSL and direct staff to solicit proposals.

Environmental Review/Analysis:

This is not a “project” under the California Environmental Quality Act.

Recommended Actions:

Staff Recommendation

Adopt Resolution No. 24-52, authorizing the City Manager to execute an amendment to the Professional Services Agreement with LSL extending the services for 1 year for an amount not to exceed \$35,290.

Attachment:

1. 1st Amendment to the Professional Services Agreement for Audit Services
2. Resolution No. 24-52
3. Exhibit A

Notification:

None.

**FIRST AMENDMENT TO
PROFESSIONAL SERVICES AGREEMENT FOR
AUDIT SERVICES**

This First Amendment to Professional Services Agreement for Audit Services (this "First Amendment") is made and entered into on this ____ day of _____, 20____, by and between the CITY OF SAN CLEMENTE, a California municipal corporation ("City"), and Lance, Soll & Lunghard, LLP ("Consultant").

R E C I T A L S:

- A. City and Consultant entered into that certain Professional Services Agreement for Audit Services to be performed at or in connection with Audit of the City's Financial Records, Single Audit of Federal Grants, Audit of Coastal Animal Services Authority, and Issuance of related Financial Reports (the "Agreement") on June 19, 2018.
- B. City and Consultant desire to amend the Agreement in the manner provided herein.

C O V E N A N T S:

1. Section 1.1 of the Agreement is hereby amended by allowing the annual term extension of the agreement through June 30, 2025. In addition to the services to be performed by Consultant as referenced in Exhibit A to the Agreement, Consultant shall also perform those services at the proposed fee schedule described in Exhibit "A" to this First Amendment, which exhibit is attached hereto and incorporated herein by this reference.

2. Section 3.1 of the agreement is hereby amended to allow the annual compensation to not exceed thirty-five thousand two hundred and ninety dollars \$35,290.

Except as expressly amended by this First Amendment, the remaining portions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the respective dates set forth opposite of their signatures.

CITY OF SAN CLEMENTE

By: _____
Andy Hall, City Manager

Dated: _____, 20__

ATTEST:

CITY CLERK of the City of
San Clemente, California

APPROVED AS TO FORM:

Elizabeth A. Mitchell, City Attorney

**APPROVED AS TO AVAILABILITY
OF FUNDING:**

Finance Authorization

Lance, Soll & Lunghard, LLP
("CONSULTANT")

By: Ryan Domino
Ryan Domino (Apr 5, 2024 12:14 CDT)

Ryan Domino, Partner

Dated: April 5, 2024

RESOLUTION NO. 24-52

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AUTHORIZING THE CITY MANAGER TO EXECUTE THE FIRST AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH LANCE, SOLL & LUNGHARD, LLP TO PROVIDE PROFESSIONAL AUDIT SERVICES

WHEREAS, on June 19, 2018, the City of San Clemente (“City”) and Lance, Soll & Lunghard, LLP entered into a Professional Services Agreement (“Agreement”) for Audit Services; and

WHEREAS, the Professional Services Agreement for Audit Services will expire on June 30, 2024; and

WHEREAS, the continuation of Professional Audit Services with Lance, Soll & Lunghard, LLP is in the best interest of the City and the public.

NOW, THEREFORE, the City Council of the City of San Clemente does hereby find, determine and resolve as follows:

SECTION 1. That the above recitations are true and correct and incorporated herein.

SECTION 2. That the City Manager is authorized and directed to execute the First Amendment to the Professional Services Agreement for Auditing Services with Lance, Soll & Lunghard, LLP extending the term of the agreement through June 30, 2025 for an amount not to exceed \$35,290 in a form substantially similar to that presented to the City Council on April 16, 2024.

SECTION 3. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED this ____ day of _____, 2024.

ATTEST:

CITY CLERK of the City of
San Clemente, California

Mayor of the City of
San Clemente, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) §
CITY OF SAN CLEMENTE)

I, LAURA CAMPAGNOLO, City Clerk of the City of San Clemente, California, do hereby certify that Resolution No. 24-52 was adopted at a regular meeting of the City Council of the City of San Clemente held on _____ day of _____ 2024, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Clemente, California, this _____ day of _____, _____.

