

REPORT TO THE CITY COUNCIL



DATE: August 5, 2014

TITLE: (Continued from June 19, 2014)
Professional Services Agreement by and between the City of Desert Hot Springs and The Pun Group, Inc., for Professional Auditing Services

Prepared By: Linda Kelly, Program and Financial Specialist

Reviewed By: Robert Lee, Deputy City Attorney

RECOMMENDATION

Authorize the City Manager to execute a Professional Services Agreement with the Pun Group, Inc., for Professional Auditing Services for the City of Desert Hot Springs and the Desert Hot Springs Health and Wellness Foundation in an amount not to exceed \$75,600.00, subject to approval as to form by the City Attorney.

BACKGROUND

On June 19, 2014 the City Council approved the Professional Services Agreement with The Pun Group to perform the professional auditing services for the City on a *MONTH TO MONTH* basis totaling \$75,600.00. The Auditing Services will include:

- Annual City Audit, including Successor Agency and Housing Authority
- Single Audit (as required, if not required there will be no cost) one program only
- Gann Limit Verifications
- Annual State Controllers Report
- Transient Occupancy Tax Agreed Upon Procedures (4)
- Utility User Tax Agreed Upon Procedures (1)
- Desert Hot Springs Health and Wellness Foundation Audit & Tax Forms

The time spent completing the work assignments are based on an estimated number of hours to complete the assignment times the blended rate. The Transient Occupancy Tax Audits will be done at the hotel sites rather than at City Hall.

DISCUSSION

In accordance with Government Auditing Standards, the City is required to complete an annual audit and annual financial statements each fiscal year. The audited financial statements are then reported to the City Council. The Audit work is very complex and requires at least two site visits. The first visit is for testing of internal controls and review of a percentage of the accounting work. The auditors begin their audit work as soon as possible, so their work is not completed on a month-to-month basis. Therefore, it is important that their contract be approved on an annual basis.

Normally a City will continue to work with an existing auditing firm for up to five years so that the auditing firm can review several aspects of the accounting detail each year and depending on the City's financial issues, audit results, evaluation of operating performance and review and testing of internal policies and procedures.

In February 2014, City staff contacted all of the City's professional service consultants and requested that they review their hourly rates and adjust them down to assist the City through its financial crisis. The Pun Group (formerly Pun & McGeedy) did agree to reduce their hourly rates by a blended 12%, provided that the City agreed to an additional two years of consulting services which was agreed to by the management staff.

Therefore staff is recommending that the City Council approve the execution of the Professional Services Agreement with The Pun Group for a term of one year effective August 5, 2014 with two additional one year terms with dollar amounts not to exceed the annual budget as approved in fiscal year 2014-2015 and 2015-2016. Each fiscal year the staff will bring back a Professional Services Agreement for the City Council to review and approve for transparency.

FISCAL IMPACT:

The Funding of \$75,600 is included in the 2014-2015 budgets for the audit of the financial year that just ended June 30, 2014. The audit will be charged as follows:

- Fund (001) General Fund Finance Dept – Contract Services - \$60,600.00
- Fund (211) Health & Wellness Center – Contract Services - \$15,000.00

EXHIBIT:

- 1) Professional Services Agreement By and Between the City of Desert Hot Springs and The Pun Group, Inc.