



NEWPORT BEACH

City Council Staff Report

July 23, 2024
Agenda Item No. 17

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: Jason Al-Imam, Finance Director/Treasurer - 949-644-3126,
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PREPARED BY: Jason Al-Imam, Finance Director/Treasurer

TITLE: Award of Contracts to Eide Bailly LLP and The Pun Group LLP for Internal Audit Services

ABSTRACT:

Earlier in the fiscal year, a Request for Proposals (RFP) was issued, which solicited proposals from qualified firms to provide a review of internal controls and on-call management consulting services in connection with the City of Newport Beach's internal audit program. Sixteen proposals were received. A three-person selection committee comprised of the finance director, revenue manager, and revenue auditor reviewed and scored the proposals, narrowing the list down to the two most qualified firms.

RECOMMENDATIONS:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
- b) Authorize the Mayor and City Clerk to sign a five-year professional services agreement for on-call internal audit services for an amount not-to-exceed \$750,000 with The Pun Group LLP; and
- c) Authorize the Mayor and City Clerk to sign a five-year professional services agreement for on-call internal audit services for an amount not-to-exceed \$750,000 with Eide Bailly LLP, who employs two former employees that have separated from the City within the past five years. City Council approval is requested pursuant to City Council Policy F-14 even though the former employees will not serve on the internal audit engagement.

DISCUSSION:

The Finance Department established an internal audit program in 2020 to help management maintain a comprehensive framework of internal controls. Internal audits are performed each year in connection with a recent internal control risk assessment.

The Finance Department issued a formal RFP, which solicited proposals from qualified firms to provide a review of internal controls and to provide on-call management consulting services in connection with the City's internal audit program.

The RFP was posted on the City's electronic bidding platform, PlanetBids. Sixteen proposals were received, which were evaluated by a panel that consisted of Finance Department staff. Proposals were submitted in two parts, including a written technical proposal and a separate cost proposal that outlined billing rates.

The proposals were evaluated by the panel based on the following criteria:

- Qualifications and experience of the proposer.
- Proposer's demonstrated experience and subject matter expertise in providing the requested services.
- Proposer's ability to deploy and provide services as requested in the scope of services.
- Proposer's work plan and methodology.

The results of the panel's technical analysis are reflected in the following table:

Proposer	Technical Score
Eide Bailly LLP	88.67
The Pun Group LLP	88.00
Crowe LLP	84.33
Macias Gini & O'Connell LLP	82.33
Vasquez & Company LLP	81.00
Moss Adams LLP	70.33
Baker Tilly US LLP	68.33
Sjoberg Evashenk Consulting, Inc.	64.67
BDO USA LLP	63.67
Weaver	63.00
Matrix Consulting Group	61.00
Plante & Moran PLLC	58.00
Deloitte	57.67
UHY Advisors Mid-Atlantic MD Inc.	57.33
BCA Watson Rice – Western Region LLP	56.33
Sotomayor & Associates LLP	54.67

The panel identified the two highest ranked proposers (Eide Bailly LLP and The Pun Group LLP) as the best suited for this project.

The Finance Committee annually reviews a list of possible topics for the upcoming year's internal audit program. The two selected firms will be provided with the annual list of internal audit topics and will be asked to submit a workplan and cost for each of the audits for staff to review. Staff will assign each topic to the firm demonstrating the most relevant experience and a reasonable proposed cost for the work.

Eide Bailly is a national certified public accounting firm that has been authorized to do business in California since 1997 and has more than 1,300 government clients nationwide. Internal audit services will be overseen by Bradford Rockabrand, partner, who has extensive experience in auditing municipalities.

The Pun Group is a certified public accounting firm with licenses in the States of California, Arizona, and Nevada and is a recognized leader in providing governmental audit services. Internal audit services will be overseen by Kenneth Pun, managing partner, who has extensive experience in auditing municipalities.

Section I of City Council Policy F-14 (*Contract Procurement and Authority to Contract*) requires City Council approval for professional services agreements with a business that employs a former employee that has separated within the past five years. Former Finance Director Scott Catlett separated two years ago and joined Eide Bailly in 2022. In addition, former Deputy Finance Director Michael Gomez separated four months ago and joined Eide Bailly in 2024. However, it should be noted that Mr. Catlett and Mr. Gomez will not serve on the engagement to provide internal audit services. Nonetheless, City Council approval is requested pursuant to City Council Policy F-14.

FISCAL IMPACT:

The annual budget includes \$150,000 of funding that is allocated each year for the internal audit program. Depending on the topics selected each fiscal year, actual costs may be less than this amount. Funds are budgeted in the Financial Administration – Professional Services account in the Finance Department – 01030005-811008. It is recommended that the value of each contract for Eide Bailly and The Pun Group be valued at \$750,000 in order to provide flexibility to utilize either firm over the course of the five-year period. However, it should be noted that the actual amount expended for both firms over the five-year period is not expected to exceed \$750,000 in the aggregate, which is consistent with the amount of funds that are expected to be budgeted over the five-year period.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

Attachment A – Professional Services Agreement with Eide Bailly LLP

Attachment B – Professional Services Agreement with The Pun Group LLP