

CITY COUNCIL MEMORANDUM

AGENDA ITEM

Approve a professional services agreement with McConnell & Jones, LLP for audit services.

ORIGINATING DEPARTMENT

City Auditor/City Attorney

BACKGROUND INFORMATION

On October 9, 2016, the City began advertising a Request for Qualifications ("RFQ"), in which the City sought responses 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 February 28, 2016, the Committee briefed the City Council on the refined scope of work, which included the significant issues identified by councilmembers and citizens. 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)

The firm intends to begin work the week after the Professional Services Agreement is approved by the City Council, and the work will require approximately four months to complete. McConnell & Jones, LLP will provide a mid-audit briefing and a comprehensive final report.

FISCAL IMPACT

The fee to complete the audit, inclusive of all necessary travel, is \$394,456. Funding for the audit will be made available through a subsequent budget amendment.

RECOMMENDATION

That the City Council approve the attached Professional Services Agreement for Audit Services with McConnell Jones in the amount of \$394,456, and authorize the City Manager to execute such agreement, along with any and all change orders within the amount established by state and local law.