CITY CLERK of the City of
San Clemente, California

Approved as to form:

Elizabeth A. Mitchell, City Attorney



PREPARED BY

Lance, Soll & Lunghard, LLP
Certified Public Accountants
License Number 2584

**City of San Clemente
Financial Audit Services**

Date of Submission: February 13, 2024

**Authorized by
Ryan Domino, CPA, Partner**

203 N. Brea Blvd., Suite 203
Brea, CA 92821
(714) 672-0022

TABLE OF CONTENTS

- TABLE OF CONTENTS 1**
- LETTER OF TRANSMITTAL 2**
 - Specific Approach to Scope of Services 2
 - Qualifications/Personnel 2
 - Adapting to a Remote Working Relationship 3
 - Dollar-Cost Proposal 3
 - Conclusion 3
- QUALIFICATIONS & EXPERIENCE 4**
 - License to Practice 4
 - Government Auditing Standards 4
 - Desk Reviews/Disciplinary Action 4
 - Continuing Education 4
 - Recent Experience 4
 - Peer Review 4
- BENEFITS OF WORKING WITH LSL 7**
 - Our Core Values 7
 - Best of Accounting Award 7
 - Accounting Today Regional Leader 8
 - Training & Seminars 8
- ENGAGEMENT TEAM RESUMES 9**

LETTER OF TRANSMITTAL

February 13, 2024

Jake Rahn
Financial Services Officer
City of San Clemente
910 Calle Negocio
San Clemente, California 92673

Dear Mr. Rahn,

LANCE, SOLL & LUNGHARD, LLP ("LSL CPAs," "LSL") is pleased to present our technical expertise of auditing services for the City of San Clemente ("City"). We value the opportunity to demonstrate our professional qualifications and why our services are second to none.

This qualifications proposal highlights our firm's strength and stability, along with our knowledge, passion, and creative problem-solving capabilities as a leader in the field of governmental finance, accounting, and auditing. Our dynamic team is comprised of top talent within the industry, and with our comprehensive government experience we believe you will find that LSL CPAs is one of the best-qualified accounting firms to provide audit services for the City of San Clemente.

SPECIFIC APPROACH TO SCOPE OF SERVICES

LSL has a structured and well-tested approach to providing independent auditing services. Based on our understanding of the City's needs, our team is ready to assist with the City's annual comprehensive financial report audit, annual Coastal Animal Service Authority audit, and, if applicable, a single audit in accordance with General Accepted Governmental Auditing Standards (GAGAS) and Uniform Guidance for the year ended June 30, 2024, an extension of our previous agreement.

QUALIFICATIONS/PERSONNEL

LSL Partner, Ryan Domino, CPA, will be responsible for overseeing this engagement. He currently serves as a technical reviewer for the Government Finance Officers Association (GFOA) and regularly presents at our firm's annual GASB Update and at CSMFO's chapter meetings where he presents and trains on the latest GASB pronouncements. Ryan is an expert on Single Audit planning and execution and holds advanced certification from the AICPA. Ryan provides our clients with a competitive advantage as a member of GFOA's Special Review Committee for the Award for Excellence in Financial Reporting and is able to provide valuable insights and recommendations to help organizations achieve excellence in financial reporting.

All of our government partners and team members have worked within government agencies for the majority of their careers and are experts in their respective fields. Ryan will assign the best professionals who have expertise in auditing and a range of complementary subjects. Their experiences and skills gained from previous assignments are tailored to meet the specific needs of the City.

ADAPTING TO A REMOTE WORKING RELATIONSHIP

LSL is fully equipped with software and communication tools to support a remote process. We leverage Microsoft Teams to easily connect over a video call in a face-to-face setting, giving us the ability to share screens and information in real-time. Additionally, having the customizable *LSL CaseWare Cloud Portal* makes the exchange of secure information easy and painless. The LSL team is also accustomed to working with our client's financial software solutions in a remote environment, taking advantage of VPN connections and remote desktops.

In an effort to reduce costs, our team works remotely using remote desktop technology. It is anticipated that the independent audit work for the City will be performed entirely remotely. If onsite time is required or requested, this can be discussed on a case-by-case basis.

