

MEMORANDUM FOR RECORD  
DS-16-157-10/18/16, RS-16-133 & RS-16-134  
10/25/16

The city has distributed the Request for Qualification for our forensic services need. This action is in accordance with the mandate of residents. It is necessary to our duties and responsibilities to ensure that we conduct a thorough, all encompassing audit; we all agree to that. In no manner, shape, or form will I delay or inhibit this process along the course of implementing the audit mandate. We now await responses from qualified entities to engage to conduct the audit, in accordance with the parameters and scope of the audit defined by the Audit Committee.

Before tonight this body was apprised twice regarding forensic auditing processes and after receiving feedback from the governing body the Audit Committee, utilizing as a template the scope of services for the City of Port Arthur (currently in the process of conducting forensic audit), fashioned the audit scope for the City of Killen and charted our forensic audit course. The Audit Committee deliberated and determined that our scope should include the Finance, Public Works, and Human Resources Departments and all Enterprise Funds as variables within the scope. The scope is reasonably broad and encompassing in order to capture every variable that may be associated with our current policies and financial predicament. It is foresighted so that no variable is potentially omitted from scrutiny.

At the current juncture, the work of the Audit Committee is in the hands of the governing body. The process of getting it there is an occurrence that is not out of the ordinary when regarding committees and workflows within municipal governance. It is now time to move forward with the work of forensic auditing, as evidenced by our actions at workshop on Tuesday, October 25, 2016 and the acts we take this evening. Wrong or inaccurate understandings regarding the Request for Qualification appear to be relative regarding the forensic audit process. Wrong or inaccurate understandings are not relative. I attribute misguided understanding to a three-dimensional conundrum that enables misunderstanding. There appears to be unwillingness to reasonably read and comprehend material and presentations and selective implementation of memory. For clarity sake the basic role of Requests for Qualification is to pre-qualify respondents who may answer our request and meet the criteria. It is not a contractual engagement. Furthermore, respondents may be included in the subsequent contracting process to engage a qualified entity to conduct the forensic audit. At the initial stage, the Request for Qualification, it is conjecture, innuendo, and speculation to proffer regarding the content, time period, and the cost it will take to conduct a thorough forensic audit.

If there is error in the formulation of the Request for Qualification, the error is on the side of caution to ensure that an all-encompassing net is cast in order to capture all relevant variables and subject them to the scrutiny of review and analysis. Not only is intent to not to omit pertinent variables, it is to also ensure against beginning the process and determine during the course that necessary variables are missing or outside of the scope of the audit. Should such the latter occur, the subsequent course of action would be

to initiate an additional Request for Qualification for data not included in the original audit scope. The third order effect of such an occurrence is hindrance of the audit process and delay in serving the mandate of the people. The fundamental idea regarding the broad scope is to assemble all data and materials centrally so that data maybe qualified as essential to the audit process. This practice is common to causative research and investigative purposes so it was imperative to go big and subsequently narrow as necessary.

Notable experiences shape my familiarity with forensic audit processes but they do not make me an expert in any form or manner. A similar event occurred while I was on station in the Republic of Korea and the Federal Republic of Germany. Although the events are far removed in content, they are relative to the current tasks. The events are similar and share a common thread. Both events involved loss in accountability of US Titled ammunition and explosives. The materials involved in one of the events classified at the highest sensitivity level due to its ready use classification and configuration. The other event exemplifies why and how causative research aptly identifies misappropriation, discourages malfeasance, and establishes legally sufficient reason to remedy loss of accountability. Any investigation follows a broad-to-narrow approach and critical thinking follows an inductive/deductive path.

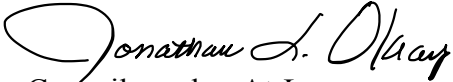
The Killeen Daily Herald reported August 13, 2016 that, “this audit must be conducted by a total outside non-local forensic audit team to ensure autonomy of results. I do not believe the City Council, staff or management has the expertise required to audit itself fairly.” The paper went on to quote why a forensic audit should target the past four to seven years, beginning with 2010’s fiscal budget. “Should any criminal act be found at any level, they must be prosecuted without regard to outcome... Gross negligence should be remedied... a forensic audit is an item demanded by our citizens, and an act of sound fiduciary oversight, this item must be quickly addressed and the process started so that we can move this city forward”. The article is entitled, “Councilman: No matter the consequence, forensic audit needed.” Moving forward is what I want and I assume that is what everyone wants however, I do grapple with that concept when comparing and contrasting deeds to words spoken.

Council received a Historical Operating Report that covers 2000 to 2016. A capital outlay of nearly 311% and for the year of 2006 is glaring because it is very high in comparison to the preceding and proceeding years. What happened there and does what happened affect us now? It is plausible to believe so given the authority of this governing body, the ability of the governing body to enact its will by way of City Council Memorandums and Resolutions, and the ability to carry over fiscal encumbrances from one fiscal year to the next. One such example in the recent past regards the financing of renovations of the Cornerstone Building. The encumbrance was carried over to the proceeding fiscal year and was not an item of discussion during the budget cycle. This body this year declined to approve the reimbursement CCMR that called for Certificates of Obligation to cover the cost of the renovation expenditure. With this occurrence fresh in my mind, it is apparent the scope of the audit is even more appropriate in order to

answer questions regarding the manner, context, and implementation of policy as they regard the carry over feature of encumbrances.

There are also concerns regarding the fiscal cost it will take to conduct the audit. I firmly believe that those concerns pale in comparison and ratio to the millions of dollars expended each year. The inductive-to-deductive approach of the scope will help better understand and leave no stone unturned. I also believe that apprehension about the cost to conduct the audit flows from conventional points of view regarding cost estimates generated from a forty-hour, fifty-two weeks cost basis. The reality of our contemporary times deem conventional point of view dated and shortsighted because we live in an age of analytics, algorithms, optical character recognition (OCR), and proprietary software that automate significant steps and procedures of audit processes. I realize that technology is powerful and beautiful and saturates our society, simplifying very difficult tasks. I believe the professionals within the accounting industry, particularly the forensic auditing community, are best suited to help us determine our needs and make critical analysis, assessments, and determinations regarding the policies of our organization that drive our financial condition and stability. The quality assurance of forensic auditing is priceless but I believe we are well within our ability to afford an intrusively thorough examination. We owe it to our city to comply and to act expeditiously in accordance with their mandate.

Jonathan L. Okray



Jonathan L. Okray  
Councilmember At-Large