



May 6, 2021

TO: LOCSD Board of Directors

FROM: Ron Munds, General Manager

SUBJECT: Agenda Item 9F – 05/06/2021 Board Meeting
Approval of a Three-Year Contract for Auditing Services

DESCRIPTION

At the February 1, 2021 Finance Advisory Committee (FAC) meeting, the committee approved the release of a Request for Proposal (RFP) for auditing services for the next three years beginning with Fiscal Year 2021-22. A working group to review the submitted proposals was formed which was comprised of four members: The General Manager, District Accountant and two members from the FAC (Lisa Gonzalez and Sandra Cirilo). This report summarizes the results of the working group and FAC’s review of the proposals.

STAFF RECOMMENDATION:

This item will be approved along with the Consent Calendar unless it is pulled by a Director for separate consideration. If so, Staff recommends that the Board adopt the following motion:

Approve a three-year contract with Moss, Levy & Hartzheim for auditing services for an amount not to exceed \$19,200 in year one and with a 2.5% increase in years two and three.

DISCUSSION

At the February 1, 2021 Finance Advisory Committee (FAC) meeting, the committee approved the release of a Request for Proposal (RFP) for auditing services for the next three years beginning with Fiscal Year 2021-22. A working group to review the submitted proposals was formed which comprised of four members: The General Manager, District Accountant and two members from the FAC (Lisa Gonzalez and Sandra Cirilo).

Staff directly contacted 7 firms and posted the RFP on the District’s website. The District received three proposals in response to the bid solicitation for Audit Services. The following are responding firms and proposed costs:

- Fechter & Company based in Sacramento, CA.
- Rogers, Anderson, Malody & Scott based in San Bernardino, CA.
- Moss, Levy & Hartzheim based in Santa Maria, CA.

Firm	Cost
Fechter & Company	\$22,000 (+2.5%/yr.)*
Rogers, Anderson, Malody & Scott	\$20,330 (+2.0%/yr.)*
Moss, Levy & Hartzheim	\$19,200 (+2.5%/yr.)*

*Each firm included a cost escalator for subsequent years.

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Working Group Evaluation

The working group met on April 20th to discuss the three proposals. The group acknowledge that all three firms were about equal in qualifications and had the required special district auditing experience. Based on each firm's approach to the audit including schedule, understanding of the scope of work and dedicated resources, the group ranked Fechter & Company and Moss, Levy & Hartzheim equally. The following is a brief summary of the top two proposals.

Fechter & Company (F&C)

F&C is a relatively small firm (9 employees) based out of the Sacramento area. The firm provided a clear, detailed proposal which outlined their approach to completing the audit in the timeline provided in the RFP. The hours dedicated in their schedule were reasonable, especially given that they are unfamiliar with the District's operations and financial reporting procedures. Consequently, F&C's proposal was the highest priced of the three proposals received. Additionally, they proposed a 2.5% increase in their fee for each subsequent year of the contract. The additional cost could be justified as an "opportunity cost" since the District would be moving to a new auditing firm which would allow for an alternative of "fresh" look at the District's financial statements and internal controls. That said, the additional increase in subsequent years will result in added cost over the term of the contract above that of the other proposals.

Moss, Levy & Hartzheim (ML&H)

ML&H has been the District's auditing firm since Fiscal Year 2012-2013 and maintains a local office in Santa Maria. The firm has rotated the lead principle auditor in accordance with state law to ensure objective and impartial audits. They have proven to be a valuable resource to District staff over the years and have helped guide the staff's financial reporting and controls to a point of having viable (clean) audits for the past six years. This experience and continuity in service has enabled the District to remain confident in its financial position during their tenure. Additionally, ML&H's cost proposal was the least expensive of the proposals received. Their proposed cost in year three of the contract would be below the first-year costs of the other two proposals.

As stated, each firm has the experience to provide the District with sound auditing services.

FAC Recommendation

The FAC considered the merits of each of the top two proposals as recommended by the working group at their May 3rd meeting but decided that either of the top two firms would meet the needs of the District. There was agreement that ML&H has provided outstanding services to the District and has performed the audits according to applicable standards. It was also agreed that continuing with ML&H is an option since they rotate the lead principle auditor according to state law and to avoid any perception of lack of transparency. If it is the desire of the Board to hire a new firm to have a "new set of eyes" review the District's accounting procedures and practices, the FAC would recommend F&C.

Staff Recommendation

After listening to the discussions by both the working group and the FAC, staff would recommend continuing with ML&H for the District's auditing services. As stated, ML&H has provided outstanding service to the District for a very reasonable cost. It is staff's collective opinion (General Manager, Accountant, Administrative Services Manager) that the value of moving to a new firm for the single reason to have a "fresh" look at the District's financial statements and internal controls does not counterbalance for the experience and other valuable resources that ML&H provides at more reasonable cost.

Attachments:

Fechter & Company Proposal
Rogers, Anderson, Malody & Scott Proposal
Moss, Levy & Hartzheim Proposal