



STAFF REPORT

DATE: August 20, 2019

TO: Ronald L. Olson, 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.

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.

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. Their examination of the City's financial records was thorough. They were 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 May 30, 2019, the Audit Committee voted to recommend the appointment of Belt Harris Pechacek, LLLP for the FY 2019 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 Section 40 requires that City Council designate a qualified certified public accountant (CPA) 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 2019 is as follows:

Financial Audit Statement	\$119,970
Single Audit Base Fee	3,909
Cost per Major Program	6,023
PFC Audit and Report	<u>9,405</u>
Total	\$139,307

Is this a one-time or recurring expenditure?

One time expense for the audit of FY 2019.

Is this expenditure budgeted?

The costs related to the FY 2019 audit will be incurred in FY 2020, and are included in the FY 2020 Proposed Budget.

If not, where will the money come from?

N/A

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

Yes, upon approval of the FY 2020 Budget.

RECOMMENDATION:

Staff recommends that the City Council renew the agreement with Belt Harris Pechacek, LLLP to provide auditing services for the City of Killeen for the fiscal year ending September 30, 2019.

DEPARTMENTAL CLEARANCES:

Legal

ATTACHED SUPPORTING DOCUMENTS:

Engagement Letter