

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

STAFF REPORT

ISSUE: Staff recommends that the Board of Directors (Board) authorize a two-year extension of the auditing services contract with CliftonLarsonAllen LLP (CLA) for the audit of the I-Bank's financial statements for the years ending June 30, 2022 and 2023.

BACKGROUND: IBank has issued from time-to-time revenue bonds including in December 2020, IBank issued ISRF Bonds, Series 2020A (Series 2020A Bonds) in the amount of \$324,340,000 to advance refund and defease all of the outstanding ISRF Revenue Bonds Series 2014A, Series 2015A, and Series 2016A., to provide funds for direct loans to municipalities with the Infrastructure State Revolving Fund (ISRF) Program. To remain in compliance with the continuing disclosure agreements entered into by IBank in conjunction with the issuance of the Series 2020A Bonds, IBank is required to provide annual audited financial statements to the ISRF Bonds trustees and to a nationally recognized municipal securities information repository so long as the ISRF Bonds remain outstanding. In addition, Government Code Section 63035 requires IBank to include a Comprehensive Annual Financial Report (CAFR) with its Annual Activity Report, which is due to the Legislature each November.

Through Resolution No. 19-16, CLA was appointed as the IBank's audit firm in 2019 to perform the audit of the IBank's financial statements for the three years ending June 30, 2019, 2020, and 2021. Prior to CLA, Macias, Gini & O'Connell LLP, served as the IBank's audit firm for five years. The I-Bank entered into a contract with CLA on August 29, 2019, for audit services for the three fiscal years mentioned above, with a contract expiration date of December 31, 2021. (See Attachment A—Staff Report for Audit Services, and Attachment B—Resolution No. 19-16, for a description the audit firm selection process and recommendation, and the Board approval of the selection of the CLA firm and contract authority.)

The I-Bank approved and adopted an Audit Procurement Policy in Resolution No. 07-12 that states, among other things, the contract with the selected independent auditor shall be for a term not to exceed five years. (See Attachment C—Resolution No. 07-12.)

Firm Qualifications and Experience. CLA was established on January 2, 2012, and continues the legacy of quality, service, and experience that Clifton Gunderson and Larson Allen has built for more than 60 years. CLA is a certified public accounting firm that has accountants licensed to practice accountancy in the State of California. CLA is a national professional services firm built around three entities - a public accounting and consulting firm, a wealth advisory firm and an outsourcing firm - highly integrated and seamless in the delivery of their services. CLA has one of the largest governmental audit and consulting practices in the country serving more than 4,100 governmental clients nationwide. Public sector clients represent approximately one-third of all firm-wide revenue. CLA employs more than 6,100 people, with more than 120 locations nationwide, and a global affiliation. CLA currently performs audit services for California Housing

Finance Agency (CalHFA), California State Water Resources Control Board and CalSavers Retirement Savings Program.

Satisfactory Service. The I-Bank staff has been satisfied with the service it has received from CLA during the current contract period. Their work was done in a professional manner and they completed the audits on time. This, in turn, allowed the I-Bank to meet its annual report filing and disclosure deadlines.

Audit Contract Extension Proposal. In May 2021, CLA submitted a written proposal for a two-year extension of its current contract for the preparation of the I-Bank's financial statement audit for the fiscal years ending June 30, 2022 and 2023. If the I-Bank Board approves an extension of the current contract, CLA has proposed the following fees to audit IBank's financial statements: \$50,985 for Fiscal Year 2021/22 and \$52,515 for Fiscal Year 2022/23.

Under the current contract, CLA's fees for performing the audit of the I-Bank's financial statements for the three fiscal years are as follows:

	Fiscal Year 2018/19	Fiscal Year 2019/20	Fiscal Year 2020/21	Total
Audit/Management Letter	\$40,000	\$48,500	\$49,500	\$138,000

Audit Contract Extension Justification. Staff has determined that it is advisable to extend the existing audit contract with CLA for the following reasons:

- CLA is already familiar with I-Bank's programs, processes and internal controls. Since a significant amount of staff time is needed to bring a new audit firm up to speed on the I-Bank, its programs, and accounting policy, procedures and records, staff believes it would be most efficient to continue with the firm as compared to hiring a new audit firm that is not familiar with the I-Bank's accounting processes and procedures.
- Entry by the I-Bank into the proposed two-year audit contract extension would result in a five-year contract with the same audit firm. A five year audit contract is consistent with the Government Finance Officer Association's recommended audit procurement best practices that state governmental entities should enter into multi-year agreements of at least five years in duration when obtaining the services of independent auditors. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year.
- This extension conforms the I-Bank approved and adopted an Audit Procurement Policy in Resolution No. 07-12 that states, among other things, the contract with the selected independent auditor shall be for a term not to exceed five years.

RECOMMENDATION: Staff recommends approval of Resolution 22-08 appointing CliftonLarsonAllen LLP to act as the I-Bank's auditor for fiscal years 2021-2022 and 2022-

2023, and authorizing the Chief Deputy Executive Director, in a manner consistent with this report, to execute an amendment of the contract with CliftonLarsonAllen LLP for auditing services to extend the contract term to June 30, 2024 and, accordingly, increase the contract authority for this contact.