

## *Memorandum #10-21*

**To:** City Commission  
**From:** Finance Officer  
**Date:** 2/2/2010  
**Subject:** Memorandum Proposing a Three Year Audit Agreement for the City of Yankton's Annual Audits

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Attached to this memorandum is the Request for Proposals that was sent to local auditing firms in late December of 2009. We received responses only from Wohlenberg Ritzman & Co, and Williams & Co. Pasted below is the cost comparison between the two firms. Wohlenberg is slightly less the first year and Williams is slightly less the second and third year. The overall average shows Williams to be less. Williams and Co. has been compiling our annual audit for a number of years and the City and the finance staff have been very satisfied with the results and the actual Comprehensive Annual Financial Report that is generated by them.

		Williams & Co.	Wohlenberg Ritzman & Co.
2009	Basic Audit	\$65.00	\$64.00
	Add. Federal Funding	\$91.00	\$90.00
2010	Basic Audit	\$66.00	\$67.00
	Add. Federal Funding	\$92.00	\$93.00
2011	Basic Audit	\$67.00	\$70.00
	Add. Federal Funding	\$95.00	\$96.00
3-Year Avg.	Basic Audit	\$66.00	\$67.00
	Add. Federal Funding	\$92.67	\$93.00

Once a firm is tentatively approved by the City Commission, the recommendation has to be forwarded to the South Dakota Department of Legislative Audit for their concurrence.

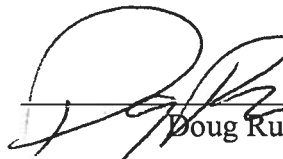
It is recommended that the City Commission approve an engagement letter with Williams and Company, authorize the Mayor to sign said letter and direct staff to send to the Department of Legislative Audit for their approval.

Thank you,



Al Viereck  
Finance Officer

I concur with the above recommendation  
 I do not concur with the above recommendation



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Doug Russell, City Manager



# City of Yankton

410-416 Walnut  
P.O. Box 176  
Yankton, South Dakota 57078-0176  
Phone (605) 668-5200

## REQUEST FOR PROPOSALS TO PROVIDE AN AUDIT OF THE CITY OF YANKTON

For the Years Ending December 31, 2009, 2010, and 2011

(a) Name of Contracting Party

You should address your proposal to the following:

Al Viereck, Finance Officer  
P.O. Box 176  
City of Yankton, South Dakota 57078

Inquiries concerning your proposal should be directed to Al Viereck at (605)668-5240.

(b) Audit Schedule

1. A written proposal is due at the address above on or before the close of business Wednesday, January 27, 5:00 p.m. A fax proposal will be accepted, but must be received by the deadline to be considered.
2. After a review of the proposals, the Board of City Commissioners will make the award at the February 8<sup>th</sup>, 2010 City Commission meeting.
3. The award will be made for three (3) annual audits, commencing with the year ending December 31, 2009. The award will be made contingent upon the approval of the Department of Legislative Audit for each of the three years.
4. The selected auditor will begin work in March 2010 for the 2009 audit. The 2010 and 2011 year end audits will begin in the early spring of 2011 and 2012 as designated by the Finance Office and the work must be completed and the Auditor's opinions available to be included in the City's Comprehensive Annual Financial Report (CAFR) by April 30th. The Auditor's report will be incorporated as a part of the City's CAFR to be issued no later than June 30th each year for the three year period.



(c) Scope of Audit

1. The audits shall be of the City of Yankton for each of the three years ending December 31, 2009, 2010 and 2011, including all activities as applicable under Governmental Accounting and Financial Reporting Standards, and in accordance with guidelines of the Auditor General. (Copy of the 2008 CAFR of the City of Yankton is attached for information relating to funds and account groups of the City).
2. Single Organization-wide audit required by the Single Audit Act Amendments of 1996, incorporating general accepted government auditing standards; and the provisions of OMB's Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations".
3. The auditor will assist the Finance Officer by providing Consultation on technical matters requested in furtherance of attaining the Government Finance Officer's Association Certificate of Excellence in Financial Reporting.
4. The main audit preparation by the accepted firm will consist of an approximate two week visit to the City of Yankton finance office to gather and review all of the City's financial records. The accepted firm and the City of Yankton finance office will then assess how much more on site work will be required and how much can be accomplished via e-mail and phone communication.

