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To: Mayor & Council

From: Cindy Kudrna, Finance Director

Date: March 10, 2017

Re: Appoint Auditor for Fiscal Year 2017, 2018, and 2019

Attached is a spreadsheet that summarizes the bids that were received in response to the Request for Proposals (RFP) for Audit Services. There are several things that should be noted in regards to said proposals:

- Eight (8) RFP's were distributed with one (1) responding
- RFP's included a one (1) year and a three (3) year scope of service
- A Single Audit is required when the City receives/spends more than $500,000 in Federal Grant money in any fiscal year. Since this may, or may not, be required during the scope of service, the bids are quoted in the 2nd and 3rd fiscal year with, and without, the Single Audit.
- *State law requires Auditor's to charge a minimum of actual cost for government audits; therefore, these bids are estimates and should not be considered on a "not to exceed" basis.*

Since the State Auditor's Office has performed the last sixteen (16) Fiscal Year audits for the City of Hiawatha, I feel they are in the best position to estimate required hours and cost. In addition, it is much more time consuming for both the Auditors and City staff when there is an audit service change. Therefore, I'm concerned that both the independent auditing firms have underestimated the time requirement and thereby the cost.

When all factors are considered, I believe it is in the best interest of the City to continue contracting for audit services with the Auditor of State. They have always done a thorough audit and conducted themselves in a professional manner.

I request that the Council consider a resolution to appoint the Auditor of State to conduct the Fiscal Year 2017, 2018 and 2019 audits and to direct the execution of the agreement to accept the estimate.

If the resolution is approved, I will contact the Auditor to schedule the audit at a mutually agreeable and beneficial time. Thank you for your consideration of this matter.

PROPOSAL TO PROVIDE AUDIT SERVICES
FOR THE CITY OF HIAWATHA, IOWA

Company:	Office of Auditor of State	Contact:	Andy Nielsen, CPA
Address:	321 E 12th Street	Phone #:	515-281-5834
	2nd Floor	Fax #:	515-281-6518
	Des Moines, Iowa	e-mail:	Andy.nielsen@auditor.state.ia.us

Auditor's hourly rates range from: $ 51.50 per hour to $ 96.50 per hour.

	City of Hiawatha	Water Department
Estimated hours	185	85
Estimated fee	$ 11,200	$ 5,000
Additional estimated fee for a Single Audit	$ 1,750	
Optional: Annual Financial Report Completion on required state forms	$ 600	

The following proposals contain all pricing information relative to performing the audit. The total estimated fees are the costs expected. The City of Hiawatha and the Water Department will be promptly informed if costs are anticipated to exceed the estimated fees.

The City of Hiawatha and the Water Department will be billed for actual audit expenses. An invoice stating the number of hours, reimbursement rate and actual expenses will be submitted for payment to the City of Hiawatha and the Water Department upon satisfactory completion of the audit. Payment will be made within 30 days of receipt invoice.

It is our understanding that the audit must be conducted in accordance with United States generally accepted auditing standards, Chapter 11 of the Code of Iowa, *Government Auditing Standards* issued by the Comptroller General of the United States, and all applicable Federal and State requirements.

The audit fieldwork will be completed by September 15th of each year. An exit conference will be held at the end of our fieldwork with the City Clark, the Mayor, City Administrator, and the Finance Director. A sufficient quantity of bound copies of the audit will be available for distribution by November 1st of each year.

Fiscal Year 2017, 2018 & 2019 Proposal	City of Hiawatha	Water Department
Total Estimated fees FY17	$ 11,200*	$ 5,000*
"Not-to-Exceed" Total FY17	$ 12,950* with Single Audit	$ 5,000*
Option: Annual Financial Report	$ 600	
Total Estimated fees FY18	$ 11,500*	$ 5,150*
"Not-to-Exceed" Total FY18	$ 13,250* with Single Audit	$ 5,150*
Option: Annual Financial Report	$ 600	
Total Estimated fees FY19	$ 11,800*	$ 5,300*
"Not-to-Exceed" Total FY19	$ 13,550* with Single Audit	$ 5,300*
Option: Annual Financial Report	$ 600	

*These estimates do not include the required filing fee of $625 for the City of Hiawatha and $175 for the Hiawatha Waterworks as provided for under Iowa Code section 11.5, subsection 10.

A Letter of Transmittal is included with this proposal. The Letter of Transmittal includes:

- A brief outline of our understanding of the scope of services to be performed
- Firms' and/or individuals' qualifications to perform government audits
- Recent experience in similar types of audits
- General information regarding the firm and/or individuals to perform audit

We understand that the City of Hiawatha reserves the right to reject any or all proposals.

Submitted by:

Andrew E. Nelson

Deputy Auditor of State

3/2/17

Date

DRAFT

RESOLUTION NO. 17-
City Council

RESOLUTION AUTHORIZING CONTRACT FOR AUDITING SERVICES FOR FY 2017-2019

WHEREAS, the City's current Auditing Services Contract with the Auditor of State expired after the FY 2016 audit, and

WHEREAS, the Finance Director sent out RFP's to eight (8) auditing firms with one (1) proposal being received as outlined below:

Fiscal Year 2017, 2018 & 2019 Proposal	City of Hiawatha	Water Department
Total Estimated fees FY17	$ 11,200*	$ 5,000*
"Not-to-Exceed" Total FY17	$ 12,950* with Single Audit	$ 5,000*
Option: Annual Financial Report	$ 600	
Total Estimated fees FY18	$ 11,500*	$ 5,150*
"Not-to-Exceed" Total FY18	$ 13,250* with Single Audit	$ 5,150*
Option: Annual Financial Report	$ 600	
Total Estimated fees FY19	$ 11,800*	$ 5,300*
"Not-to-Exceed" Total FY19	$ 13,550* with Single Audit	$ 5,300*
Option: Annual Financial Report	$ 600	

*These estimates do not include the required filing fee of $625 for the City of Hiawatha and $175 for the Hiawatha Waterworks as provided for under Iowa Code section 11.5, subsection 10.

, and

WHEREAS, the Finance Director has reviewed and recommends Council approval awarding the contract for FY 2017-2019 auditing services to the State Auditor's Office because they have performed thorough audits for the City for many years, have the best ability to estimate required hours of service and cost, and are the lowest, responsible responsive proposal, and

WHEREAS, the City Council deems it necessary to contract with an auditing service that will best benefit the needs of the City, and

WHEREAS, funding is available in the General Fund, and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HIAWATHA, IOWA, to contract for annual auditing services for FY 2017-2019, at a total cost not to exceed $12,950 for FY 2017, $13,250 for FY 2018 and $13,550 for FY 2019, with the Auditor of State of Des Moines, IA using available funding in the General Fund and to further authorize the execution of agreement accepting the cost estimate.

DRAFT

AYES:
NAYS:
ABSENT:

PASSED AND APPROVED this 15th day of March, 2017.

_____
Bill Bennett, Mayor

ATTEST:

_____
Kari Graber, Deputy Clerk