



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 11/21/2023
Agenda Section: Consent Agenda

Department Origination: Finance

Agenda Item: Approve the 2023-2025 Audit Engagement with BerganKDV and Authorize Staff to Execute the Respective Engagement Letters

Approval Required: Simple Majority Vote

BACKGROUND

Requests for audit proposals (RFP's) for the city's annual financial audits recently were solicited. The RFP is for an initial three-year period of the city's 2023-2025 fiscal years with the option to extend the agreement an additional three subsequent fiscal years. The RFP covers the financial statement audits, assistance with the related Annual Comprehensive Financial Report (ACFR), and potential single audits during the period, if required.

The RFP was sent to three qualified audit firms, including BerganKDV, the city's current firm. Proposals were received from two firms, Abdo and BerganKDV. Finance staff conducted an initial interview with both firms. Qualifications for both firms and their audit teams were comparable. The primary difference was BerganKDV's lower quote, as illustrated in the "Financial Implications" section below.

BerganKDV, with Minnesota offices in St. Cloud and the Twin Cities, has extensive experience working with similar local governments, including the City of Baxter during the past six years. Finance staff conducted a follow-up interview with BerganKDV. Similar to prior engagements, Finance staff prepares and assembles audit schedules and other information throughout the year in the auditors' prescribed formats. Upon approval, the auditors will commence the initial background work shortly in advance of next April's anticipated scheduled fieldwork.

FINANCIAL IMPLICATIONS

Funding for the audit is included in the 2024 Budget. The RFP results are summarized in the table below. The 2024 financial statement audit and related ACFR assistance quote is \$42,900 from BerganKDV and \$45,100 from Abdo, excluding the separate single audit component. BerganKDV's quote is \$2,200 lower for the year. Last year's cost was \$41,500. Over the three-year period, the BerganKDV financial statement audits are quoted at \$136,850 versus Abdo's \$142,300 quote.

BerganKDV			Abdo		
Year	Financial Statement Audit & ACFR	Single Audit (if applicable)	Year	Financial Statement Audit & ACFR	Single Audit (if applicable)
2023	\$ 42,900	\$ 6,500	2023	\$ 45,100	\$ 5,000
2024	45,700	6,500	2024	47,400	5,250
2025	48,250	6,500	2025	49,800	5,500
\$ 136,850			\$ 142,300		

\$ 41,500 2023 Cost

Neither firm proposed to charge for out-of-pocket expenses

If necessary, the annual cost of a single audit with BerganKDV is \$5,000 to \$6,500 per major program, depending upon the complexity of the program being audited. The financial statement audit and ACFR assistance savings for the three-year period is \$5,450 by continuing to utilize BerganKDV.

STAFF RECOMMENDATIONS

Based upon the results of the RFP, Finance Director Vacinek recommends approving an audit engagement with BerganKDV for the City's 2023-2025 audits and authorizing staff to execute the respective engagement letters. Assistant Finance Director Brooks and Finance Director Vacinek are confident BerganKDV will continue to execute the annual audit in a professional and timely manner.

COUNCIL ACTION REQUESTED

Motion to approve the 2023-2025 audit engagement with BerganKDV for the city's audit and authorize staff to execute the respective engagement letters.