



June 14, 2022

**To:** Executive Committee

**From:** Brenda Wilson

**Subject:** Audit Firm Selection

**Action Recommended:** Select Audit Firm

**Background:**

At the direction of the Board, for transparency and accountability, a Request for Proposals (RFP) for audit services is conducted every five years.

On February 18, 2022, we issued an RFP seeking proposals for audit services. The RFP closed on March 31, 2017. We received only one proposal: Isler, LCOG's current audit firm.

The Audit Committee, consisting of Board Members Sonya Carlson, Greg James, and Steve Recca, met on May 17, 2022, to interview Isler and consider their response.

Chair Greg James welcomed Gatlin Hawkins, partner with Isler LLP and asked him to provide an overview of Isler's response to the LCOG RFP.

Gatlin stated that because they have been providing LCOG with audit services for 5 years, much of the audit prep and process is already done. He explained that Isler takes a risk-based approach to audits. They test internal controls and look for areas of greater risk.

Sonya Carlson asked if they had a lot of experience auditing Councils of Governments. Gatlin responded that LCOG was their only Council of Governments, but they worked with several clients who all used the Caselle financial system like LCOG does and they can pull financial information directly from Caselle. She also asked if there had been any discipline in the past 5 years. He also disclosed an issue with a deadline that was missed by one of their firms CPAs but explained the situation and that it should be worked out.

In response to a question about the price of the proposal, Gatlin explained the proposed fee schedule were not-to-exceed amounts. COLA included in the fee noting it was difficult for public agencies to find auditors, but they were fully staffed. Greg James asked if meetings with the Audit Committee were included in the fee and Gatlin said they were.

Sonya Carlson asked if there were any major changes in the Statement of Work. Gatlin said some things on the Balance Sheet would change and explained GASB 68 which would require additional work on leases.

She also asked if they found fraud how would they handle it. Gatlin responded that if they find even evidence of possible fraud, they would dig to figure out what was going on and would report it to the Executive Director or the Audit Committee depending on what they found. He reminded the Committee that when they issue their findings, they can only provide reasonable assurance that no material fraud has been found – unless, of course, they find actual fraud.

Brenda asked what they would do if employees were unhelpful or delayed getting needed info to them. Gatlin stated he would try to be tactful and work with the client to get what was needed and would only make an issue of it if it impacted the audit. If there was no improvement, they would talk to the Executive Director or the Audit Committee. She followed up asking how they would handle a questionable Journal Entry (JE). Gatlin responded that JEs were an area of significant risk and they pay close attention to those. Again, they would talk to the Executive Director or the Audit Committee depending on the issue.

Sonya Carlson asked if they were staffed up to handle our account. Gatlin said there had been several changes in the past 5 years, he had been

made partner and would be managing LCOG's account. He stated Paul Neilson still does technical review of the audit papers. They are working with 53 public agencies and provide review services to others but were constantly changing to be more efficient – like a new platform for exchanging files. They also subscribe to a "Best Practices" service that provides guidance on audit standards which helps them be more nimble and efficient. Gatlin then explained how Isler had been supporting their staff during the Pandemic.

Gatlin also noted that they work closely with clients to make sure the client has enough time to review the information. He explained Isler cannot prepare the Management Discussion and Analysis as that would impair their independence, but have been preparing the rest of the Financial Statements and Annual Comprehensive Financial Report (ACFR) for LCOG and propose to continue to do so.

Greg James asked if staff had any additional questions or comments. Keina Wolf, Finance Manager, stated having the audit done remotely had been a challenge. Gatlin explained they needed to do that because of the Pandemic, but felt we were now coming out of that and more in person audits would be happening.

Chair James thanked Gatlin for his presentation and Gatlin left the meeting. Chair James asked for thoughts from the Committee. Steve Recca said he thought it went well. Sonya Carlson said she felt very comfortable with Isler continuing to be LCOG's audit firm. Keina stated Isler had been very responsive and had a high level of detail. David Joyal stated he felt Isler had been excellent in the service they provided. Brenda noted that she appreciated they had always been available if LCOG had questions or concerns and that had not always been their experience with other auditors. Chair James thanked staff for including a provision in the RFP so LCOG members could use the RFP. He also stated he appreciated how Isler treated their staff.

The Committee voted unanimously to recommend the LCOG Executive Committee select Isler as LCOG's audit firm.

**Suggested Action:**

Motion to Select Isler as LCOG's Audit Firm for the next five years.