(d) Audit Objectives

1. The examination shall be made of the government-wide financial statements, government funds financial statements, proprietary funds financial statements, fiduciary funds financial statements, notes to the financial statements, statistical information, and any supplemental schedules of the City. The Auditor shall express an opinion on the Basic Financial Statements of the City. If unable to express an unqualified opinion, the Auditor shall state in writing the reasons for qualification in advance of issuing the final report. The Auditor shall also issue reports on the Schedule of Federal Financial Assistance, internal control, and compliance as required for federal programs. The auditor will also review the Management's discussion and analysis and assist with any recommendations to change any language thereof.
2. The City will supply information and the auditor will help prepare government-wide financial statements, government funds financial statements, proprietary funds financial statements, fiduciary funds financial statements, notes to the financial statements, statistical information, and any supplemental schedules of the City in accordance with GASB Statements and Interpretations as required for a Comprehensive Annual Financial Report. The City will also supply additional financial and statistical information, not subject to examination by the Auditor, but necessary to substantially conform to the principles and standards of public

financial reporting prescribed by the National Committee on Governmental Accounting.

3. The City will furnish typed copies of all financial statements, notes to the financial statements, and statistical tables for use by the Auditor in preparing said audit report. The City will also furnish working papers of all financial statements for the Auditor's use in preparing adjusting entries, if any. The City acknowledges the responsibility of management for the reliability, accuracy & completeness of all financial presentations. The City shall provide space deemed adequate by the Auditor to efficiently conduct the initial two week examination.
4. The City will perform all clerical support tasks required to produce the final Comprehensive Annual Financial Report, including reproduction of the required copies of the report.
5. The Auditor shall review the audit program with the City, identifying the records to be audited and procedures to be followed.
6. The auditor shall observe the adequacy of the system of internal control. If weaknesses are noted, appropriate recommendations should first be reviewed with the appropriate public official and then included in a separate letter to the legislative body.
7. The City authorizes the Auditor to disclose immediately any findings of suspected fraud or embezzlement to the appropriate law enforcement agency.
8. The auditor will also assist the City in compiling, recording, and presenting the City's infrastructure assets in accordance with GASB Statement 34.

(e) Audit Report Review and Processing

1. The Auditor shall provide a copy of a draft of the audit report to the Department of Legislative Audit prior to approval of the completed report. The Auditor shall provide the Department of Legislative Audit access to the audit working papers for review purposes.
2. The Auditor's Comments (management letter), if any, are required to be included as a part of the final report.
3. The City's response to the audit report must be included in the report should the City desire to respond.
4. A presentation of the report shall be made to the Mayor and City Commission during a meeting of the respective governing body as scheduled by the Auditor and the Finance Officer.

(f) **Qualifications and Information Requests**

The Independent Public Accountant hired to perform the audit is required to be registered with the South Dakota Board of Accountancy and must be a Certified Public Accountant.

**Audit Staff Technical Qualifications:**

- (a) List the qualifications of the senior person and person(s) who will be assigned to the audit, including education, experience in governmental auditing, and what percentage of time the senior person will be on-site.
- (b) Describe experience of assigned individuals in auditing relevant particular government programs, activities, or functions (e.g., utilities, solid waste, airport, federal grants).

**Audit Organization/Technical Qualifications and Approach:**

- (a) State whether or not your audit organization is national, regional, or local and indicate the number of people (by level) located within the local office that will handle the audit.
- (b) Provide a list of all of the local offices' current and prior governmental audit clients indicating the types of services performed and the number of years served for each.
- (d) Indicate experience in providing additional services of government clients by listing the names of each government and the type of engagement.
- (e) Describe your audit organization's participation in AICPA sponsored or comparable quality control programs.
- (f) Describe your approach to the audit. This should include at least the following points:
  - 1. Type of audit program used (tailor-made, standard government or standard commercial).
  - 2. Use of statistical sampling.
  - 3. Use of computer audit specialists.
  - 4. Organization of audit team and approximate percentage of time spent on audit.
  - 5. Management letter (provide a sample copy).
  - 6. Typical assistance from government's staff.
  - 7. Tentative schedule for completing audit within specified deadlines of the Request for Proposal.
- (g) Provide the names, addresses and phone numbers of personnel of current and prior government audit clients for references.

(g) **Selection of Auditor**

1. Technical qualifications and audit approach will be evaluated and ranked. Firms with previous experience in auditing municipalities will be given preference;

governmental experience is required. These results will be combined with the price quotes received from each firm submitting a proposal to develop a final ranking and selection.

(h) Compensation and Terms of Payment

1. The accounting firm shall submit a firm quotation as to current rates per hour for the 2009 audit as well as the future rates per hour for the 2010 and 2011 audits.
2. Progress payments, if requested, will be made proportionate to the audit work completed with ten (10) percent withheld pending completion of the examination, acceptance by the Department of Legislative Audit and upon receipt of the final audit report by the City.

Additional Information:

The City of Yankton owns and maintains an IBM AS/400 computer which is operated by and in the Finance Department. The following programs are on the computer for all City Departments:

Payroll  
Budgetary, including revenue and disbursement controls  
General ledger  
Utility Billing (for Water, Wastewater and Solid Waste)  
Accounts Payable

Records and work papers prepared by City staff for the 12/31/08 audit are available for review during office hours.

