

REPORT TO THE CITY COUNCIL



DATE: February 7, 2017

TITLE: Short Form Purchase and Service Contract with The Pun Group, LLP for Professional Audit Services for the Desert Hot Springs Health and Wellness Foundation

Prepared by: Linda Kelly, Finance Manager

Reviewed by: Joseph M. Tanner, Administrative Services Director

RECOMMENDATION

Authorize the City Manager to execute the Short Form Purchase and Service Contract with The Pun Group, LLP for a total not-to-exceed \$10,200.00 to prepare the audited financial statement and the state and federal tax returns for the Desert Hot Springs Health and Wellness Foundation for the fiscal year ending June 30, 2017.

BACKGROUND

On June 19, 2014 the City Council approved the Professional Services Agreement with the Pun Group, Incorporated to perform the professional auditing services for the City for a term of one year with two additional one year terms.

The audit services to be performed 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 Returns

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

If not all work elements are completed in any given fiscal year the costs associated will not be charged to the City.

DISCUSSION

The Professional Services Agreement for The Pun Group, LLP was exhausted with the work they completed for the City and the Desert Hot Springs Health and Wellness Foundation for the year ending June 30, 2016.

The City is currently in the RFP process to solicit new bids to complete the above referenced auditing services for the City and the Successor Agency for fiscal years 2017 – 2020.

However, due to a timing issue with the Desert Hot Springs Health and Wellness Foundation, staff is recommending that The Pun Group complete that portion of the work within the time period as stated in the compliance documents of the New Market Tax Credit deal. If the work is not completed within the prescribed time the City and the Foundation will be in default with the lenders.

The DHS Health and Wellness Foundation draft tax returns are due August 31, 2017 and the final tax returns need to be completed by October 28, 2017. The audited financial statements draft needs to be completed by August 28, 2017 and the final needs to be completed by October 28, 2017.

The costs submitted by The Pun Group LLP totaled \$10,200.00, and they have confirmed that they will be able to complete the work within the time(s) prescribed above. Secondly, this firm has worked on this entity since the inception of the funding and has the historical knowledge and advantage over a new audit firm.

Going forward, the Desert Hot Springs Health and Wellness Foundation financial statements and tax returns will be completed by the audit firm that is selected as a part of the RFP process in March 2017.

FISCAL IMPACT

The funding of \$10,200 is included in the FY 2016-2017 budget under Fund 211.

EXHIBIT

- 1) Short Form Purchase and Service Contract with The Pun Group, Incorporated.