



# Agenda Item

## Audit Advisory Committee

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**Item #:** 1.

2/5/2026

**File #:** 26-0060

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**TO:** Chair and Members of the Audit Advisory Committee

**FROM:** Trang Nguyen, Finance Director

### 1. SUBJECT

Agreement with LSL, LLP for Annual Financial Audit services for the City and the Successor Agency of the former Orange Redevelopment Agency for Fiscal Year 2025-2026 and 2026-2027 and an Agreed Upon Procedures for Payroll.

### 2. SUMMARY

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### 3. RECOMMENDED ACTION

Approve the agreement with LSL, LLP in the amount of \$171,740 for audit services and \$13,500 for an Agreed Upon Procedures for Payroll; and authorize the Mayor and City Clerk to execute on behalf of the City.

### 4. DISCUSSION AND BACKGROUND

The current agreement with LSL, LLP (LSL) expires upon completion of the Fiscal Year 2024-2025 audit. Per Government Code 12410.6(b), the City may retain LSL for an additional two years before issuing a new Request for Proposals (RFP), as the lead partner has served only four years which has not exceeded the six-year rotation limit. Staff are seeking authorization to exercise this option for the following reasons:

- Familiarity with City operations: LSL has extensive knowledge of the City's financial processes, and with the recent changes to the financial software, it is more cost-effective to retain a firm that is already familiar with the City's systems.
- Cost savings: The City currently receives a 20% discount from LSL's standard hourly rates.

The proposed extension covers audit services for Fiscal Years ending June 30, 2026, and June 30, 2027, at costs of \$84,600 and \$87,140, respectively. Actual annual costs may vary depending on the number of major programs included in the federally required Single Audit and whether the Optional Services for ACFR Preparation and Investment Portfolio are requested. Additional details on the scope of work and rates are provided in Attachment B.

In addition, to support the payroll system conversion and implementation, staff are requesting a one-time engagement for LSL to review the implementation of Memorandum of Understanding (MOU) provisions in the current payroll system. Details of the Agreed-Upon Procedures (AUP) are included in Attachment C. The cost for this engagement will not exceed \$13,500, bringing the total cost for Fiscal Years 2026-27 to a not-to-exceed amount of \$98,100.

The expense for this agreement is \$185,240 and will be funded through:

<b>Fund</b>	<b>FY26</b>	<b>FY27</b>	<b>Total</b>
General Fund	\$ 74,555	\$ 62,882	\$ 137,437
AQMD Fund	1,540	1,590	3,130
CDBG Fund	1,441	1,484	2,925
Home Fund	37	38	75
Asset Forfeiture	1,582	1,628	3,210
Redevelopment Agency	2,857	2,946	5,803
Water Fund	13,605	14,014	27,619
Sanitation Fund	2,483	2,558	5,041
<b>TOTAL</b>	<b>\$ 98,100</b>	<b>\$ 87,140</b>	<b>\$ 185,240</b>

This agreement is for 2 years totaling \$185,240. Annual payment will be requested in conjunction with the annual operating budget.

## 5. ATTACHMENTS

- Agreement with LSL, LLP
- Scope of Services
- Payroll Process Procedures