

MEMORANDUM

TO: Audit Committee

FROM: Paul Navazio, Director of Finance
Martin Williams, Controller
Cliff Dobler, Audit Committee Member (At-large)
Derrek Aaron, Audit Committee Member (At-Large)

SUBJECT: Recommendation of Audit Firm to provide Independent Audit Services for Fiscal Year Ending June 30, 2021

DATE: February 2, 2021

I. RECOMMENDATION

It is recommended that the Audit Committee receive this report from the committee that has been asked to review responses to the Request for Proposal from qualified firms to serve as the District's next Independent Auditor, and forward a recommendation from the full Audit Committee to the Board of Trustees, for consideration at their meeting of March 10, 2021.

II. BACKGROUND

Board Policy 15.1.0 provides that among the charges of the Board-appointed Audit Committee is to conduct the procurement process for selection of the District's Independent Auditor, and to make a recommendation to the Board of Directors, who makes the final selection.

Fiscal year 2019/20 was the final year of a multi-year engagement with Eide Bailly, who has served as the District's Independent Auditor since 2015/16, following their acquisition of Kafoury & Associates, who served as the District Auditor since 2010/2011.

A Request for Proposal (RFP) for Independent Audit Services was developed with input from the Audit Committee and issued on November 10, 2020. Three firms submitted proposals prior to the submission deadline of December 17, 2020.

Firm	Annual Fee	Out of Pocket Cost	Five-Year Cost
Barnard Vogler & Co., CPA's	\$ 59,000	Included in annual fee	\$275,000
DavisFarr, LLC	\$ 49,000	NTE \$5,000	\$253,100
Moss Adams, LLC	\$ 82,000	Included in annual fee	\$430,000

III. PROPOSAL RESULTS

Upon receipt of proposals, the Director of Finance and two members of the Audit Committee were asked to assist with a review of each proposal and provide a scoring/ranking, based on the criteria spelled out in the RFP document. Subsequently, as the District's new Controller was hired, this position was also brought into the review process.

After initial ranking of the three proposals, two firms DavisFarr, LLC and Moss Adams, LLC were invited to participate in virtual panel interviews.

Following the panel interviews, the review committee discussed each of the proposals to include, overall qualifications, experience of audit team members, relevant experience auditing clients of similar size and complexity, familiarity with the District, and overall approach to the engagement.

At this time, the review committee reached consensus to recommend to the Audit Committee that DavisFarr, LLP be forwarded to the Board of Directors to serve as the District's next Independent Auditor under a multi-year contract, supplemented with annual engagement letters to guide each annual audit.

The recommendation is based on:

- confidence that the firm is qualified to serve as the District's independent auditor,
- they are a medium-sized regional firm that provides audit services exclusively to governmental entities,
- has demonstrated an extensive list of current and former clients with business-type municipal operations similar to IVGID,
- extensive experience auditing municipal utilities,
- has current clients in the Tahoe basin, as well as

- favorable interaction with the Audit Partners and Senior Management representatives.
- In addition the cost differential between the proposals from the two finalist firms is a significant factor in the review committee recommendation.

The review committee has discussed with DavisFarr their proposed staffing plan for the financial audit. DavisFarr has indicated flexibility in allocating audit work to additional, available staff auditors, without impacting proposed fee schedule. Any updates to the staffing plan would be addressed through contract language to be finalized prior to Board approval.

In making this recommendation to the full Audit Committee, the review committee acknowledges the value that Moss Adams, LLC has provided to the District through their recent engagements and recognizes the familiarity that Moss Adams has gained with respect to District operations, policies, procedures and internal controls. For this reason, the review committee recommends that, in conjunction with recommending DavisFarr, LLP as the next Independent Auditor, the Audit Committee and District continue to pursue assistance from outside consultants, to include but not limited to Moss Adams, to review Board policies, practices and internal control procedures, as needed. This work, when sought, should be done in coordination with the work of the District's Independent Auditor, with the goal of avoiding duplication of effort.

IV. CONCLUSION

It is recommended that the Audit Committee receive a report from the committee that has been asked to review responses to the Request for Proposal from qualified firms to serve as the District's next Independent Auditor, and forward a recommendation from the full Audit Committee to the Board of Trustees, for consideration at their meeting of March 10, 2021.