

COUNCIL ACTION FORM

SUBJECT: AWARD OF CONTRACT FOR PROFESSIONAL AUDITING SERVICES

BACKGROUND:

Each year, the City's financial statements are reviewed by an independent auditor. The auditor's report, along with other financial and statistical information, are presented in the City's Annual Comprehensive Financial Report (ACFR).

In 2018, the City issued a Request For Proposals (RFP) and awarded a contract to Eide Bailly, LLP for professional auditing services for the fiscal year ending June 30, 2018, with an option to extend the contract for each of the four subsequent fiscal years. **The fiscal year ending June 30, 2022 is the fourth and final potential renewal under that contract.**

Eide Bailly, LLP has provided financial audit services for the City since the fiscal year ended June 30, 2003. Best practices for audit services provided by the Government Finance Officers Association (GFOA) recommend that governmental entities enter into multi-year agreements of at least five years in duration, which allows for greater continuity and helps to minimize the potential for disruption in connection with the independent audit. Multi-year agreements also help auditors spread start-up costs over several years rather than over a single year. GFOA also states that although it would be ideal to replace the independent auditor at the end of each audit agreement, the lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive.

In awarding the initial contract in 2018, the selected firm had to meet four mandatory elements:

1. Independent and licensed to practice in Iowa;
2. No conflict of interest with the City;
3. Adherence to the instructions for preparation of the proposal; and
4. Submittal of an acceptable copy of its last external quality control review report and the firm has a record of quality audit work.

City personnel have been satisfied with the work Eide Bailly LLP has performed for the City for the past 15 years. Eide Bailly LLP staff is knowledgeable and meets all agreed-upon deadlines. The Dubuque office of Eide Bailly LLP that will be responsible for the

City's audit performs audits of several local governments in Iowa. A majority of their audits are "Single Audits", which is required of cities who receive federal funding. In addition, most of their city clients receive the GFOA Certificate of Achievement for Excellence in Financial Reporting. Firm-wide, Eide Bailly LLP has approximately 200 full-time professionals who devote their time to governmental engagements and share knowledge across the firm.

The fee for the completion of the audit of four major funds is \$61,800. The adopted Accounting and Reporting budget for FY 2022/23 includes \$62,000 for the completion of the audit.

ALTERNATIVES:

1. Approve the engagement letter with Eide Bailly LLP to complete the audit of the City's financial statements for the year ended June 30, 2022, in the amount of \$61,800.
2. Do not approve the engagement letter with Eide Bailly, and direct staff to seek alternative firms to audit the City's FY 2021/22 financial statements.

CITY MANAGER'S RECOMMENDED ACTION:

Eide Bailly LLP is highly qualified in auditing comparable cities in Iowa and has offered a favorable proposal for the audit of the City's financial statements. The City has been satisfied with the performance of Eide Bailly LLP and believes it will continue to perform to meet the standards of the City.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.