DOLLAR-COST PROPOSAL

Description	Fee
Proposed Services for One-Year Extension	
Annual Comprehensive Financial Report Audit	\$27,450
Single Audit	3,920
Coastal Animal Services Authority Audit	3,920
Total	\$35,290

Please note that any non-personnel-related costs will be billed and reimbursed as they are incurred, if necessary. Progress bills will be sent monthly on the basis of hours of work completed during the course of the engagement plus out-of-pocket expenses incurred in accordance with our proposal.

CONCLUSION

Our collective experience in local government accounting and internal controls backed by our comprehensive understanding of all federal and state grant programs awarded to municipalities, has refined our development of efficient procedures and streamlined work plan approach to the City's financial statement audit in accordance with General Accepted Governmental Auditing Standards (GAGAS). We believe that these qualities establish LSL as one of the most highly qualified teams to perform this engagement for the City.

Our proposal is a firm and irrevocable offer for **90 days** following the closing date of receipt. For this proposal, Ryan Domino, CPA, Partner, is authorized to make representations for our firm. He can be reached at (714) 672-0022 or at Ryan.Domino@lslcpas.com.

Very truly yours,



QUALIFICATIONS & EXPERIENCE

LICENSE TO PRACTICE

LSL CPAs is a limited liability partnership and is not a wholly owned subsidiary of a parent company. LSL is a public accounting firm licensed by the State of California Department of Consumer Affairs as a Public Accounting Partnership. Additionally, we are members of the American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants (CalCPA).

All key members assigned to this engagement are licensed as Certified Public Accountants by the State of California or are in the process of obtaining their license.

GOVERNMENT AUDITING STANDARDS

LSL understands its responsibilities to perform audits and issue opinions on the City's financial statements as well as its fair presentation. Our financial audits are performed in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, and Single Audits are performed in accordance with the requirements of the Uniform Guidance. We will also evaluate the City's internal control system and provide recommendations for growth and improvement.

DESK REVIEWS/DISCIPLINARY ACTION

There have been no disciplinary actions against our organization since its inception. There have been no litigations against our firm in the past three years. Our Single Audit reports are desk reviewed either by the federal cognizant agency or the State Controller's Office acting as the Oversight Agency. We have never had a report rejected by any of these agencies, which demonstrates our thorough understanding of federal grant programs. LSL is highly regarded and recognized by the staff of the State Controller's Office for top-quality reports.

CONTINUING EDUCATION

As a firm policy, all professional government staff meet the requirement of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two-year period. Our educational programs include training from CalCPA, AICPA, Government Audit Quality Center, and GFOA.

RECENT EXPERIENCE

As a firm, we have extensive experience with municipalities including cities, counties, water and electric utilities, special districts, joint powers authorities, and compliance with OMB Uniform Guidance. We are familiar with all federal and state grant programs typically awarded to municipalities. Generally, our government sector services are broken down into the following major classifications: attestation, compliance, consulting, interim staffing, strategic planning, and tax services.

Our collective experience in local government accounting and finance, backed by our comprehensive understanding of all federal and state grant programs awarded to municipalities and internal controls, has refined our development of efficient procedures and streamlined work plan approach, which we believe makes LSL one of the best-qualified teams to perform these services.

PEER REVIEW

Our firm has participated in the AICPA Peer Review Program since its inception. All our peer reviews have covered governmental engagements and have received *pass* ratings. Our most recent peer review, conducted by Spafford and Landry CPAs, is provided on the following pages.

Report on the Firm's System of Quality Control

To Lance, Soll & Lunghard, LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP (the firm) in effect for the year ended May 31, 2022. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of the applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and employee benefit plan audits.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Lance, Soll & Lunghard, LLP in effect for the year ended May 31, 2022, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, *pass with deficiency (ies)*, or *fail*. Lance, Soll & Lunghard, LLP has received a peer review rating of *pass*.

Spafford & Landry, Inc.

March 30, 2023

BENEFITS OF WORKING WITH LSL

LSL is a multi-location firm with formidable resources that provides a personal feel and hands-on client experience.



