

MEMORANDUM

TO: Sunfish Lake Mayor and Councilmembers
FROM: Timothy J. Kuntz, City Attorney
DATE: January 25, 2023
RE: Audit Services

Section 1. Background.

On the Agenda for the February 7, 2023 Council meeting, there is a Resolution selecting the audit firm to prepare an audit of the City's financial records for 2022.

Section 2. Selection Process.

We identified two candidates and we solicited two quotes. One candidate was Abdo Solutions (Abdo) and the second candidate was CliftonLarsonAllen (CLA).

With regard to Abdo, its submission is attached to this Memo. The proposal is to charge \$15,000 for the audit for calendar year 2022. The \$15,000 includes any work dealing with verification of the cash accounts as of 12/31/2021. I also raised with Abdo, the request to provide guidelines and recommendations with respect to practices and procedures for matters involving escrow monies received by the City relating to planning or zoning applications. This is an add-on to the standard audit request. By correspondence dated January 13, 2023, Abdo said it could provide such guidelines and recommendations, as well as templates. The charges for those particular tasks would be on an hourly basis for time spent at an hourly rate of \$185/hour.

Abdo recommendations came from the cities of Savage, Inver Grove Heights, West St. Paul, and Red Wing.

With regard to CLA, CLA proposed audit services for three (3) fiscal years beginning December 31, 2022. The CLA quote is attached to this Memo. The proposed rate for 2022 is \$14,850, plus an additional \$3,000 as a first-year additional audit fee to audit the beginning balances of the City for a total of \$17,850 for audit services.

I raised with CLA the need to provide guidelines and recommendations with respect to practices and procedures for matters involving escrow monies received by the City relating to planning or zoning applications. This is an add-on to the standard audit.

Upon the City request, CLA supplemented its quote for services and indicated that with respect to practice and procedures for escrow monies, CLA would charge hourly rates in the range of \$180-\$350/hour with the intent to keep most of the hourly work at the \$180/hour rate.

Section 3. Recommendation. Both firms are well qualified.

Our recommendation would be to select Abdo. The reasons are as follows:

- The Abdo quote for \$15,000 includes the work to verify the cash balances of 12/31/21, whereas the CLA quote adds an additional \$3,000 for that particular work.
- The municipal recommendations for Abdo were local and indicated high satisfaction.
- My impression was that Abdo had a better understanding of the escrow working system guidelines.
- Abdo volunteered to provide templates with respect to escrow correspondence.

Section 4. Timing. Both Abdo and CLA are leaders in the industry in providing municipal audit services. Now that the fiscal year has finally ended, their attention is fully directed to those cities where mandatory audits are required and need to be completed by June. Each firm is preparing hundreds of these mandatory audits.

The Sunfish Lake audit is not mandatory; it is discretionary.

Both firms indicated that they would be able to perform the audit beginning in late May 2023, but not earlier.

Section 5. Council Action. The Council is asked to consider the attached Resolution Appointing Firm for Financial Audit Services at the February 7, 2023 Council meeting.

c: Christy Wilcox
Cathy Iago
Ann Lanoue

**CITY OF SUNFISH LAKE
DAKOTA COUNTY, MINNESOTA**

RESOLUTION NO. 23-_____

RESOLUTION APPOINTING FIRM FOR FINANCIAL AUDIT SERVICES

WHEREAS, the City of Sunfish Lake is a statutory city with fewer than 2,500 residents;
and

WHEREAS, because the population is fewer than 2,500 residents, an audit of the City's financial accounts is not required; and

WHEREAS, an audit may nonetheless be made; it is advisable to periodically have an audit;

WHEREAS, the City has received two (2) quotes for professional audit services.

NOW, THEREFORE, BE IT RESOLVED as follows:

- a. The City selects Abdo Solutions as the audit firm to conduct the audit for the City for fiscal year 2022.
- b. The City accepts the Abdo proposal to charge \$15,000 for the audit for calendar year 2022.
- c. The \$15,000 includes any work dealing with verification of the cash accounts as of December 31, 2021.
- d. With regard to the City request to provide guidelines and recommendations with respect to practices and procedures for matters involving escrow monies received by the City relating to planning and/or zoning applications, this particular component of services is an add-on to the standard audit request, and the charge for this particular add-on task shall be on an hourly basis for time spent at an hourly rate of \$185/hour.
- e. The Mayor and Clerk are authorized to execute on behalf of the City a contract with Abdo that conforms to the terms set forth above.

Passed this 7th day of February, 2023, by the City Council of the City of Sunfish Lake.

Dan O'Leary, Mayor

ATTEST:

Christy Wilcox, City Clerk