

CITY COUNCIL MEMORANDUM

AGENDA ITEM

Budget Amendment for Auditing Services

ORIGINATING DEPARTMENT

City Auditor/City Attorney

BACKGROUND INFORMATION

On October 9, 2016, the City began advertising a Request for Qualifications ("RFQ") in which responses were sought from qualified firms of certified public accountants interested in examining the City's administrative and internal controls for the fiscal years 2006 to 2015. On November 4, 2016, the City received and opened responses from eleven firms. A committee consisting of Councilmembers Kilpatrick, Fleming, and Young, Dr. Jim Anderson, Richard Banta, David Cole, Kathy Harkin, Gregory Hughes, and Butch Menking evaluated all eleven responses and presented its findings to the City Council on November 15, 2016. At that meeting, the City Council selected the top three most highly qualified firms to interview. On November 22, 2016, the Council interviewed representatives from the three selected firms, identified McConnell & Jones, LLP as the most qualified audit firm, and instructed the Audit Advisory Committee (Councilmembers Kilpatrick, Fleming, and Young) and staff to enter into negotiations with that firm.

In early December, the Audit Advisory Committee began working to finalize the scope of the audit work and briefed the City Council on its progress on December 6, 2016. At that meeting, the Committee requested that each councilmember provide the committee with three significant issues that should be investigated by the audit firm. Through a series of six meetings, the Committee continued to work with staff and the audit firm on refining the scope of the audit, taking into account each of the council and citizen-identified significant issues. During that same time frame, the City Council discussed the issues and gave guidance to the Committee and staff in three separate workshop meetings.

DISCUSSION/CONCLUSION

On March 14, 2017, the City Council approved an agreement with McConnell & Jones, LLP that specifies the scope and fee schedule for the audit. The categories of analysis are as follows:

1. Capital Outlays (FY 2006 through FY 2016)
2. Use of Bond Money (FY 2002 through FY 2017)
3. Inter-Fund Transfers (FY 2010-2016)
4. Pay Increases (FY 2014-2017)
5. City/Owner Agreements (FY 2002-2016)
6. Private Roadway Ownership (FY 2002-2016)
7. Spending During Post-Recall Period (November 2011 through May 2012)

FISCAL IMPACT

A budget amendment is needed to provide funding for the audit services. The total fee associated with the audit engagement is \$394,456. The scope of the audit spans primarily across the General Fund, Water & Sewer Fund, and Solid Waste Fund. The fee will be allocated across the three funds in a manner similar to the City's annual audit. The General Fund will pay 70% or \$276,119; \$59,432 was included in the budget. As a result, the amendment for the General Fund will be \$216,687; Water & Sewer 20% or \$78,891; and Solid Waste 10% or \$39,446.

The budget amendment will amend the accounts as follows:

Expenses				
Account Number	Description	Budget	Change	Amended
010-9501-491.47-30	Accounting Services	\$59,432	\$216,687	\$276,119
540-9595-439.47-30	Accounting Services	\$9,085	\$39,446	\$48,531
550-9595-492.47-30	Accounting Services	\$27,704	\$78,891	\$106,595
Total Expenses		\$96,221	\$335,024	\$431,245

RECOMMENDATION

Staff recommends that City Council approve the ordinance amending the FY 2017 Budget to provide funding for auditing services.