M E M O R A N D U M

TO: MRA Board of Commissioners

FROM: Jilayne Dunn, MRA Business Manager

DATE: June 17, 2020

SUBJECT: **Audit Contract Extension for Fiscal Year 2020 – Revised Memo 6-17-20**

Action Requested: Approval of one-year extension of the contract with Anderson ZurMuehlen, P.C. for audit services for fiscal year ending June 30, 2020 for $15,000.

Governing Body and Guidelines: The Montana Department of Administration's Local Government Services Bureau, per 2.4.408 MCA, specifies that audit contracts and extensions cannot be executed for more than three years at a time. There is no limit in State Law to the number of extensions that can be executed. The Bureau provides a roster of *Independent Auditors Authorized to Conduct Audits of Montana Local Governments.*

Although component units of the City of Missoula, both the MRA and Missoula Parking Commission (MPC) had historically contracted for independent audit services for evaluation and presentation of their financial statements. In 2009, the MRA and the MPC elected to join the City of Missoula in requesting proposals for audit services to ensure competitive pricing and improved continuity and communication during the audit process. Anderson ZurMuehlen, P.C. (AZ) was selected as the successful respondent in that process.

In October 2014, another Request for Proposals (RFP) process was conducted for audit services for the City, MRA and MPC for fiscal years 2015, 2016 and 2017. AZ was again the successful respondent. In April 2018, the MRA Board approved a two-year extension of the contract with AZ for fiscal years ending 2018 and 2019.

We originally had anticipated doing another RFP process this year but due to the impact of the Covid-19 pandemic on staff availability, we have been unable to complete this process. The City, MPC and MRA are approaching their respective governing bodies asking for permission to extend AZ's contract for one year. AZ has provided a quote of $15,000 to provide audit services for MRA for fiscal year ending June 30, 2020. This is

a 17% increase from the prior year. Upon inquiry, the reasons for the increase in cost are as follows:

- In FY19, AZ wrote off almost $16,000. The contract amount was $12,875 (so their total time incurred equated to ~$29,000). The report preparation alone for FY19 took ~49 hours. They have historically written off a significant amount.
- AZ compiles the audit report for MRA including all financial schedules (Balance Sheet & Income Statement, etc.) for each district, debt schedules, supplemental schedules, and notes including GASB 68 (PERS disclosures), GASB 75 (OPEB disclosures, if applicable) and GASB 34 conversion.
- AZ reports: "Our time is directly correlated with the number of districts, which has grown steadily since we first started auditing MRA several years ago. Since part of our opinion is on each opinion unit, and each district is considered a major fund that we opine on, we need to test detailed transactions in each district. Back when we first were engaged as your auditors, we budgeted approximately 125 hours to do the audit; this was when there was not the same number of districts as there are now. Last year's audit time exceeded 200 hours."
- AZ reports: "For the past few years, we have historically incurred similar hours in total, and our average billing rate (blended) is typically around $125/hour, so we typically write off almost as much as we bill. For FY20, we don't anticipate the hours to decrease significantly."

A summary of audit costs for the MRA:

Fiscal Year	2015	2016	2017	2018	2019	2020 Proposed
Fee	$11,350	$11,700	$12,100	$12,500	$12,875	$15,000
% Increase	3%	3%	3%	3%	3%	17%

STAFF RECOMMENDATION: Staff recommendations approval of a one-year extension of the contract with Anderson ZurMuehlen, P.C. for audit services for fiscal year ending June 30, 2020 for $15,000.