December 13, 2019

City of Rapid City
City Council
300 Sixth Street
Rapid City, SD 57701

Mayor Steve Allender and Rapid City Council Members:

We are offering this commentary on the bids for the audit of the City of Rapid City. We request the Council consider the following in selecting an audit firm for the City's 2019 through 2021 audits.

• When possible, the City should keep its business local. Local businesses want Rapid City citizens to shop locally. The City should set a good example.

• We have been very proud to call the City of Rapid City our client. You are a cornerstone in our government auditing practice. We estimate the fees generated from this engagement alone allow us to hire one additional full-time equivalent employee in our Rapid City office.

• The bid process is intended to save taxpayer money. By far, we were the low bidder. Selecting the second highest bidder costs the people of Rapid City nearly $24,000 more over a three year period, which includes travel costs for the Fargo based firm which was the second low bidder.

• We respect the finance department’s thoughts on auditor rotation. However auditor rotation is not required. Even the Government Finance Officers Association (GFOA) does not call rotation a “best practice.” Here is that organization’s thoughts:

  While there is some belief that auditor independence is enhanced by a policy requiring that the independent audit firm be replaced at the end of each multiyear agreement, unfortunately, the frequent lack of competition among audit firm fully qualified to perform public-sector audits could make a policy of mandatory audit firm rotation counterproductive.

The General Accounting Office of the United States studied this topic of rotation:

“GAO believes that mandatory audit firm rotation may not be the most efficient way to strengthen auditor independence and improve audit quality considering the additional financial costs and the loss of institutional knowledge of the company’s previous auditor of record...”

Most important, our professional audit and ethical standards require all audit firms to maintain professional skepticism and objectivity.

• The GFOA instructs that the principal factor in the selection of an independent auditor is the auditor’s ability to perform an audit. Ketel Thorstenson, LLP certainly has that ability. We firmly believe that our partner Traci Hanson and her team of highly trained CPAs are highly qualified. In addition, we have been able to staff your audit with a team of experienced professionals. Traci has practiced solely in the area of government and nonprofit accounting for over 20 year and she receives more than the mandatory continuing education in her field annually. Each year, Traci is in-charge of dozens of government audits. We have always provided thorough and quality audits for the City and have a good working relationship with both Ms. Sumption, and the
Financial Reporting Manager, Mr. Yula$. While no service provider can claim to be perfect, neither of them have once commented to us about any lack of quality audit service.

- The AICPA Governmental Audit Quality Center’s Practice Aid entitled “Procuring Governmental Audit Services,” recommends that a governmental entity’s internal accountants whose work is subject to the audit, should not be the individuals who select the audit firm. The document’s instructs government officials such as yourselves:

> The review of the auditor’s proposals and qualifications in response to the RFP should be thorough, uniform, and well documented. Consider using your audit committee or, if there is no audit committee selecting a committee or Board to perform the evaluations. The group should include individuals with appropriate technical skills. Members should not have any conflicts of interest with the prospective proposers.

We respectfully request you the above consider such in selecting an audit firm.

Sincerely,

KETEL THORSTENSON, LLP

Denise Webster, CPA
Managing Partner

Paul Thorstenson, CPA
Partner