



**City Hall, 215 Sycamore St.
Muscatine, IA 52761-3899
(563) 264-1550
Fax (563) 264-0750**

FINANCE & RECORDS

MEMO

To: Mayor Hopkins and Members of City Council
From: City Audit Committee
Date: January 10, 2014
Re: Request to Extend Audit Agreement with McGladrey LLP

Introduction and Background:

In March of 2009 the City entered into an agreement with McGladrey LLP for audit services for a five year period from fiscal year 2008/2009 through 2012/2013. The recently completed audit was the last of the original five years for that agreement.

Requested Extension of Audit Agreement:

City staff asked McGladrey LLP for a proposal for a one year extension to the current audit agreement. This was primarily due to the change in financial software midway through fiscal year 2013/2014. Potential new audit firms would need to review processes under both software systems as well as the conversion. With McGladrey's already being familiar with the previous software, it is expected they could focus more on the new system and the conversion of data from the old software. McGladrey's proposal for the one year extension is \$45,400. This is the same amount as the recently completed 2012/2013 audit.

The Audit Committee reviewed this request at their meeting on December 12, 2013 and is recommending that the one year extension be approved.

Summary:

Please include this request to extend the audit agreement to include the year that will be ending June 30, 2014. The extension proposal from McGladrey's is attached. Please contact me if you have any questions or need additional information.



October 8, 2013

**Nancy Lueck, Finance Director
City of Muscatine, Iowa
City Hall, 215 Sycamore Street
Muscatine, Iowa 52761**

Dear Nancy:

McGladrey LLP appreciates the opportunity to submit this proposal to you for your review and consideration. We believe the information included will demonstrate we are the Firm to continue to meet the needs of the City of Muscatine, Iowa now and in the future.

Important investment

We recognize that engaging an independent audit and business advisory firm is an important investment for the City of Muscatine, Iowa. Our goal is to provide timely and responsive services at a reasonable and competitive cost. We hope we have illustrated our capability to add value to the City of Muscatine, Iowa through our experience and approach. Our fees, like those of other professional firms, are based on actual time spent by our people and are measured by standard hourly rates, reflecting the experience level of the professionals assigned to your account. We estimate professional hours and fees we believe are competitive, and that will enable us to be responsive and provide the high quality professional services you have received from us in the past.

Fee estimate

We have estimated our audit fees assuming we will receive a complete workpaper package and that we will receive full assistance from your accounting personnel as in the past. In addition, we expect few adjusting entries for the audits. Billings are submitted as work progresses.

Total all-inclusive maximum price for the 2014 audit – \$45,400

Routine calls and other services

Our general practice for our clients is not to bill for consultation services that can be provided over the phone in less than 30 minutes. We believe this type of policy is beneficial to both you and us in that it encourages you to call us during the year. By keeping abreast of issues as they occur, we will not only be able to deliver a more efficient audit, but the advice we provide to you will be more meaningful as we understand the City of Muscatine, Iowa better.

We will provide general information to you regarding new accounting pronouncements. If we have the opportunity to provide other consulting, tax or accounting assistance services, we would be happy to provide you with an estimate of fees for that service. We will work with you to determine the scope of the service and the best team (your people and ours) to provide that service.

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We hope you will retain us as your accounting firm. We will certainly use our resources to help your Organization succeed operationally and financially. We believe our commitment to quality and timely service and our depth of resources we provide locally will meet your current and future requirements.

Very truly yours,

McGladrey LLP



Heidi Hobkirk, Director

563.888.4428