

COUNCIL ACTION FORM

SUBJECT: AUDITING SERVICES CONTRACT

BACKGROUND:

EideBailly, LLP, has provided audit services for the City of Ames since 2003. The current contract has expired and City staff is recommending a two-year extension. Audit fees quoted are \$60,500 for the June 30, 2011 audit and \$63,000 for the June 30, 2012 audit. An additional \$2,300 to \$4,800 in audit fees to cover the American Recovery and Reinvestment Act audit requirements is also anticipated. Further, the June 30, 2011, audit is expected to cost \$1,400 more for auditing the final reporting of the Section 8 voucher program.

Deloitte and Touche performed audit services prior to 2003. Their fee for the 2002 audit was \$61,415, plus an additional charge for GASB 34 work. Based on fees paid in the past, pricing from past requests for proposal (RFP), and a review of fees paid by similar cities, the fees quoted by EideBailly are very competitive.

Extension of the audit contract with EideBailly, LLP, will require waiver of the purchasing policy for requests for proposal.

The City employee with primary responsibility for financial reporting and the audit process has given notice of intent to retire after the June 30, 2011, audit and prior to the June 30, 2012, audit. Under the audit contract extension recommendation, the new employee would have one year with the current auditor which will allow time to review and make recommendations for adjustments and development of a request for proposal for audit services beyond 2012.

Recommended best practices for audit services provided by the Government Finance Officers Association include a minimum five-year engagement for audit services with no recommendation for mandatory auditor rotation. Longer term agreements help maintain continuity in the audit process and hold down fees due to significant costs involved in the first years of a new audit relationship.

Background information on EideBailly, LLP, is attached below.

ALTERNATIVES:

1. Waive the purchasing policy for requests for proposal for professional services and approve a two-year agreement with EideBailly, LLP, to provide audit services for the City of Ames.
2. Deny the waiver of the purchasing policy and approval of a two-year agreement for audit services with EideBailly, LLP, and refer back to staff.

MANAGER'S RECOMMENDED ACTION:

There is a limited availability of qualified firms providing audit services, and the City has already received a favorable quote from a highly qualified accounting firm. With the expected turnover of key personnel in the Finance Department, it would be advantageous to continue with EideBailly, LLP, for these services.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby waiving the purchasing policy for requests for proposal for professional services and approving a two-year agreement with EideBailly, LLP, to provide audit services for the City.

Background on EideBailly, LLP

EideBailly LLP is the 24th largest public accounting firm in the United States with offices in Dubuque, Iowa; Phoenix, Arizona; Boise, Idaho; Oklahoma City and Tulsa, Oklahoma; Mankato, and Minneapolis, Minnesota; Sioux Falls and Aberdeen, South Dakota; Billings, Montana; and Fargo and Bismarck, North Dakota. They have 160 partners and over 1,100 professional and support personnel. Of this total, approximately 75 have experience in governmental auditing.

The firm's program for continuing professional education includes a requirement that all professional staff obtain education that exceeds the requirements of the AICPA and, where applicable, Government Auditing Standards.

The Dubuque office will provide services for the City of Ames audit and currently has four partners, five senior managers and managers, 13 senior associates and associates, and seven paraprofessional and clerical staff. There are 17 CPAs on the staff. Of the 22 professional staff, seven are experienced in governmental auditing, with years of experience ranging from one year to 23 years.

Similar engagements with other government entities in Iowa include:

City of Dubuque, Iowa (population 57,500)
City of Davenport, Iowa (population 100,000+)
City of Burlington, Iowa (population 29,000)
City of Iowa City, Iowa (population 62,000)
City of Marshalltown, Iowa (population 26,000)
City of Muscatine, Iowa (population 22,000)
City of Cedar Falls, Iowa (population 35,000)
City of Urbandale (population 36,000)
Linn County
Benton County
Dubuque County
Louisa County