

OFFICE OF THE COUNTY ADMINISTRATOR

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January 22, 2024

TO: Mahesh Sharma, County Administrator

FROM: David Farmer, CPA, Director of Budget and Administrative Services

SUBJ: County Audit Services – Baker Tilly US, LLP

The County's current contract with Baker Tilly US, LLP for annual audit services expired with the conclusion of the fiscal year 2023 audit. The County subsequently requested information to continue to the contract with Baker Tilly. Baker Tilly responded with one, three and five year options. As with many industries increased costs for staffing and travel have impact the professional services firm. Based on inquiries to other local governments, the five year option appears most in line with current local government experience with renewing or new contracts. Costs for one year or three year options were 5% -12% higher than the five year option.

With the onboarding of MEDIC EMS to Scott County in FY 2024, it is important to have an auditor with experience in this new public service, as well as knowledge of our accounting controls. Baker Tilly applies a risk-basis approach to auditing financial statements and is familiar with financial statements and business processes. Baker Tilly has also met the County's timeline and issuance with the Annual Comprehensive Financial Report. Additionally, they did not adjust audit fees for new audit standards in the industry which increased time both by them and the County.

The administration's recommendation is to remain with Baker Tilly, US for the professional services of audit services for fiscal years 2024, 2025, 2026, 2027 and 2028. The County has previously contracted for Audit services with Baker Tilly since 2010. Baker Tilly was previously chosen by a seven person Audit Selection Committee that considered technical quality, price and quality of presentation. During that time we have had two lead audit partners, rotating partner secondary reviews, and multiple audit managers and in-charge staff rotation. There have been no audit issues by management or Baker Tilly.

Price proposal

Baker Tilly responded with contract prices of \$100,000, \$105,000, \$110,000, \$115,000 and \$120,000 over the next five years, under current and known standards. The engagements will be conducted in a hybrid / remote format, and as such travel and audit specific costs will not be passed on to the County. The firm now applies a standards administrative and technology fee

which will be billed separately annually and not to exceed \$5,000. The engagement assumes no more than two major programs for the single audit and that no finding will be identified during testing. Additional testing may require additional costs to be incurred. Fees are based on known circumstances at the time of the engagement letter. The 2023 audit contract price was \$77,500.

Technical Quality Update

Audit firms are audited by other audit firm in a form of a peer review. The purpose of this report is to test and report on the system of quality control. In the opinion of the independent auditors, the system is suitably designed and complied to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a pass, pass with deficiency(ies) or fail. Baker Tilly Virchow Krause, LLP received a peer review rating of pass as of October 28, 2021. This is the most recent review available.

The audit will be conducted in accordance with Generally Accepted Audit Standards, Government Audit Standards, Federal Uniform Guidance, and State Single Audit Guidelines.

Recommendation

At this time, the committee is recommending an audit services contract with Baker Tilly US, LLP. I will be at January 30, 2024 Board of Supervisors Committee of the Whole meeting if you or the Board have any questions.

CC: Board of Supervisors
 Kerri Tompkins, Auditor
 Tony Knobbe, Treasurer
 Wes Rostenbach, Accounting and Business Manager
 Megan Petersen, Finance Manager

THE COUNTY AUDITOR'S SIGNATURE CERTIFIES
THAT THIS RESOLUTION HAS BEEN FORMALLY
APPROVED BY THE BOARD OF SUPERVISORS ON

DATE

SCOTT COUNTY AUDITOR

R E S O L U T I O N
SCOTT COUNTY BOARD OF SUPERVISORS
FEBRUARY 1, 2024

APPROVAL OF FIVE YEAR AGREEMENT WITH BAKER TILLY US, LLP FOR
FINANCIAL AUDIT SERVICES

BE IT RESOLVED BY the Scott County Board of Supervisors as follows:

Section 1. That the engagement letter from Baker Tilly US, LLP for, Fiscal Year 2024, in the amount of \$100,000; Fiscal Year 2025, in the amount of \$105,000; Fiscal Year 2026, in the amount of \$110,000; Fiscal Year 2027, in the amount of \$115,000; and Fiscal Year 2028, in the amount of \$120,000 for financial statement audit services is hereby accepted and approved. Additionally, administrative fee are permitted to be included.

Section 2. That the Director of Budget and Administrative Services is hereby authorized to sign the audit engagement letter on behalf of the Board.

Section 3. This resolution shall take effect immediately.