



**STAFF REPORT
HOLLISTER CITY COUNCIL
MEETING DATE: January 20, 2026
REPORT # Finance-2026-09**

AGENDA ITEM: A RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH A FINANCIAL AUDITING FIRM FOR ANNUAL AUDITS AND ACFR PREPARATION

DEPARTMENT: Administrative Services

DEPARTMENT HEAD: Jim Pia, Interim City Manager

STAFF CONTACT: Grizelle R. Gonzalez, Management Analyst

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to negotiate and execute a professional services agreement, consistent with the City's Purchasing Ordinance exception for financial auditing services, with a qualified financial auditing firm to complete the City's Annual Comprehensive Financial Report (ACFR) and required Single Audits, and to negotiate and execute amendments to the agreement up to \$20,000 subject to available budget appropriations.

DISCUSSION: The City of Hollister is required to complete annual independent financial audits, including preparation and audit of the Annual Comprehensive Financial Report (ACFR) and federally required Single Audits.

The City is required by state law, federal regulations, and generally accepted accounting principles to obtain an independent annual audit of its financial statements. These audits culminate in the issuance of the City's Annual Comprehensive Financial Report (ACFR). Additionally, when the City expends federal funds above established thresholds, a Single Audit is required in accordance with the Uniform Guidance.

Historically, the City has engaged external Certified Public Accounting (CPA) firms through professional services agreements to perform these audits. Due to staffing changes, audit complexity, and other factors, the City experienced delays in completing audits for recent fiscal years.

The City's most recent external auditing firm has advised that it cannot proceed with future audit engagements due to internal capacity limitations. Specifically, the firm cited review cycle constraints under a single engagement partner and the lack of availability of additional partners to absorb the level of effort required to complete multiple audits and catch the City up to current fiscal years. These constraints are unrelated to the City's financial condition or cooperation and are instead attributable to firm-wide workload and staffing limitations.

As a result, this circumstance necessitates engaging a new qualified auditing firm with sufficient capacity and experience and the City must prioritize engaging a qualified auditing firm capable of completing outstanding audits and supporting the City's efforts to return to a timely annual audit cycle.

The City's Purchasing Ordinance recognizes independent financial auditing services as

a professional service and provides an exception to the standard competitive procurement process for external auditors. This exception reflects the specialized nature of governmental auditing, the importance of auditor independence, and the limited number of firms qualified to perform municipal audits in accordance with applicable accounting and regulatory standards.

Due to audit delays in prior fiscal years and the need to restore the City to a current and sustainable audit cycle, staff recommends authorizing the City Manager to negotiate and execute a professional services agreement with a qualified auditing firm.

Providing this authority will allow staff to expeditiously engage audit services, establish realistic and robust audit timeline, address outstanding audits, and ensure compliance with federal, state, and regulatory requirements. The proposed authorization also allows for limited contract amendments of up to \$20,000 to address scope adjustments or unforeseen audit needs without requiring additional council action.

FISCAL IMPACT: The cost of the professional services agreement will depend on the final negotiated scope and term. Any contract amendments executed by the City Manager under this authority shall not exceed \$20,000 and must remain within available appropriations.

PREVIOUS COUNCIL OR COMMISSION ACTION:

CEQA: N/A

ATTACHMENTS:

1. Resolution