Ranked # 15 on the Orange County Business Journal's CPA Firm Book of Lists



94 years young and the wisdom to go with it!



14 Partners who are dedicated to solving your issues



145 employees (and growing!)

OUR CORE VALUES

As we continue to grow and evolve, we recognized our core values needed to grow and change with us. Our values weren't decided on by management and handed down, every member of the LSL team worked together to share what values matter most to us. From there, we came up with the following five core values that embody how we approach each other, our work, and our clients.



PURSUE EXCELLENCE



LOVE WHAT YOU DO



LEAD WITH INTEGRITY



ACCOMPLISH MORE TOGETHER



FORWARD THINKING

BEST OF ACCOUNTING AWARD

LSL CPAs delivers high-quality service and has consistently secured the ClearlyRated *Best of Accounting* award. This exclusive program awards accounting firms who demonstrate high-level service of excellence within the accounting industry and solely leverages statistically validated survey responses from our clients.



4.7 based on 646 ratings

ACCOUNTING TODAY REGIONAL LEADER

LSL CPAs has been recognized as an Accounting Today Regional Leader in 2023. The list ranks the top CPA firms that have shown exceptional growth, embraced technology, and who ‘think outside the box’ when providing solutions.



TRAINING & SEMINARS

LSL regularly leads seminars and training courses on introductory governmental accounting, preliminary views on financial reporting, internal control risk assessments, and all GASB updates and best practices, which are made available to our clients for additional information and continued support. These will be opportunities made available through our firm to the City for training or continuing professional education credits on current issues or governmental auditing and accounting in general.

ENGAGEMENT TEAM RESUMES



Ryan Domino, CPA

ENGAGEMENT PARTNER

ACHIEVEMENTS

Ryan currently serves as a technical reviewer for the Government Finance Officers Association (GFOA) and has been a presenter at CSMFO's chapter meetings. He has been involved with teaching current audit and accounting-related material at LSL's in-house training seminars, and annual GASB Update.

CONTINUING EDUCATION

231 total hours over the last three years, **204 of which were in governmental accounting and auditing subjects**. Ryan meets the requirements of governmental CPE Government Auditing Standards.

EXPERIENCE

Ryan has over 11 years of experience in governmental auditing including financial statement audits, preparation of Annual Comprehensive Financial Reports, Housing Successor compliance audits, TDA compliance audits, Single Audits, Federal Student Financial Aid audits, and various consulting and agreed-upon procedures projects.

Ryan is one of the firm's leaders in ensuring audit quality control and Government Practice training for staff. He is a regular presenter at the firm's annual GASB Update where he has presented training to our clients on the latest GASB pronouncements and has been a presenter for CSMFO's chapter meetings.

Some of his presentations have covered:

- General auditing in accordance with GAGAS
- Accounting for capital assets
- GASB Statement Nos. 89, 90, 91, and 94

MEMBERSHIPS

AICPA, CalCPA, CSMFO, GFOA

EDUCATION

Bachelor of Arts Degree in Business Administration with an emphasis in Accounting – California State University, Fullerton

LICENSES & CERTIFICATIONS

California CPA – 2014

Texas CPA – 2023

AICPA Advanced Single Audit Certification – 2018

AUDIT ENGAGEMENTS

City of Agoura Hills, CA

City of Carlsbad, CA

City of Cathedral City, CA

City of Chula Vista, CA

City of Fullerton, CA

City of Indio, CA

City of Lompoc, CA

City of Moorpark, CA

City of Orange, CA

City of Pleasanton, CA

City of Rialto, CA

City of Riverside, CA

City of San Clemente, CA

City of San Juan Capistrano, CA

City of Santa Monica, CA

Eastern Municipal Water District

Jurupa Community Services District

Orange County Fire Authority

Orange County Water District

Orchard Dale Water District

Rainbow Municipal Water District

San Bernardino Muni. Water Dept.

Three Valleys Muni. Water Dist.

United Water Conservation Dist.

Yorba Linda Water Dist.

OTHER ENGAGEMENTS

California Dept. of Healthcare Svcs.

City of American Canyon, CA

City of Marfa, TX