



## STAFF REPORT

**DATE:** June 23, 2020

**TO:** Kent Cagle, City Manager

**FROM:** Jonathan Locke, Executive Director of Finance

**SUBJECT:** Independent Auditing Services

### **BACKGROUND AND FINDINGS:**

The City's audits are required to be performed in accordance with generally accepted auditing standards set forth in the General Accounting Office's (GAO) Government Auditing Standards, the provisions of the Single Audit Act Amendments of 1996, and provisions of the Office of Management and Budget's Uniform Guidance. The City Charter and the Financial Governance Policy requires City Council to designate a qualified certified public accountant to perform the City's annual audit.

On May 28, 2017, the City began advertising a Request for Qualifications (RFQ) in which responses were sought from qualified firms to provide independent auditing services. The RFQ requested audit services for the fiscal years ending September 30, 2017 and 2018, with the option of renewing for three additional fiscal years. The City's Financial Governance Policy requires a change in auditors no later than every five years.

On August 8, 2017, City Council approved the independent auditing services agreement with Belt Harris Pechacek, LLLP. Belt Harris Pechacek, LLLP conducted the City's audit for the fiscal year ended September 30, 2017 and 2018 in accordance with all applicable standards, and presented the City Council with the audit in a timely manner. The firm's examination of the City's financial records was thorough. They were also available for meetings and discussions with the City personnel concerning accounting issues and were willing to answer questions and give financial guidance when requested. Additionally, the firm employs a skilled governmental audit staff large enough to adequately perform the annual audit of the City.

On August 27, 2019, City Council approved the first of three possible renewal options with Belt Harris Pechacek, LLLP for the fiscal year ended September 30, 2019. On June 4, 2020, the Audit Committee voted to recommend the appointment of Belt Harris Pechacek, LLLP for the FY 2020 audit.

### **THE ALTERNATIVES CONSIDERED:**

1. Do not renew the agreement with Belt Harris Pechacek, LLLP and issue a RFQ for independent auditing services.
2. Renew the agreement with Belt Harris Pechacek, LLLP to provide independent auditing services for the City of Killeen.

**Which alternative is recommended? Why?**

Option 2, to renew the agreement with Belt Harris Pechacek, LLLP is the recommended alternative. Belt Harris Pechacek, LLLP has extensive governmental auditing experience.

**CONFORMITY TO CITY POLICY:**

City Charter, Article III, Section 40 and the Financial Governance Policy, Section VII(C) requires City Council to designate a qualified certified public accountant to perform an annual audit of the City’s finances prior to the end of the fiscal year.

Texas Local Government Code 103.001 states that a municipality shall have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit.

**FINANCIAL IMPACT:**

**What is the amount of the expenditure in the current fiscal year? For future years?**

The estimated expenditure amount for the audit of FY 2020 is as follows:

Financial Audit Statement	\$ 123,270
Single Audit Base Fee	4,017
Cost per Major Program	6,189
PFC* Audit and Report	<u>9,664</u>
Total	\$ 143,140

\*Passenger Facility Charge Audit required by the Federal Aviation Administration.

**Is this a one-time or recurring expenditure?**

One time expense for the audit of FY 2020.

**Is this expenditure budgeted?**

Funding is included in the budget each year for the annual audit.

**If not, where will the money come from?**

N/A

**Is there a sufficient amount in the budgeted line-item for this expenditure?**

Funding for the FY 2020 audit is spread over FY 2020 and FY 2021. The FY 2020 Budget already includes funding for a portion of the audit and the FY 2021 proposed budget will include funding for the remainder of the audit.

**RECOMMENDATION:**

City Council renew the agreement with Belt Harris Pechacek, LLLP to provide auditing services for the fiscal year ending September 30, 2020.

**DEPARTMENTAL CLEARANCES:**

Legal

**ATTACHED SUPPORTING DOCUMENTS:**

Engagement Letter