AUDIT COMMITTEE SPECIAL MEETING

March 23, 2023 MINUTES

THE WEST VALLEY CITY AUDIT COMMITTEE SPECIAL MEETING MET ON THURSDSAY MARCH 23, 2023 AT 4:00PM IN THE FINANCE DEPARTMENT CONFERENCE ROOM AND THROUGH VIRTUAL ZOOM TECHNOLOGY. THE MEETING WAS CALLED TO ORDER AND CONDUCTED BY LARS NORDFELT, AUDIT COMMITTEE CHAIRMAN.

THE FOLLOWING MEMBERS WERE PRESENT:

Lars Nordfelt, Chairman
Wayne Pyle, City Manager
Dean Lundell, Committee Representative *(virtual attendance)*
Angela McConkey, Committee Representative

STAFF PRESENT:

Jim Welch, Finance Director
Niclas Hales, Accounting Manager
Abbey Smock, Finance Assistant

INTRODUCTIONS

Chairman Lars Nordfelt called the meeting to order. Excuses Mayor Lang who is unable to attend.

MEETING POINTS

REVIEW REQUEST FOR PROPOSAL TO PROVIDE AUDIT SERVICES

Jim Welch summary: The request for proposal for audit services that was reviewed in the last meeting of the Audit Committee was posted through our regular channels for public notices. From our posting we had three respondents. One respondent did not meet the submission deadline or process for submission. I have included each of the responses including the one that was disqualified for your review. Based on the criteria that was set forth in the RFP, the Finance Department staff reviewed 5 major areas identified as key elements of a successful audit for The City. The first criteria identified as mandatory was not scored but was either pass or fail. The remaining criteria were an evaluation of technical experience of the firm, qualifications of the staff, responsiveness and resource commitment, and the proposed cost of the audit. A summary score sheet is provided for your reference along with copies of these proposals. Additional notes are included on the right-hand column of this scoresheet three of them to provide a little more detail as to the reasoning and thought process behind the assessment.

PURPOSE OF THIS REVIEW

The purpose of the Audit Committee is to review and give their recommendations to the Council. This Request for Proposal specifically asked for a 3-year cost and proposal for audit services.

QUALIFIED APPLICANTS

We received 2 qualified proposals from Eide Bailey LLP and Keddington & Christensen LLC, one proposal from Larson & Company who did not meet the submission deadline. We have included Larson & Company's proposal just for your reference. Dean Lundell asked if Larson & Company -who did not meet the criteria or deadline- have a reason or explanation as to why they didn't make it on time and added that a CPA firm that cannot meet the deadline is abnormal and maybe telling to their abilities. Mr. Welch indicated there was no explanation and no extenuating circumstance that would allow us to accept the proposal.

SCORE SHEET

The score sheet was provided by the Finance Department of their review of the proposals to assist in this discussion and summarize what our criteria is and who has met that criteria. Wayne Pyle pointed out that with the unqualified applicant (Larson & Company) we have listed some points in the score sheet from them. Mr. Welch confirmed that the reasoning is for a point of reference of costs and time to assist in this discussion, but specifically that firm's numbers and costs are unrealistic and significantly higher. It appears that they didn't put a lot of effort into this proposal.

DISCUSSION OF PROPOSALS & SCORESHEET

Mr. Lundell commented that these proposals show that there really isn't much of a discussion needed. Eide Bailey's price is much higher, and Keddington & Christensen hasn't given us any reason to mistrust or have issue with them; that this seems like a pretty easy decision to make.

