

## CITY COUNCIL MEMORANDUM

**FROM:** The Office of the City Manager    **DATE:** June 4, 2018

**SUBJECT:** Consider award of a Professional Services Agreement for Audit Services to Whitley Penn, LLP and authorize the City Manager to execute the agreement.

**PRESENTER:** Mark C. Mills, Director of Finance

**SUMMARY:**

Staff requests that City Council consider awarding a Professional Services Agreement for Audit Services to Whitley Penn, LLP. The initial contract for professional services will be a three-year agreement, with two optional one-year renewals.

**GENERAL DESCRIPTION:**

BKD, LLP has performed professional audit services for the City of North Richland Hills for the last five years, which included Fiscal Years 2013 through 2017. While the City does not have a policy mandating the periodic rotation of auditors, management believes that it is a good practice to request proposals periodically to ensure the city is receiving the best possible audit services. Prior to this occasion, the last time the city requested proposals for audit services was 2013.

On March 14, 2018 the city received proposals for Professional Auditing Services from local, regional and national accounting firms through newspaper advertisement and a posting on Public Purchase, a web service the city uses to advertise, post, and receive submissions to its bids and proposals. Staff prepared the proposal specifications to ensure conformance with nationally accepted governmental auditing standards, while promoting and protecting the interests of the city.

The following nine firms submitted proposals (in alphabetical order):

- Baker Tilly Virchow Krause, LLP
- BKD, LLP
- Carr, Riggs, & Ingram, LLC
- Crowe Horwath LLP
- Haynie and Company
- McConnell & Jones LLP
- Pattillo, Brown & Hill, LLP
- RSM US LLP
- Whitley Penn, LLP



The proposals were evaluated using four major criteria:

1. Mandatory elements such as independence and audit quality.
2. Expertise and experience.
3. Audit approach.
4. Ability to meet stated deadlines.

The proposals were reviewed by a five member Proposal Review Committee:

- Paulette Hartman, Assistant City Manager
- Mark Mills, Director of Finance
- Glenn Mizell, Assistant Director of Finance
- Cameron Rowland, Assistant Human Resources Director
- Amanda Brown, Accountant II

At the conclusion of the review, the committee selected four firms for interviews:

- BKD, LLP
- Crowe Horwath LLP
- McConnell & Jones LLP
- Whitley Penn, LLP

After careful review and consideration of all the critical elements involved, it has been concluded that Whitley Penn is the recommended firm to provide these services. A regional accounting firm established in 1983, Whitley Penn has become one of the region's most distinguished accounting firms. The firm currently serves as the external auditor for over 80 governmental entities, including:

- City of Galveston
- City of Round Rock
- City of Pearland
- City of Sugar Land
- City of DeSoto
- City of Watauga

Whitley Penn has consistently received high marks for its practice and management. With a dedicated Public Sector team, staff believes the firm will bring highly qualified and experienced personnel to this engagement.

The initial term of the engagement will be three-years, covering Fiscal Years 2018, 2019, and 2020. In addition, the city will have the ability to exercise two optional one-year renewals for Fiscal Year 2021 and Fiscal Year 2022. Services to be provided include, but are not limited to: the annual audit of the city's financial statements, preparation of the Comprehensive Annual Financial Report in conjunction with staff, auditing and reporting of major state and federal program grants, compliance testing of the requirements of the Texas Public Funds Investment Act, review of internal controls, and periodic consultation on issues related to accounting and the implementation of new accounting standards.



Whitley Penn has proposed the following costs for services for the initial three years of the engagement:

	Fiscal Year Ending 09/30/2018	Fiscal Year Ending 09/30/2018	Fiscal Year Ending 09/30/2019
Financial Audit & CAFR	\$99,360	\$101,300	\$103,400
Single Audit	\$16,640	\$17,000	\$17,300
<b>Annual Total</b>	<b>\$116,000</b>	<b>\$118,300</b>	<b>\$120,700</b>

This engagement gives the city the right to review the auditor's performance each year. Acceptable performance reviews will be necessary to continue auditing services the following year.

**RECOMMENDATION:**

Award a Professional Services Agreement for Audit Services to Whitley Penn, LLP and authorize the City Manager to execute the agreement.