ITEM #:	**27**
DATE:	**04-14-26**
DEPT:	**FIN**

COUNCIL ACTION FORM

SUBJECT: AWARD OF CONTRACT FOR PROFESSIONAL AUDITING SERVICES

BACKGROUND:

Following the close of each fiscal year, the City's financial statements are audited and an annual comprehensive financial report (ACFR) is published. Eide Bailly, LLP has provided financial audit services for the City since the fiscal year ended June 30, 2003. The City entered into a one-year agreement with Eide Bailly, LLP on June 27, 2023, to complete the audit for FY 2022/23, with the option of auditing the financial statements for each of the four subsequent fiscal years.

Following the successful issuance of the ACFR over the past many years, staff is seeking approval to exercise the Year 4 option and enter into an agreement with Eide Bailly, LLP for auditing services for the FY 2025/26 ACFR with a contracted cost $86,000.

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 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.

The following is the schedule of fees for auditing services throughout the duration of the agreement, should the City choose to exercise all options.

Year 1	$70,000
Year 2	$75,000
Year 3	$80,000
Year 4	**$86,000**
Year 5	$92,000
Total Cost	$403,000

Eide Bailly, LLP was initially selected based on the following qualifications:

1. The office of Eide Bailly, LLP, which will be responsible for the City's audit (Dubuque), currently performs audits of over 20 Iowa government entities, including six of the largest 16 cities in the state. Of these, 14 are subject to Uniform Guidance, and eight prepare Annual Comprehensive Financial Reports.

2. Eide Bailly, LLP currently audits at least seven Iowa cities/counties that receive the GFOA Certificate of Achievement for Excellence in Financial Reporting. In addition, the engagement partner and manager assigned to the City's audit are members of the GFOA Special Review Committee, which is a group of individuals with public sector

experience who evaluate ACFRs submitted for the GFOA Certificate of Achievement for Excellence in Financial Reporting.

3. City personnel have been satisfied with the work Eide Bailly, LLP has performed for the City for the past 21 years. Eide Bailly, LLP staff is knowledgeable and meets all agreed-upon deadlines. The staff retention rate at Eide Bailly, LLP is high in relation to other public accounting firms, resulting in continuity of staff assigned to the audit. This is important for the efficiency of the audit.

City staff also considered the issue of auditor rotation since there has been much discussion over the past several years among accounting and investment professionals regarding the value of auditor rotation, especially for audits of publicly traded companies. The Sarbanes-Oxley Act of 2002 (SOX) required that the U.S. General Accounting Office (GAO) conduct a study of the potential effects of mandatory auditor rotation for publicly- traded companies. **The GAO concluded that mandatory auditor rotation may not be the most efficient way to strengthen auditor independence and improve audit quality. Thus, auditor rotation is not required. As an alternative, Eide Bailly, LLP has changed audit partners that perform final reviews, allowing for a fresh perspective.**

The Accounting budget for FY 2026/27 contains $86,000 for Outside Professional Services.

ALTERNATIVES:

1. Approve the agreement with Eide Bailly, LLP, Dubuque, IA, to professionally audit the City's financial statements for the fiscal year ending June 30, 2026.

2. Direct staff to seek proposals for auditing services from other companies.

3. Reject all proposals and refer back to the City staff.

CITY MANAGER'S RECOMMENDED ACTION:

In June 2023, City staff performed a thorough evaluation of qualified accounting firms to provide professional auditing services for the City. Eide Bailly, LLP is highly qualified in auditing comparable cities in Iowa and has provided a favorable proposal. 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. Additionally, should the City seek additional proposals, staff believes current market conditions will result in an increased cost of services. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, as described above.