- ***Are there issues with keeping an audit firm for so long?***: Mr. Pyle voiced a discussion point of the number of years Keddington & Christensen has completed our audit and asked Mr. Lundell as an outsider if he has any commentary on the downside of having an audit firm complete our audit for successive years. Mr. Lundell understands the reasoning behind wanting to switch up auditors now and again and having the concern that after a period of time, auditors can overlook things, may not see things that a new audit firm would. However, Mr. Lundell commented that he actually looks at in another way; if he wanted to pull something over on an auditor it would be much easier and likely with a new firm than one who has been looking at the books for 10 years continuously. That the efficiency that comes with a firm that knows the entity and what is needed. Additionally, with a new firm coming in it takes a few years to get into the groove of how it all works and the training and all aspects of the audit. If he was Jim Welch, he would want to keep the same audit firm whom he has worked with, is more than competent in their work and has the best pricing. If there is a concern with a firm that has been doing the audit for so long that they may be overlooking some things; there are things the city could do to offset those concerns like; changing up the audit managers, people who are coming in to review, etc.

  Mr. Lundell also mentioned when you have a long relationship with the audit firm you can call and ask them things and feel confident in that, rather than a new firm trying to call them with questions and they charge you for those calls or you don't feel you have that kind of relationship with them. It is beneficial to have a long-term relationship with your audit firm.

Mr. Lundell commented that he doesn't see anything in the RFP that would warrant a change and additional cost of $60,000 for audit services.

- ***Peer Review- Mr.*** Welch asked what kind of controls are in place and requirements are in place from audit firms to perform municipal audit that can make an auditee feel their audit is an independent audit rather than biased one? Mr. Lundell indicated that every year or every 4 years the Auditors get audited by a firm, so there is someone looking over their shoulder making sure they are auditing correct and following the State Auditors requirements. And if there is a concern, you can always ask the firm to introduce someone new into the process.

  Mr. Welch added that the State Auditors office reviews and grades the firms per their performance which we reviewed the list going through this process and found firms that are under watch, review or discipline action from the State Auditor's office and Keddington & Christensen was clean with no issues with the State Auditor's office. So there are a lot of things that we can make sure that they are independent in their reporting for us and there is changes we can make within the audit process to switch up or ask of them to ensure correction on any concerns we may have.

  Ms. McConkey commented that with the audits she has had to endure in the past, to have to train and work with a new firm to complete the audit when the one she already has is good and market value pricing seems counterintuitive and not ideal.

  Mr. Hales added that Keddington & Christensen is a local company. That in using them we would be supporting a West Valley City business.

  Mr. Nordfelt added that he liked in the Keddington & Christensen Proposal on page 8, it lists all the companies they work with and how long they have been with them. Mr. Pyle says it is a long list and hasn't always been so, but shows of their scope of work, their knowledge and how loyal their customers are to them.

- ***Pricing-*** Mr. Nordfelt commented that Eide Bailey only committed for the 1-year price, meaning most likely pricing would go up, Keddington & Christensen LLC has routinely given us the same pricing with just recently gone up with the economy inflation. Mr. Welch commented that he asked Keddington & Christensen about their pricing and concern on inflation and can they keep with these numbers. Keddington & Christensen indicated that working with us for so long and having the efficiencies and relationships with management that they can keep their pricing down so much and can commit to that pricing for 3-years.

  Mr. Pyle mentioned that if we were calling on Eide Bailey that there is an hourly charge. That is also something to consider.

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RECOMMENDATION TO COUNCIL

Mr. Nordfelt confirmed that the Audit Committee recommends Keddington & Christensen LLC for audit services. Mr. Nordfelt will bring the committee's recommendation and the following reasons to the Council:

- Keddington & Christensen gave us the lowest bid on audit services
- Keddington & Christensen's experience with the city has been exemplary with no issues or reasoning to change from them.
- In using Keddington & Christensen the city won't have to train new auditors
- The availability throughout the year and the relationship we have with Keddington & Christensen is beneficial to the city.
- Keddington & Christensen is a West Valley City business.
- Keddington & Christensen's audits majority are municipalities.
- Keddington & Christensen met all requirements of the city's RFP and deadline.

MOTION TO ADJOURN.

THERE BEING NO FURTHER BUSINESS OF THE WEST VALLEY AUDIT COMMITTEE SPECIAL MEETING OF THURSDAY, MARCH 23, 2023 WAS ADJOURNED.