



REQUEST FOR COUNCIL ACTION

Title: Request for Council Action – 2020-21 Audit Contract

Preferred Agenda: July 13, 2021

Submitted By: Brandon Neish, Finance Director

Reviewed By: Ray Towry, City Manager

Type of Action: Resolution ____ Motion ____ Roll Call ____ Other X

Relevant Code/Policy: ORS 297.425
SH Financial Policy Section IX

Towards Council Goal: Goal 2.4: Develop transparency in all communication
Goal 2.5: Continue to implement strong financial “best” practices

Attachments: Grove, Mueller & Swank, P.C. Contract

Purpose of this RCA:

To enter into contract with Grove, Mueller & Swank, P.C. for a base amount not to exceed \$40,000 for audit services for the 2020-2021 fiscal year as required by state law.

Background/Context:

The City has contracted with Grove, Mueller & Swank for auditing services since 2001. GMS was selected as the City’s auditors during a Request for Proposal process last completed in 2001. The contract to audit the City’s 2019-2020 fiscal year was \$34,000. As stated in the contract, Grove, Mueller & Swank have agreed to audit the City’s 2020-2021 records and perform the necessary testing required under state law and according to Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB). Upon completion of the audit, the Auditors will deliver to the City a report outlining the qualitative aspects of the City’s significant accounting practices, any difficulties encountered during the audit, disagreements with Management (the City), significant issues arising from the audit and additional items.

The Challenge/Problem:

Should City Council enter into a contract to continue auditing services with Grove, Mueller & Swank, P.C.?

Stakeholders:

- State of Oregon – State law requires annual audits of municipalities by a third-party auditor.
- City of Sweet Home citizens – Citizens want to know that the City is operating efficiently and within legal confines. Additionally, citizens paying taxes and fees want to know those funds

are being spent appropriately. The audit ensures transparency of the City's financial processes and records.

- City of Sweet Home City Council – Council is ultimately responsible for the overall direction of the city government which includes financial records. Audits ensure those records are in good standing and highlight potential areas for change or growth.
- City of Sweet Home staff – The audit highlights how staff spent money during the year and recommends changes to processes and procedures designed to protect from misuse of government funds. The audit also demonstrates whether departments worked within their budgets for the fiscal year.

Issues and Financial Impacts:

\$41,200 has been budgeted for auditing services in the 2021-2022 operating budget.

Elements of a Stable Solution:

Continue to comply with state law which necessitates an annual audit to be completed for the fiscal year ending June 30, 2020.

Options:

1. Do Nothing – Under state law, this is not a viable option.
2. Move to approve the contract with Grove, Mueller & Swank, P.C.
3. Direct staff to find another auditing service – The Council could direct the Finance Department to complete a Request for Proposals for auditing services that would better fit the needs of the community and the Council.

Recommendation:

Staff recommends option 2, move to approve the contract with Grove, Mueller & Swank, P.C. GMS has been auditing the City's financials for many years and is familiar with our practices and financial records/systems. City staff and the Council have been pleased with past work completed by GMS and the auditors have always been frank and honest with the City related to its financial health and reports. Additionally, while possible to find another audit service, the time required to locate and sign another firm could put the City in jeopardy of not completing its audit requirements timely. Should the Council so wish to find another firm, staff would recommend approving the current contract and direct staff to begin the search for another firm to audit the 2021-2022 financials.