

City Council Agenda Memo

From: Ashley Rentsch, Deputy Finance Manager

Council Meeting: September 28, 2021

Subject: Audit Services Agreement between the City of Brookings, South Dakota and Eide Bailly LLP

Person(s) Responsible: Erick Rangel, Chief Financial Officer; Ashley Rentsch, Deputy Finance Manager

Summary:

This Resolution authorizes the execution of the engagement letter between the City of Brookings and Eide Bailly LLP to provide annual independent financial audit services for the City of Brookings for years 2021, 2022, and 2023. The estimated annual cost is expected between \$54,500-\$58,900 for the audit.

Background:

The City requested formal proposals from qualified firms to provide annual independent financial audit services for the City of Brookings in July this year. A Selection Committee comprised of City, Brookings Municipal Utilities, and Brookings Health System employees reviewed, analyzed and compared the five proposals received. The analysis included evaluating the proposed audit approach, alignment with City's mission and vision, capacity to meet the City's complex needs, proactive and innovative solutions for the future, and cost of service.

Eide Bailly's proposal proved to be superior in most of these areas. Thus, the Selection Committee unanimously voted for Eide Bailly to provide these services. The committee, as well as the City Manager, recommends awarding the contract to Eide Bailly LLP.

Item Details:

When compared to the other proposals received, Eide Bailly's would provide the same level of high quality service we have experienced in the past, with the added advantage of efficiency and cost savings, as the City, Brookings Municipal Utilities, and Brookings Health System will be audited by the same firm.

Other key aspects of Eide Bailly's proposal are highlighted below

1. Eide Bailly identified \$10,000 annually in cost savings split equally between the City, Brookings Municipal Utilities, and Brookings Health System due to efficiencies associated with having all three entities audited under the same firm.
2. There is a \$7,200 additional savings over the next three years for the City with this contract, when compared to renewing with our current audit firm (BKD).

3. Eide Bailly is currently working in partnership with other audit firms to continuously improve their audit approach and add more innovative methods and automation to their process.
4. Eide Bailly will assist the City with implementing the new GASB 87 accounting standard for recognizing leases.
5. Eide Bailly has discussed communication plans for the transition and audit processes, as well as provided a sample executive summary report that will be presented to the City Council at the conclusion of the audit each year.

Legal Consideration:

The City will enter into audit engagements with Eide Bailly for years 2021, 2022, and 2023, with an option to extend the term for an additional three (3) years.

Strategic Plan Consideration:

This Resolution supports Fiscal Responsibility by ensuring the City has secured a competent firm to conduct independent annual financial audits and issue annual comprehensive financial reports in accordance with state laws and generally accepted accounting principles.

Financial Consideration:

Eide Bailly's proposal will save \$10,000 annually across the City, Brookings Municipal Utilities, and Brookings Health System due to increased audit process efficiency in addition to \$7,200 over the next three years in savings when compared to our current audit firm. The estimated annual cost is expected between \$54,500 - \$58,900.

Options and Recommendation:

The City Council has the following options:

1. Approve as presented
2. Deny
3. Move the item to a work session
4. Do nothing

Staff recommends approval of the resolution as presented.

Supporting Documentation:

Memo

Resolution

Audit Engagement Letter

GASB 87 Engagement Letter

Presentation