



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: March 4, 2025
SUBJECT: Approve Budget Adjustment and Purchase Order Increase for Hinderliter de Llamas & Associates Sales Tax Audit Invoice

Description Approval is needed to increase the budget and purchase order to pay sales tax audit invoice for Hinderliter de Llamas & Associates.

Background and Analysis:

On February 4, 2025, it was reported to the City Council through the mid-year budget report, that the City had received a one-time audit correction payment from a fulfillment center in the amount of \$6.2m. This audit was initiated by petition to the California Department of Tax and Fee Administration (CDTFA) by Hinderliter de Llamas & Associates (HDL) from a work order that was signed on April 7, 2022. The audit determined that a portion of local tax was misallocated to other jurisdictions and required redistribution resulting in a one-time payment to the City of Beaumont.

The City contracts with HDL to complete compliance audits, analysis and management support, revenue administration, and revenue forecasting for sales and property tax. As a part of HDL's agreement (Attachment D), any recovery received from the outcome of HDL's audits will incur a 15% fee payable to HDL. The City has received an invoice from HDL for the CDTFA audit recovery along with a group of other recoveries received for a total recovery of \$6,400,771 with 15% (\$960,115.60) fee to HDL. The contract with HDL is from 1998 and is currently being reviewed with the vendor and staff to bring to current terms. HDL is the primary vendor in this space who provides excellent customer service and reporting for the City.

Fiscal Impact:

The one-time recovery received for sales tax is more than enough to offset the cost of the invoice. A budget amendment to increase the sales tax revenue to offset the expenditure will be an increase in both revenue and expenditure to the General Fund in the amount of \$960,115.60.

The estimated cost to prepare this report is \$195.

Recommended Action:

Approve budget amendment increasing sales tax revenue by \$960,115 and Finance Department Contractual Services by \$960,115.60; and,

Approve a purchase order change request in the amount of \$960,115.60.

Attachments:

- A. Budget Amendment
- B. HDL Companies Invoice No SIN046802
- C. PO Change Order
- D. HDL Services Agreement